

MERREX GOLD INC.

CONSOLIDATED FINANCIAL STATEMENTS

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

(Unaudited – expressed in Canadian dollars)

MERREX GOLD INC.
UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED FEBRUARY 29, 2008

Notice to Reader

The management of Merrex Gold Inc. is responsible for the preparation of the accompanying interim consolidated financial statements. The interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and are considered by management to present fairly the financial position, operating results and cash flows of the Company.

Gregory P. Isenor
President and CEO

Teri L. Anderson
Chief Financial Officer

MERREX GOLD INC.
UNAUDITED CONSOLIDATED BALANCE SHEETS

	February 29, 2008	August 31, 2007
ASSETS		
Current		
Cash and cash equivalents	\$ 3,497,130	\$ 3,911,520
Prepaid expenses	17,501	311,274
Taxes and other receivables	185,007	631,300
Exploration advances	26,217	105,621
	3,725,855	4,959,715
Exploration Advances Receivable	401,559	304,741
Capital assets (Note 4)	76,127	87,492
Deferred exploration expenditures and property costs (Note 5)	15,941,187	12,687,285
	\$ 20,144,728	\$ 18,039,233
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 998,824	\$ 746,043
Future income tax liability	327,000	327,000
	1,325,824	1,073,043
SHAREHOLDERS' EQUITY		
Share capital (Note 6)	29,854,958	27,134,560
Contributed surplus (Note 6)	2,699,505	2,464,517
Deficit	(13,735,559)	(12,632,887)
	18,818,904	16,966,190
	\$ 20,144,728	\$ 18,039,233

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

MERREX GOLD INC.

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) AND DEFICIT

	THREE MONTHS ENDED FEBRUARY 29		SIX MONTHS ENDED FEBRUARY 29	
	2008	2007	2008	2007
Administrative expenses				
Amortization	\$ 5,683	\$ 5,124	\$ 11,366	\$ 9,253
Consulting fees	70,903	18,605	129,337	9,085
Director fees	14,500	11,150	26,200	11,150
Filing and transfer fees	8,417	12,598	15,403	22,326
Management fees	56,000	56,000	112,000	102,500
Marketing and investor relations	67,503	67,654	156,869	99,113
Office and rent	74,640	63,732	153,385	110,226
Professional fees	76,578	64,351	169,006	124,176
Property investigation costs	-	-	-	30,000
Stock based compensation	174,988	508,809	174,988	857,770
Travel and business development	57,021	12,398	180,921	60,599
	606,233	820,421	1,129,475	1,436,198
Other recoveries (expenses)				
Foreign exchange loss	(3,016)	-	(4,742)	-
Interest income	23,341	6,798	47,438	10,253
Interest and bank charges	(1,679)	-	(15,893)	-
	18,646	6,798	26,803	10,253
Net earnings and comprehensive earnings (loss) for the period	(587,587)	(813,623)	(1,102,672)	(1,425,945)
Deficit, Beginning Of Period	(13,147,972)	(11,953,758)	(12,632,887)	(11,341,436)
Deficit, End Of Period	\$ (13,735,559)	\$ (12,767,381)	\$ (13,735,559)	\$ (12,767,381)
Loss Per Share, Basic and Diluted	\$ (0.01)	\$ (0.02)	\$ (0.02)	\$ (0.04)
Weighted Average Number of Shares	58,270,174	45,193,425	56,430,103	40,810,802

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

MERREX GOLD INC.

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

	THREE MONTHS ENDED FEBRUARY 29		SIX MONTHS ENDED FEBRUARY 29	
	2008	2007	2008	2007
Cash Flows From Operating activities				
Net loss for the period	\$ (587,587)	\$ (813,623)	\$ (1,102,672)	\$ (1,425,945)
Items not involving cash:				
Amortization	5,683	5,124	11,366	9,253
Stock-based compensation	174,988	508,809	174,988	857,770
	<u>(406,916)</u>	<u>(299,690)</u>	<u>(916,318)</u>	<u>(558,922)</u>
Changes in non-cash working capital items:				
Prepaid expenses	876	(1,500)	293,773	(50)
Taxes and other receivables	42,742	(83,365)	446,293	(170,020)
Exploration advances	99,339	-	79,404	-
Accounts payable and accrued liabilities	(608,588)	(688,192)	(335,707)	(774,058)
	<u>(872,547)</u>	<u>(1,072,747)</u>	<u>(432,555)</u>	<u>(1,503,050)</u>
Cash Flows From Investing activities				
Purchase of capital assets	-	(27,117)	-	(34,596)
Exploration advances	(97,918)	(162,783)	(96,817)	(197,914)
Deferred exploration and property costs	(1,017,989)	(1,109,132)	(2,647,916)	(2,292,673)
	<u>(1,115,907)</u>	<u>(1,299,032)</u>	<u>(2,744,733)</u>	<u>(2,525,183)</u>
Cash Flows From Financing activities				
Loan repayments	-	(400,000)	-	-
Issuance of share capital	3,099,970	5,367,372	3,099,970	5,794,122
Share issuance costs	(337,072)	(483,617)	(337,072)	(483,617)
	<u>2,762,898</u>	<u>4,483,755</u>	<u>2,762,898</u>	<u>5,310,005</u>
Net increase (decrease) in cash	774,444	2,111,976	(414,390)	1,281,772
Cash, Beginning of period	2,722,686	298,368	3,911,520	1,128,572
Cash, End of period	\$ 3,497,130	\$ 2,410,344	\$ 3,497,130	\$ 2,410,344
Cash and cash equivalents is comprised of:				
Cash	\$ 859,017	\$ 506,344	\$ 859,017	\$ 506,344
Short-term deposits	\$ 2,638,113	\$ 1,904,000	\$ 2,638,113	\$ 1,904,000
Supplemental disclosure of non-cash financing and investing activities				
Purchase of mineral properties	\$ -	\$ -	\$ 17,500	\$ 17,500

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

MERREX GOLD INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED FEBRUARY 29, 2008

1. NATURE OF BUSINESS

Merrex Gold Inc. (the "Company") is incorporated under the *Business Corporations Act* of British Columbia. The Company's principal business activity is the acquisition and exploration of resource properties.

The Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain economically recoverable ore reserves. The recoverability of the amounts shown for mineral properties and related deferred exploration expenditures is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of the properties, and upon future profitable production or proceeds of disposition thereof.

2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles, using the same accounting policies and methods as per the annual consolidated financial statements for the year ended August 31, 2007, with the following additions. These statements do not include all the disclosures required by generally accepted accounting principles and should be read in conjunction with the most recent annual financial statements of the Company.

Recently adopted accounting pronouncements

On September 1, 2007, the Company adopted new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA") Handbook Sections 1530 "Comprehensive Income", 3251 "Equity", 3865 "Hedges", 3855 "Financial instruments – Recognition and Measurement" and 3861 "Financial Instruments – Disclosure and Presentation". These standards were adopted on a prospective basis; accordingly comparative amounts for prior periods have not been restated.

CICA Section 1530 established standards for reporting and presenting comprehensive income which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income that are excluded from net income calculated in accordance with generally accepted accounting principles. The Company has no changes in its net assets that are not included in the statement of operations.

CICA Section 3251 established standards for the presentation of equity and changes in equity during the period. Accumulated other comprehensive income is included on the consolidated balance sheet as a separate component of shareholders' equity, and includes the foreign currency cumulative translation adjustment.

CICA Section 3865 specifies the circumstances under which hedge accounting is permissible and how hedge accounting may be performed. The Company does not have any hedges.

CICA Section 3855 prescribes when a financial asset, financial liability or non-financial derivative is to be recognized on the balance sheet and at what amount, requiring fair value or cost based measures under different circumstances. Transaction costs related to held-to-maturity financial liabilities are charged to interest expense as incurred. The fair value of all short-term financial assets, liabilities, cash and short term investments approximates their carrying value, particularly given their short maturities. Unless otherwise noted, it is management's opinion that there are no significant currency and credit risks arising from these financial instruments.

CICA Section 3861 establishes standards for presentation of financial instruments and non-financial derivatives, and identifies the information that should be disclosed about them. Under the new standards, policies followed for periods prior to the effective date generally are not reversed and, therefore the comparative figures have not been restated.

The changes in accounting policy did not have a material impact on the financial statements.

MERREX GOLD INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED FEBRUARY 29, 2008

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently issued accounting pronouncements

In December 2006, the CICA issued three handbook sections which apply to fiscal years beginning on or after October 1, 2007. The Company is currently evaluating the impact of these new handbook sections on the consolidated financial statements and will adopt the sections commencing September 1, 2008.

Section 3862 – Financial Instruments – Disclosures, describes the required disclosures related to the significance of financial instruments on the Company's financial position and performance and the nature and extent of risks arising for financial instruments to which the entity is exposed and how the entity manages those risks. This section complements existing handbook section 3855, Financial Instruments - Recognition and Measurement, and section 3863, Financial Instruments - Presentation.

Section 3863 – Financial Instruments – Presentation, establishes standards for presentation of financial instruments and non-financial derivatives. This section complements the existing handbook section 3861, Financial Instruments - Disclosure and Presentation.

Section 1535 – Capital Disclosures, establishes standards disclosing information about a Company's capital and how it is managed to enable users of financial statements to evaluate the Company's objectives, policies and procedures for managing capital.

CICA Section 3031 – Inventories is effective for fiscal years beginning on or after January 1, 2008 and aligns accounting for inventories under Canadian GAAP with International Financial Reporting Standards (IFRS). This standard will not impact the Company's financial statements.

In February 2008 the Accounting Standards Board announced that accounting standards in Canada are to converge with IFRS and companies will begin reporting, with comparative data, under IFRS for fiscal years beginning on or after January 1, 2011. While IFRS is based on a conceptual framework similar to Canadian GAAP, there are significant differences with respect to recognition, measurement and disclosure which the Company is beginning to assess.

3. ACQUISITION

The Company entered into an option agreement with the shareholders of Jubilee Minerals Limited (“the Jubilee Shareholders”) on August 12, 2005 (“the Jubilee Option”). Under the terms of the Jubilee Option the Jubilee Shareholders granted the Company the right to acquire 100% of the issued and outstanding shares of Jubilee Minerals Limited. Pursuant to the terms and conditions of the agreement, in order to exercise its option, the Company agreed to issue 10,000,000 of its common shares to the Jubilee Shareholders as consideration. The Jubilee Option received requisite shareholder and regulatory approval on March 7, 2006 and May 24, 2006 respectively and on May 24, 2006 the Company exercised its option.

The acquisition was accounted for by the purchase method. The shares issued were valued at the trading price on the date of the Jubilee Option. The results of operations of Jubilee Minerals Limited are included in the consolidated statements of operations from the exercise date.

The following table summarizes the fair value of assets acquired and liabilities assumed at the acquisition date:

Mineral properties	\$ 752,000
Accounts payable	(2,000)
Value of shares issued	<u>\$ 750,000</u>

An additional 850,000 common shares valued at \$63,750 were issued to a third party in respect of finders' fees associated with the acquisition of the shares of Jubilee Minerals Limited and capitalized as cost of mineral properties.

MERREX GOLD INC.

**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED FEBRUARY 29, 2008**

4. CAPITAL ASSETS

	As at February 29, 2008			As at August 31, 2007
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Furniture and fixtures	\$ 28,248	\$ 6,307	\$ 21,941	\$ 24,380
Computer hardware	13,440	5,045	8,395	9,876
Leasehold improvements	73,137	27,346	45,791	53,236
	<u>\$ 114,825</u>	<u>\$ 38,698</u>	<u>\$ 76,127</u>	<u>\$ 87,492</u>

5. DEFERRED EXPLORATION EXPENSE AND MINERAL PROPERTY COSTS

	Balance - November 30, 2007 \$	Exploration expenditures during the period \$	Mineral property costs during the period \$	Balance - February 29, 2008 \$
High River Properties	1,317,282			1,317,282
West Voisey's Bay	2,031,951	-	-	2,031,951
Red Lake	440,691	8,750	-	449,441
Hungry Hill	96,915	-	-	96,915
Sutherlands Pond	52,982	-	-	52,982
West Voisey's Bay-2	214,876	-	-	214,876
Jubilee Property	3,879,875	82,813	-	3,962,688
Mali Properties				
Siribaya	5,576,112	1,063,940	43,000	6,683,052
Kakadian	95,795	2,600	45,000	143,395
Other Properties	628,233	360,372	-	988,605
	<u>14,334,712</u>	<u>1,518,475</u>	<u>88,000</u>	<u>15,941,187</u>

	Balance - August 31, 2007 \$	Exploration expenditures during the period \$	Mineral property costs during the period \$	Balance - November 30, 2007 \$
High River Properties	1,317,282			1,317,282
West Voisey's Bay	2,000,618	31,333	-	2,031,951
Red Lake	243,284	197,407	-	440,691
Hungry Hill	52,109	44,806	-	96,915
Sutherlands Pond	52,234	748	-	52,982
West Voisey's Bay-2	171,239	1,137	42,500	214,876
Jubilee Property	3,635,416	237,119	7,340	3,879,875
Mali Properties				
Siribaya	4,732,563	793,549	50,000	5,576,112
Kakadian	95,795	-	-	95,795
Other Properties	386,745	180,288	61,200	628,233
	<u>12,687,285</u>	<u>1,486,387</u>	<u>161,040</u>	<u>14,334,712</u>

MERREX GOLD INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED FEBRUARY 29, 2008

5. DEFERRED EXPLORATION EXPENSE AND MINERAL PROPERTY COSTS (Continued)

a) High River Properties

In 2006 the Company acquired varying interests in certain exploration properties from High River Gold Mines Ltd. for \$361,415 cash, the issuance of 2,245,000 common shares at a value of \$898,000, and the issuance of 144,667 common shares at a value of \$57,867 to four guarantors (including three directors). The properties include a 50% interest in 451 claims in West Voisey's Bay and a 100% interest in 229 claims in the Red Lake and Birch Lake areas of Ontario.

b) West Voisey's Bay-2 (VB-2)

Effective October 6, 2006, the Company and its joint venture partner Celtic Minerals Ltd. entered into an option agreement to acquire a 100% interest in the VB-2 property, a 60-claim (15 sq km) block in West Voisey's Bay. Under the terms of the agreement, Celtic and the Company will make the following payments over four years: cash payments of \$250,000 (of which \$75,000 has been paid), share issuances of 125,000 shares each (of which each has issued 50,000 shares), and incur exploration expenditures of \$1.6 million (of which \$284,752 has been incurred). If the option is exercised, the vendors will receive a 2% Net Smelter Royalty of which the joint venture can purchase half for \$2.0 million.

c) Jubilee Property

The Jubilee Property is a 189-claim land position in Inverness and Victoria counties of Central Cape Breton, Nova Scotia. Of these claims, 23 claims are subject to a 2% Net Smelter Return and 1% of such Net Smelter Return may be purchased by the Company for \$1,000,000.

d) Mali Properties

The Company has optioned from Touba Mining SARL ("Touba") of Bamako, Mali certain mining permits within a 4,100 square kilometer defined area of interest in the southern portion of what is referred to as the West Mali Gold Belt. These permits are called the Siribaya Properties.

Pursuant to the terms of the option agreement, the Company has earned a 95% interest in the Siribaya (132 sq km) and Taya-Malea (177 sq km) mining permits by making cash payments aggregating \$85,000 and incurring exploration expenditures exceeding the minimum requirement of \$750,000.

The Company has also secured through Touba option rights from other parties for the Kambaya (143 sq km), Kofia (147 sq km) and Babara (142 sq km) permits within this area of interest. All required legalities have been completed for all permits except for the Kambaya permit which is nearing completion. These permits require additional cash payments totalling \$291,000, of which \$146,000 has been paid to date. There are no expenditure requirements for these permits. To date the Company has earned interests in these permits as follows: Babara permit – 75%; Kofia permit – 100% and Kambaya permit – 30%. Additional cash payments required under each permit are as follows: \$34,000 by May 2008 for an additional 30% of the Kambaya permit, \$45,000 by December 2008 for the remaining 25% of the Babara permit and \$66,000 by May 2009 for the remaining 40% of the Kambaya permit.

All permits are subject to a 5% net profit interest royalty in favour of the Optionor and, if the properties are to be developed as a mine, a 20% dilution in favour of the Government of Mali, of which 10% is participating and 10% is carried. If the government of Mali elects not to participate, the 10% participating interest reverts to the Company.

The Company has earned a 100% interest in the Kakadian Permit of approximately 109 square kilometres located in Mali for cash payments of approximately \$80,000. There are no exploration expenditure obligations for the Kakadian property. The Kakadian permit is subject to a 3% net profit interest royalty in favour of the Optionor and, if the property is to be developed as a mine, a 20% dilution in favour of the Government of Mali, of which 10% is participating and 10% is carried. If the government of Mali elects not to participate, the 10% participating interest reverts to the Company.

e) Other Properties

The Company's other properties include 759 claims in Nova Scotia over a number of prospective zinc occurrences, 32 claims near Winterland, Newfoundland over a prospective zinc/molybdenum occurrence, and a 15% vested interest in 43 claims near Sand Brook Mountain, New Brunswick.

MERREX GOLD INC.

**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED FEBRUARY 29, 2008**

6. SHARE CAPITAL

a) Authorized
Unlimited common shares without par value.

b) Issued and Outstanding

	SHARES	AMOUNT	CONTRIBUTED SURPLUS
Balance, August 31, 2006	35,992,275	\$ 16,781,673	\$ 362,600
Issued during 2007:			
For cash:			
Private placements	14,740,031	12,766,022	-
Share issue costs	-	(928,442)	-
Warrants exercised	3,368,083	821,063	-
Agents' options exercised	243,181	170,227	-
For resource properties	25,000	17,500	-
Agents' units issued	208,000	197,600	-
Agents' units and options issued	-	(607,575)	409,975
Agents' options exercised	-	90,165	(90,165)
Future income tax recovery	-	(2,173,672)	-
Stock-based compensation			1,782,107
Balance, August 31, 2007	54,576,570	\$ 27,134,560	\$ 2,464,517
Issued during 2008:			
For cash:			
Private placements	4,769,185	3,099,970	
Share issue costs	-	(337,072)	
Agents' warrants issued	-	(60,000)	60,000
For resource properties	25,000	17,500	-
Stock-based compensation			174,988
Balance, February 29, 2008	59,370,755	\$ 29,854,958	\$ 2,699,505

- (i) On December 21, 2007, the Company issued 4,769,185 flow-through common shares at a price of \$0.65 per share for cash of \$3,099,970. Agents were paid cash commissions of \$216,998 and received 333,843 common share purchase warrants exercisable until December 21, 2009 at an exercise price of \$0.60 per share. Using the Black Scholes model a fair value of \$60,000 was assigned to the warrants and charged to share issue costs. The assumptions used to fair value the warrants were a risk-free rate of 4.0%, expected volatility of 89%, expected life of 1 year and a dividend yield of 0%.
- (ii) On October 10, 2007 the Company issued 25,000 common shares at a fair value of \$17,500 pursuant to an option agreement for the West Voisey's Bay-2 property.
- (iii) On June 7, 2007 the Company issued 7,792,000 common shares at a price of \$0.95 per share for cash of \$7,402,400. Each unit consists of one common share and one-half of one common share purchase warrant. Each full purchase warrant is exercisable at a price of \$1.25 until June 7, 2008 and thereafter at a price of \$1.75 until expiry on December 7, 2008. Agents were paid cash commissions of \$320,568, received 208,000 units at a fair value of \$197,600, and received 623,360 agents' compensation options exercisable into one common share of the Company at an exercise price of \$1.00 expiring December 7, 2008. Using the Black Scholes model a fair value of \$229,645 was assigned to the options and charged to share issue costs.

MERREX GOLD INC.

**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED FEBRUARY 29, 2008**

6. SHARE CAPITAL (Continued)

- (iv) On March 31, 2007, the Company renounced \$6,348,340 in expenditures related to the issuance of flow-through shares and warrants and reduced share capital for the tax effect of the tax benefits renounced to subscribers.
- (v) On December 6, 2006 the Company issued 5,000,000 flow-through common shares at a price of \$0.80 per share for cash of \$4,000,000. The Company also issued 1,948,031 common shares pursuant to a unit offering at a price of \$0.70 per unit for cash of \$1,363,622. Each unit consists of one common share and one-half of a common share purchase warrant. Each full purchase warrant entitles the holder to purchase one additional common share at \$0.90 per share for a period of one year, subject to certain accelerated expiry terms. Agents were paid cash commissions of \$375,453 and were granted agents' compensation options of 486,363 units, exercisable at \$0.70 per unit expiring December 7, 2007. Using the Black Scholes model a fair value of \$180,330 was assigned to the options and charged to share issue costs.
- (vi) During the year ended August 31, 2007, the Company issued 2,841,666 common shares for \$426,250 on the exercise of warrants at \$0.15 per share, issued 526,417 common shares for \$394,813 on the exercise of warrants at \$0.75 per share, and issued 243,181 common shares on the exercise of agents' compensation options at \$0.70 per share.
- (vii) On October 6, 2006 the Company issued 25,000 common shares at a fair value of \$17,500 pursuant to an option agreement for the West Voisey's Bay-2 property.

c) Escrow Shares

As at February 29, 2008 there were 6,503,250 shares subject to a Value Securities Escrow Agreement. These shares will be released on the following basis:

Release Dates	Number of Escrowed Securities to be Released
May 24, 2008	2,167,750
November 24, 2008	2,167,750
May 24, 2009	2,167,750
Total	6,503,250

d) Stock Options

The Company has a rolling stock option plan under which options to acquire common shares of the Company are granted to directors, officers, employees and consultants of the Company. The maximum number of options permitted is limited to ten percent (10%) of the issued capital of the corporation from time to time. As at February 29, 2008, the following options have been issued and remain outstanding:

	2008		2007	
	Options Outstanding	Weighted average exercise price per share	Options Outstanding	Weighted average exercise price per share
Beginning of period	4,260,000	\$ 0.69	3,140,000	\$ 0.60
Issued	1,200,000	0.75	1,170,000	0.90
Cancelled/Expired	(75,000)	(0.80)	-	-
End of period	5,385,000	\$ 0.71	4,310,000	\$ 0.70

MERREX GOLD INC.

**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED FEBRUARY 29, 2008**

6. SHARE CAPITAL (Continued)

d) Stock Options (Continued)

Options Outstanding		
Exercise Price	Number of Shares	Expiry Date
\$0.11	590,000	August 29, 2010
\$0.45	100,000	December 5, 2010
\$0.75	2,100,000	June 1, 2011
\$0.75	275,000	November 7, 2011
\$0.90	1,120,000	December 19, 2011
\$0.75	1,200,000	December 4, 2012
	5,385,000	

The fair values of options granted have been estimated using an option-pricing model. Assumptions used in the pricing model are as follows: Average risk-free interest rate – 4%, expected life – 5 years, expected volatility - 115% and expected dividend - \$Nil.

The following table summarizes information about options outstanding at February 29, 2008:

Number Outstanding	Exercise Price	Weighted average remaining contractual life	Options Exercisable at February 29, 2008
590,000	0.11	2.46	590,000
100,000	0.45	2.73	100,000
2,100,000	0.75	3.21	2,100,000
275,000	0.75	3.64	275,000
1,120,000	0.90	3.75	1,120,000
1,200,000	0.75	4.70	400,000
5,385,000		3.58	4,585,000

e) Agents' Compensation Options

Pursuant to the June 6, 2007 private placement, the Company issued 623,360 agents' compensation options exercisable into common shares of the Company at an exercise price of \$1.00 expiring December 7, 2008.

f) Warrants

As at February 29, 2008, the following warrants were outstanding:

	2008		2007	
	Warrants Outstanding	Weighted average exercise price per share	Warrants Outstanding	Weighted average exercise price per share
Beginning of period	5,095,607	\$ 1.37	611,417	\$ 0.75
Issued	333,843	\$ 0.60	974,016	\$ 0.90
Exercised	-	-	(5,000)	\$ 0.75
Expired	(1,095,607)	(\$ 0.90)	-	-
End of year	4,333,843	\$1.43	1,580,433	\$ 0.84

MERREX GOLD INC.

**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED FEBRUARY 29, 2008**

6. SHARE CAPITAL (Continued)

f) Warrants (continued)

Share purchase warrants outstanding at February 29, 2008:

Warrants Outstanding		
Exercise Price	Number of Shares	Expiry Date
\$1.25 - \$1.75	4,000,000	December 7, 2008
\$0.60	333,843	December 21, 2009
	<u>4,333,843</u>	

7. RELATED PARTY TRANSACTIONS

During the three months ended February 29, 2008, the Company entered into the following transactions with related parties:

- a) The Company paid or accrued the following amounts to related parties:
- For management and exploration management fees \$74,250 (2007 - \$64,600) to a director of the Company, to a corporation of which a director and officer is a shareholder, and to a member of the immediate family of a director and officer of the Company. Of this amount, \$56,000 (2007 - \$55,000) was charged to loss for the period and \$18,250 (2007 - \$9,600) was included in deferred exploration expense;
 - For directors' fees \$14,500 (2007 - \$11,150) to non-executive directors of the Company which was charged to loss for the period;
 - For office rent, related overhead expenses, and vehicle rental \$16,750 (2007 - \$16,000) to corporations of which directors are shareholders. Of this amount, \$3,750 (2007 - \$2,500) was charged to loss for the period and \$13,000 (2007 - \$13,500) was charged to deferred exploration expense; and
 - For professional services \$106,370 (2007 - \$71,470) to a director, to a corporation of which an officer is a shareholder, and to a firm of which a director is a partner. Of this amount, \$53,472 (2007 - \$71,470) was charged to loss for the period and \$52,898 (2007 - \$Nil) was charged to share capital.
- b) The Company borrowed short-term loans totalling \$Nil from a director (2007 - repaid \$400,000).

Included in accounts payable and accrued liabilities are amounts owing to directors and officers and corporations in which directors and officers are shareholders totalling \$156,384 (2007 - \$123,182). Included in prepaid expenses is a deposit on a consulting contract with an officer of \$4,800 (2007 - \$4,800). Amounts payable to related parties are unsecured, non-interest bearing and have no fixed terms of repayment.

Related party transactions are in the ordinary course of business, occurring on terms that are similar to those of transactions with unrelated parties, and therefore are measured at the exchange amount.

8. COMMITMENTS

As at February 29, 2008, the Company has a lease commitment for office space expiring on March 31, 2011. Minimum lease payments, including estimated taxes and operating expenses for each of the next four years are as follows:

February 29, 2009	\$ 28,775
February 29, 2010	\$ 28,775
February 29, 2011	\$ 28,775
February 29, 2012	\$ 2,398

MERREX GOLD INC.

**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED FEBRUARY 29, 2008**

8. COMMITMENTS (Continued)

In December 2007, the Company raised \$3,099,970 in flow-through funds that must be used for expenditures qualifying as Canadian Exploration Expenditures (CEE) as defined in the *Income Tax Act* (Canada) by December 31, 2008, under the look-back rule. As at February 29, 2008, \$91,018 in expenditures qualifying as CEE had been incurred. The Company has indemnified flow-through share subscribers for any tax payable by the subscribers under the *Income Tax Act* (Canada) if the Company fails to incur the CEE by December 31, 2008.

9. SUBSEQUENT EVENTS

Subsequent to quarter-end, directors of the Company exercised 300,000 stock options at an exercise price of \$0.11 per share for cash of \$33,000.