

**MERREX GOLD INC.**  
(Formerly Merrex Resources Inc.)

**UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE THREE MONTH PERIOD ENDED  
FEBRUARY 28, 2007**

**MERREX GOLD INC.**  
**(Formerly Merrex Resources Inc.)**  
**UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
FOR THE THREE MONTH PERIOD ENDED FEBRUARY 28, 2007

***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 accounting principles generally accepted in Canada 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.**  
(Formerly Merrex Resources Inc.)

**UNAUDITED CONSOLIDATED BALANCE SHEETS**

	FEBRUARY 28, 2007	August 31, 2006
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 2,410,344	\$ 1,128,572
Prepaid expenses	18,800	18,750
Taxes and other receivables	297,490	127,470
	2,726,634	1,274,792
<b>Capital assets</b> (Note 4)	96,701	71,358
<b>Exploration advances receivable</b>	197,914	-
<b>Deferred exploration expenditures and property costs</b> (Note 5)	7,885,553	4,913,673
	\$ 10,906,802	\$ 6,259,823
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 344,635	\$ 456,986
<b>SHAREHOLDERS' EQUITY (DEFICIENCY)</b>		
<b>Share capital</b> (Note 6)	22,109,178	16,781,673
<b>Contributed surplus</b>	1,220,370	362,600
<b>Deficit</b>	(12,767,381)	(11,341,436)
	10,562,167	5,802,837
	\$ 10,906,802	\$ 6,259,823

Approved on Behalf of the Board of Directors:

"Gregory Isenor"  
\_\_\_\_\_  
Director

"Gary MacKenzie"  
\_\_\_\_\_  
Director

**MERREX GOLD INC.**  
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**UNAUDITED CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT**

	THREE MONTHS ENDED FEBRUARY 28		SIX MONTHS ENDED FEBRUARY 28	
	2007	2006	2007	2006
<b>Administrative Expenses</b>				
Amortization	\$ 5,124	\$ -	\$ 9,253	\$ 761
Filing and transfer fees	12,598	16,056	22,326	17,943
Finder's fees and commissions	-	-	-	14,390
Interest and bank charges	(6,798)	98	(10,253)	139
Management and directors' fees	67,150	23,500	113,650	31,000
Marketing and public relations	48,478	-	76,221	-
Office and rent	63,732	7,409	110,226	13,934
Printing and postage	19,176	4,808	22,892	4,808
Professional fees	82,956	24,365	133,261	41,865
Property investigation	-	-	30,000	-
Stock based compensation	508,809	-	857,770	-
Travel and business development	12,399	-	60,599	2,135
<b>Net (Loss) For The Period</b>	<b>(813,623)</b>	<b>(76,236)</b>	<b>(1,425,945)</b>	<b>(126,975)</b>
<b>Deficit, Beginning Of Period</b>	<b>(11,953,758)</b>	<b>(10,315,466)</b>	<b>(11,341,436)</b>	<b>(10,264,727)</b>
<b>Deficit, End Of Period</b>	<b>\$ (12,767,381)</b>	<b>\$ (10,391,702)</b>	<b>\$ (12,767,381)</b>	<b>\$ (10,391,702)</b>
<b>Earnings (Loss) Per Share</b>	<b>\$ (0.02)</b>	<b>\$ (0.01)</b>	<b>\$ (0.04)</b>	<b>\$ (0.01)</b>
<b>Weighted Average Number of Shares</b>	<b>45,193,425</b>	<b>12,133,000</b>	<b>40,810,802</b>	<b>11,874,238</b>

**MERREX GOLD INC.**  
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**UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS**

	THREE MONTHS ENDED FEBRUARY 28		SIX MONTHS ENDED FEBRUARY 28	
	2007	2006	2007	2006
<b>Cash provided by (used in)</b>				
<b>Operating activities</b>				
Net income (loss) for the period	\$ (813,623)	\$ (76,236)	\$ (1,425,945)	\$ (126,975)
Items not involving cash:				
Stock-based compensation	508,809		857,770	
Fees paid with shares	-		-	14,390
Amortization	5,124		9,253	761
Changes in non-cash working capital balances:				
(Increase) decrease in taxes recoverable	(83,365)	4,642	(170,020)	(19,027)
(Increase) decrease in prepaid expenses	(1,500)		(50)	
Increase (decrease) in accounts payable and accrued liabilities	(688,192)	12,743	(774,057)	80,374
	<u>(1,072,747)</u>	<u>(58,851)</u>	<u>(1,503,050)</u>	<u>(50,477)</u>
<b>Investing activities</b>				
Expenditures on mineral properties and related deferred costs	(1,109,132)	(507,210)	(2,292,673)	(693,552)
Exploration advances receivable	(162,783)		(197,914)	
Purchase of equipment	(27,117)	-	(34,596)	-
	<u>(1,299,032)</u>	<u>(507,210)</u>	<u>(2,525,183)</u>	<u>(693,552)</u>
<b>Financing activities</b>				
Proceeds from (repayment of) loans	(400,000)	70,500	-	70,500
Shares subscribed but not issued	-	690,000	-	690,000
Issuance of share capital	4,883,755	250,240	5,310,005	525,240
	<u>4,483,755</u>	<u>1,010,740</u>	<u>5,310,005</u>	<u>1,285,740</u>
<b>Net change in cash</b>	<b>2,111,976</b>	<b>444,679</b>	<b>1,281,772</b>	<b>541,711</b>
<b>Cash, Beginning of period</b>	<b>298,368</b>	<b>102,974</b>	<b>1,128,572</b>	<b>5,942</b>
<b>Cash, End of period</b>	<b>\$ 2,410,344</b>	<b>\$ 547,653</b>	<b>\$ 2,410,344</b>	<b>\$ 547,653</b>
<b>Supplemental disclosure of non-cash financing and investing activities</b>				
Common share issuance costs	-	-	-	\$27,500
Shares for debt exchange	-	-	-	\$110,000
Purchase of mineral properties	-	-	\$17,500	-

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**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
FOR THE THREE MONTH PERIOD ENDED FEBRUARY 28, 2007

**1. NATURE OF BUSINESS**

Merrex Gold Inc. (the "Company") is incorporated under the *Business Corporations Act* of British Columbia. At the March 7, 2006 Annual & Special General Meeting of the Company a change of name from Merrex Resources Inc. to Merrex Gold Inc. was approved. On May 24, 2006 a Certificate of Change of Name was issued by the Registrar of Companies, Province 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 accounting principles generally accepted in Canada.

a) Basis of Presentation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Jubilee Minerals Limited, incorporated under the laws of Nova Scotia. All significant inter-company transactions and balances have been eliminated.

b) Cash and Cash Equivalents

Cash and cash equivalents consist of cash and short term deposits with maturities of no more than ninety days when acquired.

c) Mineral Property Costs

The Company records its interest in mineral properties at cost, less option income realized. The cost of mineral properties and related exploration costs are deferred until the properties are brought into production, sold or abandoned. These deferred costs will be amortized on the unit-of-production basis over the estimated useful life of the properties following the commencement of production or will be written off if the properties are sold, allowed to lapse or abandoned.

Option payments received are treated as a reduction of the carrying value of the related deferred costs until the Company's costs are recovered. Option payments received in excess of costs incurred are credited to revenue.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

c) Mineral Property Costs (Continued)

The amount shown for mineral property interests represents costs incurred to date, represented by amounts paid in cash and the fair market value of common shares issued, and does not necessarily reflect present or future value. Administrative expenditures are expensed in the year incurred. Property investigation costs, where a property interest is not acquired, are expensed as incurred.

Although the Company has taken steps to verify title to mineral properties, these procedures do not guarantee the Company's title. Property title may be subject to un-registered prior agreements or other impediments.

On an annual basis or when impairment indicators arise, the Company evaluates the future recoverability of its mineral property costs. Impairment losses or write downs are recorded in the event the net book value of such assets exceeds the estimated indicated future cash flows attributable to such assets.

d) 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.

e) Capital Assets and Amortization

Capital assets are recorded at cost and amortized over their economic life using the declining balance method at the following rates:

Computer hardware	30%
Office furniture and equipment	20%
Leasehold improvements	Over the remaining term of the lease

f) Financial Instruments

The Company's financial instruments include cash, GST recoverable and accounts payable and accrued liabilities.

Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

g) Loss Per Share

Basic loss per share is calculated by dividing the loss for the year by the weighted average number of common shares issued and outstanding during the year. Diluted loss per share is calculated using the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding used for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive stock options and warrants are used to repurchase common shares at the average market price during the period. Basic and diluted loss per share are equal for the three month periods ended February 28, 2007 and 2006, as outstanding stock options and warrants were anti-dilutive.

h) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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 could differ from estimates and would impact future results of operations and cash flows. Significant estimates and assumptions include those related to the recoverability of mineral properties and deferred exploration expenditures, estimated useful lives of capital assets, determination as to whether costs are expensed or deferred, asset retirement obligations and stock based compensation valuations.

i) Stock Based Compensation

The Company measures all stock based payments using the fair value method of accounting and recognizes the compensation expense in their financial statements. The Company implemented this policy in their fiscal year ended August 31, 2004 on a prospective basis in accordance with the early adoption provisions of the CICA Handbook Section 3870 – “Stock Based Compensation and Other Stock Based Payments”. According to the transitional provisions, early adoption requires that compensation expense be calculated and recorded in the statement of operations for options granted on or after September 1, 2003.

The Company accounts for compensation expense based on the fair value of options granted, determined using the Black-Scholes option-pricing model. Compensation costs are expensed over the vesting period(s) with a corresponding increase to contributed surplus. Upon exercise of the stock options consideration paid by the option holder, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**2. SIGNIFICANT ACCOUNTING POLICIES** (Continued)

j) Income Taxes

Income taxes are calculated using the liability method of accounting. Temporary differences arising from the difference between the tax basis of an asset or liability and its carrying amount on the balance sheet are used to calculate future income tax liabilities or assets. Future tax assets are recognized to the extent that they are considered more likely than not to be realized. Future income tax liabilities or assets are calculated using the tax rates anticipated to apply in the periods that the temporary differences are expected to reverse.

k) Foreign Currency Translation

Transactions recorded in CFA Francs have been translated into Canadian dollars using the Temporal Method as follows:

- i) monetary items at the rate prevailing at the balance sheet date;
- ii) non-monetary items at the historical exchange rate;
- iii) revenue and expense at the average rate in effect during the applicable accounting period.

Gains or losses arising on translation are included in the results of operations.

**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	<u>(2,000)</u>
Value of shares issued	<u>\$ 750,000</u>

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**3. ACQUISITION** (Continued)

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

**4. CAPITAL ASSETS**

	As at February 28, 2007			As at August 31, 2006
	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE	NET BOOK VALUE
Furniture and fixtures	\$ 28,248	\$ 1,886	\$ 26,362	\$ 5,220
Computer hardware	13,440	1,935	11,505	4,784
Leasehold improvements	71,403	12,569	58,834	61,354
	<u>\$ 113,091</u>	<u>\$ 16,390</u>	<u>\$ 96,701</u>	<u>\$ 71,358</u>

**5. DEFERRED EXPLORATION EXPENSE AND MINERAL PROPERTY COSTS**

	ACQUISITION COST	OPTION PAYMENT	EXPLORATION EXPENDITURES	As at February 28, 2007	As at August 31, 2006
High River Properties	\$ 1,317,282	\$ -	\$ -	\$ 1,317,282	\$ 1,317,282
West Voisey's Bay		-	1,534,588	1,534,588	1,163,736
Red Lake		-	163,493	163,493	97,531
West Voisey's Bay-2		30,000	149,954	179,954	-
Jubilee Property	813,750	10,000	1,069,800	1,893,550	1,062,587
Mali Properties					
Siribaya	-	126,000	2,516,329	2,642,329	1,149,370
Kakadian	-	35,000	60,548	95,548	77,838
Other	-	-	58,809	58,809	45,329
	<u>\$ 2,131,032</u>	<u>\$ 201,000</u>	<u>\$ 5,553,521</u>	<u>\$ 7,885,553</u>	<u>\$ 4,913,673</u>

a) High River Properties

On May 24, 2006, the Company acquired varying interests in certain exploration properties (including a 50% interest in 451 claims in West Voisey's Bay) from High River Gold Mines Ltd. for \$361,415 and the issuance of 2,245,000 common shares valued at

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

\$0.40 per share (\$898,000). As a condition of the acquisition, three directors of the Company plus a fourth party guaranteed that a minimum of \$217,000 would be repaid to High River by the guarantors if the Corporation failed to pay to High River the required \$361,415. In consideration of the granting of these guarantees, the Corporation issued to the four named guarantors a total of 144,667 common shares valued at \$57,867.

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, share issuances of 125,000 shares each, and incur exploration expenditures of \$1.6 million. 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. Upon execution of the agreement, the Company paid \$12,500 in cash and issued 25,000 common shares valued at \$17,500.

c) Jubilee Property

The Jubilee property is a 228-claim land position in Inverness and Victoria counties of Central Cape Breton, Nova Scotia, of which 205 claims (the "Jubilee Claims") are 100% owned by the Company through its wholly-owned subsidiary Jubilee Minerals Limited (see Note 3) and 23 claims (the "Aur Claims") have been optioned from Aur Resources Inc. ("Aur"). To earn the interest in the Aur Claims the Company must pay to Aur annual cash payments aggregating \$80,000 and incur either \$1,000,000 of exploration expenditures on the Aur Claims or \$2,000,000 of exploration expenditures on the combined Jubilee Property with a minimum of \$500,000 on the Aur Claims, all over a three-year period, subject to certain back-in rights retained by Aur. If the Company acquires the Aur Claims and Aur declines to back in, then Aur shall receive a 2% Net Smelter Return provided that 1% of such Net Smelter Return may be purchased by the Company for \$1,000,000.

As at February 28, 2007, the Company had made a \$10,000 cash payment to Aur, incurred \$710,918 in exploration expenditures on the Aur Claims, and incurred \$358,882 in exploration expenditures on the Jubilee Claims.

d) Mali Properties

The Company has entered into an agreement to acquire up to a 95% interest in certain mining titles (the 'Siribaya Permit') located in the West African nation of Mali for payments aggregating approximately \$376,000 over three years (of which \$126,000 has been paid by February 28, 2007) and exploration expenses aggregating \$750,000 over three years (which has been incurred).

The Company has entered into an agreement to acquire up to a 100% interest in the Kakadian Permit of approximately 109 square kilometres located in Mali for cash

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

payments over two years of approximately \$80,000 (of which \$35,000 has been incurred by February 28, 2007). There are no exploration expenditure obligations for the Kakadian property.

**6. SHARE CAPITAL**

- a) Authorized  
Unlimited common shares without par value.
- b) Issued and Outstanding

<b>Balance, August 31, 2006</b>	<b>35,992,275</b>	<b>\$ 16,781,673</b>
Issued during the three months ended November 30, 2006:		
For cash:		
Warrants exercised	2,841,666	426,250
For resource properties	25,000	17,500
 Balance, November 30, 2006	 38,858,941	 \$ 17,225,423
Issued during the three months ended February 28, 2007:		
For cash:		
Private placement	6,948,031	5,363,622
Warrants exercised	5,000	3,750
Share issue costs	-	(483,617)
 <b>Balance, February 28, 2007</b>	 <b>45,811,972</b>	 <b>\$ 22,109,178</b>

During the three months ended February 28, 2007, the Company issued 5,000,000 common shares at a price of \$0.80 per share, for cash of \$4,000,000. The shares issued under this offering are flow-through. 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 commissions of \$375,453 and were granted agents compensation options of 486,363 units, exercisable at \$0.70 per unit for a period of one year. All securities issued are subject to a hold period until April 7, 2007.

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**6. SHARE CAPITAL** (Continued)

During the three months ended February 28, 2007, the Company issued 5,000 common shares for \$3,750 on the exercise of warrants at \$0.75 per share.

As at February 28, 2007 there were 9,296,875 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, 2007	1,859,375
November 24, 2007	1,859,375
May 24, 2008	1,859,375
November 24, 2008	1,859,375
May 24, 2009	1,859,375
<b>Total</b>	<b>9,296,875</b>

c) Stock Options

The Board of Directors of the Company has established 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 28, 2007, the following options have been issued and remain outstanding:

ISSUED	EXERCISE PRICE PER SHARE	EXPIRY
590,000	\$ 0.11	August 29, 2010
100,000	\$ 0.45	December 5, 2010
2,100,000	\$ 0.75	June 1, 2011 (i)
350,000	\$ 0.75	November 7, 2011 (ii)
1,170,000	\$ 0.90	December 19, 2011 (iii)
<b>4,310,000</b>	<b>\$ 0.70</b>	<b>Weighted Average Exercise Price</b>

- (i) Options vest one-third on June 1, 2006, one-third on October 1, 2006 and one-third on January 1, 2007.
- (ii) Options vest one-third on November 7, 2006, one-third on March 7, 2007 and one-third on June 7, 2007.

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**6. SHARE CAPITAL** (Continued)

- (iii) Options vest one-third on December 19, 2006, one-third on April 19, 2007 and one-third on July 19, 2007.

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 – 2.5 years, expected volatility - 115% and expected dividend - \$Nil.

d) Warrants

As at February 28, 2007, the following warrants were outstanding:

	2007		2006	
	WARRANTS OUTSTANDING	WEIGHTED AVERAGE EXERCISE PRICE PER SHARE	WARRANTS OUTSTANDING	WEIGHTED AVERAGE EXERCISE PRICE PER SHARE
Beginning of period	611,417	\$ 0.75	6,133,334	\$ 0.15
Granted	974,016	\$ 0.90	-	-
Exercised	(5,000)	\$ 0.75	(1,160,000)	\$ 0.15
End of period	<b>1,580,433</b>	<b>\$ 0.84</b>	4,973,334	\$ 0.15

Share purchase warrants outstanding at February 28, 2007:

WARRANTS OUTSTANDING		
EXERCISE PRICE	NUMBER OF SHARES	EXPIRY DATE
\$0.75	606,417	July 17, 2007
\$0.90	974,016	December 7, 2007

d) Agents' Compensation Options

Pursuant to the December 6, 2006 private placement, the Company issued 486,363 compensation options exercisable into units. Each unit consists of one common share and one-half of a common share purchase warrant. Each compensation option is exercisable at a price of \$0.70 for a period of one year. Each full purchase warrant entitles the holder to purchase one additional common share at a price of \$0.90 for a period of one year.

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**7. RELATED PARTY TRANSACTIONS**

During the three months ended February 28, 2007, 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 \$64,600 (2006 - \$58,500) 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;
  - For directors' fees \$11,150 (2006 – Nil) to non-executive directors of the Company;
  - For office rent, related overhead expenses, and vehicle rental \$16,000 (2005 - \$4,012) to corporations of which directors are shareholders; and
  - For professional services \$71,470 (2005 - \$7,500) to a director, to a corporation of which an officer is a shareholder, and to a firm of which a director is a partner.
- b) The Company repaid short term loans totaling \$400,000 (2005: \$Nil) from a director. The loans were made without interest and without specific terms of repayment.

Included in accounts payable and accrued liabilities are amounts owing to directors and officers and corporations in which directors and officers are shareholders totalling \$123,182 (2005 - \$112,433).

**8. COMMITMENT**

As at February 28, 2007, 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 five years are as follows:

February 28, 2008	\$ 28,775
February 28, 2009	\$ 28,775
February 28, 2010	\$ 28,775
February 28, 2011	\$ 28,775
February 28, 2012	\$ 2,398

**9. SUBSEQUENT EVENTS**

Subsequent to quarter end, the Company entered into an agreement for the private placement of up to 5,000,000 units at a price of \$0.95 per unit, for gross proceeds of up to \$4,750,000. The placement contains an over-allotment option for up to an additional 5,000,000 units. Each unit consists of one common share and one-half of one common share purchase warrant. Each full warrant is exercisable for eighteen months from closing

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FOR THE THREE MONTH PERIOD ENDED FEBRUARY 28, 2007

**9. SUBSEQUENT EVENTS** (continued)

at an exercise price of \$1.25 for the first twelve months and \$1.75 for the remaining six months. The commission on the financing is 7% of the total proceeds, which may be paid in cash or in units or a combination thereof at the election of the Agents. In addition, the Agents will receive compensation options of 8% of the number of units sold, with each option exercisable into one common share of the Company at an exercise price of \$1.00 for a period of eighteen months from closing.