

OREX MINERALS INC.

Consolidated Financial Statements
(Expressed in Canadian Dollars)

For the year ended April 30, 2020

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Orex Minerals Inc.

Opinion

We have audited the accompanying consolidated financial statements of Orex Minerals Inc. (the "Company"), which comprise the consolidated statements of financial position as at April 30, 2020 and 2019, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at April 30, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company incurred a loss of \$2,319,668 for the year ended April 30, 2020 and accumulated losses of \$33,064,941 as of April 30, 2020. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.



We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is David Harris.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Professional Accountants

July 7, 2020

OREX MINERALS INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
As at

	April 30, 2020	April 30, 2019
ASSETS		
Current		
Cash	\$ 242,385	\$ 999,222
Receivables	37,358	19,958
Prepaid expenses and deposits	<u>32,145</u>	<u>154,417</u>
	311,888	1,173,597
Equipment (Note 4)	28,358	37,811
Deposits	31,000	31,000
Investment in associate (Note 6)	2,160,177	1,979,528
IVA receivable	120,368	343,300
Exploration and evaluation assets (Note 5)	<u>500,001</u>	<u>703,772</u>
	<u>\$ 3,151,792</u>	<u>\$ 4,269,008</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ <u>103,967</u>	\$ <u>89,222</u>
Shareholders' equity		
Share capital (Note 7)	30,015,913	29,278,742
Reserves (Note 7)	5,999,356	5,698,916
Accumulated other comprehensive income (loss)	97,497	(52,599)
Deficit	<u>(33,064,941)</u>	<u>(30,745,273)</u>
	<u>3,047,825</u>	<u>4,179,786</u>
	<u>\$ 3,151,792</u>	<u>\$ 4,269,008</u>

Nature and continuance of operations (Note 1)

Subsequent events (Note 14)

Approved and authorized by the board on July 7, 2020

<u>/s/ Gary Cope</u>	Director	<u>/s/Rick Sayers</u>	Director
Gary Cope		Rick Sayers	

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

OREX MINERALS INC.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
For the years ended April 30,
(Expressed in Canadian Dollars)

	2020	2019
EXPLORATION EXPENSES		
Geological (Note 10)	\$ 338,862	\$ 342,473
General exploration	646,111	796,192
	<u>984,973</u>	<u>1,138,665</u>
GENERAL EXPENSES		
Consulting fees	73,250	35,000
Depreciation (Note 4)	9,453	12,638
Investor relations (Note 10)	121,390	179,918
Management fees (Note 10)	243,892	282,047
Office and administrative (Note 10)	209,136	217,690
Professional fees	91,553	75,539
Rent (Note 10)	60,750	60,000
Share-based payments (Note 7 and Note 10)	220,440	38,435
Transfer agent and filing fees	45,575	19,064
	<u>1,075,439</u>	<u>920,331</u>
	<u>(2,060,412)</u>	<u>(2,058,996)</u>
Interest income	3,888	51,055
Impairment of exploration and evaluation assets (Note 5)	(203,771)	-
Equity loss in associated company (Note 6)	(39,955)	(140,770)
Other foreign exchange gain (loss)	(19,418)	41,277
	<u>(259,256)</u>	<u>(48,438)</u>
Loss for the year	(2,319,668)	(2,107,434)
Equity investment – foreign currency translation (Note 6)	150,096	(25,195)
Comprehensive loss for the year	<u>\$ (2,169,572)</u>	<u>\$ (2,132,629)</u>
Basic and diluted loss per common share	\$ (0.02)	\$ (0.02)
Weighted average number of common shares outstanding	117,371,270	113,583,577

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

OREX MINERALS INC.
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)

	Common Shares	Share Capital	Reserves	Accumulated other comprehensive income	Deficit	Total Shareholder s' Equity
Balance, April 30, 2018	113,531,379	\$ 29,264,742	\$ 5,660,481	\$ (27,404)	\$ (28,637,839)	\$ 6,259,980
Share-based payments	-	-	38,435	-	-	38,435
Shares issued for exploration and evaluation assets (Note 5)	200,000	14,000	-	-	-	14,000
Comprehensive loss for the year	-	-	-	(25,195)	(2,107,434)	(2,132,629)
Balance, April 30, 2019	113,731,379	29,278,742	5,698,916	(52,599)	(30,745,273)	4,179,786
Private placement - units	8,000,000	800,000	-	-	-	800,000
Residual value of warrants		(80,000)	80,000	-	-	-
Share issuance costs – cash	-	(8,329)	-	-	-	(8,329)
Share- based payments (Note 7)	-	-	220,440	-	-	220,440
Shares issued for exploration and evaluation assets (Note 5)	300,000	25,500	-	-	-	25,500
Comprehensive loss for the year	-	-	-	150,096	(2,319,668)	(2,169,572)
Balance, April 30, 2020	122,031,379	\$ 30,015,913	\$ 5,999,356	\$ 97,497	\$ (33,064,941)	\$ 3,047,825

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

OREX MINERALS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended April 30,
(Expressed in Canadian Dollars)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	\$ (2,319,668)	\$ (2,107,434)
Items not affecting cash:		
Impairment loss on exploration and evaluation assets	203,771	-
Share-based payments	220,440	38,435
Depreciation	9,453	12,638
Equity loss in associated company	39,955	140,770
Shares issued for the general exploration	25,500	-
Changes in non-cash working capital items:		
Receivables	(17,400)	30,400
Prepaid expenses	122,272	(125,368)
IVA receivable	222,932	83,822
Accounts payable and accrued liabilities	14,745	24,512
Cash used in operating activities	<u>(1,478,000)</u>	<u>(1,902,225)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Equity investment	(70,508)	(39,343)
Acquisition of exploration and evaluation assets	<u>-</u>	<u>(49,561)</u>
Cash used in investing activities	<u>(70,508)</u>	<u>(88,904)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from private placement, net of share issue costs	<u>791,671</u>	<u>-</u>
Cash provided by financing activities	<u>791,671</u>	<u>-</u>
Change in cash during the year	(756,837)	(1,991,129)
Cash, beginning of year	<u>999,222</u>	<u>2,990,351</u>
Cash, end of year	<u>\$ 242,385</u>	<u>\$ 999,222</u>

Supplemental disclosure with respect to cash flows (Note 9)

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

OREX MINERALS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED APRIL 30, 2020
(Expressed in Canadian Dollars)

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, 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 consolidated 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. The Company had incurred a loss of \$2,319,668 for the year ended April 30, 2020 and accumulated losses of \$33,064,941 as of April 30, 2020. These material uncertainties may cast significant doubt as to the Company’s ability to continue as a going concern.

These consolidated 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.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economics, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or results of operations at this time.

2. BASIS OF PREPARATION

These consolidated financial statements, including comparatives, have been prepared 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 consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

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

Critical accounting estimates and judgements

The preparation of these consolidated 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 carrying value and the recoverability of exploration and evaluation assets, which are included in the statement 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.
- b) 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 option-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.
- c) 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.
- d) The functional currency of the equity investment is considered to be the Mexican Peso. The investment is controlled by a Mexican parent company and expenditures are primarily in the local currency.
- e) The determination of an investment in an associate as an equity investment requires judgement as to whether the Company has significant influence over the strategic financial and operating decisions relating to the activity of the investee.

3. SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its controlled subsidiaries (Note 10). 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 its mineral interests. Exploration and evaluation costs include the costs of acquiring concessions, 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 profit or 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 less depreciation, and any impairments and is 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.

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. The Company has no material restoration, rehabilitation or environmental obligations as the disturbance to date is limited.

Financial instruments

The details of IFRS 9, Financial Instruments are set out below.

a) Classification and measurement of financial assets and liabilities

A financial asset is classified as measured at: amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). The classification of financial assets depends on the purpose for which the financial assets were acquired. The Company's financial assets, which consist primarily of cash classified as FVTPL, and receivables classified at amortized cost. Financial assets at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment. They are classified as current assets or non-current assets based on their maturity date.

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 through profit or loss.

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

Financial instruments (cont'd...)

Amortized cost: This category includes accounts payable and accrued liabilities and leases which are recognized at amortized cost.

b) Impairment of financial assets

An 'expected credit loss' (ECL) model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. The Company's financial assets are measured at amortized cost and subject to the ECL model.

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 profit or loss.

On inclusion of an equity investment with a functional currency other than the Canadian dollar, the assets and liabilities are translated into Canadian dollars using the period-end rate and the operations and cash flows translated using the average rates of exchange. Exchange adjustments arising when the opening net assets and the profit or loss are translated into Canadian dollars are taken into a separate component of equity and reported in other comprehensive income or loss.

Share Capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares and options are classified as equity instruments. Incremental costs directly attributable to the issuance of new shares are shown in equity as a deduction from the proceeds.

Equity financing transactions may involve issuance of common shares or units. A unit comprises of a certain number of common shares and a certain number of share purchase warrants. Depending on the terms and conditions of each equity financing agreement, the warrants are exercisable into additional common shares prior to expiry at a price stipulated by the agreement. Warrants that are part of units are assigned value based on the residual value method and included in share capital with the common shares that were concurrently issued.

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

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.

In situations where equity instruments are issued to non-employees and some or all 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 (loss) per share

Basic income (loss) per share is calculated using the weighted average number of common shares outstanding during the year.

The Company recognizes the dilutive effect on income or loss per share based on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. For the years presented, this calculation proved to be anti-dilutive.

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

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 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.

Leases

IFRS 16, published on January 13, 2016, supersedes IAS 17 – Leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless a lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

The Company adopted IFRS 16 effective May 1, 2019 using the modified retrospective method. Under this method, financial information will not be restated and will continue to be reported under the accounting standards in effect for those periods. The Company will recognize lease obligations related to its lease commitments for its office lease. It will be measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as at May 1, 2019. The associated right of use asset will be measured at the lease obligation amount, less prepaid lease payments, resulting in no adjustment to the opening balance of retained earnings. The Company applied the following practical expedients permitted under the new standard:

- leases of low dollar value will continue to be expensed as incurred; and
- the Company will not apply any grandfathering practical expedients.

As at May 1, 2019 IFRS 16 did not have any impact on the amount recognized in the financial statements. The Company has elected not to recognize the right-of-use assets and lease liabilities for short-term leases that have a lease term of twelve months or less. For the year ended April 30, 2020, rent expense included in rent of \$60,750 and in general exploration of \$15,364 has been incurred.

OREX MINERALS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED APRIL 30, 2020
(Expressed in Canadian Dollars)

4. EQUIPMENT

Cost	Field equipment
Balance, as at April 30, 2018	\$ 92,625
Acquisition costs	-
Disposals	-
Balance, as at April 30, 2019	92,625
Acquisition costs	-
Disposals	-
Balance, as at April 30, 2020	\$ 92,625
Accumulated depreciation	
Balance, as at April 30, 2018	\$ (42,176)
Additions	(12,638)
Disposals	-
Balance, as at April 30, 2019	(54,814)
Additions	(9,453)
Disposals	-
Balance, as at April 30, 2020	\$ (64,267)
Net book value	
Balance, as at April 30, 2019	\$ 37,811
Balance, as at April 30, 2020	\$ 28,358

5. EXPLORATION AND EVALUATION ASSETS

	Cordero Project, Mexico	Sandra Escobar, Mexico	Jumping Josephine, Canada	Total
Balance, as at April 30, 2018	\$ 140,210	\$ 500,000	\$ 1	\$ 640,211
Acquisition costs	63,561	-	-	63,561
Balance, as at April 30, 2019	203,771	500,000	1	703,772
Impairment	(203,771)	-	-	(203,771)
Balance, as April 30, 2020	\$ -	\$ 500,000	\$ 1	\$ 500,001

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.

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

San Luis del Cordero, Mexico

On January 26, 2018 the Company entered into an agreement, subsequently amended, with Exploraciones del Altiplano S.A. de C.V. ("Altiplano") to acquire 100% of the San Luis del Cordero property ("Cordero Project"), in Durango, Mexico. Under the terms of the amended agreement, the Company is required to make the following annual cash and share payments to Altiplano:

- a) On signing: issue 100,000 common shares (issued at a value of \$17,000) and pay US\$100,000 (paid - CAD\$123,210).
- b) On January 26, 2019: issue 200,000 common shares (issued at a value of \$14,000) and pay US\$25,000 (paid - CAD\$32,860)
- c) On April 26, 2019 pay US\$12,500 (paid – CAD\$16,701)
- d) On October 26, 2019 pay US\$112,500. In October, 2019 this was amended to July 26, 2020.
- e) On January 26, 2020 issue 300,000 common shares (issued at a value of \$25,500).
- f) On July 26, 2020 pay US\$200,000.
- g) On January 26, 2021 issue 400,000 common shares.
- h) On July 26, 2021 pay US\$550,000.
- i) On July 26, 2022 pay US\$1,500,000 (of which 30% can be issued in shares).

In order to acquire the Cordero Project, the Company is also required to satisfy work commitments of US\$400,000 by October 26, 2019 and a further US\$600,000 by July 26, 2020. Excess expenditures from year one can be applied to year two.

Altiplano has the right to cancel the option if the Company does not start a drilling program by February 26, 2020.

As of October 31, 2019, there were no current or future planned exploration activities on the Cordero Project and accordingly the Company has returned the Cordero Project to Altiplano and has reduced the carrying value to \$Nil. Any necessary subsequent payments will be expensed. The Company is committed to pay mineral concession taxes on the Cordero Project of approximately \$17,000 in July 2020.

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 ("Sandra Property") in Durango, Mexico.

During the year ended April 30, 2017, the Company earned a 55% ownership interest by paying \$500,000 and incurring exploration expenditures of US\$2,000,000.

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

Sandra Escobar, Mexico (cont'd...)

On June 27, 2019 the Company signed a letter agreement with Pan American Silver Corp, (the "Letter Agreement"), through its subsidiary Plata Panamericana SA de CV ("Pan American"). Pan American previously acquired all of the interests of Canasil in the Sandra Property, including the rights and obligations of Canasil under the option agreement. Pursuant to the Letter Agreement, Pan American and the Company have agreed to negotiate a formal joint venture agreement to replace the option agreement, and will suspend the operation of the option agreement until the new agreement is entered into. During the suspension period, the parties will contribute pro-rata towards the cost of maintaining the Sandra Property in good standing.

On March 9, 2020 the Company entered into a Joint Venture Letter Agreement to form a joint venture with Pan American to further explore the Sandra Property. The Company will have a 40% interest and Pan American will have a 60% interest in a new joint venture company that will be formed for the Sandra Property. Pan American and the Company will make their proportionate share of contributions. The Company will be the operator. The joint venture will be formed when a shareholder agreement is formed.

Coneto, Mexico

In fiscal 2010, the Company purchased 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, valued at \$2,090,000.

The Coneto property is subject to a 2.5% net smelter returns ("NSR") royalty payable to the vendors.

During fiscal 2011, the Company agreed with Fresnillo PLC ("Fresnillo") to jointly explore the contiguous mineral concessions held by the Company and Fresnillo in the Coneto mining district.

- a) In fiscal 2017 Fresnillo after spending an aggregate of US\$6,000,000 on exploration activities and the Company contributed their respective Coneto mining concessions to a new company Exploraciones y Desarrollos Mineros Coneto S.A.P.I de C.V. ("EDMC") owned 55% by Fresnillo and 45% by the Company. (Note 6)
- b) Fresnillo will have the right to increase its ownership of EDMC 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. If Fresnillo chooses to not exercise the right to increase its ownership of EDMC to 70%, the costs incurred to complete a prefeasibility study will be shared by Fresnillo and the Company in proportion to their ownership of EDMC; 55% by Fresnillo and 45% by the Company.
- c) Any additional funding required by EDMC will be provided by the Company and Fresnillo in proportion to their respective ownership interests in EDMC at that time.
- d) Fresnillo will have a right of first refusal to acquire the Company's ownership interest in EDMC if the Company receives an offer for its interest in EDMC that it proposes to accept.
- e) 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.

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

Jumping Josephine, Canada

The Company owns a 100% interest of a property in the West Kootenay Mining District of British Columbia, Canada.

There were no current or future planned exploration activities on the Jumping Josephine Property. Accordingly, the Company reduced the carrying value of the Property to \$1 in a prior fiscal year.

6. INVESTMENT IN ASSOCIATE

During the year ended April 30, 2017, the Company and Fresnillo, pursuant to a definitive agreement contributed their respective Coneto mining concessions to a new company, EDMC by way of merger. The ownership of EDMC 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 April 30, 2020, EDMC's aggregate assets, aggregate liabilities and net losses are as follows:

	April 30, 2020	April 30, 2019
Current assets	\$ 151,476	\$ 171,007
Non-current assets	1,484,105	1,806,529
Current liabilities	(85,028)	(157,452)
Net assets	1,550,553	1,820,084
The Company's ownership %	45%	45%
The Company's share of net assets	\$ 697,749	\$ 819,038
	April 30, 2020	April 30, 2019
Loss for the year	\$ (88,789)	\$ (312,823)
Other comprehensive income (loss)– currency translation	333,547	(55,988)
Total comprehensive income/loss	244,758	(368,811)
The Company's ownership %	45%	45%
The Company's share of comprehensive income/loss	\$ 110,141	\$ (165,965)
	April 30, 2020	April 30, 2019
Net investment, opening	\$ 1,979,528	\$ 2,106,150
Additional investment	70,508	39,343
Equity loss for the year	(39,955)	(140,770)
Other comprehensive income (loss) - currency translation	150,096	(25,195)
Net investment, closing	\$ 2,160,177	\$ 1,979,528

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7. SHARE CAPITAL AND RESERVES

Authorized

Unlimited number of common shares without par value.

Share issuances

On January 26, 2019, the Company issued 200,000 shares for the Cordero Project valued at \$14,000.

On January 26, 2020, the Company issued 300,000 shares for the Cordero Project valued at \$25,500.

The Company completed a private placement on November 19, 2019 and raised gross proceeds of \$800,000 through the sale of 8,000,000 units at a price of \$0.10 per unit. Each unit consisted of one common share of the Company and one half of one share purchase warrant. Each whole warrant is exercisable into one common share of the Company at a price of \$0.15 per share for a period of two years. Using the residual value method, the value assigned to the warrants was \$80,000.

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.

During the year ended April 30, 2020, the Company granted 3,425,000 (2019 – 500,000) stock options to officers, directors, employees and consultants of the Company. The weighted average fair values of options granted are calculated using the Black-Scholes option pricing model. The weighted average fair value of each option granted was \$0.06 (2019 - \$0.08) and was calculated using the following weighted average assumptions:

	For the year ended April 30, 2020	For the year ended April 30, 2019
Expected option lives	5 years	5 years
Risk-free interest rate	1.67%	2.21%
Expected dividend yield	0%	0%
Expected stock price volatility	119%	104%

The share-based payments expense for stock options granted and vested during the year ended April 30, 2020 was \$220,440 (2019 – \$38,435).

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7. 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, 2018	-	\$ -	9,930,000	\$ 0.23
Granted	-	-	500,000	0.10
Expired	-	-	(1,555,000)	0.15
Forfeited	-	-	(200,000)	0.17
Outstanding, April 30, 2019	-	-	8,675,000	0.24
Granted	4,000,000	0.15	3,425,000	0.10
Expired	-	-	(150,000)	0.15
Forfeited	-	-	(900,000)	0.19
Outstanding, April 30, 2020	4,000,000	\$ 0.15	11,050,000	\$ 0.20
Exercisable at April 30, 2020	4,000,000	\$ 0.15	11,050,000	\$ 0.20

The following stock options to acquire common shares of the Company were outstanding at April 30, 2020:

Number of Shares	Exercise Price	Expiry Date
Options		
1,825,000	\$0.15	June 26, 2020 *
3,000,000	0.35	January 29, 2021
150,000	0.55	May 13, 2021
2,500,000	0.17	May 3, 2022
400,000	0.10	September 10, 2023
3,175,000	0.10	December 19, 2024
11,050,000		

*Subsequent to April 30, 2020, 1,825,000 options expired.

The following warrants to acquire common shares of the Company were outstanding at April 30, 2020:

Number of Warrants	Exercise Price	Expiry Date
4,000,000	\$0.15	November 19, 2021

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8. 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.

9. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash transactions during the year ended April 30, 2020:

- a) Other comprehensive gain – currency translation \$150,096
- b) Value of warrants issued - \$80,000

Significant non-cash transactions during the year ended April 30, 2019 included:

- a) Other comprehensive loss – currency translation \$ 25,195
- b) Shares issued for exploration and evaluation additions valued at \$14,000

10. RELATED PARTY TRANSACTIONS

The financial statements include the financial statements of Orex Minerals Inc. and its subsidiaries listed in the following table:

<u>Name of Subsidiary</u>	<u>Country of Incorporation</u>	<u>Proportion of Ownership Interest</u>	<u>Principal Activity</u>
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
Astral Mining Corporation	Canada	100%	Mineral exploration
Astral Mining S.A. de C.V.	Mexico	100%	Mineral exploration

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10. RELATED PARTY TRANSACTIONS (cont'd...)

During the year ended April 30, 2020, 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:

		Year Ended April 30, 2020		Year Ended April 30, 2019
Management fees	\$	242,880	\$	282,047
Geological consulting fees		148,529		150,862
Share - based compensation		112,634		-
Total	\$	504,043	\$	432,909

		Year Ended April 30, 2020		Year Ended April 30, 2019
Investor relations*	\$	74,468	\$	63,926
Office and administrative*		146,613		129,913
Rent*		60,750		60,000
Total	\$	281,831	\$	253,839

*Fees paid to a management service company controlled by the chief executive officer and director of the Company that provides a corporate secretary, and accounting and administration staff to the Company, on a shared cost basis.

Included in accounts payable and accrued liabilities as at April 30, 2020 is \$42,063 (April 30, 2019 - \$Nil) paid to directors or officers or companies controlled by directors.

11. 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).

11. FINANCIAL AND CAPITAL RISK MANAGEMENT (cont'd...)

Fair value of financial instruments

The Company has various financial instruments including cash, receivables, accounts payable and accrued liabilities. 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.

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. 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 these countries.

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. The Company is exposed to liquidity risk.

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 April 30, 2020, a hypothetical change of 10% in the foreign exchange rate between the Canadian dollar and US dollar would have an effect of \$1,000 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 an effect of \$15,500 on loss and comprehensive loss.

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11. FINANCIAL AND CAPITAL RISK MANAGEMENT (cont'd...)

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 may fluctuate sharply. 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.

12. SEGMENTED INFORMATION

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

	April 30, 2020	April 30, 2019
Equipment		
Mexico	\$ 28,358	\$ 37,811
Exploration and evaluation assets		
Mexico	\$ 500,000	\$ 703,771
Canada	1	1

13. INCOME TAXES

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

	2020	2019
Income (loss) before income taxes	\$ (2,319,668)	\$ (2,107,434)
Expected income tax (recovery)	\$ (626,000)	\$ (569,000)
Change in statutory, foreign tax, foreign exchange rates and other	64,000	43,000
Permanent difference	194,000	66,000
Share issue costs	(2,000)	-
Change in unrecognized deductible temporary differences	370,000	460,000
Total income tax expense (recovery)	\$ -	\$ -

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13. INCOME TAXES (cont'd...)

The significant components of the Company's temporary difference, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	2020	2019	Expiry date range
Temporary differences:			
Exploration and evaluation assets	\$ 11,134,000	\$ 11,716,000	No expiry date
Investment tax credit	36,000	36,000	2027-2034
Property and equipment	68,000	35,000	No expiry date
Share issue costs	7,000	1,000	2040
Non-capital losses available for future period	28,163,000	27,279,000	2022 to onward

Tax attributes are subject to review, and potential adjustment, by tax authorities.

14. SUBSEQUENT EVENTS

Subsequent to the year ended April 30, 2020, the Company:

- a) Granted a total of 250,000 stock options at an exercise price of \$0.10 per option to Red Cloud Financial Services Inc. as partial consideration for its provision of services to the Company. The stock options are exercisable for a period of three years and vest quarterly.
- b) Closed the first tranche ("First Tranche") of its non-brokered private placement. The First Tranche comprised of 12,362,500 units of the Company issued at a price of \$0.08 per unit for gross proceeds of \$989,000. Each unit consists of one common share and one half of a share purchase warrant. Each warrant entitles the holder to acquire one common share at a price of \$0.20 per share for a period of 24 months after closing.