

OREX MINERALS INC.

CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

FOR THE YEAR ENDED APRIL 30, 2017

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Orex Minerals Inc.

We have audited the accompanying consolidated financial statements of Orex Minerals Inc., which comprise the consolidated statements of financial position as at April 30, 2017 and 2016 and the consolidated statements of operations and comprehensive income (loss), changes in shareholders' equity, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Orex Minerals Inc. as at April 30, 2017 and 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.



Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Orex Minerals Inc.'s ability to continue as a going concern.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Professional Accountants

August 28, 2017

OREX MINERALS INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT
(Expressed in Canadian Dollars)

	April 30, 2017	April 30, 2016
ASSETS		
Current		
Cash	\$ 2,387,496	\$ 4,523,133
Receivables (Note 13)	2,780,624	2,542,889
Prepaid expenses and deposits	<u>152,656</u>	<u>21,057</u>
	5,320,776	7,087,079
Equipment (Note 4)	70,269	53,569
Deposits	31,000	76,043
Receivables (Note 13)	-	2,345,667
Investment in associate (Note 7)	2,127,125	-
IVA receivable (Note 13)	588,306	400,731
Exploration and evaluation assets (Note 5)	<u>1,230,000</u>	<u>3,320,000</u>
	\$ 9,367,476	\$ 13,283,089
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	<u>\$ 49,554</u>	<u>\$ 398,960</u>
	49,554	398,960
Deferred income tax liability (Note 15)	<u>-</u>	<u>144,748</u>
	<u>49,554</u>	<u>543,708</u>
Shareholders' equity		
Share capital (Note 9)	29,247,742	28,265,264
Reserves (Note 9)	5,302,255	5,440,698
Accumulated other comprehensive income	26,777	-
Deficit	<u>(25,258,852)</u>	<u>(20,966,581)</u>
	<u>9,317,922</u>	<u>12,739,381</u>
	\$ 9,367,476	\$ 13,283,089

Nature and continuance of operations (Note 1)

Events after the reporting date (Note 16)

Approved and authorized by the board on August 28, 2017

/s/ Gary Cope
Gary Cope

Director

/s/ Rick Sayers
Rick Sayers

Director

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

OREX MINERALS INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
YEAR ENDED APRIL 30
(Expressed in Canadian Dollars)

	2017	2016
EXPLORATION EXPENSES		
Drilling	\$ 988,888	\$ 647,796
Geological (Note 12)	972,129	472,416
Assay	175,478	74,741
General exploration	<u>704,921</u>	<u>543,364</u>
	<u>2,841,416</u>	<u>1,738,317</u>
GENERAL EXPENSES		
Consulting fees	79,053	40,852
Depreciation	20,077	2,279
Investor relations (Note 12)	283,581	378,870
Management fees (Note 12)	516,507	531,102
Office and administrative (Note 12)	274,251	319,950
Professional fees	220,325	378,835
Rent (Note 12)	183,294	240,289
Share-based payments (Note 9)	60,785	1,252,574
Transfer agent and filing fees	59,228	108,039
Travel and entertainment	<u>122,270</u>	<u>183,082</u>
	<u>1,819,371</u>	<u>3,435,872</u>
	<u>(4,660,787)</u>	<u>(5,174,189)</u>
Exploration and evaluation assets impairment (Note 5)	-	(2,366,576)
Gain on plan of arrangement (Note 8)	-	20,158,039
Interest expense on promissory note (Note 6)	-	(7,746)
Interest income (expense)	221,845	(131,701)
Equity loss in associated company (Note 7)	(377,544)	-
Write-down of IVA receivable	(12,172)	-
Foreign exchange gain (loss)	<u>391,639</u>	<u>318,600</u>
	<u>223,768</u>	<u>17,970,616</u>
Income (loss) from continuing operations before income taxes	(4,437,019)	12,796,427
Deferred income tax recovery (Note 15)	<u>144,748</u>	<u>152,000</u>
Income (loss) from continuing operations	(4,292,271)	12,948,427
Income from discontinued operations (Note 6)	<u>-</u>	<u>3,820,771</u>
	(4,292,271)	16,769,198
Equity investment – foreign currency translation (Note 7)	<u>26,777</u>	<u>-</u>
Comprehensive income (loss) for the year	<u>\$ (4,265,494)</u>	<u>\$ 16,769,198</u>
Basic income (loss) per common share from continuing operations	\$ (0.04)	\$ 0.12
Fully diluted income (loss) per common share from continuing operations	\$ (0.04)	\$ 0.12
Basic income per common share from discontinued operations	\$ -	\$ 0.04
Fully diluted income per common share from discontinued operations	\$ -	\$ 0.04
Basic income (loss) per common share	\$ (0.04)	\$ 0.16
Fully diluted income (loss) per common share	\$ (0.04)	\$ 0.16
Basic weighted average number of common shares outstanding	112,763,311	103,661,775
Diluted weighted average number of common shares outstanding (Note 3)	112,763,311	105,229,593

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

OREX MINERALS INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
YEAR ENDED APRIL 30
(Expressed in Canadian Dollars)

	Common Shares	Share Capital	Reserves	Accumulated other comprehensive income	Deficit	Total Shareholders' Equity
Balance, April 30, 2015	101,890,199	\$ 46,193,414	\$ 4,428,575	\$ -	\$(37,735,779)	\$ 12,886,210
Private placement	1,400,000	350,000	-	-	-	350,000
Share issuance costs	-	(3,105)	-	-	-	(3,105)
Old common shares cancelled following share exchange (Note 8)	(103,290,199)	-	-	-	-	-
New common shares issued following share exchange (Note 8)	103,290,199	-	-	-	-	-
Transfer of net assets to Barsele Minerals Corp. pursuant to the plan of arrangement (Note 8)	-	(20,658,040)	-	-	-	(20,658,040)
Options exercised	50,000	15,885	(8,385)	-	-	7,500
Warrants exercised	7,331,180	2,367,110	(232,066)	-	-	2,135,044
Share-based payment (Note 9)	-	-	1,252,574	-	-	1,252,574
Net income for the year	-	-	-	-	16,769,198	16,769,198
Balance, April 30, 2016	110,671,379	28,265,264	5,440,698	-	(20,966,581)	12,739,381
Options exercised	725,000	329,628	(156,878)	-	-	172,750
Warrants exercised	2,035,000	652,850	(42,350)	-	-	610,500
Share-based payments	-	-	60,785	-	-	60,785
Loss for the year	-	-	-	26,777	(4,292,271)	(4,265,494)
Balance, April 30, 2017	113,431,379	\$ 29,247,742	\$ 5,302,255	\$ 26,777	\$ (25,258,852)	\$ 9,317,922

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

OREX MINERALS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEAR ENDED APRIL 30
(Expressed in Canadian Dollars)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income/(loss) for the year	\$ (4,292,271)	\$ 16,769,198
Items not affecting cash:		
Share-based payments	60,785	1,252,574
Depreciation	20,077	2,279
Deferred income tax recovery	(144,748)	(152,000)
Gain on discontinued operations	-	(4,014,536)
Gain on plan of arrangement	-	(20,158,040)
Equity loss of associated company	377,544	-
Impairment of exploration and evaluation assets	-	2,366,576
Accretion/interest income on GIC	(201,239)	-
Unrealized foreign exchange	(218,764)	(201,942)
Changes in non-cash working capital items:		
Decrease in receivables	17,415	152,846
(Increase)/decrease in prepaid expenses	(131,599)	98,323
Decrease in deposits	45,043	-
Increase in IVA receivable	(187,575)	(71,513)
Decrease in accounts payable and accrued liabilities	(349,406)	(121,127)
Cash used in operating activities	<u>(5,004,738)</u>	<u>(4,077,362)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Plan of arrangement	-	(500,000)
Purchase of equipment	(36,777)	(55,848)
Proceeds from the sale of assets held for sale	-	7,375,746
Equity investment	(387,892)	-
Exploration and evaluation acquisition	<u>-</u>	<u>(500,000)</u>
Cash provided by (used in) investing activities	<u>(424,669)</u>	<u>6,319,898</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of share capital	-	350,000
Proceeds from option exercises	172,750	7,500
Proceeds from warrant exercises	610,500	2,135,044
Proceeds from Agnico Eagle Mines Ltd. payment	2,510,520	-
Promissory note	-	(736,800)
Interest expense on promissory note	-	(7,746)
Share issue costs	<u>-</u>	<u>(3,105)</u>
Cash provided by financing activities	<u>3,293,770</u>	<u>1,744,893</u>
Increase (decrease) in cash during the year	(2,135,637)	3,987,429
Cash, beginning of year	<u>4,523,133</u>	<u>535,704</u>
Cash, end of year	\$ 2,387,496	\$ 4,523,133

Supplemental disclosure with respect to cash flows (Note 11)

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

OREX MINERALS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED APRIL 30, 2017
(Expressed in Canadian Dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

Orex Minerals Inc. (the “Company”) was incorporated under the laws of the Province of British Columbia, Canada on April 25, 1996. The Company’s principal business activities include the acquisition and exploration of mineral properties in Mexico and Canada.

The head office of the Company is located at Suite 1130 - 1055 West Hastings Street, Vancouver, BC, Canada, V6C 2E9. The registered address and records office of the Company is located at Suite 1700, Park Place, 666 Burrard Street, Vancouver, BC, Canada V6C 2X8.

The Company’s financial statements and those of its controlled subsidiaries (“consolidated financial statements”) are presented in Canadian dollars.

The Company is in the process of exploring and evaluating its resource properties and has not yet determined whether any of its properties contain ore reserves that are economically recoverable. The amounts shown for exploration and evaluation assets do not necessarily represent present or future values. The recoverability of the amounts shown for mineral properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company has incurred losses from inception and does not currently have the financial resources to sustain operations in the long-term. While the Company has been successful in obtaining its required funding in the past, there is no assurance that such future financing will be available or be available on favourable terms. These material uncertainties may cast significant doubt as to the Company’s ability to continue as a going concern.

These consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations. Continued operations of the Company are dependent on the Company’s ability to receive financial support, necessary financings, or generate profitable operations in the future.

2. BASIS OF PREPARATION

These consolidated financial statements, including comparatives, have been prepared using accounting policies consistent with IFRS as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

These consolidated financial statements have been prepared on a historical cost basis. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information

2. BASIS OF PREPARATION (cont'd...)

Critical Accounting Estimates

The preparation of these consolidated financial statements in accordance with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported expenses during the year. Actual results could differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- a) The recoverability of receivables. The Company considers collectability and historical collection rates in estimating the recoverable amount of receivables. If the recoverable amount of receivables is estimated to be less than the carrying amount, the carrying amount of receivables is reduced to the recoverable amount and an impairment loss is recognized in profit or loss for the period.
- b) The carrying value and the recoverability of exploration and evaluation assets, which are included in the statements of financial position. The cost model is utilized and the value of the exploration and evaluation assets is based on the expenditures incurred. At every reporting period, management assesses the potential impairment which involves assessing whether or not facts or circumstances exist that suggest the carrying amount exceeds the recoverable amount.
- c) The inputs used in calculating the fair value for share-based payments expense included in profit or loss and share-based share issuance costs included in shareholders' equity. The share-based payments expense is estimated using the Black-Scholes options-pricing model as measured on the grant date to estimate the fair value of stock options. This model involves the input of highly subjective assumptions, including the expected price volatility of the Company's common shares, the expected life of the options, and the estimated forfeiture rate.
- d) The valuation of shares issued in non-cash transactions. Generally, the valuation of non-cash transactions is based on the value of the goods or services received. When this cannot be determined, it is based on the fair value of the non-cash consideration. When non-cash transactions are entered into with employees and those providing similar services, the non-cash transactions are measured at the fair value of the consideration given up using market prices.
- e) The recognition of deferred tax assets. The Company considers whether the realization of deferred tax assets is probable in determining whether or not to recognize these deferred tax assets.
- f) The functional currency of the equity investment is considered to be the Mexican Peso. The investment is controlled by a Mexican parent company and expenditures are primarily in the local currency.

3. SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its controlled subsidiaries (Note 12). Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial results of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All significant intercompany balances and transactions have been eliminated upon consolidation.

Exploration and evaluation assets

The Company is currently in the exploration stage with all of its mineral interests. Exploration and evaluation costs include the costs of acquiring concessions, costs incurred to explore and evaluate properties, and the fair value, upon acquisition, of mineral properties acquired in a business combination. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in the profit or loss.

Exploration and evaluation expenditures are expensed in the period they are incurred except for expenditures associated with the acquisition of exploration and evaluation assets through a business combination or an asset acquisition. Significant property acquisition costs are capitalized only to the extent that such costs can be directly attributed to an area of interest where it is considered likely to be recoverable by future exploitation or sale.

Equipment

Equipment is recorded at cost and depreciated over its estimated useful life using the declining balance method at a rate of 25% per annum. Cost comprises the fair value of consideration given to acquire or construct an asset and includes the direct charges associated with bringing the asset to the location and condition necessary for putting it into use. When parts of equipment have different useful lives, they are accounted for as separate items (major components) of equipment. The cost of major overhauls of parts of equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of equipment are recognized in profit or loss as incurred.

Impairment

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Provision for environmental rehabilitation

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of exploration and evaluation assets and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to the related assets along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated on the same basis as the related assets.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the rehabilitation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit or loss for the year. The Company has no material restoration, rehabilitation of environmental obligations as the disturbance to date is limited.

Financial instruments

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statements of financial position at fair value with changes in fair value recognized in profit or loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Financial instruments (cont'd...)

Financial assets (cont'd...)

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in profit or loss.

Other financial liabilities - This category includes promissory notes, accounts payable and accrued liabilities. These are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using effective interest method, with interest expense recognized on an effective yield basis.

The Company has classified its cash as fair value through profit or loss. The Company's receivables are classified as loans and receivables. The Company's accounts payable and accrued liabilities are classified as other financial liabilities.

Foreign exchange

The functional currency is the currency of the primary economic environment in which the entity operates and has been determined for each entity within the Company. The functional currency for all entities within the corporate entity is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the statement of financial position date while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in profit or loss.

On inclusion of an equity investment with functional currency other than the Canadian dollar, the assets and liabilities are translated into Canadian dollars using the period-end rate and the operations and cash flows translated using the average rates of exchange. Exchange adjustments arising when the opening net assets and the profit or loss are translated into Canadian dollars are taken into a separate component of equity and reported in other comprehensive profit or loss.

OREX MINERALS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED APRIL 30, 2017
(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Share-based payments

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants.

The fair value of stock options granted to directors, officers, employees and consultants is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period as expense, with a corresponding increase in reserves. Consideration paid for the shares on the exercise of stock options is credited to share capital.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payments. Otherwise, share-based payments are measured at the fair value of goods or services received.

Investment in Associate

Associated companies over which the Company has significant influence are accounted for using the equity basis of accounting, whereby the investment is initially recorded at cost, adjusted to recognize the Company's share of earnings or losses and reduced by dividends received. The Company assesses its equity investments for impairment if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the equity investment and that the event or events has an impact on the estimated future cash flow of the investment that can be reliably estimated.

Objective evidence of impairment of equity investment includes:

- Significant financial difficulty of the associated companies;
- Becoming probable that the associated companies will enter bankruptcy or other financial reorganization; or
- National or local economic conditions that correlate with defaults of the associated companies.

Income or loss per share

Basic income (loss) per share is calculated by dividing the net income (loss) available to common shareholders by the weighted average number of shares outstanding during the period.

Dilutive income per share reflects the potential dilution of securities that could share in income of an entity and is determined by adjusting the net income attributable to common shareholders and the weighted average number of common shares outstanding for the effects of dilutive instruments such as options granted to employees. In a loss year, potentially dilutive common shares are excluded from the loss per share calculation as the effect would be anti-dilutive.

	April 30, 2017	April 30, 2016
Weighted average shares used in computation of basic income (loss) per share	112,763,311	103,661,775
Effect of diluted securities:		
Stock options	-	1,567,818
Weighted average shares used in computation of diluted income (loss) per share	112,769,311	105,229,593

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Income taxes

Income tax on the profit or loss for the years presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded by providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it does not recognize the asset.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

New standards not yet adopted

The following standards have not yet been adopted and are being evaluated to determine their impact on the Company's financial statements:

IFRS 9 Financial Instruments ("IFRS 9")

IFRS 9 was issued by the IASB in October 2010 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 has a tentative effective date of January 1, 2018.

IFRS 16 Leases ("IFRS 16")

Effective for annual periods commencing on or after January 1, 2019, this new standard eliminates the classification of leases as either operating or finance leases and introduces a single lessee accounting model which requires the lessee to recognize assets and liabilities for all leases with a term of longer than 12 months. The Company is currently assessing the impact of these new accounting standards on its consolidated financial statements.

OREX MINERALS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED APRIL 30, 2017
(Expressed in Canadian Dollars)

4. EQUIPMENT

	Field equipment	
Cost		
Balance, as at April 30, 2015	\$	-
Acquisition costs		55,848
Disposals		-
Balance, as at April 30, 2016		55,848
Acquisition costs		36,777
Disposals		-
Balance, as at April 30, 2017	\$	92,625
Accumulated depreciation		
Balance, as at April 30, 2015	\$	-
Additions		(2,279)
Disposals		-
Balance, as at April 30, 2016		(2,279)
Additions		(20,077)
Disposals		-
Balance, as at April 30, 2017	\$	(22,356)
Net book value		
Balance, as at April 30, 2016	\$	53,569
Balance, as at April 30, 2017	\$	70,269

5. EXPLORATION AND EVALUATION ASSETS

	Sandra Escobar, Mexico	Coneto, Mexico	Jumping Josephine, Canada	Los Crestones, Mexico	Total
Balance, as at April 30, 2015	\$ -	\$ 2,090,000	\$ 730,000	\$ 2,366,576	\$ 5,186,576
Acquisition costs	500,000	-	-	-	500,000
Impairment	-	-	-	(2,366,576)	(2,366,576)
Balance, as at April 30, 2016	500,000	2,090,000	730,000	-	3,320,000
Contribution to investment in associate	-	(2,090,000)	-	-	(2,090,000)
Balance, as at April 30, 2017	\$ 500,000	\$ -	\$ 730,000	\$ -	\$ 1,230,000

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 conveyance 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 is in good standing.

5. EXPLORATION AND EVALUATION ASSETS (cont'd...)

Sandra Escobar, Mexico

On September 15, 2015, the Company entered into an option agreement with Canasil Resources Inc. ("Canasil"), with respect to Canasil's Sandra Escobar Project in Durango, Mexico. The Company has a right to earn up to a 65% ownership interest in the Project.

The Option Agreement provides that the Company may earn a 55% ownership interest (the "First Option") in the Project by making a payment of \$500,000 (paid) to Canasil upon execution of the Option Agreement and completing US\$2,000,000 in exploration and development expenditures (the "Expenditures") on the Project within three years of entering into the Option Agreement. In connection with the First Option, the Company must incur a minimum of US\$675,000 (incurred) in Expenditures in the first year of the Option Agreement and US\$500,000 (incurred) in Expenditures in the second year of the Option Agreement. Provided that the Company exercises the First Option, the Company may earn an additional 10% ownership interest (the "Second Option", and together with the First Option, the "Options") in the Project, for a total 65% ownership interest, by completing a further US\$2,000,000 in Expenditures within two years of exercising the First Option and by making a payment to Canasil of \$500,000 in cash and/or the Company shares, at the option of the Company. In connection with the Second Option, the Company must incur a minimum of US\$675,000 in Expenditures during the first year of the Second Option.

Upon exercise of the Options, the Company and Canasil will enter into a joint venture with respect to the development of the Project based on their respective interests in the Project. If the Company exercises the Second Option, the Company's interest in the joint venture will be increased to 65%.

During the year ended April 30, 2017, the Company completed the First Option, and has earned a 55% ownership interest. The Company will not be proceeding with the Second Option.

Coneto, Mexico

In fiscal 2010, the Company purchased 100% of the core mineral concessions within the Coneto silver-gold mining camp in Durango State, Mexico, in exchange for 2,200,000 common shares, valued at \$2,090,000.

The Coneto property is subject to a 2.5% net smelter returns ("NSR") royalty payable to the vendors.

During fiscal 2011, the Company signed a non-binding letter of intent with Fresnillo PLC ("Fresnillo") to jointly explore the contiguous mineral concessions held by the Company and Fresnillo in the Coneto mining district. A definitive Association Agreement was signed on February 2, 2012. The principal terms of the Agreement are:

- a) Fresnillo will spend a minimum of US\$2,000,000 on exploration during the first year after the necessary exploration permits are obtained (Fresnillo fulfilled this commitment during fiscal 2013). A minimum of 70% of this exploration was required to be conducted on the Company's concessions.
- b) Fresnillo will have the option to spend an additional US\$2,000,000 per year on exploration for each of the following two years. A minimum of 70% of this exploration must also be conducted on the Company's concessions.

5. EXPLORATION AND EVALUATION ASSETS (cont'd...)

Coneto, Mexico (cont'd...)

- c) Upon Fresnillo spending an aggregate of US\$6,000,000 on exploration activities, the Company and Fresnillo will each contribute their respective Coneto mining concessions to a new company ("NewCo") that initially would be owned 55% by Fresnillo and 45% by the Company. On September 24, 2015, the Company announced that the Coneto project earn-in expenditures of US\$6 million had been reached by Fresnillo. The Company and Fresnillo will now proceed on the basis of a 45%/55% respective ownership.
- d) Fresnillo will have the right to increase its ownership of NewCo to 70% by either completing a prefeasibility study or spending up to an additional US\$21,000,000 in the process of preparing a prefeasibility study. If Fresnillo chooses to not exercise the right to increase its ownership of NewCo to 70%, the costs incurred to complete a prefeasibility study will be shared by Fresnillo and the Company in proportion to their ownership of NewCo; 55% by Fresnillo and 45% by the Company.
- e) Any additional funding required by NewCo will be provided by the Company and Fresnillo in proportion to their respective ownership interests in NewCo at that time.
- f) Fresnillo will have a right of first refusal to acquire the Company's ownership interest in NewCo if the Company receives an offer for its interest in NewCo that it proposes to accept.
- g) During the life of the Association Agreement, in the event that the Company, or any of its subsidiaries, enters into a transaction to acquire an interest in any additional mineral properties in Mexico and then later decides to sell or option out that interest to a third party, Fresnillo will have a right of first refusal to participate in such transaction on the same terms and conditions as offered to the third party.

On July 1, 2016, the Company and Fresnillo, pursuant to the definitive agreement, have contributed their respective Coneto mining concessions to a new company, Exploracions y Desarrollos Mineros Coneto S.A.P.I. de C.V. ("EDMC"). The ownership is 55% Fresnillo, 45% by the Company (Note 7).

Jumping Josephine, Canada

On February 12, 2013, the Company completed the acquisition of Astral Mining Corporation and as a result, acquired a 60% interest in mining claims, collectively known as the Jumping Josephine Property, located in the West Kootenay Mining District of British Columbia, Canada. On February 3, 2014 the Company acquired the remaining 40% of their Jumping Josephine Property from Kootenay Silver Inc. by issuing 1,000,000 common shares valued at \$230,000.

Los Crestones, Mexico

The Company had the option to acquire a 100% interest in mining claims, collectively known as the Los Crestones Property, located in Sinaloa State, Mexico.

During the year ended April 30, 2015, the Company paid \$434,842 (US\$385,000) to the optionors of the Los Crestones Property. The Company had earned a 100% interest in the Los Crestones Property.

During the year ended April 30, 2016, the Company has chosen to terminate their Los Crestones project in Sinaloa, Mexico, and return the claims to the original vendors. An impairment of \$2,366,576 has been recorded in addition to a related reversal of a deferred tax liability directly attributed to Los Crestones of \$152,000.

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6. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

In fiscal 2015, the Company entered into a letter of intent (“LOI”) with Agnico Eagles Mines Limited (“Agnico”) with respect to the development of the Company’s Barsele Project.

Pursuant to the terms of the LOI, Agnico would acquire an initial 55% interest in the Project, by acquiring 55% of Gunnarn Mining, on payment to the Company of US\$10 million (US\$6 million on closing of the transaction and US\$2 million on each of the first (received June 11, 2016) and second anniversaries (received subsequent to April 30, 2017) of closing of the transaction). As part of the transaction, Agnico would commit to spend US\$7 million on exploration over three years (incurred).

Agnico would earn an additional 15% interest by completing a pre-feasibility study on the Project. The Company will also be granted a 2% NSR, which may be terminated in exchange for a payment to the Company of US\$5 million. In June 2015, the Company closed the transaction and received the US\$6 million. On June 11, 2015, the Company closed the joint venture transaction with Agnico.

On April 24, 2015, the Company entered into a promissory note with Agnico, pursuant to which Agnico lent the Company US\$600,000 (\$732,984), bearing interest at a rate of 7.850% per annum. On June 11, 2015, the Company settled the outstanding promissory note of US\$600,000 (\$736,800) and interest of \$7,746.

Loss from discontinued operations reported in the consolidated statements of operations and comprehensive income (loss) is as follows:

	<u>April 30, 2016</u>
Exploration expenses	
Geological	\$ 71,738
	<u>71,738</u>
General expenses	
Professional fees	122,027
	<u>122,027</u>
	<u>(193,765)</u>
Loss from discontinued operations	<u>\$ (193,765)</u>

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6. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (cont'd...)

Cash flows from discontinued operations reported in the consolidated statements of cash flows is as follows:

April 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES

Loss from discontinued operations:	\$(193,765)
Changes in non-cash working capital items:	
Decrease in receivables	27,039
Decrease in prepaid expenses	11,787
(Decrease) in accounts payable and accrued liabilities	<u>(100,984)</u>
Cash used in operating activities	<u>(255,923)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Cash attributed to continuing operations	<u>213,122</u>
Cash from financing activities	<u>213,122</u>

Decrease in cash during the year (42,801)

Cash, beginning of the year 42,801

Cash, end of year \$ -

The gain recognized in connection with the sale of the Barsele Gold Project on June 11, 2015 is summarized as follows:

Consideration:

Cash	\$ 7,368,000
Current receivable	2,457,000
Long-term receivable	2,422,936
Fair value of consideration received	<u>\$ 12,247,936</u>

Net assets held for sale:

Current assets held for sale	\$ 9,060,236
Current liabilities related to assets held for sale	(82,291)
Promissory note from JV partners	(744,546)
	<u>\$ 8,233,399</u>
	<u>\$ 4,014,537</u>

Investment in associated company	(1)
Gain from discontinued operation	<u>\$ 4,014,536</u>

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7. INVESTMENT IN ASSOCIATE

During the year ended April 30, 2016, the Company's 45% investment in Barsele of \$1 was distributed to Barsele. The Company's unrecognized share of the loss for the period from June 11, 2015 to September 25, 2015 was approximately \$231,662. The Company had a minority position on the board of its associated company and did not control operational decisions. The Company's judgment is that it had significant influence, but not control and therefore equity accounting was appropriate.

During the year ended April 30, 2017, the Company and Fresnillo, pursuant to a definitive agreement contributed their respective Coneto mining concessions to a new company, EDMC by way of merger. The ownership of EDMC is 55% Fresnillo, 45% by the Company (Note 5).

The Company has a minority position on the technical committee and board of directors of EDMC, and does not control operational decisions. The Company's judgement is that it has significant influence, but not control and accordingly equity accounting is appropriate.

As at April 30, 2017, EDMC's aggregate assets, aggregate liabilities and net losses are as follows:

	EDMC
Current assets	\$ 178,338
Non-current assets	1,856,471
Current liabilities	(545)
Net assets	2,034,264
The Company's ownership %	45%
The Company's share of net assets	\$ 915,419

	EDMC
Loss for the year	\$ (838,988)
Other comprehensive income – currency translation	59,504
Total comprehensive loss	(779,484)
The Company's ownership %	45%
The Company's share of comprehensive loss	\$ (350,767)

	EDMC
Net investment at July 1, 2016	\$ 2,090,000
Additional investment	387,892
Equity loss for the period	(377,544)
Other comprehensive income – currency translation	26,777
Net investment at April 30, 2017	\$ 2,127,125

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8. PLAN OF ARRANGEMENT

On September 25, 2015, the Company completed an arrangement agreement with its wholly-owned subsidiary, Barsele, pursuant to which, among other things, the Company transferred to Barsele: (i) the Company's 45% interest in the Barsele Project; (ii) \$500,000 in cash; and (iii) all of the Company's right, title and interest in and to, and all of its benefits and obligations under, the joint venture agreement dated June 11, 2015 among the Company, Agnico Eagle Sweden AB and certain other parties, in exchange for common shares of Barsele to the shareholders of the Company.

The Spinout was effected by way of a court-approved plan of arrangement (the "Arrangement") between the Company and Barsele. Pursuant to the Arrangement, the Company's shareholders received one new common share of the Company and one Barsele share in exchange for each common share of the Company. Under the arrangement, each outstanding option of the Company was exchanged for one new option of the Company and one option of Barsele to purchase a Barsele share. Also, under the Arrangement, each outstanding warrant of the Company was exchanged for one new warrant of the Company and one warrant of Barsele to purchase a Barsele share.

The carrying value of net assets transferred to Barsele, pursuant to the Plan of Arrangement consisted of the following assets:

Investment in associate	\$ 1
Carrying value of net assets	1
Fair value of net assets distributed	20,658,040
Gain on transfer of spin-out assets	20,658,039
Cash payment to Barsele	(500,000)
<u>Net gain on transfer of spin-out assets</u>	<u>\$ 20,158,039</u>

In accordance with IFRIC 17, Distribution of Non-Cash Assets to Owners, the Company recognized the distribution of net assets to Orex Shareholders at fair value with the difference between that value and the carrying amount of the net assets recognized in profit or loss.

The fair value of the net assets distributed was based on the share price of Barsele on September 29, 2015, its first day of trading, of \$0.20 multiplied by the total number of the 103,290,199 shares issued.

9. SHARE CAPITAL AND RESERVES

Authorized

Unlimited number of common shares without par value.

Private placements

On September 18, 2015, the Company completed a non-brokered private placement of 1,400,000 common shares at \$0.25 per share, for gross proceeds of \$350,000 and cash share issuance costs of \$3,105.

Stock options and warrants

The Company has a plan to grant stock options to directors, officers, employees and consultants of the Company. Under the plan, the board of directors has the discretion to issue the equivalent of up to 10% of the issued and outstanding shares of the Company from time to time. Stock options are generally for a term of up to five years from the date granted and are exercisable at a price that is not less than the market price on the date granted.

Vesting terms are determined at the discretion of the board of directors. Options issued to consultants providing investor relations services must vest in stages over a minimum of 12 months with no more than one-quarter of the options vesting in any three-month period.

During the year ended April 30, 2017, 725,000 options were exercised, each option was exercised for one common share of the Company. The options were exercised between \$0.15 and \$0.44 per option for proceeds of \$172,750. The fair value of the options exercised was \$156,878.

During the year ended April 30, 2016, 50,000 options were exercised, each option was exercised for one common share of the Company. The options were exercised at \$0.15 per option for proceeds of \$7,500. The fair value of the options exercised was \$8,385.

On June 26, 2015, the Company granted 2,225,000 stock options to directors, officers and consultants at an exercise price of \$0.15 per share with a five-year term. The options vested immediately.

On October 30, 2015, the Company granted 250,000 stock options to a consultant at an exercise price of \$0.20 per share with a two-year term. The options vested immediately.

On January 29, 2016, the Company granted 3,500,000 stock options to directors, officers and consultants at an exercise price of \$0.35 per share with a five year term. The options vested immediately.

On May 13, 2016, the Company granted 250,000 stock options to consultants at an exercise price of \$0.55 per share with a five year term. The options vested immediately.

During the year ended April 30, 2017, a total of 2,035,000 warrants were exercised, each warrant was exercised for one common share of the Company. The warrants were exercised at \$0.30 per warrant for proceeds of \$610,500. The fair value of the warrants exercised was \$42,350.

During the year ended April 30, 2016 a total of 7,331,180 warrants were exercised, each warrant was exercised for one common share of the Company. The warrants were exercised ranging from \$0.25 - \$0.30 per warrant for proceeds of \$2,135,044. The fair value of the warrants exercised was \$232,066.

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9. SHARE CAPITAL AND RESERVES (cont'd...)

Stock options and warrants (cont'd...)

Stock option and share purchase warrant transactions are summarized as follows:

	Warrants		Stock options	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Outstanding, April 30, 2015	14,643,680	\$ 0.30	4,239,000	\$ 0.48
Granted	-		5,975,000	0.31
Exercised	(7,331,180)	0.25	(50,000)	0.25
Expired	(10,000)	0.30	(70,000)	0.90
Forfeited	-		(100,000)	0.25
Outstanding, April 30, 2016	7,302,500	0.30	9,994,000	0.28
Granted	-		250,000	0.55
Exercised	(2,035,000)	0.30	(725,000)	0.24
Expired	-		(1,639,000)	0.44
Forfeited	-		(100,000)	0.55
Outstanding, April 30, 2017	5,267,500	0.30	7,780,000	0.25
Exercisable at April 30, 2017	5,267,500	\$ 0.30	7,780,000	\$ 0.25

The following stock options to acquire common shares of the Company were outstanding at April 30, 2017:

	Number of Shares	Exercise Price	Expiry Date
Options			
	1,555,000	\$0.15	January 17, 2019
	150,000	0.15	May 9, 2019
	2,175,000	0.15	June 26, 2020
	250,000	0.20	October 30, 2017
	3,500,000	0.35	January 29, 2021
	150,000	0.55	May 13, 2021
	7,780,000		

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9. SHARE CAPITAL AND RESERVES (cont'd...)

Stock options and warrants (cont'd...)

The following warrants to acquire common shares of the Company were outstanding at April 30, 2017:

	Number of Shares	Exercise Price	Expiry Date
Warrants			
	2,354,300	0.30	September 13, 2017
	2,913,200	0.30	November 21, 2017
	5,267,500		

During the year ended April 30, 2017, the Company granted 250,000 (2016- 5,975,000) stock options to consultants of the Company. The weighted average fair values of options granted are calculated using the Black-Scholes option pricing model. During the year ended April 30, 2017, the weighted average fair value of each option granted was \$0.24 (2016 - \$0.21) and was calculated using the following weighted average assumptions:

	2017	2016
Expected option lives	5 years	4.40 years
Risk-free interest rate	0.67%	0.69%
Expected dividend yield	0%	0%
Expected stock price volatility	99%	105.08%

The share-based payments expense for stock options, vesting during in the year ended April 30, 2017 was \$60,785 (2016-\$1,252,574).

10. CAPITAL MANAGEMENT

The Company defines its capital as shareholders' equity. The Board of Directors does not establish quantitative return on capital criteria for management due to the nature of the Company's business. The Company has in the past invested its capital in liquid investments to obtain adequate returns. The investment decision is based on cash management to ensure working capital is available to meet the Company's short-term obligations while maximizing liquidity and returns on unused capital. The Company does not pay dividends. The Company is not subject to any externally imposed capital requirements.

The Company raises capital to fund its corporate and exploration costs and other obligations through the sale of its common shares or units consisting of common shares and warrants in order to operate its business and safeguard its ability to continue as a going concern. Although the Company has been successful at raising funds in the past through issuance of share capital, it is uncertain whether it will continue this financing due to uncertain economic conditions. There have been no changes to the Company's approach to capital management during the year.

11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash transactions during the year ended April 30, 2017 included:

- a) Options exercised with a value of \$156,878 transferred from reserves to share capital
- b) Warrants exercised with a value of \$42,350 transferred from reserves to share capital
- c) Investment in associate of \$2,090,000 through contribution of exploration and evaluation asset
- d) Other comprehensive income – currency translation \$26,777

Significant non-cash transactions during the year ended April 30, 2016 included:

- a) Options exercised with a value of \$8,385 transferred from reserves to share capital
- b) Warrants exercised with a value of \$232,066 transferred from reserves to share capital

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12. RELATED PARTY TRANSACTIONS

The financial statements include the financial statements of Orex Minerals Inc. and its subsidiaries listed in the following table:

Name of Subsidiary	Country of Incorporation	Proportion of Ownership Interest	Principal Activity
OVI Exploration de Mexico S.A. de C.V.	Mexico	100%	Mineral exploration
Servicios Mineros Ores Silver S.A. de C.V.	Mexico	100%	Mineral exploration
Exploraciones y Desarrollos Mineros Coneto S.A.P.I.	Mexico	45%*	Mineral exploration
Astral Mining Corporation	Canada	100%	Mineral exploration
Astral Mining S.A. de C.V.	Mexico	100%	Mineral exploration

*Equity investment

During the year ended April 30, 2017, the Company entered into the following transactions with related parties, directors and key management personnel. Key management personnel are individuals responsible for planning, directing and controlling the activities of the Company and include all directors and officers.

Compensation paid or payable to key management personnel for services rendered are as follows:

	Year ended April 30, 2017	Year ended April 30, 2016
Management fees	\$ 395,760	\$ 418,650
Geological consulting fees	255,115	309,650
Share-based compensation	-	625,177
Total	\$ 650,875	\$ 1,353,477

	Year ended April 30, 2017	Year ended April 30, 2016
Administration fees*	\$ 490,555	\$ 453,460
Total	\$ 490,555	\$ 453,460

*Administration fees paid to a management service company controlled by the chief executive officer and director of the Company that provides office space, a corporate secretary, accounting and administration staff to the Company.

13. FINANCIAL AND CAPITAL RISK MANAGEMENT

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are described below.

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair value of financial instruments

The Company has various financial instruments including cash, receivables, accounts payable and accrued liabilities. Cash is carried at fair value using a level 1 fair value measurement. The carrying values of receivables and accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of these financial instruments. Long-term receivable is based on level 3 inputs that are not based on observable market data, as further discussed below.

Concentrations of business risk

The Company maintains a majority of its cash with a major Canadian financial institution and the remainder of its cash with a major Mexican financial institution. Deposits held with these institutions may exceed the amount of insurance provided on such deposits.

As the Company operates in an international environment, some of the Company's transactions are denominated in currencies other than the Canadian dollar. Fluctuations in the exchange rates between these currencies and the Canadian dollar could have a material effect on the Company's business, financial condition and results of operations. The Company does not engage in any hedging activity.

Credit risk

The Company is exposed to credit risk only with respect to uncertainties as to timing and amount of collectability of receivables. The Company believes its credit risk arises from value-added tax (IVA) and goods and services tax (GST), which are recoverable from the governing body in Mexico and Canada, respectively. As the Company's exploration operations are conducted in Mexico and Canada, the Company's operations are also subject to the economic risks associated with those countries.

As of April 30, 2017, the Company had IVA receivable of \$588,306 (2016 - \$400,731) due from the Government of Mexico.

Of the total receivables, approximately \$2,719,860 is due from Agnico in connection with the Barsele JV. The Company had previously classified amounts receivable beyond one year as long-term, and discounted using a risk-adjusted discount rate of 7.85%.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure. The Company is subject to liquidity risk.

Accounts payable and accrued liabilities are due within the current operating period.

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13. FINANCIAL AND CAPITAL RISK MANAGEMENT (cont'd...)

Foreign exchange risk

A portion of the Company's operational transactions are originally or effectively denominated in US dollars. As well, because the Company's operations are in Mexico, some costs are denominated in Mexican Pesos. Accordingly, the results of the Company's operations and comprehensive loss as stated in Canadian dollars will be impacted by exchange rate fluctuations. The Company does not hedge its exposures to movements in the exchange rates at this time.

The Company's exposure to foreign currency risk is on its cash, receivables, accounts payable and accrued liabilities. At April 30, 2017, a hypothetical change of 10% in the foreign exchange rate between the Canadian dollar and US dollar would have a material effect of \$196,000 on loss and comprehensive loss; a hypothetical change of 10% in the foreign exchange rate between the Canadian dollar and the Mexican Peso would have an effect of \$7,000 on profit or loss.

Interest rate risk

The Company limits its exposure to interest rate risk by holding cash deposits at major Canadian financial institutions and accordingly is not subject to significant interest rate risk.

Price risk

Mineral prices, in particular gold and silver, are volatile, and have fluctuated sharply in the past. The prices are subject to market supply and demand, political and economic factors, and commodity speculation, all of which can interact with one another to cause significant price movement from day to day and hour to hour. These price movements can affect the Company's ability to operate and to raise financing through the sale of its common shares.

14. SEGMENTED INFORMATION

The Company's one reportable operating segment is the acquisition and exploration of mineral properties. Geographic information is as follows:

	April 30, 2017	April 30, 2016
Equipment		
Mexico	\$ 70,269	\$ 53,569
Exploration and evaluation assets		
Mexico	\$ 500,000	\$ 2,590,000
Canada	730,000	730,000

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15. INCOME TAXES

A reconciliation of income taxes (recovery) at statutory rates with the reported taxes is as follows:

	2017	2016
Income (loss) before income taxes	\$ (4,437,019)	\$ 12,948,427
Expected income tax (recovery)	\$ (1,154,000)	\$ 3,367,000
Change in statutory, foreign tax, foreign exchange rates and other	515,000	(800,000)
Permanent difference	255,000	280,000
Impact of initial recognition of 7.5% mining royalty in Mexico	(144,748)	(110,000)
Share issue cost	-	(5,000)
Impact of plan of arrangement	-	(2,222,000)
Change in unrecognized deductible temporary differences	<u>384,000</u>	<u>(662,000)</u>
Total income tax expense (recovery)	\$ (144,748)	\$ (152,000)
Current income tax expense	\$ -	\$ -
Deferred income tax expense (recovery)	\$ (144,748)	\$ (152,000)

The significant components of the Company's deferred tax assets and liabilities are as follows:

	2017	2016
Deferred tax assets (liabilities)		
Exploration and evaluation assets	\$ -	\$ (144,748)
Net deferred tax liability	\$ -	\$ (144,748)

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(Expressed in Canadian Dollars)

15. INCOME TAXES (cont'd...)

On December 11, 2013, the Mexican government enacted a tax reform to introduce a mining royalty effective January 2014. This royalty is deductible for tax purposes and is calculated as 7.5% of a royalty base which is computed as taxable revenues for income tax purposes (except interest and inflationary adjustment), less allowable deductions for income tax purposes (except interest, inflationary adjustment, depreciation and mining fees), less prospecting and exploration expenses of the year. This new mining royalty was the significant item impacting the 2014 effective tax rate.

The Company has taken the position that the 7.5% mining royalty is an income tax in accordance with IFRS for financial reporting purpose, as it is based on a measure of revenue less certain specified costs. On substantial enactment, a taxable temporary difference arises, as exploration and evaluation assets have book basis but no tax basis for purposes of the royalty. The Company has recognized a deferred tax liability of **approx. \$Nil** in the current year and \$144,748 as at April 30, 2016 in respect of this royalty.

The significant components of the Company's temporary difference, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	2017	2016	Expiry date range
Temporary differences:			
Exploration and evaluation assets	\$ 12,173,000	\$ 10,798,000	No expiry date
Investment tax credit	35,000	-	2027-2034
Property and equipment	22,000	22,000	No expiry date
Share issue costs	113,000	237,000	2038-2040
Allowable capital losses	6,000	-	No expiry date
Non-capital losses available for future period	21,568,000	21,863,000	2021 to onward

Tax attributes are subject to review, and potential adjustment, by tax authorities.

16. EVENTS AFTER THE REPORTING DATE

On May 3, 2017, the Company granted 2,950,000 incentive stock options to directors, officers, and consultants at an exercise price of \$0.17 per share, expiring five years from the date of grant and vesting immediately.

On June 13, 2017, the Company received the second anniversary cash payment of \$US2,000,000 (\$2.60 million) from Agnico as per the agreement between Agnico and the Company whereby Agnico acquired a 55% interest in the Barsele project.