OREMEX SILVER INC.

Condensed Consolidated Interim Financial Statements
For the Six Months Ended May 31, 2016 and 2015
(Unaudited)
Expressed in Canadian Dollars

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CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED MAY 31, 2016 and 2015

Contents

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Notice of Disclosure of Non Auditor Review of the Condensed Consolidated Interim Financial Statements

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

The accompanying unaudited condensed consolidated interim financial statements of Oremex Silver Inc. (the "Company") have been prepared by, and are the responsibility of, the Company's management and approved by the Board of Directors.

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 interim financial statements by an entity's auditor.

July 28, 2016

Condensed Consolidated Interim Statements of Financial Position
Expressed in Canadian Dollars

	Note		May 31 2016		November 30 2015
Assets					
Current assets					
Cash		$	48,359	$	52,120
Amounts receivable			928		15,413
Prepaid expenses			732		774
Total current assets			50,019		68,307
Non-current assets					
Equipment	3		18,973		23,729
Exploration and evaluation properties	4		13,289,427		13,132,496
Total assets		$	13,358,419	$	13,224,532
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities		$	707,649	$	677,069
Interest payable	8,9(b)		170,903		94,515
Promissory notes	7		565,000		425,000
Current portion of long-term debt	8		727,500		727,500
Total current liabilities			2,171,052		1,924,084
Non-current liabilities					
Deferred tax liability			2,668,000		2,668,000
Total liabilities			4,839,052		4,592,084
Shareholders' equity					
Share capital	5(a)		24,113,252		24,113,252
Shares to be issued	5(a)(ii)		22,500		22,500
Share purchase warrants reserve	5(c)		476,250		476,250
Share-based payment reserve	6		196,945		196,945
Equity conversion option	8		39,370		39,370
Accumulated deficit			(16,328,950)		(16,215,869)
Total shareholders' equity			8,519,367		8,632,448
Total liabilities and shareholders' equity		$	13,358,419	$	13,224,532

Nature of operations and going concern (Note 1)
Commitments and contingencies (Notes 4, 5 and 13)

Approved on behalf of the Board:

"Frank Högel"	*"Allan Folk"*
Director	Director

See accompanying notes to the consolidated financial statements.

OREMEX SILVER INC.

Condensed Consolidated Interim Statements of Operations and Comprehensive Loss
Expressed in Canadian Dollars

	Note		Three Months Ended May 31 2016	Three Months Ended May 31 2015		Six Months Ended May 31 2016	Six Months Ended May 31 2015
Administrative expenses							
Accounting and legal		**$**	27,273	63,236	$	49,777	106,080
Amortization	3		-	-		4,756	6,393
Insurance			9,180	10,260		9,180	12,825
Office expenses			-	929		12,841	5,729
Regulatory and filing fees			8,784	-		14,484	5,079
Investor relations			608	599		1,219	1,367
Business development			-	-		-	2,765
Loss before undernoted items			(45,845)	(75,024)		(92,257)	(140,238)
Other income (expenses)							
Other income			(168)	-		(168)	-
Interest and bank charges			(6,862)	(4,949)		(12,271)	(8,348)
Gain (loss) on foreign exchange			(3,903)	(4,353)		(8,385)	(2,748)
			(10,933)	(9,302)		(20,824)	(11,096)
Net loss and comprehensive loss for the period		**$**	(56,778)	(84,326)	**$**	(113,081)	(151,334)
Basic and diluted loss per share		**$**	(0.00)	(0.00)	$	(0.00)	(0.00)
Weighted average number of shares outstanding - basic and diluted			146,475,685	146,475,685		146,475,685	146,475,685

See accompanying notes to the consolidated financial statements.

Expressed in Canadian Dollars

	Share Capital							
	Number	Amount $	Shares to be issued $	Share Purchase Warrants Reserve $	Share-Based Payments Reserve $	Equity Conversion Option $	Accumulated Deficit $	Total $
Balance, November 30, 2014	**146,475,695**	**24,113,252**	**22,500**	**504,211**	**211,430**	**39,370**	**(15,957,302)**	**8,933,461**
Net loss and comprehensive loss for the period	-	-	-	-	-	-	(151,334)	(151,334)
Balance, May 31, 2015	**146,475,695**	**24,113,252**	**22,500**	**504,211**	**211,430**	**39,370**	**(16,108,635)**	**8,782,128**
Balance, November 30, 2015	**146,475,695**	**24,113,252**	**22,500**	**476,250**	**196,945**	**39,370**	**(16,215,869)**	**8,632,448**
Net loss and comprehensive loss for the period	-	-	-	-	-	-	(113,081)	(113,081)
Balance, May 31, 2016	**146,475,695**	**24,113,252**	**22,500**	**476,250**	**196,945**	**39,370**	**(16,328,950)**	**8,519,367**

See accompanying notes to the consolidated financial statements.

Expressed in Canadian Dollars

For the Six Months Ended	**Note**	**May 31 2016**	**May 31 2015**
Cash provided by (used in):			
Operating			
Loss for the period		$ (113,081)	$ (151,334)
Items not affecting cash:			
Amortization	3	4,756	6,393
Changes in non-cash operating accounts:		(108,325)	(144,941)
Amounts receivable		14,485	(25,218)
Prepaid expenses		42	2,570
Accounts payable and accrued liabilities		30,580	21,547
Interest payable		76,388	76,388
Net cash used in operating activities		13,170	(69,654)
Investing			
Exploration and evaluation properties	4	(80,543)	(121,863)
Net cash used in investing activities		(80,543)	(121,863)
Financing			
Interest paid on convertible debenture	4,7	(76,388)	(76,388)
Proceeds from short-term debt		140,000	150,000
Net cash provided by financing activities		63,612	73,612
Decrease in cash		(3,761)	(117,905)
Cash, beginning of period		52,120	130,988
Cash, end of period		$ 48,359	$ 13,083

See accompanying notes to the consolidated financial statements.

1. Nature of Operations and Going Concern

Oremex Silver Inc. (the "Company" or "Oremex"), was incorporated on March 22, 1995 under the Canada Business Corporations Act. The Company's shares are traded on the TSX Venture Exchange under the trading symbol OAG. The Company is in the process of exploring and evaluating its exploration and evaluation property interests in Mexico. The address of the Company's corporate office and principal place of business is 77 King Street West, Suite 400, Toronto, Ontario, Canada.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, unregistered claims, aboriginal claims and non-compliance with regulatory and environmental requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and restrictions and political uncertainty.

The Company presently has no proven reserves, and on the basis of information to date, has not yet determined whether any of its exploration and evaluation property interests contain economically recoverable ore resources. The amounts recorded as exploration and evaluation properties represent deferred exploration costs incurred to date and do not necessarily represent present or future values. The Company is dependent on raising funds through the issuance of shares and/or attracting joint venture partners in order to undertake expanded exploration and development of its exploration and evaluation properties and to ultimately realize profits through future production or sale of the exploration and evaluation properties.

At May 31, 2016, the Company had a working capital deficit of $2,121,033 (November 30, 2015 - $1,855,777) and had incurred losses since inception, and at May 31, 2016, had an accumulated deficit of $16,328,950 (November 30, 2015 - $16,215,869) which has been funded primarily by the issuance of equity. In addition, the Company's long-term debt, secured by certain exploration property interests, was in default as at May 31, 2016 and as at November 30, 2015 (see Note 8). The ability of the Company to continue as a going concern is dependent upon its ability to raise sufficient funds to meet its obligations as they become due. While the Company has been successful in securing financing in the past, there is no assurance that it will be able to do so in the future. Because of continuing operating losses, the Company's continuance as a going concern is dependent on its ability to obtain adequate financing and to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operation.

These unaudited condensed consolidated interim financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to meet its commitments, continue operations and realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. They do not reflect adjustments to the carrying values of assets and liabilities which may be necessary should the Company be unable to do so and, therefore, be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the condensed consolidated interim financial statements. Such adjustments could be material. Material uncertainties as mentioned above cast significant doubt upon the Company's ability to continue as a going concern.

2. Basis of Presentation

Basis of Presentation and Measurement
The Company prepares its unaudited condensed consolidated interim financial statements in accordance with International Accounting Standards 34 Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB") and under the historical cost method, except for certain financial instruments measured at fair value.

Expressed in Canadian Dollars

2. Basis of presentation – continued

Basis of Presentation and Measurement – continued

These unaudited condensed consolidated interim financial statements should be read in conjunction with the Company's annual consolidated financial statements for the years ended November 30, 2015 and 2014 which have been prepared in accordance with IFRS as issued by the IASB. The accounting policies and methods adopted are consistent with those disclosed in Note 3 to the Company's consolidated financial statements for the years ended November 30, 2015 and 2014. These unaudited condensed consolidated interim financial statements were approved by the board of directors for issue on July 28, 2016.

Critical Judgments and Estimation Uncertainties

Areas of critical accounting judgments and estimation uncertainties that have the most significant effect on the amounts recognized in the unaudited condensed consolidated interim financial statements are disclosed in Note 3 of the Company's consolidated financial statements for the years ended November 30, 2015 and 2014.

3. Equipment

	Computer Equipment	Office Furniture and Equipment	Software	Leasehold Improvements	Site Vehicles	Total
Cost, November 30, 2014	$ 10,447	$ 21,542	$ 17,855	$ 13,858	$ 27,856	$ 91,558
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Cost, November 30, 2015	$ 10,447	$ 21,542	$ 17,855	$ 13,858	$ 27,856	$ 91,558
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Cost, May 31, 2016	$ 10,447	$ 21,542	$ 17,855	$ 13,858	$ 27,856	$ 91,558
Accumulated Amortization, November 30, 2014	$ (10,591)	$ (15,959)	$ (11,504)	$ (4,414)	$ (18,967)	$ (61,435)
Charge for the year	114	(3,781)	-	(453)	(2,304)	(6,424)
Disposals	-	-	-	-	-	-
Accumulated Amortization, November 30, 2015	$ (10,477)	$ (19,740)	$ (11,504)	$ (4,867)	$ (21,271)	$ (67,859)
Charge for the period	-	(2,338)		(439)	(1,979)	(4,756)
Accumulated Amortization, May 31, 2016	$ (10,477)	$ (22,078)	$ (11,504)	$ (5,306)	$ (23,250)	$ (72,615)
Net book value, November 30, 2015	$ -	$ 1,802	$ 6,351	$ 8,991	$ 6,585	$ 23,729
Net book value, May 31, 2016	$ -	$ (536)	$ 6,351	$ 8,552	$ 4,606	$ 18,973

Expressed in Canadian Dollars

4. Exploration and Evaluation Properties

(a) Background

The Company presently holds interests in five exploration and evaluation projects, each with one to multiple mining concessions.

The Company owns 100% of the mineral rights of Tejamen. The property consists of 23 mineral concessions.

The San Lucas Property ("San Lucas"), consists of 6 mineral concessions and is 100% owned by the Company. As the Company's focus is the Tejamen project, management has written-down the carrying value of the San Lucas property to $Nil.

The Navidad-Chalchihuites Property consists of four Chalchihuites concessions owned by the Company.

(b) Exploration and Evaluation Expenditures

May 31, 2016	Tejamen	San Lucas	Navidad and Chalchihuites	El Sol	Total
Acquisition costs					
Balance, beginning and end of period	$ 2,976,736	$ -	$ -	$ -	$ 2,976,736
Exploration expenditures					
Balance, beginning of period	$ 10,155,760	$ -	$ -	$ -	$ 10,155,760
Incurred during the period:					
Administration	44,419	-	-	-	44,419
Camp costs and field supplies	-	-	-	-	-
Geological consulting	35,288	-	-	-	35,288
Permitting and land holding costs	836	-	-	-	836
Borrowing costs	76,388	-	-	-	76,388
Balance, end of period	$ 10,312,691	$ -	$ -	$ -	$ 10,312,691
Total exploration and evaluation properties	$ 13,289,427	$ -	$ -	$ -	$ 13,289,427

November 30, 2015	Tejamen	San Lucas	Navidad - Chalchihuites	El Sol	Total
Acquisition costs					
Balance, beginning and end of year	$ 2,976,736	$ -	$ -	$ -	$ 2,976,736
Exploration expenditures					
Balance, beginning of year	$ 9,789,331	$ -	$ -	$ -	$ 9,789,331
Incurred during the year:					
Administration	70,012	-	-	-	70,012
Camp costs and field supplies	1,120	-	-	-	1,120
Geological consulting	98,042	-	-	-	98,042
Permitting and land holding costs	44,480	3,367	-	-	47,847
Borrowing costs (Note 11)	152,775	-	-	-	152,775
Property write-down	-	(3,367)	-	-	(3,367)
Balance, end of year	$ 10,155,760	$ -	$ -	$ -	$ 10,155,760
Total exploration and evaluation properties	$ 13,132,496	$ -	$ -	$ -	$ 13,132,496

4. Exploration and Evaluation Properties – continued

(c) Tejamen Property, State of Durango

Tejamen is the Company's most advanced project. The property, located 130 kilometres northwest of Durango, the capital of the State of Durango, consists of 23 mineral concessions covering approximately 1,672 hectares. Access is by paved highway from Durango to Nuevo Ideal, and by 10 kilometres of good gravel road from Nuevo Ideal to Tejamen.

Oremex owns 100% of the mineral rights at Tejamen. In 2007, the Company's surface access rights expired. The federal government of Mexico holds the surface rights and through the Reforma Agraria ("Agricultural Reform") began a process in 2009 to award surface title. The Company can begin surface access negotiations with the title holders once the award has been made. This title award decision is expected at any time although no formal time line has been provided.

During 2011 and 2012, the Company continued to support the Agricultural Reform as they worked to award surface title. Surface title ownership has been awarded to the community in 2012 and the process to negotiate a new Surface Access Agreement commenced.

During 2015, the Company commissioned Gustavson Associates LLC to prepare an independent technical report on minerals resources for the Tejamen Project located near the town of Nuevo Ideal in the State of Duarango, Mexico. On February 2, 2016 the report was filed on Sedar.

(d) Navidad and Chalchihuites Group Concessions

On October 25, 2011, the Company signed an option agreement pursuant to which the Company was granted the option to acquire a 100% interest in certain claims located in Chalchihuites, Zacatecas, Mexico. The Company was granted the right to evaluate and explore the property for a period of four years upon signing the agreement and will acquire the 100% interest at the end of this period in exchange for aggregate payments of US$780,000 plus Value Added Tax ("VAT") within the four year period as follows:

i. Payment of US$10,000 upon signing (paid)
ii. Payment of US$10,000 on or before April 25, 2012 (paid)
iii. Payment of US$10,000 on or before October 25, 2012 (paid)
iv. Payment of US$20,000 on or before April 25, 2013 (paid)
v. Payment of US$20,000 on or before October 25, 2013 (paid)
vi. Payment of US$30,000 on or before April 25, 2014 (paid by optionee – see below)
vii. Payment of US$30,000 on or before October 25, 2014 (paid by optionee – see below)
viii. Payment of US$50,000 on or before April 25, 2015
ix. Payment of US$600,000 on or before October 25, 2015

Pursuant to the terms of the agreement, if 100% of the option is exercised, the Company shall pay the vendors a 1% Net Smelter Royalty ("NSR") from the aggregate commercial production of the project up to US$250,000 annually.

On October 23, 2013, the Company signed an agreement with First Majestic Silver Corp. ("First Majestic") pursuant to which the Company will grant to First Majestic an option to acquire each of (i) an undivided 100% registered and beneficial title to the Company's Chalchihuites mineral exploration property and (ii) all of the right, title and interest of the Company in the Navidad mineral exploration property in exchange for the aggregate payment of $1,500,000 as follows:

4. Exploration and Evaluation Properties – continued

(d) Navidad and Chalchihuites Group Concessions - continued

i. Payment of $150,000 deposit upon signing (received)
ii. Payment of $832,000 within five days of signing (received by the escrow agent with $332,800 released to the Company)
iii. Payment of $518,000 within five days of signing (received)

As both the Navidad and Chalchihuites mineral exploration properties were established as security for the convertible debentures issued on October 9, 2012 (see Note 8), the Company signed an Escrow Agreement dated October 23, 2013, whereby First Majestic agreed to deposit with the Escrow Agent the sum of $832,000 (the "Escrow Deposit"), which represents the sum of $250,000 and the maximum aggregate amount of interest payable in cash on the convertible debentures up to and including the maturity date at an interest rate of 16%. On each of October 15, 2013, October 15, 2014, October 15, 2015, $166,400 were released from escrow and on October 15, 2016, $166,400 will be released from escrow. The escrow agent will first pay the interest owing to the convertible debenture holders directly, and will pay the Company the remaining amount (if any).

First Majestic also agreed to pay the remaining option payments to the original optionors of the Navidad-Chalchihuites group concessions starting with the option payment due April 25, 2014.

Should the Company lose title to the Chalchihuites property, the Company will be required to repay all option payments received from First Majestic. The Navidad and Chalchihuites properties have been pledged as security for the long-term debt discussed in Note 8. The total amount received as at May 31, 2016 and November 30, 2015 pursuant to the Navidad and Chalchihuites option agreements is $1,167,200.

(e) El Sol property

On June 20, 2013, the Company entered into an option agreement whereby the optionee has the right to acquire a 100% interest in the Company's El Sol property located in Durango State, Mexico for cash payments of US$2,000,000 plus Value Added Tax ("VAT") over a three year period as follows:

i. Payment of US$150,000 upon signing (received)
ii. Payment of US$400,000 on or before June 20, 2014 (received)
iii. Payment of US$600,000 on or before June 20, 2015 (not received)
iv. Payment of US$850,000 on or before June 20, 2016 (not received)

Pursuant to the terms of the option agreement, the optionee has the right to acquire the property at any time between the signing date and the third anniversary of the signing date. In addition, to maintain the option in good standing, the optionee must pay concession maintenance fees to the Secretaria de Economia in Mexico.

During 2014, the optionee assigned its interest in the El Sol option agreement to a third party. In 2015 the Company had discussions with the new optionee regarding the payments due pursuant to this agreement. During 2016, discussions with the third party did not result in the option payments being made and the property was returned to the Company.

Expressed in Canadian Dollars

5. Share Capital

(a) Common Shares

Authorized: Unlimited number of common shares, without par value
Issued and outstanding common shares:

	Number		Amount
Balance, November 30, 2014, November 30, 2015 and May 31, 2016	146,475,695	$	24,113,252

i. On August 12, 2014, the Company settled an amount payable to a vendor totaling $233,669, on the terms set out below:
   - The Company shall pay $90,000 in nine (9) monthly installments of $10,000 each payable on the first date of each month commencing August 15, 2014 (paid); and
   - The Company shall issue 900,000 shares and file a "shares for debt" application with the TSX Venture Exchange to obtain approval for the issuance of the shares, provided that prior to the issuance of the shares, the Company shall remedy any cease trade orders imposed by securities regulatory authorities, IIROC and the TSX Venture Exchange. The fair value of the shares to be issued has been estimated at $22,500 based on the last quoted market price of the Company's shares prior to the Company's shares being cease traded.

   A gain on settlement of $121,169 was recorded in the consolidated statement of operations. During the year ended November 30, 2014.

(b) Share Purchase Options

In April 2004, the Company adopted a 10% rolling share purchase option plan (the "Plan") whereby options may not exceed 10% of the total number of shares issued and outstanding of the Company from time to time on a non-diluted basis. Options granted under the Plan have an exercise price equal to the quoted market price of the Company's shares and vest at the discretion of the Board. This option plan was not re-approved at the Company's June 29, 2012 annual and December 31, 2013 special meetings and as such no new options will be eligible to be granted until an approved option plan is in place (refer also to note 14).

A summary of the status of the Company's stock option plan for the six months ended May 31, 2016 and for the year ended November 30, 2015 is as follows:

	Number of Options	Weighted Average Exercise Price ($)	Weighted Average Number of Years to Expiry
Balance, November 30, 2014	300,000	0.24	1.46
Expired	(50,000)	0.09	-
Balance, November 30, 2015	250,000	0.27	0.62
Expired	(150,000)	0.32	-
Balance May 31, 2016	100,000	0.19	0.44

Expressed in Canadian Dollars

5. Share Capital - continued

The following table provides detailed information about stock options outstanding at May 31, 2016 and November 30, 2015:

Date of Grant	Number Outstanding	Number Exercisable	Exercise Price	Expiry Date	Contractual Remaining Life (Years)
November 9, 2011	100,000	100,000	0.19	November 9, 2016	0.44

In connection with the October 1, 2012 financing disclosed in the consolidated financial statements for the years ended November 30, 2013 and 2012 Note 6(a) (iii), the Company committed to granting 2,069,000 stock options as compensation to the finder. The options will be exercisable at $0.10 each. The grant of the options is contingent on achieving approval of the stock option plan.

(c) Share Purchase Warrants Reserve:

Transactions involving the Company's share purchase warrants have been summarized as follows:

	Number of warrants	Grant Date Fair Value -net of issue costs ($)	Weighted Average Exercise Price
Balance, November 30, 2014 and 2015	27,146,238	476,250	0.10
Granted	-	-	-
Expired	-	-	-
Balance, May 31, 2016	27,146,238	476,250	0.10

The following warrants are outstanding at May 31, 2016 and November 30, 2015:

Number of Warrants	Exercise Price ($)	Expiry Date
13,636,364	0.10	October 1, 2017
7,275,000	0.10	October 9, 2017
5,559,166	0.10	October 19, 2017
275,450	0.10	October 19, 2017
400,258	0.10	October 25, 2017
27,146,238		

6. Share-Based Payment Reserve

Transactions involving the Company's share-based payments have been summarized as follows:

	Period Ended May 31, 2016	Year Ended November 30, 2015
Balance, beginning of period	$ 196,945	$ 211,430
Fair value of stock options to be issued *	-	(10,000)
Options expired	-	(4,485)
Balance, end of period	$ 196,945	$ 196,945

6. Share-Based Payment Reserve - continued

* The Company committed to granting 5,050,000 stock options to directors and service providers. The options vest immediately and will be exercisable at $0.05 each until March 19, 2019. The grant of the options is contingent on achieving approval of the stock option plan as discussed in Note 5(b). The fair value of the options was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 136%; risk-free interest rate of 0.62% and expected life of years of three years. An expense of $101,000 was recorded relating to these stock options during the year ended November 30, 2015.

7. Promissory Notes

On March 26, 2014 and April 17, 2014, the Company received $100,000 and $150,000 respectively as loans from a company controlled by a director of the Company and a director of the Company. On March 12, 2015 and August 26, 2015, the Company received $150,000 and $25,000 respectively as loans from a director of the Company. On March 29, 2016 and April 13, 2016, the Company received $40,000 and $100,000 respectively as loans from a director of the Company. The loans are unsecured, bear interest at 5% and are due on demand.

8. Long-Term Debt

On October 9, 2012, the Company closed a convertible debenture financing for gross proceeds of $727,500 through the issue of 72.75 units with each unit consisting of $10,000 in convertible debentures and 100,000 common share purchase warrants, at a purchase price of $10,000 per unit. Each warrant is exercisable into one common share of the Company at a price of $0.10, expiring five years from the date of issue.

The debentures are convertible into shares at a price of $0.10 per common share at the option of the holder. If the average closing price of the Company's shares exceeds $0.35 for every trading day for 120 consecutive trading days (with the 120th day referred to as the "Triggering Date'), then, (i) the Company shall cease to have an obligation to pay any interest that accrues after the Triggering Date and, (ii) before the first anniversary of the Triggering Date, the holder must convert.

The debentures bear interest at 16% per year; 8% is payable in cash and, at the option of the Company, 8% is payable in shares. Interest is payable annually on October 15th of each year. Upon the occurrence of a default the interest rate shall increase to 21% per annum.

The debentures mature on October 9, 2017. However, on or after 30 months from issuance, the holders may redeem their debentures for 150% of the principal amount. In order to redeem the debentures, the holders must deliver to the Company the number of common shares equal to the result of the principal amount of the holders' debenture multiplied by 10. These shares are to be cancelled by the Company.

The debentures have been accounted for as a compound instrument and classified as a liability, with the exception of the portion relating to the conversion feature of $72,750 ($39,370 after taxes and costs of issuance) which was credited to equity. The estimated fair value of the warrants included in the units was also credited to equity. This resulted in the carrying value of the debentures being less than their face value. The discount is being accreted over 30 months (i.e., up to the date that the debentures become redeemable at the option of the holder), utilizing the effective interest rate method at a 53% discount rate. For the period from October 9, 2012 to November 30, 2013, accretion of the discount totaled $337,419. Interest for the period-ended February 29, 2016 totaled $38,194 (2015 - $116,400). These amounts have been capitalized to exploration and evaluation properties as a borrowing cost.

The debentures are secured by the Tejamen and Chalchihuites properties (see Note 4). If the Company breaches the terms of the debentures, the debenture holders may sell the properties and retain an amount equal to 280% of the amounts owing under the terms of the debentures.

Expressed in Canadian Dollars

8. Long – Term Debt - continued

In the event that the Company receives surface rights to the Tejamen project, the debenture holders will have the option to purchase additional debentures on the same terms. The investors may purchase between $250,000 and $2,000,000 in debentures until October 9, 2017. If this option is exercised, the investors will receive a 1.5% NSR on either the Tejamen or Chalchihuites properties. The NSR is subject to a maximum amount which will be determined at the time of the exercise.

The loan was considered to be in default as at May 31, 2016 and as at November 30, 2015 for failure to meet certain conditions as per the terms of the loan agreement. As a result, the loan has been reclassified to current liabilities and increased to its face value of $727,500. See Note 1.

9. Related Party Transactions

The condensed consolidated interim financial statements include the financial statements of the Company and its subsidiaries (note 2). During the periods ended May 31, 2016 and 2015 the Company entered into the following transactions with related parties that are not subsidiaries of the Company, and are not disclosed elsewhere in these condensed consolidated interim financial statements.

(a) Key management includes the Executive Chairman, the Chief Executive Officer, the Chief Financial Officer and directors. During the period ended May 31, 2016, the cash compensation paid or payable to key management for services was $36,000 (2015 – 54,000). Included in accounts payable and accrued liabilities at May 31, 2016 is $223,482 (November 30, 2015 - $205,482) due to directors and officers for management fees and expense reimbursements. This amount is unsecured, non-interest bearing and has no specific terms of repayment.

(b) Companies controlled by a director of the Company hold $480,000 of the long-term debt as at May 31, 2016 and as at November 30, 2015. During the period ended May 31, 2016, interest of $25,200 (2015- $25,200) was paid to these companies and as at May 31, 2016, $87,560 (November 30, 2015 - $62,360) is included in interest payable on the consolidated statement of financial position.

(c) Refer also to Notes 7 and 8.

10. Segmented Information

The Company operates in a single industry segment. Assets by geographic location are as follows:

	May 31, 2016	November 30, 2015
Mexico	$ 13,304,377	$ 13,161,773
Canada	54,042	62,759
	$ 13,358,419	$ 13,224,532

11. Management of Capital Risk

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its exploration and evaluation properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

11. Management of Capital Risk - continued

In the management of capital, the Company includes the components of shareholders' equity, as well as the cash. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash.

In order to maximize ongoing development efforts, the Company does not pay out dividends. In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

The Company's investment policy is to invest its cash in highly liquid short-term interest-bearing investments with maturities 90 days or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations.

The Company has not changed its approach to capital management during 2016 or 2015. The Company and its subsidiaries are not subject to any external capital restrictions. The Company expects that it will be necessary to raise additional capital during the current fiscal year to meet its budgeted exploration and development plans and fund operations.

12. Financial Risk Management

Fair Value Hierarchy and Liquidity Risk Disclosure:

The fair value hierarchy has the following levels: (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); (b) 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) (Level 2); and (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3). At May 31, 2016 and November 30, 2015, the Company had no financial instruments carried at fair value to classify in the fair value hierarchy.

The fair value of cash, amounts receivable, accounts payable and accrued liabilities, interest payable, promissory notes and current portion long-term debt approximate their carrying value due to their short-term to maturity.

The Company is exposed to certain financial risks, including currency risk, credit risk, liquidity risk, interest rate risk, and price risk. The Company may be exposed to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives. The main objectives of the Company's risk management processes are to ensure that the risks are properly identified and that the capital base is adequate in relation to those risks. There have been no significant changes in the risks or the Company's objectives, policies and procedures related to risk management during the periods ended May 31, 2016 and November 30, 2015.

(a) Currency Risk:

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada and Mexico and a portion of its expenses are incurred in Mexican Pesos. A significant change in the currency exchange rates between the Canadian dollar relative to the Mexican Peso could have an effect on the Company's results of operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations.

12. Financial Risk Management - continued

At May 31, 2016 and at November 30, 2015, the Company is exposed to currency risk through the following assets and liabilities denominated in Mexican Pesos:

		May 31 2016		November 30 2015
Cash	MP$	53,664	MP$	21,525
Amounts receivable and prepaid expenses		47,395		47,395
Accounts payable and accrued liabilities		(617,320)		(612,894)
Total	MP$	(516,261)	MP$	(543,974)
Canadian dollar equivalent	CAD$	(37,802)	CAD$	(43,790)

(b) Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The majority of the Company's cash is held through large Canadian financial institutions. The Company is also exposed to credit risk on its amounts receivable, which are unsecured. The Company considers the risk of loss to be low. There have been no changes to how management manages credit risk from the prior year.

(c) 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, accrued liabilities and interest payable are due within the current operating period. The Company's investment in an associated company may not be easily liquidated as it is an investment in a public company which is currently cease traded.

The Company's expected sources of cash flow in the upcoming year are equity financings. The Company will require additional cash to finance operations. There have been no changes to how management manages liquidity risk from the prior year.

(d) Interest Rate Risk

Interest rate risk is the risk borne by an interest-bearing asset or liability as a result of fluctuations in interest rates. The Company has cash balances maintained in Canada. The Company's current policy is to invest excess cash in GICs issued by Canadian banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its bank. The Company's long term debt is at a fixed interest rate and is therefore not impacted by changes in interest rates.

(e) Price Risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company does not actively manage this risk as it is considered a low risk area as the Company is not a producing entity.

12. Financial Risk Management - continued

(f) Sensitivity Analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a twelve-month period.

- Based on the net exposures as at May 31, 2016 (as seen in Note 12(a)), and assuming that all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against the Mexican Peso would not result in a material change to the Company's loss.
- Price risk is remote since the Company is not a producing entity.
- A change in interest rates of 1% would result in a corresponding change in net loss for the period of approximately $484 based on the cash balance at May 31, 2016.

13. Commitments and Contingencies

The Company's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

Consulting Contracts

The Company has granted a consultant a silver purchase option whereby the consultant may purchase 100,000 ounces of silver per year at a price of USD$27.50 for the first five years of production at any producing mine of the Company.

Legal Proceedings

The Company is, from time to time, involved in various claims, legal proceedings and complaints arising in the normal course of business. The Company cannot reasonably predict the likelihood or outcome of these actions. The Company does not believe that adverse decisions in any pending or threatened proceedings related to any matter, or any amount which may be required to pay by reason thereof, will have a material effect on the financial condition or future results of operations. As at May 31, 2016 and November 30, 2015 no amounts have been accrued related to such matters.

A third party in Mexico is alleging ownership of two concessions in the Melchor Ocampo gold mining district, comprising the Cerro del Oro project which was transferred to Oremex Gold Inc. from Oremex Silver Inc. in fiscal 2012. The Company has not been advised of the outcome of these proceedings and as the result is uncertain, no amounts have been accrued.

Exploration and Evaluation Properties

In order to maintain the Company's mineral concessions and titles in good standing the Company will be required to pay fees semi-annually to the Secretaria de Economia in Mexico. Minimum commitments of approximately $48,000 are due within one year. In April 2016, the Company has paid the semi-annual concession payment of approximately $24,000 that was due in January 2016.

14. Subsequent Events

Effective June 27, 2016 the Company agreed with the concessionaires and First Majestic to terminate its option agreement on the Navidad properties and consented to the properties being transferred by the concessionaires directly to First Majestic on the basis that First Majestic had satisfied all of its obligations under its option agreement with the Company.

On July 7, 2016, the shareholders approved the change in name of the Company from “Oremex Silver Inc.” to “Monarca Minerals Inc.”, a seven-for-one consolidation of the stock, and the stock option plan. The name change is being pursued but has not yet been completed and although the shareholders have approved the consolidation, the Board has not yet determined when to implement the consolidation, if at all.