

# **EXPLOREX RESOURCES INC.**

**ANNUAL FINANCIAL STATEMENTS**  
(Expressed in Canadian Dollars)

**MARCH 31, 2016 AND 2015**

## 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, 2016 and 2015 and the statements of loss and comprehensive loss, cash flows and changes in shareholders' equity (deficiency) 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.



***Opinion***

In our opinion, these financial statements present fairly, in all material respects, the financial position of Explorex Resources Inc. as at March 31, 2016 and 2015, 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 Professional Accountants

July 14, 2016

# Explorex Resources Inc.

## Statements of Financial Position

(Expressed in Canadian Dollar)

	March 31, 2016	March 31, 2015
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 2,080	\$ 99,250
Receivables	5,314	14,983
	7,394	114,233
<b>Non-current assets</b>		
Exploration and evaluation assets (Notes 4 and 9)	35,935	10,935
	\$ 43,329	\$ 125,168
<b>LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Note 9)	\$ 106,319	\$ 10,000
<b>Shareholders' equity (deficiency)</b>		
Share capital (Note 5)	1,208,802	1,014,302
Share-based payment reserve (Note 5)	55,337	55,337
Deficit	(1,327,129)	(954,471)
	(62,990)	115,168
	\$ 43,329	\$ 125,168

Nature and continuance of operations (Note 1)

Subsequent events (Note 11)

Approved and authorized by the Board on July 14, 2016

Approved on Behalf of the Board:

“William E.A Wishart”

William E.A. Wishart, Director

“Gary Schellenberg”

Gary Schellenberg, Director

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

# Explorex Resources Inc.

## Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollar)

	Year Ended March 31, 2016	Year Ended March 31, 2015
<b>EXPENSES</b>		
Consulting (Note 9)	\$ 33,000	\$ 6,375
General office	23,758	21,372
Management fees (Note 9)	72,000	72,000
Professional fees (Note 9)	52,271	35,120
Rent (Note 9)	21,600	19,600
Share-based compensation (Notes 5 and 9)	-	15,983
Transfer agent and filing fees	25,486	19,340
Travel	9,830	4,576
	<u>(237,945)</u>	<u>(194,366)</u>
Interest income	-	580
Loss on deposit related to LOI (Note 6)	<u>(134,713)</u>	<u>-</u>
<b>Loss and comprehensive loss for the year</b>	<b>\$ (372,658)</b>	<b>\$ (193,786)</b>
<b>Basic and diluted loss per common share</b>	<b>\$ (0.09)</b>	<b>\$ (0.07)</b>
<b>Weighted average number of common shares outstanding</b>	<b>4,085,089</b>	<b>2,726,016</b>

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

# Explorex Resources Inc.

## Statements of Cash Flows

(Expressed in Canadian Dollar)

	Year Ended March 31, 2016	Year Ended March 31, 2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>OPERATING ACTIVITIES</b>		
Loss for the year	\$ (372,658)	\$ (193,786)
Non-cash items		
Share-based compensation	-	15,983
Change in non-cash working capital accounts		
Receivables	9,669	6,464
Accounts payable and accrued liabilities	96,319	(37,703)
Cash used in operating activities	<u>(266,670)</u>	<u>(209,042)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>		
Issuance of shares for cash	<u>194,500</u>	<u>261,974</u>
Cash provided by financing activity	<u>194,500</u>	<u>261,974</u>
<b>CASH FLOWS FROM INVESTING ACTIVITY</b>		
Exploration and evaluation assets	<u>(25,000)</u>	<u>(10,935)</u>
Cash used in investing activity	<u>(25,000)</u>	<u>(10,935)</u>
<b>Change in cash for the year</b>	<b>(97,170)</b>	<b>41,997</b>
Cash, beginning of the year	<u>99,250</u>	<u>57,253</u>
<b>Cash, end of the year</b>	<b>\$ 2,080</b>	<b>\$ 99,250</b>

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.

## Statements of Changes in Shareholders' Equity (Deficiency)

(Expressed in Canadian Dollar)

	Number of Shares	Share Capital \$	Shared-Based Payment Reserve \$	Deficit \$	Total Shareholders' Equity (Deficiency) \$
<b>Balance, March 31, 2014</b>	2,044,400	752,328	39,354	(760,685)	30,997
Share issued for cash (Note 5 (b))	1,555,797	269,560	-	-	269,560
Share issuance costs (Note 5 (b))	-	(7,586)	-	-	(7,586)
Share-based compensation	-	-	15,983	-	15,983
Loss for the year	-	-	-	(193,786)	(193,786)
<b>Balance, March 31, 2015</b>	3,600,197	1,014,302	55,337	(954,471)	115,168
Share issued for cash (Note 5 (b))	980,500	196,100	-	-	196,100
Share issuance costs (Note 5 (b))	-	(1,600)	-	-	(1,600)
Loss for the year	-	-	-	(372,658)	(372,658)
<b>Balance, March 31, 2016</b>	4,580,697	1,208,802	55,337	(1,327,129)	(62,990)

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

# Explorex Resources Inc.

## Notes to the Financial Statements

March 31, 2016  
(Expressed in Canadian Dollar)

---

### 1. NATURE AND CONTINUANCE OF OPERATIONS

Explorex Resources Inc. (the “Company”) was incorporated under the Business Corporations Act (British Columbia) on January 6, 2011. 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 1780-400 Burrard Street, Vancouver, British Columbia, V6C 3A6. 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, 2016, the Company had working capital deficiency of \$98,925, had not yet achieved profitable operations and has an accumulated deficit of \$1,327,129 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 explore new business opportunities, 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.



# Explorex Resources Inc.

## Notes to the Financial Statements

March 31, 2016  
(Expressed in Canadian Dollar)

---

### 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, 2016 and 2015.

#### 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.

# Explorex Resources Inc.

## Notes to the Financial Statements

March 31, 2016  
(Expressed in Canadian Dollar)

---

### 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 loss 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 loss and comprehensive loss.

# Explorex Resources Inc.

## Notes to the Financial Statements

March 31, 2016  
(Expressed in Canadian Dollar)

---

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

#### e) Financial instruments (cont'd...)

The Company has classified its cash as FVTPL and its receivables as loans and receivables.

##### *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 loss 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 liabilities as 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.

# Explorex Resources Inc.

## Notes to the Financial Statements

March 31, 2016  
(Expressed in Canadian Dollar)

---

### 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.

# Explorex Resources Inc.

## Notes to the Financial Statements

March 31, 2016  
(Expressed in Canadian Dollar)

---

### 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.

# Explorex Resources Inc.

## Notes to the Financial Statements

March 31, 2016  
(Expressed in Canadian Dollar)

---

### 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) Accounting standards issued but not yet effective

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its financial statements.

##### *IFRS 9 – Financial Instruments (“IFRS 9”)*

In July 2004, the IASB issued the final version of IFRS 9 which replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on an entity’s business model and the contractual cash flow of the financial asset. Classification is made at the time the financial asset is initially recognized, namely when the entity becomes a party to the contractual provisions of the instrument.

IFRS 9 amends some of the requirements of IFRS 7 Financial Instruments: Disclosures, including added disclosures about investments in equity instruments measured at fair value in other comprehensive income, and guidance on financial liabilities and derecognition of financial instruments. The amended standard is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted.

##### *IAS 16 – Property, Plant and Equipment (“IAS 16”) and IAS 38 – Intangibles (“IAS 38”)*

IAS 16 and IAS 38 were issued in May 2014 and prohibit the use of revenue-based depreciation methods for property, plant and equipment and limit the use of revenue-based amortization for intangible assets. These amendments are effective for annual periods on or after January 1, 2016 and are to be applied prospectively.

# Explorex Resources Inc.

## Notes to the Financial Statements

March 31, 2016  
(Expressed in Canadian Dollar)

### 4. EXPLORATION AND EVALUATION ASSETS

#### For the year ended March 31, 2016:

	Arlington Property
Acquisition costs, March 31, 2015	\$ 10,935
Additions during the year	-
Acquisition costs, March 31, 2016	10,935
Deferred exploration costs, March 31, 2015	-
Camp costs	476
Field personnel	18,616
Mapping and sampling	1,586
Travel and related	4,322
Deferred exploration costs, March 31, 2016	25,000
Total exploration and evaluation assets, March 31, 2016	\$ 35,935

#### For the year ended March 31, 2015:

	Arlington Property
Acquisition costs, March 31, 2014	\$ -
Additions during the year	10,935
Acquisition costs, March 31, 2015	10,935
Deferred exploration costs, March 31, 2014	-
Additions during the year	-
Deferred exploration costs, March 31, 2015	-
Total exploration and evaluation assets, March 31, 2015	\$ 10,935

#### *Arlington Property, British Columbia*

On January 19, 2015, the Company acquired a 100% interest in the Arlington property by staking.

# Explorex Resources Inc.

## Notes to the Financial Statements

March 31, 2016  
(Expressed in Canadian Dollar)

---

### 5. SHARE CAPITAL

a) Authorized share capital:

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

During the year ended March 31, 2016, the Company consolidated the issued share capital on the basis of two and one-quarter (2.25) old common shares for one (1) new common share (the "Consolidation ratio"). Outstanding stock options and warrants were adjusted by the Consolidation ratio. All common shares and per common share amounts in these financial statements have been retroactively restated to reflect the share consolidation.

b) Issued share capital:

During the year ended March 31, 2016, the Company completed a non-brokered private placement of 980,500 common shares at a price of \$0.20 per share for gross proceeds of \$196,100. Finder's fee of \$1,600 was paid.

During the year ended March 31, 2015, the Company completed a non-brokered private placement of 933,333 units at \$0.124 per unit for gross proceeds of \$115,500. 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 \$0.169 per share for a period of up to five years after the closing date of the private placement.

During the year ended March 31, 2015, the Company completed a non-brokered private placement of 622,464 units at \$0.248 per unit for a gross proceeds of \$154,060. Finders' fees of \$7,586 were paid.

#### 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.

As at March 31, 2016 the following stock options were outstanding:

	Number of Stock Options	Weighted Average Exercise Price
Balance, March 31, 2014	77,778	\$0.59
Granted	133,333	\$0.23
Cancelled	(11,111)	\$0.90
Balance, March 31, 2015 and 2016	200,000	\$0.33



# Explorex Resources Inc.

## Notes to the Financial Statements

March 31, 2016  
(Expressed in Canadian Dollar)

### 5. SHARE CAPITAL (cont'd...)

#### Stock option plan (cont'd...)

A summary of the Company's stock options outstanding as at March 31, 2016 is as follows:

Expiry Date	Number of Stock Options	Exercise Price	Number of Stock Options Exercisable
July 17, 2016	133,333	\$0.23	133,333
August 8, 2016	55,556	\$0.45	55,556
June 11, 2017	11,111	\$0.90	11,111
	200,000		200,000

#### Share-Based Payment Reserve

Share-based compensation costs have been determined based on the fair value of the stock options at the grant date using the Black-Scholes option-pricing model.

During the year ended March 31, 2016, the Company granted Nil (2015 – 133,333) stock options. Share-based compensation expense using the Black-Scholes option pricing model was \$Nil (2015 – \$15,983).

The following assumptions were used for the Black-Scholes valuation of stock options granted:

	March 31, 2016	March 31, 2015
Risk-free interest rate	-	2.75%
Expected life of options	-	2 years
Annualized volatility	-	99.81%
Dividend rate	-	0.00%

Annualized volatility is based on the historical volatility of the Company's publicly traded shares.

#### Share Purchase Warrants

As at March 31, 2016, the following share purchase warrants were outstanding:

	Number of Warrants	Weighted Average Exercise Price	Expiry Date
Balance, March 31, 2014	-	-	
Granted	933,333	\$0.169	July 25, 2019
Balance, March 31, 2015 and 2016	933,333	\$0.169	

# Explorex Resources Inc.

## Notes to the Financial Statements

March 31, 2016  
(Expressed in Canadian Dollar)

---

### 6. LETTER OF INTENT

On August 5, 2015, the Company announced that it entered into a letter of intent with Premium Access Apps, Inc. (“Premium Access”) for the proposed acquisition (the “Acquisition”) of certain assets of Premium Access by the Company (the “LOI”) for the purchase price of \$1,700,000 CDN comprised of a \$100,000 USD non-refundable deposit and 20,000,000 common shares issued at a deemed price of \$0.08 per common share having an aggregate value of \$1,600,000 CDN. Premium Access is an app development and pioneering technology company located in New York City, New York, USA.

Pursuant to the terms of the LOI, the Company shall complete a series of transactions following the share consolidation. The Company will issue up to 1,500,000 common shares at \$0.20 per share for a capital raising of up to \$300,000 CDN, out of which the Company will provide Premium Access with the non-refundable deposit of \$100,000 USD. Concurrent with the completion of the Acquisition, the Company will then further issue up to 5,000,000 common shares at \$0.25 per share for a capital raising of up to \$1,250,000 CDN.

On December 7, 2015, the LOI was terminated and the Company wrote off the deposit of \$100,000 USD.

### 7. CAPITAL MANAGEMENT

Capital is comprised of the Company’s shareholders’ equity (deficiency). As at March 31, 2016, the Company’s shareholders’ deficiency was \$62,990. 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, 2016.

### 8. 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.

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

# Explorex Resources Inc.

## Notes to the Financial Statements

March 31, 2016  
(Expressed in Canadian Dollar)

---

### 8. FINANCIAL INSTRUMENTS AND RISK (cont'd...)

The fair value of the Company's receivables and 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, 2016, the Company had a cash balance of \$2,080 to settle current liabilities of \$106,319.

#### *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. 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.

### 9. RELATED PARTY TRANSACTIONS

Key management personnel are the persons responsible for the planning, directing and controlling the activities of the Company and include both executive and non-executive directors, and entities controlled by such persons. The Company considers all directors and officers of the Company to be key management personnel.

# Explorex Resources Inc.

## Notes to the Financial Statements

March 31, 2016  
(Expressed in Canadian Dollar)

---

### 9. RELATED PARTY TRANSACTIONS (cont'd...)

During the year ended March 31, 2016, the Company entered into the following transactions with related parties:

- Paid or accrued acquisition costs of \$Nil (2015 - \$10,935) and exploration costs of \$25,000 (2015 - \$Nil) that were capitalized as exploration and evaluation assets to a company controlled by a director of the Company.
- Paid or accrued consulting fees of \$24,000 (2015 - \$Nil) to a company controlled by a director of the Company.
- Paid or accrued rent of \$21,600 (2015 - \$19,600) and management fees of \$72,000 (2015 - \$72,000) to a company controlled by a director and Chief Executive Officer of the Company.
- Paid or accrued professional fees of \$Nil (2015 - \$12,000) to the former Chief Financial Officer of the Company.
- Paid or accrued professional fees of \$4,275 (2015 - \$1,225) to the current Chief Financial Officer of the Company.
- During the year ended March 31, 2016, the Company issued Nil (2015 - 88,889) stock options to the officers and directors of the Company. Upon the issuance, \$Nil (2015 - \$10,655) in share-based compensation expense was recorded.

Accounts payable to related parties are as follows:

	2016	2015
An entity controlled by a director and Chief Executive Officer	\$ 24,570	\$ -
An entity controlled by a director	1,250	-
An entity controlled by a director	25,200	-
	<b>\$ 51,020</b>	<b>\$ -</b>

#### *Commitments – Consulting agreements*

On August 1, 2012 and amended on July 11, 2013, the Company has entered into a consulting agreement with a director of the Company for the provision of consulting services at a current cost of \$72,000 per annum. The agreement is for a term of five years. Should the Company be subject to a change in control and the consultant terminated without cause, the Company must pay an amount equal to twenty-six months of fees and an additional two months of fees for each additional full year of management completed after the first year of engagement, up to a combined maximum of forty-eight months of management fees.

# Explorex Resources Inc.

## Notes to the Financial Statements

March 31, 2016  
(Expressed in Canadian Dollar)

### 10. INCOME TAXES

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

	2016	2015
Loss for the year	\$ (372,658)	\$ (193,786)
Expected income tax (recovery)	(97,000)	(50,000)
Change in statutory rates and other	1,000	-
Permanent difference	-	4,000
Share issue cost	-	(2,000)
Change in unrecognized deductible temporary differences	96,000	48,000
<b>Total income tax expense (recovery)</b>	<b>\$ -</b>	<b>\$ -</b>

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

	2016	2015
Deferred Tax Assets		
Exploration and evaluation assets	\$ 82,000	\$ 83,000
Canadian eligible capital (CEC)	2,000	2,000
Share issue costs	2,000	7,000
Non-capital losses	287,000	185,000
	373,000	277,000
Unrecognized deferred tax assets	(373,000)	(277,000)
<b>Net deferred tax assets</b>	<b>\$ -</b>	<b>\$ -</b>

The significant components of the Company's deductible temporary differences and unused tax losses that have not been recognized in the statements of financial position are as follows:

	2016	Expiry Date Range	2015	Expiry Date Range
<b>Temporary Differences</b>				
Exploration and evaluation assets	\$ 259,000	No expiry date	\$ 259,000	No expiry date
Investment tax credit	20,000	2032 to 2033	21,000	2032 to 2033
Canadian eligible capital (CEC)	6,000	No expiry date	6,000	No expiry date
Share issue costs	9,000	2017 to 2020	29,000	2016 to 2019
Non-capital losses available for future period	1,102,000	2031 to 2036	710,000	2031 to 2035

# Explorex Resources Inc.

## Notes to the Financial Statements

March 31, 2016  
(Expressed in Canadian Dollar)

---

### 11. SUBSEQUENT EVENTS

#### *a) Property Acquisition*

On May 11, 2016, the Company has entered into an option agreement with Happy Creek Minerals Ltd. to purchase a 100% interest in Happy Creek's Silver Dollar Property, located, approximately 45 kilometres southeast of Revelstoke, B.C.

Upon the signing the Agreement and to earn 100% interest, the Company is required to make the following payments as follows:

- \$20,000 cash on the earlier of the date that is 5 days following Canadian Securities Exchange approval for closing of the Company's proposed private placement of \$400,000 and June 30, 2016 (paid);
- a minimum \$100,000 work commitment by November 11, 2016;
- 300,000 shares by December 1, 2016;
- 300,000 shares by November 11, 2017; and
- 1,000,000 shares by May 11, 2018.

The property is subject to a 1% NSR.

#### *b) Investor Relation*

On June 1, 2016, the Company has entered into an investor relations contract with Bircress Corporate Relations Inc ("Bircress"). Pursuant to the contract, Bircress shall receive a monthly fee of \$2,000 per month and was granted stock options to purchase 250,000 common shares of the Company at a price of \$0.15 for one year. The options have a vesting period of 25% per 3 month term pursuant to the Company's Stock Option Plan.

#### *c) Private Placement*

On July 5, 2016, the Company has closed the first tranche of its non-brokered private placement by issuing 1,915,000 common shares at a price of \$0.10 per common share for gross proceeds of \$191,500. In connection with first tranche of the private placement, the Company paid a finders' fee of \$7,000.