



CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED MAY 31, 2016
(UNAUDITED – EXPRESSED IN CANADIAN DOLLARS)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

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

The accompanying unaudited condensed 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 financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of condensed interim financial statements by an entity's auditor.

CAP-EX IRON ORE LTD.

CONDENSED INTERIM FINANCIAL STATEMENTS

MAY 31, 2016

(UNAUDITED – EXPRESSED IN CANADIAN DOLLARS)

Notice of No Auditor Review

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CAP-EX IRON ORE LTD.
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
(UNAUDITED – EXPRESSED IN CANADIAN DOLLARS)

	May 31, 2016 \$	August 31, 2015 \$
ASSETS		
Current		
Cash	277,148	301,836
Amounts receivable (Note 3)	111,502	6,016
Prepaid expenses	5,801	2,233
	394,451	310,085
Property and equipment (Note 4)	30,567	38,707
Exploration and evaluation properties (Note 5)	1	1
	30,568	38,708
TOTAL ASSETS	425,019	348,793
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 8)	107,343	104,378
TOTAL LIABILITIES	107,343	104,378
SHAREHOLDERS' EQUITY		
Share capital (Note 6)	33,374,268	33,374,268
Reserves (Note 7)	314,017	504,865
Deficit	(33,370,609)	(33,634,718)
TOTAL SHAREHOLDERS' EQUITY	317,676	244,415
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	425,019	348,793

NATURE AND CONTINUANCE OF OPERATIONS (Note 1)
COMMITMENTS (Note 11)
SUBSEQUENT EVENTS (Note 13)

Approved and authorized by the Board on July 28, 2016.

On behalf of the Board:

/s/ "Andrew Bowering"
 Director

/s/ "Graham Harris"
 Director

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

CAP-EX IRON ORE LTD.
CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED – EXPRESSED IN CANADIAN DOLLARS)

	For the three months ended		For the nine months ended	
	May 31,		May 31,	
	2016	2015	2016	2015
	\$	\$	\$	\$
Expenses				
Consulting fees (Note 8)	4,500	4,500	13,500	12,000
Depreciation (Note 4)	2,713	23,783	8,140	71,348
Investor relations	8,037	9,779	19,445	17,313
Office and administration (Note 8)	9,645	19,599	28,136	67,741
Professional fees	6,395	1,500	13,315	26,899
Share-based compensation (Note 8)	-	-	-	64,121
Travel and related	-	13,370	2,325	14,739
	(31,290)	(72,531)	(84,861)	(274,161)
Interest income	-	-	-	30
Other income	-	1,500	-	5,625
Gain on settlement of debts	-	185,055	-	364,805
Loss on disposal of property and equipment	-	-	(27,584)	(25,463)
Reversal of write-down (impairment) of exploration and evaluation properties (Note 5)	(949)	(23,416)	185,706	(27,328)
	(949)	163,139	158,122	317,669
Net income (loss) and comprehensive income (loss) for the period	(32,239)	90,608	73,261	43,508
Basic earnings (loss) per share	(0.00)	0.00	0.00	0.00
Basic weighted average number of common shares outstanding	36,391,999	36,391,999	36,391,999	33,940,717
Diluted earnings (loss) per share	(0.00)	0.00	0.00	0.00
Diluted weighted average number of common shares outstanding	36,391,999	39,776,999	39,021,999	37,325,716

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

CAP-EX IRON ORE LTD.
CONDENSED INTERIM STATEMENTS OF CASH FLOWS
(UNAUDITED – EXPRESSED IN CANADIAN DOLLARS)

	For the nine months ended May 31,	
	2016	2015
	\$	\$
Cash flows from operating activities		
Income for the period	73,261	43,518
Items not affecting cash:		
Depreciation	8,140	71,348
Share-based compensation	-	64,121
Impairment (reversal of write-down) of exploration and evaluation properties	(185,706)	27,328
Loss on disposal of property and equipment	27,584	25,463
Gain on settlement of debts	-	(364,805)
Changes in non-cash working capital items		
Amounts receivable	4,514	14,043
Prepaid expenses	(3,568)	(1,200)
Accounts payable and accrued liabilities	(41,135)	(90,853)
	(116,910)	(211,037)
Cash flows from investing activities		
Exploration and evaluation property expenditures	(11,778)	(70,163)
Proceeds from disposal of property and equipment	14,000	54,950
Proceeds received from property agreement	90,000	350,000
	92,222	334,787
Cash flows from financing activities		
Repayment of loan	-	(135,777)
Restricted cash	-	72,500
Proceeds from share issuances	-	50,000
Share issuance costs	-	(4,202)
	-	(17,479)
Net change in cash	(24,688)	106,271
Cash, beginning of the period	301,836	115,297
Cash, end of the period	277,148	221,568
Supplemental cash flow information		
Reclassification of expired/cancelled warrants	20,052	741,174
Reclassification of expired stock options	170,796	17,262
Shares issued in debt settlement	-	307,695
Warrants issued in private placement	-	20,052
Exploration and evaluation assets in accounts payable and accrued liabilities	44,100	-

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

CAP-EX IRON ORE LTD.
CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(UNAUDITED – EXPRESSED IN CANADIAN DOLLARS)

	Number of Shares Issued	Share Capital	Reserves	Deficit	Total Shareholders' Equity
	#	\$	\$	\$	\$
Balance at August 31, 2014	24,441,999	33,040,827	1,460,000	(34,137,819)	363,008
Shares issued in private placement	1,000,000	29,948	20,052	-	50,000
Share issuance costs	-	(4,202)	-	-	(4,202)
Shares issued for debt settlement	10,950,000	307,695	-	-	307,695
Warrants expired	-	-	(741,174)	741,174	-
Stock options cancelled	-	-	(17,262)	17,262	-
Share-based compensation	-	-	64,121	-	64,121
Income for the period	-	-	-	43,508	43,508
Balance at May 31, 2015	36,391,999	33,374,268	785,737	(33,335,875)	824,130
Stock options cancelled	-	-	(280,872)	280,872	-
Loss for the period	-	-	-	(579,715)	(579,715)
Balance at August 31, 2015	36,391,999	33,374,268	504,865	(33,634,718)	244,415
Stock options expired	-	-	(170,796)	170,796	-
Warrants cancelled	-	-	(20,052)	20,052	-
Income for the period	-	-	-	73,261	73,261
Balance at May 31, 2016	36,391,999	33,374,268	314,017	(33,370,609)	317,676

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

CAP-EX IRON ORE LTD.

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED MAY 31, 2016
(UNAUDITED – EXPRESSED IN CANADIAN DOLLARS)

1. NATURE AND CONTINUANCE OF OPERATIONS

Cap-Ex Iron Ore Ltd. (the “Company”) was incorporated under the Canada Business Corporations Act (CBCA) on February 27, 2007 and is listed for trading on the TSX Venture Exchange (“TSX-V”) under the symbol V.CEV. The Company’s business is to acquire, explore and develop interests in iron ore mining projects.

The Company’s registered office is Suite 650 – 1188 West Georgia Street, Vancouver, BC, Canada, V6E 4A2. The Company maintains an executive office at Suite 2000 – 1177 West Hastings Street, Vancouver, BC, Canada, V6E 2K3.

The Company’s exploration and evaluation properties are at the exploration and evaluation stage and are without a known body of commercial ore. The business of exploring for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. Major expenses may be required to establish ore reserves, to develop metallurgical processes, to acquire construction and operating permits and to construct mining and processing facilities. The amounts shown as exploration and evaluation property costs represented acquisition, holding and deferred exploration costs which have been written down to \$1 as at May 31, 2016.

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 operations 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, political uncertainty and currency exchange fluctuations and restrictions.

These condensed interim financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at May 31, 2016, the Company had not advanced any of its properties to commercial production and is not able to finance day to day activities through operations. The Company’s continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. The Company may require additional financing for the upcoming fiscal year in order to maintain its operations and exploration activities. These material uncertainties may cast significant doubt on the Company’s ability to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

The following is a summary of significant accounting policies used in the preparation of these condensed interim financial statements.

Statement of compliance

These condensed interim financial statements of the Company have been prepared in accordance with International Accounting Standard 34 (“IAS 34”) “Interim Financial Reporting”, using accounting policies that are consistent and in accordance with the International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) that are in effect at May 31, 2016.

These condensed interim financial statements were reviewed, approved and authorized for issue by the Board of Directors on July 28, 2016.

Basis of presentation

These condensed interim financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The condensed interim financial statements are presented in Canadian dollars unless otherwise noted.

The accounting policies applied in preparation of these condensed interim financial statements are consistent with those applied and disclosed in the Company’s annual audited financial statements for the year ended August 31, 2015, with the exception of certain amendments to accounting standards issued by the IASB, which were applicable from September 1, 2015. These amendments did not have a significant impact on the Company’s condensed interim financial statements.

The Company’s interim results are not necessarily indicative of its results for a full year.

Use of estimates

The preparation of financial statements in conformity 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 financial statements and the reported revenues and expenses during the period.

Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

The most significant accounts that require estimates as the basis for determining the stated amounts include the recoverability of exploration and evaluation properties, valuation of share-based compensation, and recognition of deferred tax amounts.

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows:

Economic recoverability and probability of future economic benefits of exploration and evaluation properties

Management has determined that exploration, evaluation, and related costs incurred which were previously capitalized, have no future economic benefits and are no longer recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including, geologic and other technical information, a history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, the quality and capacity of existing infrastructure facilities, evaluation of permitting and environmental issues and local support for the project.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Use of estimates (continued)

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments are as follows:

Valuation of share-based compensation

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based compensation. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate, and forecasted dividend rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

Income taxes

In assessing the probability of realizing income tax assets, management makes estimates related to expectation of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

Accounting pronouncements not yet adopted

A number of new standards, amendments to standards and interpretations applicable to the Company are not yet effective for the nine months ended May 31, 2016 and have not been applied in preparing these condensed interim financial statements. The Company is currently considering the possible effects of the new and revised standards which will be effective to the Company's financial statements for the year ending August 31, 2017 or later:

- IFRS 9 – Financial Instruments: Applies to classification and measurement of financial assets and liabilities as defined in IAS 39. It is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Company does not expect any effect on the Company's financial statements.

3. AMOUNTS RECEIVABLE

	May 31, 2016	August 31, 2015
	\$	\$
Sales tax receivable	1,502	6,016
Other	110,000	-
	111,502	6,016

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4. PROPERTY AND EQUIPMENT

	Computer hardware/ software \$	Drilling equipment \$	Garage \$	Land \$	Equipment \$	Vehicles \$	Total \$
Cost:							
August 31, 2014	29,462	487,344	413,140	20,000	24,740	226,750	1,201,436
Disposals	-	(487,344)	(413,140)	(20,000)	-	(125,226)	(1,045,710)
At August 31, 2015 and May 31, 2016	29,462	-	-	-	24,740	101,524	155,726
Depreciation:							
At August 31, 2014	27,732	206,634	30,945	-	12,824	134,026	412,161
Charge for the year	952	42,106	14,332	-	2,384	15,451	75,225
Disposals	-	(248,740)	(45,277)	-	-	(76,350)	(370,367)
At August 31, 2015	28,684	-	-	-	15,208	73,127	117,019
Charge for the period	322	-	-	-	1,430	6,388	8,140
At May 31, 2016	29,006	-	-	-	16,638	79,515	125,159
Net book value:							
At August 31, 2015	778	-	-	-	9,532	28,397	38,707
At May 31, 2016	456	-	-	-	8,102	22,009	30,567

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5. EXPLORATION AND EVALUATION PROPERTIES

	Schefferville	Lake Connelly	Total
	\$	\$	\$
Balance, August 31, 2014	350,000	1	350,001
<i>Exploration expenditures:</i>			
Camp accommodation	5,180	-	5,180
Consulting	13,550	-	13,550
Drilling	19,698	-	19,698
Equipment recovery	(41,584)	-	(41,584)
Geological	66,156	-	66,156
Sampling	7,281	-	7,281
Recovery of exploration expenditures	(350,000)	-	(350,000)
	(279,719)	-	(279,719)
Write-down of exploration and evaluation properties	(70,280)	(1)	(70,281)
Balance, August 31, 2015	1	-	1
<i>Exploration expenditures:</i>			
Camp accommodation	988	-	988
Claims renewal	2,750	-	2,750
Consulting	2,500	-	2,500
Drilling	43,640	-	43,640
Equipment recovery	(41,584)	-	(41,584)
Geological	6,000	-	6,000
Recovery of exploration expenditures	(200,000)	-	(200,000)
	(185,706)	-	(185,706)
Reversal of write-down of exploration and evaluation properties	185,706	-	185,706
Balance, May 31, 2016	1	-	1

5. EXPLORATION AND EVALUATION PROPERTIES (CONTINUED)

Schefferville Properties

In March 2011, the Company acquired 100% of the interests in a group of Labrador / Quebec Iron Ore properties, of which a portion is Lac Connelly, from Mandu Resources Ltd. (“Mandu”), Bedford Resources Partners Inc. and 743584 Ontario Inc. (collectively, “BP&N”). In order to earn the interest, the Company paid a \$49,000 non-refundable cash deposit upon execution of the agreement, paid an additional \$226,000 and issued a total of 1,250,000 shares to Mandu upon closing of the agreement. Mandu and BP&N retained a 1.8% royalty on iron ore produced, which is limited to \$1.60 per ton of ore produced.

In April 2011, the Company acquired three additional properties for total acquisition costs of \$50,000 and 53,750 common shares. The vendors have each retained royalty interests between 1.5% and 2% related to the claims of which between 0.5% and 1% per claim group may be repurchased for cash payments of \$1,000,000 per claim group. The repurchase right was available until April 2015 in the case of one claim group and any time prior to the commencement of commercial production in the case of two claim groups.

In April 2011, the Company acquired 100% of two properties that adjoin the Company’s existing property near Schefferville, Quebec. Under the terms of the agreement, the Company paid \$500,000 and issued 125,000 shares to the vendor. The vendor retained a 1% NSR on the properties, which can be reduced to 0.5%, by a payment of \$1,000,000 at any time.

In September 2014, the Company entered into an agreement with Tata Steel Minerals Canada Limited (“TSMC”) in respect of roadway access and direct shipping iron ore (“DSO”) exploration (the “Exploration Plan”) over the Company’s Schefferville property located in Western Labrador. Pursuant to the agreement, the Company agreed to assist TSMC in obtaining surface rights for a roadway through the property to connect adjoining properties of TSMC. TSMC shall be solely responsible for all work, costs and expenses required to build the roadway and for continued use of roadway, including maintenance. Furthermore, TSMC also agreed on the following terms:

- Pay \$350,000 (received) to the Company on execution of the agreement;
- Incur \$450,000 of exploration costs as part of the Exploration Plan by no later than September 30, 2015 (incurred by TSMC)

TSMC had the right to advise the Company on or before September 30, 2015 that they could enter into a joint venture agreement in connection with the Schefferville property whereby both parties would negotiate in good faith for a period of 90 days. However, should TSMC not wish to continue with the Exploration Plan or both parties not agree on a joint venture agreement, TSMC would pay \$200,000 to the Company in full satisfaction of its exploration commitment. In March 2016, the Company entered into a final settlement agreement with TSMC for the \$200,000 payment which is based on following payment schedule:

Date	Payment (\$)
March 1, 2016	(received) 30,000
April 1, 2016	(received) 30,000
May 1, 2016	(received) 30,000
June 1, 2016	30,000
July 1, 2016	30,000
August 1, 2016	30,000
August 31, 2016	20,000
	200,000

As at May 31, 2016, the Company wrote down its exploration and evaluation properties by \$13,345 to maintain a nominal value of \$1 (August 31, 2015 - \$1) as the Company does not have further exploration plans.

6. SHARE CAPITAL

Authorized share capital

Unlimited common shares without par value.

Issued share capital

On September 22, 2014, the Company completed a share consolidation on the basis of one new post-consolidation common share for every four pre-consolidation common shares (4:1). All current and comparative references to the number of common shares, weighted average number of common shares, loss per share, stock options and warrants have been restated to give effect to the share consolidation.

On October 27, 2014, the Company completed a private placement through the issuance of 1,000,000 units at a price of \$0.05 for gross proceeds of \$50,000. Each unit comprises of one common share and one share purchase warrant exercisable for a period of two years at an exercise price of \$0.05 per share. The warrants were valued at \$20,052 estimated using the Black-Scholes pricing model with the following assumptions: estimated life of two years, risk-free rate of 1.00%, volatility of 194%, and nil forecasted dividend yield. The Company recorded share issuance costs of \$4,202 in connection with this private placement.

On October 27, 2014, the Company issued 10,950,000 common shares to settle total outstanding debt of \$672,500. The Company valued the shares issued at \$307,695 and accordingly, recognized a gain on settlement of debt of \$364,805.

7. RESERVES

Stock options

The Company has a stock option plan (“the Plan”) whereby it can grant options to directors, officers, employees, and technical consultants of the Company. The maximum number of shares that may be reserved for issuance under the Plan is limited to 10% of the issued common shares of the Company. Vesting and term of the option is determined by the board of directors in accordance with the Plan and the policies of the TSX-V.

During the nine months ended May 31, 2016:

200,000 stock options expired unexercised and as a result, \$170,796 was reclassified from reserves to deficit.

During the year ended August 31, 2015:

In October 15, 2014, the Company received approval from the TSX-V to amend the exercise prices of certain stock options to \$0.08. As a result of the stock option re-pricing, the Company recognized additional share-based compensation of \$9,504 using the Black-Scholes option pricing model.

On October 20, 2014, the Company granted 1,280,000 five-year stock purchase options exercisable at \$0.05 per option valued at \$40,587 estimated using the Black-Scholes pricing model with the following assumptions: estimated life of five years, risk free interest rate of 1.40%, volatility of 156%, and nil forecasted dividend yield. All options vested immediately on grant.

The Company recognized \$64,121 of share-based compensation in connection with the granting, vesting and re-pricing of options using the Black-Scholes option pricing model. The Company also cancelled 647,500 stock options and, as a result, reclassified \$298,134 from reserves to deficit.

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7. RESERVES (CONTINUED)

Stock options (continued)

A summary of stock option activities is as follows:

	Number of options	Weighted average exercise price
		\$
Balance, August 31, 2014	1,197,500	0.08
Granted	1,280,000	0.05
Cancelled	(647,500)	0.07
Balance, August 31, 2015	1,830,000	0.06
Expired	(200,000)	0.08
Balance, May 31, 2016	1,630,000	0.06

A summary of the stock options outstanding and exercisable at May 31, 2016 is as follows:

Exercise Price	Number Outstanding and Exercisable	Expiry Date
\$		
0.08	20,000	February 6, 2018
0.08	552,500	June 5, 2018
0.05	1,057,500	October 20, 2019
	<u>1,630,000</u>	

Warrants

During the nine months ended May 31, 2016, the Company cancelled 1,000,000 warrants and as a result, \$20,052 was reclassified from reserves to deficit.

A summary of share purchase warrant activities is as follows:

	Number of warrants	Weighted average exercise price
		\$
Balance, August 31, 2014	5,768,832	0.87
Issued	1,000,000	0.05
Expired	(5,768,832)	0.87
Balance, August 31, 2015	1,000,000	0.05
Cancelled	(1,000,000)	0.05
Balance, May 31, 2016	<u>-</u>	<u>-</u>

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NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS
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8. RELATED PARTY TRANSACTIONS

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including directors (executive and non-executive) of the Company.

In October 2014, the Company issued 10,750,000 common shares valued at \$302,075 to settle total outstanding debts of \$662,500 owing to officers, directors and companies controlled by common officers and directors.

As at May 31, 2016, the Company has \$44,100 (August 31, 2015 - \$14,361) included in accounts payable and accrued liabilities due to officers, directors and companies controlled by officers and directors.

Summary of key management personnel compensation:

	For the nine months ended May 31,	
	2016	2015
	\$	\$
Consulting fees	13,500	4,500
Share-based compensation	-	32,875
	13,500	37,375

In addition, the following amounts were incurred with respect to officers, directors and companies controlled by officers and directors:

	For the nine months ended May 31,	
	2016	2015
	\$	\$
Exploration and evaluation property expenditures	44,500	21,800
Rent	27,000	42,000
	71,500	63,800

9. CAPITAL MANAGEMENT

The Company considers its capital structure to include the components of shareholders' equity. Management's objective is to ensure that there is sufficient capital to minimize liquidity risk and to continue as a going concern. As the Company's properties are in the exploration and evaluation stage, the Company is currently unable to self-finance its operations. Although the Company has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that the Company will be able to obtain adequate financing in the future, or that the terms of such financings will be favourable.

The Company's share capital is not subject to any external restrictions. The Company did not change its approach to capital management during the nine months ended May 31, 2016.

CAP-EX IRON ORE LTD.

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS
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10. FINANCIAL INSTRUMENTS AND FINANCIAL 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:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The Company's financial instruments consist of cash, amounts receivable and accounts payable and accrued liabilities. The fair value of these financial instruments, other than cash, approximates their carrying values due to the short-term nature of these instruments. Cash is measured at fair value using level 1 inputs.

The Company is exposed to a variety of financial risks by virtue of its activities including currency, credit, interest rate, liquidity and commodity price risk.

a) Currency risk

The Company is exposed to currency risk by incurring certain expenditures in currencies other than the Canadian dollar. The Company has determined that there is very limited currency risk at this time.

b) Credit risk

Credit risk is risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's cash is held in large Canadian financial institutions. Financial instruments included in amounts receivable consists of sales taxes due from the Government of Canada and a receivable from TSMC in connection with the DSO exploration agreement. The Company's financial instrument related to the sales tax is not exposed to significant credit risk; however, the receivable from TSMC is exposed to credit risk.

c) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to limited interest rate risk as it only holds cash.

d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they come due. The Company's ability to continue as a going concern is dependent on management's ability to raise the required capital through future equity or debt issuances. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning, and approval of significant expenditures and commitments.

e) Commodity price risk

The ability of the Company to explore and evaluate its exploration and evaluation properties and the future profitability of the Company are directly related to the price of iron. The Company monitors iron prices to determine the appropriate course of action to be taken.

11. COMMITMENTS

Management Contracts

In June and July 2013, the Company signed five separate consulting agreements with certain officers and directors of the Company to provide management consulting and exploration services to the Company for a period of 5 years. The agreements require total combined payments of \$69,500 per month. Included in each agreement is a provision for a two year payout in the event of termination without cause and a two year payout in the event of a change in control. Beginning in January 2014, the Company, and the officers and directors of the Company agreed to temporarily suspend the monthly payments for an indefinite period. In May 2014, an officer resigned from her position, and as such the related consulting agreement was terminated. The termination of the consulting agreement reduced the monthly required payment by \$9,500.

During the year ended August 31, 2015, the Company incurred reduced fees in connection with two directors for consulting services from January to June 2015 totalling \$50,000.

12. SEGMENTED INFORMATION

The Company has one geographic segment, being Canada, and one operating segment, being the acquisition and exploration of exploration and evaluation properties.

13. SUBSEQUENT EVENTS

Subsequent to May 31, 2016, the Company entered into the following transactions:

- In July 2016, the Company entered into an agreement with a non-arm's length party to acquire a 90% interest (the "Interest") in the Aspen Gold Property ("Aspen") located in central British Columbia. The purchase price for the Interest is \$100,000 with the vendor retaining a 10% interest in the Aspen property.
- In July 2016, the Company entered into a mineral property option agreement (the "Agreement") with Pacific Empire Minerals Corp. (the "Optioner") whereby the Company is granted the option to acquire up to a 70% interest in the Later Gold-Copper Property (the "Property") located in central British Columbia. Pursuant to the terms of the Agreement, the Company can earn an initial 51% interest in the Property over a four year option term by completing \$2,000,000 in exploration expenditures on the Property and issuing 1,000,000 common shares of the Company as follows:

Expenditure deadline	Expenditure requirement (\$)	Share issuance requirement
First anniversary of TSX-V Approval Date	150,000	-
Second anniversary of the TSX-V Approval Date	250,000	200,000 common shares
Third Anniversary of the TSX-V Approval Date	600,000	300,000 common shares
Fourth Anniversary of the TSX-V Approval Date	1,000,000	500,000 common shares
Total Requirement	2,000,000	1,000,000 common shares

Upon completion of the 51% earn-in, the Company can earn an additional 19% interest in the Property (for a total interest of 70%) by issuing an additional 500,000 common shares and incurring a further \$3,000,000 in property expenditures within two years.