EXPLOREX RESOURCES INC.
(FORMERLY EXPLOREX CAPITAL LTD.)

ANNUAL FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

March 31, 2013

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Explorex Resources Inc.

We have audited the accompanying financial statements of Explorex Resources Inc., which comprise the statements of financial position as at March 31, 2013 and 2012, and the statements of operations and comprehensive loss, cash flows and changes in shareholders' equity for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 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.

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Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Explorex Resources Inc. as at March 31, 2013 and 2012 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 financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Explorex Resources Inc.'s ability to continue as a going concern.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada Chartered Accountants

July 5, 2013

EXPLOREX RESOURCES INC. (formerly Explorex Capital Ltd.)
Statements of Financial Position
Expressed in Canadian Dollars

	March 31, 2013	March 31, 2012
ASSETS		
Current		
Cash	$ 226,006	$ 317,656
Amounts receivable	28,906	10,509
Prepaid expense	-	25
	254,912	328,190
Non-current		
Exploration and Evaluation Assets (Note 4)	-	35,060
	$ 254,912	$ 363,250
LIABILITES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	$ 32,753	$ 32,327
Shareholders' equity		
Share capital (Note 5)	752,328	428,387
Share-based payments reserve (Note 5)	39,354	34,386
Deficit	(569,523)	(131,850)
	222,159	330,923
	$ 254,912	$ 363,250

Nature and continuance of operations (Note 1)

Approved and authorized by the Board on July 5th, 2013:

"William A. E. Wishart"	*"Paul Zdebiak"*
William E. A. Wishart, Director	Paul Zdebiak, Director

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

EXPLOREX RESOURCES INC. (formerly Explorex Capital Ltd.)

STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

Expressed in Canadian Dollars

	Years ended March 31, 2013	March 31, 2012
EXPENSES		
Consulting (Note 8)	$ 11,644	$ -
General office expenses	27,297	5,580
Management expenses (Note 8)	54,540	-
Professional fees	43,158	59,530
Rent (Note 8)	19,100	12,300
Share-based compensation (Note 5)	14,523	18,656
Transfer agent and filing fees	9,432	20,113
Travel	1,807	-
Operating expenses	(181,501)	(116,179)
Interest income	2,504	2,422
Write-off of exploration and evaluation assets (Note 4)	(258,676)	-
	(256,172)	2,422
Loss and comprehensive loss for the year	$ (437,673)	$ (113,757)
Basic and diluted loss per common share	$ (0.05)	$ (0.06)
Weighted average number of common shares outstanding	8,852,383	1,907,397

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

EXPLOREX RESOURCES INC. (formerly Explorex Capital Ltd.)

STATEMENTS OF CASH FLOWS

Expressed in Canadian Dollars

	Years Ended March 31, 2013	March 31, 2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	$ (437,673)	$ (113,757)
Items not affecting cash		
Write-off exploration and evaluation assets	258,676	-
Share-based compensation	14,523	18,656
Changes in non-cash working capital items		
Increase in receivables	(18,397)	(10,509)
Decrease in prepaid expense	25	1,494
Decrease in due to related parties	-	(4,726)
Increase in accounts payable and accrued liabilities	426	27,380
Cash flow used in operating activities	(182,420)	(81,462)
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration and evaluation	(193,616)	(35,060)
Cash flows used in investing activities	(193,616)	(35,060)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of shares for cash	301,736	310,000
Share issuance costs	(17,350)	(41,500)
Cash flows provided by financing activities	284,386	268,500
Change in cash for the year	(91,650)	151,978
Cash, begining of year	317,656	165,678
Cash, end of year	$ 226,006	$ 317,656

There were no significant non-cash investing or financing activities during the years presented.

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

EXPLOREX RESOURCES INC. (formerly Explorex Capital Ltd.)

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Epressed in Canadian Dollars

	Number of Shares		Share Capital		Share-Based Payments Reserve		Deficit		Total
Balance at March 31, 2011	4,250,000	$	212,500	$	-	$	(18,093)	$	194,407
Shares issued for cash	3,200,000		310,000		-		-		310,000
Share issuance costs	-		(94,113)		15,730		-		(78,383)
Share-based compensation	-		-		18,656		-		18,656
Loss for the year	-		-		-		(113,757)		(113,757)
Balance at March 31, 2012	7,450,000		428,387		34,386		(131,850)		330,923
Shares issued for cash	1,417,500		283,500		-		-		283,500
Share issuance costs	-		(17,350)		-		-		(17,350)
Shares isssued for property	150,000		30,000		-		-		30,000
Exercise of agents'options	182,355		27,791		(9,555)		-		18,236
Share-based compensation			-		14,523		-		14,523
Loss for the year	-		-		-		(437,673)		(437,673)
Balance at March 31, 2013	9,199,855	$	752,328	$	39,354	$	(569,523)	$	222,159

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Explorex Resources Inc. (the "Company", formerly Explorex Capital Ltd.) was incorporated under the Business Corporations Act (British Columbia) on January 6, 2011 as Explorex Capital Ltd., and changed its name to Explorex Resources Inc. on June 11, 2012. The Company was classified as a Capital Pool Company ("CPC") as defined by the policies of the TSX Venture Exchange (the "Exchange"). The Company is currently engaged in the acquisition, exploration and evaluation of its mineral property interests. The Company's shares are listed on the Exchange under the symbol EX. During the current year, the Company closed its Qualifying Transaction and as such, the Company graduated from being a CPC to a Tier 2 mining issuer on the Exchange.

The head office of the Company is located at 214 – 1118 Homer Street, Vancouver, British Columbia, V6B 6L5. The registered office of the Company is located at Suite 300 – 576 Seymour Street, Vancouver, British Columbia, V6B 3K1. The Company does not have any subsidiaries.

These financial statements have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going-concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. Accordingly, it does not give effect to adjustments, if any that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts which may differ from those shown in the financial statements.

The ability of the Company to continue as a going concern is dependent on its ability to obtain additional equity financing and achieve future profitable operations. As at March 31, 2013, the Company had working capital of $222,159 had not yet achieved profitable operations and has an accumulated deficit of $569,523 since its inception. The Company expects to incur further losses in the development of its business, all of which cast significant doubt on the Company's ability to continue as a going concern. The Company will require additional financing in order to conduct its future work programs on exploration and evaluation assets, meet its ongoing levels of corporate overhead and discharge its liabilities as they come due. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future.

2. BASIS OF PRESENTATION

Basis of presentation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") which include International Accounting Standards and Interpretations ("IFRIC") adopted by the International Accounting Standards Board ("IASB").

The financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. In addition, the financial statements have been prepared using the accrual basis of accounting, except for cash flow disclosure.

These financial statements are presented in Canadian dollars, which is also the Company's functional currency.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Use of judgment and estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amount of expenses during the period. Significant areas requiring the use of management's judgment and estimates relate to the recoverability of amounts receivable, the determination of environmental obligations and impairment of exploration and evaluation assets and inputs used in accounting for share-based compensation. Actual results may differ from these estimates. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

b) Share-based compensation

The Company uses the fair value based method for measuring compensation costs.The Company grants stock options to buy common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to capital stock.

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 payment. Otherwise, share-based payments are measured at the fair value of the goods or services received.

c) Loss per share

The Company presents basic loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive. All of the stock options, agent's options and warrants currently issued (see Note 5) were anti-dilutive for the years ended March 31, 2013 and 2012.

d) Valuation of equity units issued in private placements

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate mineral properties. These equity financing transactions may involve issuance of common shares or units. A unit comprises a certain number of common shares and a certain number of share purchase warrants ("Warrants"). Depending on the terms and conditions of each equity financing agreement ("Agreement"), the Warrants are exercisable into additional common shares prior to expiry at a price stipulated by the Agreement. Warrants that are part of units are assigned value based on the residual value method and included in share capital with the common shares that were concurrently issued. Warrants that are issued as payment for agency fees or other transactions costs are accounted for as share-based payments.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

e) Financial instruments

Financial assets

Financial assets are classified into one of four categories:

a) Fair value through profit or loss ("FVTPL");

b) Held-to-maturity ("HTM");

c) Loans and receivables; and

d) Available-for-sale ("AFS").

Financial assets at fair value through profit or loss ("FVTPL")

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated as at FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's risk management strategy. Attributable transaction costs are recognized in profit or loss when incurred. FVTPL are measured at fair value, and changes are recognized in profit or loss.

Held-to-maturity ("HTM")

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 asset 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 the statement of operations and comprehensive loss.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted on an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Available-for-sale ("AFS")

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 the statement of operations and comprehensive loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

e) Financial instruments (cont'd…)

The Company has classified its cash as FVTPL.

Financial liabilities

Financial liabilities are classified into one of two categories:

a) Fair value through profit or loss; and

b) Other financial liabilities.

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 the statement of operations and comprehensive loss.

Other financial liabilities

This category includes accounts payable and accrued liabilities, all of which are recognized at amortized cost. The Company classified its financial liabilities which consisted of accounts payable and accrued liabilitiesas other financial liabilities.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been impacted.

For all financial assets objective evidence of impairment could include:

a) significant financial difficulty of the issuer or counterparty; or

b) default or delinquency in interest or principal payments; or

c) it becoming probable that the borrower will enter bankruptcy or financial re-organization.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

e) Financial instruments (cont'd…)

For certain categories of financial assets, such as receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of receivables, where the carrying amount is reduced through the use of an allowance account. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

f) Income taxes

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 period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recognized in respect to the 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 do not result in deferred tax assets or liabilities: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; nor 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

g) Exploration and evaluation assets

Exploration costs are capitalized on an individual prospect basis until such time as an economic ore body is defined or the prospect is abandoned. No exploration costs are capitalized until the legal right to explore the property has been obtained. When it is determined that such costs will be recouped through successful development and exploitation, the capitalized expenditures are depreciated over the expected productive life of the asset. Costs for a producing asset are amortized on a unit-of-production method based on the estimated life of the ore reserves, while costs for the prospects abandoned are written off.

Impairment review for exploration and evaluation assets is carried out on a project by project basis, with each project representing a single cash generating unit. At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that these assets are impaired. An impairment review is undertaken when indicators of impairment arise but typically when one or more of the following circumstances apply:

- Unexpected geological occurrences are identified that render the resource uneconomic;
- Title to the asset is compromised;
- Fluctuations in the metal prices render the project uneconomic;
- Variation in the currency of operations; and
- Threat to political stability in the country of operation.

From time to time, the Company may acquire or dispose of exploration and evaluation assets pursuant to the terms of option agreements. Due to the fact that these options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as exploration and evaluation assets or recoveries when the payments are made or received.

The recoverability of the amounts capitalized for the undeveloped exploration and evaluation assets is dependent upon the determination of economically recoverable ore reserves, confirmation of the Company's interest in the underlying mineral claims, the ability to farm out its exploration and evaluation assets, the ability to obtain the necessary financing to complete their development and future profitable production or proceeds from their disposition thereof.

h) Impairment of tangible and intangible assets

Tangible and intangible assets with finite useful lives are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the assets' cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

h) Impairment of tangible and intangible assets (cont'd…)

An impairment loss is charged to profit or loss except to the extent it reverses gains previously recognized in other comprehensive loss/income. 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 periods. A reversal of an impairment loss is recognized in profit or loss.

i) Standards issued but not yet effective

(i) Effective for annual periods beginning on or after January 1, 2013

- IFRS 13 *Fair Value Measurement*

  Defines fair value and sets out a framework for measuring fair value and disclosures about fair value measurements. It applies when other IFRS's require or permit fair value measurements. It does not introduce any new requirements to measure an asset or a liability at fair value, change what is measured at fair value in IFRS or address how to present changes in fair value.

- IFRS 10 *Consolidated Financial Statements*

  IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

- IFRS 11 *Joint Arrangements*

  IFRS 11 describes the accounting for arrangements in which there is joint control; proportionate consolidation is not permitted for joint ventures (as newly defined). IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC 13 Jointly Controlled Entities — Non-Monetary Contributions by Venturers.

- IFRS 12 *Disclosure of Interests in Other Entities*

  IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

(ii) Effective for annual periods beginning on or after January 1, 2014

- Amendments to IAS 32, *Financial Instruments: Presentation*

  IAS 32 clarifies the application of the offsetting rules and requires additional disclosure on financial instruments subject to netting arrangements.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

i) Standards issued but not yet effective *(*continued)

(iii) Effective for annual periods beginning on or after January 1, 2015

- IFRS 9 *Financial Instruments*

  IFRS 9 *Financial Instruments* replaces the current standard IAS 39 Financial Instruments: Recognition and Measurement, replacing the current classification and measurement criteria for financial assets and liabilities with only two classification categories: amortized cost and fair value.

The Company has not early adopted these revised standards and is currently assessing the impact that these standards could have on future financial statements.

4. EXPLORATON AND EVALUATION ASSETS

Title to exploration and evaluation assets involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many exploration and evaluation assets. The Company has investigated title to all of its exploration and evaluation assets and, to the best of its knowledge, title to all of its exploration and evaluation assets are in good standing.

Porcupine property

The Company entered into an option agreement ("Agreement") to acquire up to an 85% interest in several mineral claims comprising the Porcupine property in New Brunswick, Canada. The Agreement constituted the Company's Qualifying Transaction. Under the terms of the Agreement, in order to exercise the option to acquire the initial 70% interest, the Company will be required to make, over a three year period, total cash payments of $180,000 ($25,000 paid), issue a total of 850,000 common shares of the Company (150,000 common shares issued with a value of $30,000) and incur exploration expenditures of $1,000,000. The Company can acquire an additional 15% interest upon completion of a positive bankable feasibility study on or before December 31, 2018. The Agreement was subsequently amended whereby the minimum work expenditure was reduced. Subsequent to the year end March 31, 2013, the Company terminated this option agreement, accordingly, all related costs are written off to operations.

EXPRESSED IN CANADIAN DOLLARS

4. EXPLORATON AND EVALUATION ASSETS (cont'd...)

Porcupine property (cont'd…)

Porcupine property		**Year ended March 31, 2013**		**Year ended March 31, 2012**
Acquisition costs				
Beginning balance	$	25,000	$	-
Additions, during the year		30,000		-
Cash payments		-		25,000
		55,000		25,000
Deferred exploration costs				
Beginning balance		10,060		-
Additions, during the year				-
Assay		15,328		10,060
Geological consulting		76,520		-
Labour		7,800		-
Trenching		22,219		-
Mapping and surveying		33,199		-
Rental		13,550		-
Travel and transportation		25,000		-
		203,676		10,060
Less write-off of exploration and evaluation assets		(258,676)		-
Porcupine property, ending balance	$	-	$	35,060

5. SHARE CAPITAL

a) Authorized share capital:

As at March 31, 2013, the authorized share capital of the Company was an unlimited number of common shares without par value. All issued shares are fully paid.

b) Issued share capital:

During the year ended March 31, 2013, the Company completed a non-brokered private placement of 1,417,500 units at $0.20 per unit for gross proceeds of $283,500. Each unit consists of one common share and one share purchase warrant. Each share purchase warrant will entitle the holder thereof to purchase one additional share of the Company at a price of $0.30 per share for a period of up to twelve months from the closing date of the private placement. The Company paid finder's fees of $17,350.

During the year ended March 31, 2012, 200,000 seed common shares were issued at a price of $0.05 per share for total proceeds of $10,000.

The Company issued 3,000,000 common shares from its initial public offering (the "Offering") at $0.10 per share for gross proceeds of $300,000. In connection with the Offering the Company granted the agent an option to acquire an aggregate of 300,000 common shares (agent's options) at an exercise price of $0.10 per share until August 8, 2013. The agent's options were granted with a value of $15,730.The Company paid an administration fee of $10,000, a cash commission of $30,000 and $38,383 in other issuance costs.

At March 31, 2013, 3,435,000 (March 31, 2012 - 4,500,000) common shares were held in escrow and are released pro-rata to the shareholders. 10% of the escrow shares were issued upon release of the Final Exchange Bulletin in June 2012 and the remainder will be released in six equal tranches of 15% every six months thereafter for a period of 36 months.

Stock option plan

The Company has a stock option plan under which it can grant options to directors, officers, employees, and consultants for up to 10% of the issued and outstanding common shares. The exercise price of each option is based on the market price of the Company's stock at the date of grant. The options can be granted for a term of ten years and vest as determined by the board of directors.

EXPRESSED IN CANADIAN DOLLARS

5. SHARE CAPITAL (cont'd…)

Stock option plan (cont'd…)

As at March 31, 2013, the following options were granted or outstanding.

	Number of Options	Exercise Price
Outstanding, March 31, 2011	-	$ -
Granted	250,000	0.10
Expired	-	-
Exercised	-	-
Outstanding, March 31, 2012	250,000	0.10
Granted	100,000	0.20
Expired	-	-
Exercised	-	-
Outstanding, March 31, 2013	350,000	$ 0.13
Options Exercisable, March 31, 2013	350,000	$ 0.13
Weighted Average Fair Value of Options Granted (2012- $0.06)		$ 0.15

A summary of the Company's options outstanding as at March 31, 2013 is as follows:

Number of options	Exercise Price	Expiry Date
250,000	$ 0.10	August 8, 2016
100,000	$ 0.20	June 12, 2017

Total expenses arising from share-based payment transactions recognized during the year ended March 31, 2013 was $14,523 (2012 - $18,656).

EXPRESSED IN CANADIAN DOLLARS

5. SHARE CAPITAL (cont'd…)

Agent's Options

As at March 31, 2013, the following agent's options were granted or outstanding.

	Number of Agent's Options		Weighted Average Exercise Price
Outstanding, March 31, 2011	-	$	-
Granted	300,000		0.10
Outstanding, March 31, 2012	300,000		0.10
Granted	-		-
Expired	-		-
Exercised	(182,355)		0.10
Outstanding, March 31, 2013	117,645	$	0.10

As of March 31, 2013, the Company had 117,645 agent's options outstanding. Each agent's option entitles the holder the right to purchase one common share at a price of $0.10 per common share until August 8, 2013.

Share Purchase Warrants

As at March 31, 2013, the following share purchase warrants were outstanding:

	Number of Share Purchase Warrants		Weighted Average Exercise Price
Outstanding, March 31, 2011 and 2012	-	$	-
Granted	1,417,500		0.30
Expired	-		-
Exercised	-		-
Outstanding, March 31, 2013	1,417,500	$	0.30

As of March 31, 2013, the Company had 1,417,500 share purchase warrants outstanding. Each share purchase warrant entitles the holder the right to purchase one common share at a price of $0.30 per common share until June 11, 2013.

EXPRESSED IN CANADIAN DOLLARS

5. SHARE CAPITAL (cont'd…)

The following weighted-average assumptions were used for the Black-Scholes valuation of the stock options and agent's options granted during the period:

	March 31, 2013	March 31, 2012
Risk-free interest rate	1.23%	1.12%
Expected life of options	5 years	3.36 years
Annualized volatility	96.14%	100%
Dividend rate	0.00%	0.00%

Annualized volatility is estimated by considering historic average share price volatility of the publicly traded shares of comparable entities.

6. CAPITAL MANAGEMENT

Capital is comprised of the Company's shareholders' equity. As at March 31, 2013, the Company's shareholders' equity was $222,159. The Company's objectives when managing capital are to maintain financial strength and to protect its ability to meet its on-going liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. Protecting the ability to pay current and future liabilities includes maintaining capital above minimum regulatory levels, current financial strength rating requirements and internally determined capital guidelines and calculated risk management levels.

The Company is dependent on the capital markets as its sole source of operating capital and the Company's capital resources are largely determined by the strength of the junior resource markets and by the status of the Company's projects in relation to these markets, and its ability to compete for investor support of its projects. The Company is not subject to any externally imposed capital requirements. There has been no change in the Company's approach to capital management during the year ended March 31, 2013.

7. FINANCIAL INSTRUMENTS AND RISK

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:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly;

Level 3 – Inputs that are not based on observable market data.

7. FINANCIAL INSTRUMENTS AND RISK (cont'd…)

The fair value of cash is based on level 1 inputs of the fair value hierarchy.

The fair value of the Company's receivables, accounts payable and accrued liabilities approximates their carrying values due to the short-term nature.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company believes it has no significant credit risk.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2013, the Company had a cash balance of $226,006 to settle current liabilities of $32,753.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

(a) Interest rate risk

The Company has cash balances and no interest-bearing debt. As of March 31, 2013, the Company held an interest bearing GIC term deposit with a variable interest rate. The interest rate risk on cash is not considered significant.

(b) Foreign currency risk

The Company does not have assets or liabilities in a foreign currency.

(c) Price risk

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, and the stock market to determine the appropriate course of action to be taken by the Company.

EXPRESSED IN CANADIAN DOLLARS

8. RELATED PARTY TRANSACTIONS

On August 1, 2012, the Company signed a consulting agreement with a Director of the Company, to provide consulting services for a monthly fee of $6,000 for a period of three years.

During the year ended March 31, 2013, the Company entered into the following transactions with related parties:

- Paid or accrued rent of $19,100 (2012 - $12,300), management fees of $54,000 (2012 - $nil) and consulting fees of $6,000 (2012 - $nil) to a company controlled by a director of the Company.
- Paid or accrued management fees of $540 (2012 - $nil) to the Company's Corporate Secretary.
- Paid or accrued directors' fees (included in consulting fees) of $5,000 (2012 - $nil) to two directors of the Company.
- Paid or accrued professional fees of $12,000 (2012 - $nil) to the Chief Financial Officer of the Company.
- Issued 100,000 stock options (2012 – 250,000) to the former Chief Financial Officer and the Company's corporate secretary and recognized a related value of $14,523 (2012 - $18,656) as share-based compensation expense.

9. SEGMENTAL ANAYSIS

The Company operates in one business segment which is the exploration of exploration and evaluation assets and all of its operations are in Canada.

10. INCOME TAXES

A reconciliatoin of income taxes at statutory rates with the reported taxes as follows:

		2013		2012
Earning (Loss) for the year	$	(437,673)	$	(113,757)
Expected income tax (recovery)	$	(109,000)	$	(30,000)
Permanent difference		4,000		5,000
Share issue cost		(4,000)		(20,000)
Change in unrecognized deductible temporary differences		109,000		45,000
Total income tax expense (recovery)	$	-	$	-

The Canadian income tax rate declined during the year due to changes in the law that reduced corporate income tax rates in Canada.

Significant components of deductible temporary differences and unused tax losses that have not been recognized on the statements of financial position are as follows:

		2013		2012	Expiry Date Range
Temporary Differences					
Share issue cost	$	61,000	$	63,000	2014-2017
Non-capital loses available for future period		302,000		121,000	2031-2033