

OREX MINERALS INC.

Condensed Consolidated Interim Financial Statements (Expressed in Canadian Dollars - Unaudited)

October 31, 2016

Notice to Reader

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice indicating that the condensed consolidated interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of financial statements by an entity's auditor.

OREX MINERALS INC.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**

As at October 31, 2016 and April 30, 2016

(Expressed in Canadian Dollars - Unaudited)

| | October 31, 2016 | April 30, 2016 |
|---------------------------------------------------|----------------------|----------------------|
| ASSETS | | |
| Current | | |
| Cash | \$ 4,669,674 | \$ 4,523,133 |
| Receivables (Note 14) | 2,528,398 | 2,542,889 |
| Prepaid expenses and deposits | <u>20,300</u> | <u>21,057</u> |
| | 7,218,372 | 7,087,079 |
| Equipment (Note 4) | 79,703 | 53,569 |
| Deposits | 76,043 | 76,043 |
| Receivables (Note 14) | - | 2,345,667 |
| Investment in associate (Note 7) | 2,350,117 | - |
| IVA receivable (Note 14) | 508,443 | 400,731 |
| Exploration and evaluation assets (Note 5) | <u>1,230,000</u> | <u>3,320,000</u> |
| | <u>\$ 11,462,678</u> | <u>\$ 13,283,089</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current | | |
| Accounts payable and accrued liabilities | <u>\$ 312,555</u> | <u>\$ 398,960</u> |
| | 312,555 | 398,960 |
| Deferred income tax liability | <u>144,748</u> | <u>144,748</u> |
| | <u>457,303</u> | <u>543,708</u> |
| Shareholders' equity | | |
| Share capital (Note 9) | 29,241,792 | 28,265,264 |
| Reserves (Note 9) | 5,308,205 | 5,440,698 |
| Deficit | <u>(23,544,622)</u> | <u>(20,966,581)</u> |
| | <u>11,005,375</u> | <u>12,739,381</u> |
| | <u>\$ 11,462,678</u> | <u>\$ 13,283,089</u> |

Nature and continuance of operations (Note 1)**Commitments** (Note 12)**Events after the reporting date** (Note 16)**Approved and authorized by the board on December 22, 2016**

/s/ Gary Cope
Gary Cope

Director

/s/ Rick Sayers
Rick Sayers

Director

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

OREX MINERALS INC.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)**

Six Months Ended October 31, 2016 and 2015

(Expressed in Canadian Dollars - Unaudited)

| | Three Months Ended October 31 | | Six Months Ended October 31 | |
|-----------------------------------------------------------------------------|----------------------------------|----------------------|--------------------------------|---------------------|
| | 2016 | 2015 | 2016 | 2015 |
| EXPLORATION EXPENSES | | | | |
| Drilling | \$ 536,594 | \$ (702) | \$ 623,454 | \$ (13) |
| Geological | 272,010 | 78,395 | 519,903 | 239,284 |
| Assay | 98,469 | - | 156,520 | 59 |
| General exploration | <u>302,395</u> | <u>168,621</u> | <u>430,441</u> | <u>313,555</u> |
| | <u>1,209,468</u> | <u>246,314</u> | <u>1,730,318</u> | <u>552,885</u> |
| GENERAL EXPENSES | | | | |
| Consulting fees | 15,746 | 4,700 | 67,372 | 9,200 |
| Depreciation | 4,905 | - | 10,643 | - |
| Investor relations | 140,721 | 88,340 | 212,096 | 165,574 |
| Management fees | 132,690 | 125,810 | 251,380 | 259,140 |
| Office and administrative | 105,966 | 59,498 | 157,964 | 149,246 |
| Professional fees | 96,685 | 253,466 | 151,885 | 387,162 |
| Receivables - Discount | - | (8,665) | - | (8,665) |
| Rent | 27,482 | 55,290 | 83,335 | 110,981 |
| Share-based payments (Note 9) | - | 22,176 | 60,785 | 362,105 |
| Transfer agent and filing fees | 32,350 | 81,539 | 53,900 | 87,351 |
| Travel and entertainment | <u>53,364</u> | <u>50,078</u> | <u>80,449</u> | <u>90,993</u> |
| | <u>609,909</u> | <u>732,232</u> | <u>1,129,809</u> | <u>1,613,087</u> |
| | <u>(1,819,377)</u> | <u>(978,546)</u> | <u>(2,860,127)</u> | <u>(2,165,972)</u> |
| Interest expense on promissory note (Note 5) | - | - | - | (7,746) |
| Interest income | 6,157 | 1,081 | 5,337 | 1,236 |
| Gain on dilution of former subsidiary | - | - | 3,988 | - |
| Equity in net income (loss) of associated company | (34,626) | - | (34,626) | - |
| Accounts receivable recovery of former subsidiary | 62,145 | - | 62,145 | - |
| Other foreign exchange gain (loss) | 90,673 | 73,713 | 132,264 | 633,254 |
| Loss on plan of arrangement (Note 8) | - | (500,001) | - | (500,001) |
| | <u>124,349</u> | <u>(425,207)</u> | <u>169,108</u> | <u>126,743</u> |
| Loss from continuing operations | <u>(1,695,028)</u> | <u>(1,403,753)</u> | <u>(2,691,019)</u> | <u>(2,039,229)</u> |
| Gain from discontinued operations (Note 6) | <u>-</u> | <u>-</u> | <u>112,978</u> | <u>4,014,536</u> |
| Loss and comprehensive income (loss) for the period | <u>\$(1,695,028)</u> | <u>\$(1,403,753)</u> | <u>\$(2,578,041)</u> | <u>\$ 1,975,307</u> |
| Basic and diluted loss per common share from continuing operations | \$ (0.02) | \$ (0.01) | \$ (0.02) | \$ (0.02) |
| Basic and diluted gain per common share from discontinued operations | \$ - | \$ - | \$ 0.00 | \$ 0.04 |
| Basic and diluted gain (loss) per common share | <u>\$ (0.02)</u> | <u>\$ (0.02)</u> | <u>\$ (0.02)</u> | <u>\$ 0.02</u> |
| Weighted average number of common shares outstanding | 112,960,836 | 102,240,199 | 112,106,134 | 102,240,199 |

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

OREX MINERALS INC.**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

At October 31, 2016

(Expressed in Canadian Dollars - Unaudited)

| | Common Shares | Share Capital | Reserves | 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) | - | - | - | (103,290,199) |
| New common shares issued following share exchange (Note 8) | 103,290,199 | - | - | - | 103,290,199 |
| Share-based payment (Note 9) | - | - | 362,105 | - | 362,105 |
| Income and comprehensive income | - | - | - | <u>1,975,307</u> | <u>1,975,307</u> |
| Balance, October 31, 2015 | 103,290,199 | \$ 46,540,309 | \$ 4,790,680 | \$ (35,760,472) | \$ 15,570,517 |
| Transfer of net assets to Barsele Minerals Corp. pursuant to the plan of arrangement (Note 9) | - | (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 payments | - | - | 890,469 | - | 890,469 |
| Income and comprehensive income | - | - | - | <u>14,793,891</u> | <u>14,793,891</u> |
| 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 | 646,900 | (36,400) | - | 610,500 |
| Share-based payments | - | - | 60,785 | - | 60,785 |
| Income and comprehensive income | - | - | - | <u>(2,578,041)</u> | <u>(2,578,041)</u> |
| Balance, October 31, 2016 | 113,431,379 | \$ 29,241,792 | \$ 5,308,205 | \$ (23,544,622) | \$ 11,005,375 |

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

OREX MINERALS INC.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**

Six Months Ended October 31, 2016 and 2015

(Expressed in Canadian Dollars - Unaudited)

| | Six Months Ended October 31 | |
|-----------------------------------------------------------------|--------------------------------|---------------------|
| | 2016 | 2015 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income/(loss) for the period | \$ (2,578,041) | \$ 1,975,307 |
| Items not affecting cash: | | |
| Share-based payments | 60,785 | 362,105 |
| Depreciation | 10,643 | - |
| Gain on discontinued operations | (112,978) | (4,014,536) |
| Gain on dilution of former subsidiary | (3,988) | - |
| Equity in net income (loss) of associated company | 34,626 | - |
| Loss on plan of arrangement | - | 500,001 |
| Unrealized foreign exchange | (177,777) | (402,392) |
| Changes in non-cash working capital items: | | |
| (Increase)/decrease in receivables | (301,987) | (11,846) |
| Increase in investment in associate | - | (1) |
| (Increase)/decrease in prepaid expenses | 757 | (15,184) |
| Decrease/(increase) in IVA receivable | (107,712) | 23,465 |
| (Decrease)/increase in accounts payable and accrued liabilities | <u>(86,405)</u> | <u>(407,315)</u> |
| Cash used in operating activities | <u>(3,262,077)</u> | <u>(1,990,396)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Accounts receivable recovery of former subsidiary | 62,145 | - |
| Purchase of equipment | (36,777) | - |
| Plan of arrangement (Note 8) | - | (500,000) |
| Exploration and evaluation acquisition (Note 4) | <u>-</u> | <u>(500,000)</u> |
| Cash used in investing activities | <u>25,368</u> | <u>(1,000,000)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Issuance of share capital, net share issuance costs | - | 346,895 |
| Proceeds from option exercises | 172,750 | - |
| Proceeds from warrant exercises | 610,500 | - |
| Proceeds from Agnico Eagle Mines Ltd. Payment | 2,600,000 | - |
| Proceeds from sale of assets held for sale | - | 7,375,746 |
| Promissory Note | - | (736,800) |
| Interest expense on promissory note | <u>-</u> | <u>(7,446)</u> |
| Cash provided by financing activities | <u>3,383,250</u> | <u>6,978,395</u> |
| Increase (decrease) in cash during the period | 146,541 | 3,987,999 |
| Cash, beginning of period | <u>4,523,133</u> | <u>535,704</u> |
| Cash, end of period | <u>\$ 4,669,674</u> | <u>\$ 4,523,703</u> |

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 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

SIX MONTHS ENDED OCTOBER 31, 2016

(Expressed in Canadian Dollars - Unaudited)

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, Sweden 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 condensed consolidated interim 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 condensed consolidated interim 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 condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standard (“IAS”) 34, “Interim Financial Reporting” 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 condensed consolidated interim financial statements have been prepared following the same accounting policies and methods of computation as the audited consolidated financial statements for the fiscal year ended April 30, 2016. These condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements, and the notes thereto, for the year ended April 30, 2016.

These condensed consolidated interim financial statements have been prepared on a historical cost basis, except for, long term receivables, which are recognized at amortized cost and financial instruments classified at fair value through profit or loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

OREX MINERALS INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

SIX MONTHS ENDED OCTOBER 31, 2016

(Expressed in Canadian Dollars - Unaudited)

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

Critical Accounting Estimates

The preparation of these condensed consolidated interim 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.

OREX MINERALS INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

SIX MONTHS ENDED OCTOBER 31, 2016

(Expressed in Canadian Dollars - Unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES**Principles of consolidation**

These condensed consolidated interim financial statements include the accounts of the Company and its controlled subsidiaries (Note 13). 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 statements 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 statement of operations and comprehensive 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.

OREX MINERALS INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

SIX MONTHS ENDED OCTOBER 31, 2016

(Expressed in Canadian Dollars - Unaudited)

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 period.

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 the statement of operations and comprehensive 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 the statement of operations and comprehensive 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 the results of operations.

OREX MINERALS INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

SIX MONTHS ENDED OCTOBER 31, 2016

(Expressed in Canadian Dollars - Unaudited)

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 the results of operations.

Other financial liabilities: This category includes promissory notes, amounts due to related parties and accounts payable and accrued liabilities, all of which are recognized at amortized cost.

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 and promissory note 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 the results of operations.

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.

OREX MINERALS INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

SIX MONTHS ENDED OCTOBER 31, 2016

(Expressed in Canadian Dollars - Unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**Share-based payments (cont'd...)**

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.

| | October 31, 2016 | April 30, 2016 |
|--------------------------------------------------------------------------------|------------------|----------------|
| Weighted average shares used in computation of basic income (loss) per share | 112,106,134 | 103,661,775 |
| Effect of diluted securities: | | |
| Stock options | 1,567,818 | 1,567,818 |
| Weighted average shares used in computation of diluted income (loss) per share | 113,673,952 | 105,229,593 |

Income taxes

Income tax on the profit or loss for the periods 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 period end, adjusted for amendments to tax payable with regards to

OREX MINERALS INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

SIX MONTHS ENDED OCTOBER 31, 2016

(Expressed in Canadian Dollars - Unaudited)

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

Income taxes (cont'd...)

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 is required to be applied for annual periods beginning on or after January 1, 2013. 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.

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4. EQUIPMENT

| | Field equipment | |
|---------------------------------|-----------------|----------|
| Cost | | |
| Balance, as at April 30, 2016 | \$ | 55,848 |
| Acquisition costs | | 36,777 |
| Disposals | | - |
| Balance, as at October 31, 2016 | \$ | 92,625 |
| Accumulated depreciation | | |
| Balance, as at April 30, 2016 | \$ | (2,279) |
| Additions | | (10,643) |
| Disposals | | - |
| Balance, as at October 31, 2016 | \$ | (12,922) |
| Net book value | | |
| Balance, as at April 30, 2016 | \$ | 53,569 |
| Balance, as at October 31, 2016 | \$ | 79,703 |

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 October 31, 2016 | \$ 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.

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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%.

Coneto, Mexico

On July 16, 2009, the Company signed a letter of intent to purchase 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 of the Company. The definitive purchase agreement, signed on September 1, 2009, was subject to the approval of the TSX Venture Exchange. After receiving TSX Venture Exchange approval, on April 15, 2010, the Company issued 2,200,000 shares to the vendors of the Coneto concessions, valued at \$2,090,000.

The Coneto property is subject to a 2.5% 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.
- 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.
- 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.

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

Coneto, Mexico (cont'd...)

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.

Barsele, Sweden

On April 29, 2011, the Company completed the final agreement with BarseleGuld A.B. ("BarseleGuld"), a wholly-owned subsidiary of Northland Resources S.A. to purchase all of the issued and outstanding shares of Gunnarn Mining and its wholly-owned subsidiary, Gunnarn Exploration (Note 4). The primary assets of Gunnarn Mining are mining claims for the Barsele Central, Avan, Skiråsen and Norra resource areas located in northern Sweden, collectively known as the Barsele property.

Per the terms of the agreement, the Company agreed to make direct exploration expenditures on the Barsele property as follows:

- a) Before the 1st anniversary of completing the final agreement, US\$1,000,000 of exploration expenditures (the Company fulfilled this commitment during fiscal 2012);
- b) Before the 2nd anniversary of completing the final agreement, an additional US\$2,000,000 of exploration expenditures (the Company fulfilled this commitment during fiscal 2013).

BarseleGuld retained a 2% net smelter returns royalty on the Barsele property, which the Company could purchase at any time for US\$2,000,000 per percentage point, or a total of US\$4,000,000. On October 15, 2014, the Company purchased the remaining 2% net smelter royalty for cash in the amount of US\$500,000 (\$549,800).

On June 11, 2015, the Company closed a joint venture transaction with Agnico Eagle Mines Limited ("Agnico") with respect to the Company's Barsele Project. Agnico acquired a 55% interest in the corporate entity which owns the Project in consideration of an initial payment to the Company of US \$6 million (\$7,375,746 received), with an additional US \$2 million payable by Agnico in cash or shares, at Agnico's election, to the Company on each of the first and second anniversaries of the closing. As part of the Transaction, Agnico has committed to spend US \$7 million on Project expenditures over three years and will earn an additional 15% interest in the corporate entity which owns the Project if it completes a pre-feasibility study. Pursuant to the transaction, the Company was also granted a 2% net smelter royalty on production from the Project which may be repurchased by Agnico at any time

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

Barsele, Sweden (cont'd...)

for US \$5 million.

On September 23, 2015, the Company completed a plan of arrangement (the "Arrangement") (Note 8) pursuant to which all of the common shares of Barsele Minerals Corp. ("Barsele") were distributed (the "Spinout") to the shareholders of the Company. Immediately prior to the Spinout, the Company transferred to Barsele the Company's 45% interest in the Barsele project, \$500,000 in cash and all of the Company's right, title and interest in and to, and all of its benefits and obligations under, the joint venture agreement (the "JV Agreement") dated June 11, 2015 among the Company, Agnico Eagle Sweden AB and certain other parties.

Jumping Josephine, Canada

On February 12, 2013, the Company completed the acquisition of Astral 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. The remaining 40% interest is held by Kootenay Silver Inc. 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 of the Company valued at \$230,000.

Los Crestones, Mexico

The Company has 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 has earned a 100% interest in the Los Crestones Property.

The vendors will retain a 0.5% net smelter returns royalty on the Los Crestones Property, which the Company may purchase for US\$400,000.

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.

6. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Barsele Project, Sweden

On February 23, 2015, the Board of Directors of the Company announced that it had entered into a letter of intent ("LOI") with 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 subsequent to April 30, 2016) and second anniversaries of closing of the transaction). As part of the transaction, Agnico would commit to spend US\$7 million on exploration over three years.

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

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.

At April 30, 2015, these assets and related liabilities were measured at carrying amounts which was the lower of their carrying amount and estimated fair value less cost to sell. No fair value adjustment was recognized in the year. Assets held for sale included \$8,161,407 of exploration and evaluation assets and additional current assets of \$81,627. Liabilities related to assets held for sale include \$100,984 of current liabilities. On June 11, 2015, the Company closed the joint venture transaction with Agnico.

Coneto Project, Mexico

On July 1, 2016, the Company and Fresnillo, pursuant to the definitive agreement have contributed their respective Coneto mining concessions which are held in CON Exploraciones y Proyectos de Mexico, S.A. de C.V. ("CON") to a new company, Exploracions y Desarrollos Mineros Coneto S.A.P.I. de C.V. ("EDMC") by way of merger. The ownership is 55% Fresnillo, 45% by the Company.

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

| | October 31, 2016 | April 30, 2016 |
|-------------------------------------------------|-------------------|---------------------|
| Exploration expenses | | |
| Geological | \$ - | \$ 71,738 |
| Assay | - | - |
| General exploration | - | - |
| | - | 71,738 |
| General expenses | | |
| Professional fees | 139 | 122,027 |
| | 139 | 122,027 |
| | (139) | (193,765) |
| Other foreign exchange gain | 113,117 | - |
| Gain/(loss) from discontinued operations | \$ 112,978 | \$ (193,765) |

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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:

| | October 31, 2016 | April 30, 2016 |
|-----------------------------------------------------------------|---------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Gain/(loss) from discontinued operations: | \$ 112,978 | \$ (193,765) |
| Changes in non-cash working capital items: | | |
| Decrease/ (increase) in receivables | (5,915) | 27,039 |
| Decrease/(increase) in prepaid expenses | - | 11,787 |
| (Decrease)/increase in accounts payable and accrued liabilities | <u>(18,239)</u> | <u>(100,984)</u> |
| Cash used in operating activities | <u>88,824</u> | <u>(255,923)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Cash attributed to continuing operations | <u>(88,824)</u> | <u>213,122</u> |
| Cash from financing activities | <u>(88,824)</u> | <u>213,122</u> |
| Increase (decrease) in cash during the year | <u>-</u> | <u>(42,801)</u> |
| Cash, beginning of the year | <u>-</u> | <u>42,801</u> |
| Cash, end of year | <u>\$ -</u> | <u>\$ -</u> |

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

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\$ 4,014,536

The gain recognized in connection with the merger completion of CON with Fresnillo on July 1, 2016 is summarized as follows:

Net assets held for merger:

| | | |
|---------------------|----|------------------|
| Current assets | \$ | 14,251 |
| Current liabilities | | (18,239) |
| Non-current assets | | 2,090,000 |
| | \$ | <u>2,086,012</u> |

Investment in associated company

(2,090,000)

Gain from discontinued operation\$ 3,988

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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 six months ended October 31, 2016, the Company and Fresnillo, pursuant to the definitive agreement have contributed their respective Coneto mining concessions which are held in CON to a new company, EDMC by way of merger. The ownership 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 October 31, 2016, the associated company's aggregate assets, aggregate liabilities and net losses are as follows:

The continuity of investment in associated company and joint venture

| | EDMC |
|-----------------------------------------------------------------|--------------|
| Net Investment at July 1, 2016 | \$ 2,090,000 |
| Additional investment for the six months ended October 31, 2016 | 294,743 |
| Share of net (loss) | (34,626) |
| Prior year's loss recognized | - |
| Net investment at October 31, 2016 | \$ 2,350,117 |

As at October 31, 2016, the associated company and joint venture's aggregate assets, aggregate liabilities and net losses are as follows:

| | EDMC |
|--------------------------------------------|------------|
| Current assets | \$ 576,072 |
| Non-current assets | 1,822,625 |
| Current liabilities | (387) |
| Loss for the period | 76,947 |
| The Company's ownership % | 45% |
| The Company's share of loss for the period | \$ 34,626 |

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

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8. PLAN OF ARRANGEMENT (cont'd...)

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) |
| Net gain on transfer of spin-out assets | \$ | 20,158,039 |

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 the statement of operations and comprehensive income (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 January 18, 2015, the Company completed a non-brokered private placement of 4,800,000 common shares at \$0.25 per share, for gross proceeds of \$1,200,000. In connection with the private placement the Company paid finders' fees of 48,000 shares valued at \$12,000 and cash share issuance costs of \$9,086.

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.

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

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

During the six months ended October 31, 2016, 725,000 options were exercised, each option was exercised for one common share of the Company. The options were exercised between \$0.15 and \$0.38 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 six months ended October 31, 2016, 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 \$36,400.

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 | 0.37 |
| Granted | - | | 250,000 | 0.55 |
| Exercised | (2,035,000) | 0.30 | (725,000) | 0.24 |
| Forfeited | - | | (100,000) | 0.55 |
| Outstanding, October 31, 2016 | 5,267,500 | 0.30 | 9,419,000 | 0.28 |
| Exercisable at October 31, 2016 | 5,267,500 | \$ 0.30 | 9,419,000 | \$ 0.28 |

The following stock options to acquire common shares of the Company were outstanding at October 31, 2016:

| Options | Number of Shares | Exercise Price | Expiry Date |
|---------|------------------|----------------|-------------------|
| | 1,639,000 | 0.44 | February 17, 2017 |
| | 1,605,000 | 0.15 | January 17, 2019 |
| | 150,000 | 0.15 | May 9, 2019 |
| | 2,125,000 | 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 |
| | 9,419,000 | | |

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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 October 31, 2016:

| | 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 six months ended October 31, 2016, the Company granted 250,000 (2015- 2,225,000) 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 six months ended October 31, 2016, the weighted average fair value of each option granted was \$0.28 (2015 - \$0.25) and was calculated using the following weighted average assumptions:

| | 2016 | 2015 |
|---------------------------------|---------|---------|
| Expected option lives | 5 years | 5 years |
| Risk-free interest rate | 0.67% | 1.02% |
| Expected dividend yield | 0% | 0% |
| Expected stock price volatility | 99% | 116% |

The share-based payments expense for stock options, vesting during in the six months ended October 31, 2016 was \$60,785 (2015-\$362,105).

OREX MINERALS INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

SIX MONTHS ENDED OCTOBER 31, 2016

(Expressed in Canadian Dollars - Unaudited)

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. The Company is not subject to any externally imposed capital restrictions.

11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash transactions during the six months ended October 31, 2016 included:

- a) Options exercised with a fair value of \$136,658
- b) Warrants exercised with a fair value of \$36,400
- c) Investment in associate of \$2,090,000

There were no non-cash transactions during the six months ended October 31, 2015.

12. COMMITMENTS

On February 13, 2013, the Company entered into an agreement to lease office premises commencing March 1, 2013 and expiring November 30, 2016. The Company entered into an additional lease agreement effective November 1, 2013, expiring on November 30, 2016. The Company's lease commitment for the term of the lease is \$10,834.

| Fiscal Year | Lease Payments |
|-------------|----------------|
| 2017 | \$10,834 |

OREX MINERALS INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

SIX MONTHS ENDED OCTOBER 31, 2016

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13. 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 Orex 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 |

During the six months ended October 31, 2016, 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:

| | Six months ended October 31, 2016 | Six months ended October 31, 2015 |
|----------------------------|--------------------------------------|--------------------------------------|
| Management fees | \$ 188,100 | \$ 198,100 |
| Geological consulting fees | 106,616 | 148,300 |
| Share-based compensation | - | 175,720 |
| Total | \$ 294,716 | \$ 522,120 |

| | Six months ended October 31, 2016 | Six months ended October 31, 2015 |
|----------------------|--------------------------------------|--------------------------------------|
| Administration fees* | \$ 211,904 | \$ 260,617 |
| Total | \$ 211,904 | \$ 260,617 |

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

Included in accounts payable and accrued liabilities as at October 31, 2016 is \$11,622 (2015 - \$Nil) due to directors or officers or companies controlled by directors.

OREX MINERALS INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

SIX MONTHS ENDED OCTOBER 31, 2016

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14. 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 and promissory note. 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 and a major Swedish 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 is low because its receivables are primarily comprised of input 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 October 31, 2016 the Company had IVA receivable of \$508,443 due from the Government of Mexico. As of April 30, 2016 the Company has IVA receivable of \$400,731.

Of the total receivables, approximately \$2,489,790 is due from Agnico in connection with the Barsele JV. The Company has classified as short-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.

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

OREX MINERALS INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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14. 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 October 31, 2016, a hypothetical change of 10% in the foreign exchange rate between the Canadian dollar and US dollar would have a material effect of \$184,000 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 a material effect of \$6,000 on loss and comprehensive 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 recent periods. 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.

15. SEGMENTED INFORMATION

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

| | October 31, 2016 | April 30, 2016 |
|-----------------------------------|---------------------|-------------------|
| Exploration and evaluation assets | | |
| Mexico | \$ 500,000 | \$ 2,590,000 |
| Canada | 730,000 | 730,000 |

16. EVENTS AFTER THE REPORTING DATE

None.