

Consolidated Financial Statements of

Almadex Minerals Ltd. (formerly 1154229 B.C Ltd.)

Period from incorporation on February 26, 2018 to December 31, 2018

Almadex Minerals Ltd. (formerly 1154229 B.C Ltd.)

Period from incorporation on February 26, 2018 to December 31, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Almadex Minerals Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Almadex Minerals Ltd. (the “Company”), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statements of loss and comprehensive loss, cash flows, and changes in equity for the period from incorporation on February 26, 2018 to December 31, 2018, 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 December 31, 2018, and its financial performance and its cash flows for the period from incorporation on February 26, 2018 to December 31, 2018 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.

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 Grant P. Block.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Professional Accountants

April 16, 2019

Almadex Minerals Ltd. (formerly 1154229 B.C. Ltd.)

Consolidated statement of financial position

(Expressed in Canadian dollars)

	December 31, 2018
	\$
ASSETS	
Current assets	
Cash and cash equivalents (Note 13)	6,305,955
Accounts receivable and prepaid expenses (Note 5 and 11(b))	368,349
Marketable securities and investments (Note 6)	4,621,066
	<u>11,295,370</u>
Non-current assets	
Contingent shares receivable (Note 7)	19,500
Property and equipment (Note 8)	1,265,263
Exploration and evaluation assets (Note 9)	7,212,752
	<u>8,497,515</u>
TOTAL ASSETS	<u>19,792,885</u>
LIABILITIES	
Current liabilities	
Trade and other payables (Note 11(b))	657,068
Total liabilities	<u>657,068</u>
EQUITY	
Share capital (Note 10)	21,953,536
Reserves (Note 10)	1,067,270
Deficit	(3,884,989)
Total equity	<u>19,135,817</u>
TOTAL EQUITY AND LIABILITIES	<u>19,792,885</u>
Nature of Operations (Note 1)	
Commitments (Note 9(c))	
Subsequent Events (Note 18)	

These consolidated financial statements are authorized for issue by the Board of Directors on April 16, 2019.

They are signed on the Company's behalf by:

/s/Duane Poliquin
Director

/s/Mark T. Brown
Director

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

Almadex Minerals Ltd. (formerly 1154229 B.C. Ltd.)

Consolidated statement of loss and comprehensive loss

(Expressed in Canadian dollars)

	Period from incorporation on February 26, 2018 to December 31, 2018
	\$
Revenue	
Interest income	54,744
Other income (Note 11(b))	793,230
	<hr/> 847,974
Expenses	
Administrative services fee (Note 11(a)(b))	242,460
Depreciation (Note 8)	54,003
Impairment of exploration and evaluation assets (Note 9(c))	365,379
Professional fees	232,455
Office	30,736
Stock exchange, transfer agent and filing fees	65,712
Travel and promotion	15,659
Share-based payments (Note 10(d))	1,325,491
	<hr/> 2,331,895
Operating loss	<hr/> (1,483,921)
Other income (loss)	
Unrealized loss on marketable securities and investments (Note 6)	(2,573,045)
Realized gain on sale of marketable securities	91,327
Unrealized loss on contingent shares receivable (Note 7)	(11,700)
Foreign exchange gain	92,350
	<hr/> (3,884,989)
Loss and comprehensive loss for the period	<hr/> (3,884,989)
Basic and diluted net loss per share (Note 12)	<hr/> (0.10)

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

Almadex Minerals Ltd. (formerly 1154229 B.C. Ltd.)

Consolidated statement of cash flows

(Expressed in Canadian dollars)

**Period from incorporation on
February 26, 2018 to
December 31, 2018**

\$

Operating activities	
Net loss for the period	(3,884,989)
Items not affecting cash	
Depreciation	54,003
Unrealized loss on contingent shares receivable	11,700
Unrealized loss on marketable securities	2,573,045
Realized gain on marketable securities	(91,327)
Impairment of exploration and evaluation assets	365,379
Share-based payments	1,325,491
Changes in non-cash working capital components	
Accounts receivable and prepaid expenses	(111,307)
Trade and other payables	447,150
Net cash from operating activities	689,145
Investing activities	
Exploration and evaluation assets - costs	(896,833)
Property and equipment – purchase	(549,646)
Net proceeds from sale of marketable securities	174,487
Reclamation deposit	24,181
Net cash used in investing activities	(1,247,811)
Financing activities	
Cash received from Azucar Minerals Ltd. (Note 2)	5,984,338
Cash received from subsidiaries (Note 2)	756,116
Options exercised	106,439
Finders' warrants exercised	17,628
Net cash from financing activities	6,864,521
Change in cash and cash equivalents	6,305,855
Cash and cash equivalents, beginning of period	100
Cash and cash equivalents, end of period	6,305,955
Supplemental cash flow information (Note 13)	

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

Almadex Minerals Ltd. (formerly 1154229 B.C. Ltd.)

Consolidated statement of changes in equity

(Expressed in Canadian dollars)

	Share Capital		Reserves			Deficit	Total
	Number of shares	Amount	Share-based payments	Warrants	Total reserves		
		\$	\$	\$	\$	\$	\$
Balance, February 26, 2018	100	100	-	-	-	-	100
Share-based payments	-	-	589,836	-	589,836	-	589,836
Transfer of net assets from Azucar Minerals Ltd. pursuant to Plan of Arrangement	53,927,769	21,571,148	-	-	-	-	21,571,148
Share-based payments – spin-out ⁽¹⁾	-	(7,730)	735,655	7,730	743,385	-	735,655
Options exercised	1,122,700	106,439	-	-	-	-	106,439
Fair value of options transferred to share capital	-	258,221	(258,221)	-	(258,221)	-	-
Finders' warrants exercised	44,400	17,628	-	-	-	-	17,628
Fair value of finders' warrants transferred to share capital on exercise	-	7,730	-	(7,730)	(7,730)	-	-
Loss and comprehensive loss for the period	-	-	-	-	-	(3,884,989)	(3,884,989)
Balance, December 31, 2018	55,094,969	21,953,536	1,067,270	-	1,067,270	(3,884,989)	19,135,817

⁽¹⁾ Pertains to options and finders' warrants received pursuant to the Plan of Arrangement (Note 2)

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

Almadex Minerals Ltd. (formerly 1154229 B.C. Ltd.)

Notes to the consolidated financial statements

Period from incorporation on February 26, 2018 to December 31, 2018

(Expressed in Canadian dollars)

1. Nature of Operations

Almadex Minerals Ltd., (formerly 1154229 B.C. Ltd.) (the “Company” or “Almadex”) was incorporated on February 26, 2018 under the laws of Canada Business Corporations Act as part of a plan of arrangement (the “Arrangement”) to reorganize Azucar Minerals Ltd. (formerly Almadex Minerals Limited) (“Azucar”). The Company’s intended business activity is the acquisition and exploration of exploration and evaluation properties in Canada, US and Mexico. The Company’s head office is located at Suite 210 – 1333 Johnston Street, Vancouver, BC, V6H 3R9, Canada.

2. Plan of Arrangement

On May 18, 2018, Azucar completed a Plan of Arrangement (the “Plan of Arrangement”) under the provision of the *Business Corporations Act* (British Columbia) pursuant to which certain assets of Azucar were spun-out to Almadex.

Under the Plan of Arrangement, Azucar’s shareholders exchanged each existing common share of Azucar for one “new” Azucar common share and one common share of Almadex.

The fair value of the net assets contributed pursuant to the Plan of Arrangement consisted of the following:

Assets:	\$
Cash received from Azucar	5,984,338
Cash received from subsidiaries spun out	756,116
Accounts receivable and prepaid expenses	257,042
Marketable securities and investments ⁽¹⁾	7,321,271
Reclamation deposits	24,181
Contingent shares receivable	31,200
Property and equipment	769,620
Exploration and evaluation assets	6,430,644
Total assets	21,574,412
Liabilities:	
Trade and other payables	(3,264)
Fair value of net assets contributed	21,571,148

⁽¹⁾ Includes the fair value of Azucar shares received on spin-out of \$4,360,000

The Plan of Arrangement resulted in an increase of share capital amounting to \$21,563,418 (\$21,571,148 fair value of net assets less \$7,730 relating to the spin-out of finders’ warrants (Note 10 (d)).

Spin-out stock options in Note 10 (d) were issued pursuant to the Plan of Arrangement, whereby holders of outstanding Azucar stock options received, in exchange for each stock option, one Azucar replacement stock option and one Almadex stock option, with exercise prices of the Azucar replacement stock options and the Almadex stock options based on the proportional market value of the two companies after completion of the Plan of Arrangement.

Spin-out warrants in Note 10 (c) were issued pursuant to the Plan of Arrangement, whereby holders of outstanding Azucar warrants received, in exchange for each warrant, one Azucar replacement warrant and one Almadex warrant, with exercise prices of the Azucar replacement warrants and the Almadex warrants based on the proportional market value of the two companies after completion of the Plan of Arrangement.

Almadex Minerals Ltd. (formerly 1154229 B.C. Ltd.)

Notes to the consolidated financial statements

Period from incorporation on February 26, 2018 to December 31, 2018

(Expressed in Canadian dollars)

3. Basis of Presentation

(a) Statement of Compliance with International Financial Reporting Standards

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

These consolidated financial statements have been prepared on a historical cost basis except for financial instruments classified as fair value through profit or loss (“FVTPL”) or fair value through other comprehensive income (“FVOCI”) which are stated at their fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

(b) Basis of preparation

These consolidated financial statements have been prepared on the basis of IFRS standards that are effective as at December 31, 2018.

(c) Functional currency

The functional and reporting currency of the Company and its subsidiaries is the Canadian dollar.

(d) Significant accounting judgments and estimates

The preparation of these consolidated financial statements requires management to make judgements and estimates that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these judgements and estimates. The consolidated financial statements include judgements and estimates which, by their nature, are uncertain. The impacts of such judgements and estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

Significant assumptions about the future and other sources of judgements and estimates that management has made at the statement of financial position date, 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:

Critical Judgments

- The analysis of the functional currency for each entity of the Company. In concluding that the Canadian dollar is the functional currency of the parent and its subsidiary companies, management considered the currency that mainly influences the cost of providing goods and services in each jurisdiction in which the Company operates. As no single currency was clearly dominant, the Company also considered secondary indicators including the currency in which funds from financing activities are denominated and the currency in which funds are retained.

Almadex Minerals Ltd. (formerly 1154229 B.C. Ltd.)

Notes to the consolidated financial statements

Period from incorporation on February 26, 2018 to December 31, 2018

(Expressed in Canadian dollars)

3. Basis of Presentation (Continued)

(d) Significant accounting judgments and estimates (continued)

Estimates

- The recoverability of accounts receivable which is included in the consolidated statements of financial position;
- The estimated useful lives of property and equipment which are included in the consolidated statement of financial position and the related depreciation included in the consolidated statement of comprehensive loss;
- The value of the exploration and evaluation assets which are recorded in the consolidated statement of financial position;
- The Company uses the Black-Scholes option pricing model to determine the fair value of options and finders' warrants in order to calculate share-based payments expense. Certain inputs into the model are estimates that involve considerable judgment and are or could be affected by significant factors that are out of the Company's control;
- The assessment of indications of impairment of each exploration and evaluation asset and related determination of the net realizable value and impairment of those assets where applicable;
- The estimated fair value of contingent share payments receivable in the event that Goldgroup Mining Inc. achieves some or all of the specified resource and production levels described in Note 7.

4. Significant Accounting Policies

(a) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries assumed on May 18, 2018 from the Plan of Arrangement (Note 2) as follows:

	Jurisdiction	Nature of operations
Almadex America Inc.	USA	exploration company
Republic Resources Ltd.	Canada	service company
Ixtaca Precious Metals Inc.	Canada	holding company (inactive)
Almadex Royalties Limited	Canada	holding company (inactive)
Almaden de Mexico, S.A. de C.V.	Mexico	exploration company (inactive)
Minera Gavilan, S.A. de C.V.	Mexico	exploration company

Subsidiaries are entities controlled by the Company and are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the consolidated financial statements

Almadex Minerals Ltd. (formerly 1154229 B.C. Ltd.)

Notes to the consolidated financial statements

Period from incorporation on February 26, 2018 to December 31, 2018

(Expressed in Canadian dollars)

4. Significant Accounting Policies (Continued)

(b) Foreign currencies

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on dates of transactions. At each financial position reporting date, all assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss.

(c) Financial instruments

The Company has initially adopted IFRS 9, *Financial Instruments*, from the period from incorporation on February 26, 2018.

IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The details of the accounting policies are set out below.

(i) Classification and measurement of financial assets and liabilities

The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

A financial asset is classified as measured at: amortized cost, FVOCI, or FVTPL. The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification. The Company's financial assets including cash and cash equivalent and accounts receivable are classified at amortized cost. The Company's marketable securities and investments, and contingent shares receivable, are classified as FVTPL. Trade and other payables is classified at amortized cost.

(ii) 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 measured at amortized cost and subject to the ECL model include cash and cash equivalents, and accounts receivable.

(d) Cash and cash equivalents

Cash equivalents include money market instruments which are readily convertible into cash or have maturities at the date of purchase of three months or less.

Almadex Minerals Ltd. (formerly 1154229 B.C. Ltd.)

Notes to the consolidated financial statements

Period from incorporation on February 26, 2018 to December 31, 2018

(Expressed in Canadian dollars)

4. Significant Accounting Policies (Continued)

(e) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses and are depreciated annually on a declining-balance basis at the following rates:

Automotive equipment	30%
Computer hardware	30%
Geological library	20%
Field equipment	20%
Drill equipment	20%

(f) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and other sales tax or duty. The following specific recognition criteria must also be met before revenue is recognized:

Interest income

Revenue is recognized as interest accrues on cash and cash equivalent balances.

Other income

Revenue from other income consists of equipment rentals and contract exploration services provided to third parties and are recognized upon completion of the services for which the measurement of the consideration can be reasonably assured and the ultimate collection is reasonably assured.

(g) Exploration and evaluation assets

The Company is in the exploration stage with respect to its investment in exploration and evaluation assets and accordingly follows the practice of capitalizing all costs relating to the acquisition of, exploration for and development of mineral claims to which the Company has rights and crediting all proceeds received from farm-out arrangements or recovery of costs against the cost of the related claims. Acquisition costs include, but are not exclusive to land surface rights acquired. Deferred exploration costs include, but are not exclusive to geological, geophysical studies, annual mining taxes, exploratory drilling and sampling. At such time as commercial production commences, these costs will be charged to profit or loss on a unit-of-production method based on proven and probable reserves. The aggregate costs related to abandoned mineral claims are charged to profit or loss at the time of any abandonment or when it has been determined that there is evidence of an impairment

All capitalized exploration and evaluation expenditures are monitored for indications of impairment.

The Company considers the following facts and circumstances in determining if it should test exploration and evaluation assets for impairment:

- (i) the period for which the Company has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- (ii) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;

Almadex Minerals Ltd. (formerly 1154229 B.C. Ltd.)

Notes to the consolidated financial statements

Period from incorporation on February 26, 2018 to December 31, 2018

(Expressed in Canadian dollars)

4. Significant Accounting Policies (Continued)

(g) Exploration and evaluation assets (Continued)

- (iii) exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and
- (iv) sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation assets is unlikely to be recovered in full from successful development or by sale.

Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that deferred exploration expenditures are not expected to be recovered, an impairment is charged to profit or loss. Exploration areas where reserves have been discovered, but require major capital expenditure before production can begin, are continually evaluated to ensure that commercial quantities of reserves exist or to ensure that additional exploration work is underway as planned.

An impairment charge relating to an exploration and evaluation asset may be subsequently reversed when new exploration results or actual or potential proceeds on sale or farm-out of the property result in a revised estimate of the recoverable amount but only to the extent that this does not exceed the original carrying value of the property that would have resulted if no impairment had been recognized. General exploration costs in areas of interest in which the Company has not secured rights are expensed as incurred.

The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties, and on future production or proceeds of disposition.

The Company recognizes costs recovered on exploration and evaluation assets in income when amounts received or receivable are in excess of the carrying amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property and equipment.

(h) Impairment of property and equipment

Property and equipment are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. If any such indication is present, the recoverable amount of the asset is estimated in order to determine whether impairment exists. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An asset's recoverable amount is the higher of fair value less costs of disposal, and value in use. 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 for which estimates of future cash flows have not been adjusted.

Almadex Minerals Ltd. (formerly 1154229 B.C. Ltd.)

Notes to the consolidated financial statements

Period from incorporation on February 26, 2018 to December 31, 2018

(Expressed in Canadian dollars)

4. Significant Accounting Policies (Continued)

(h) Impairment of property and equipment (Continued)

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount by way of recording an impairment charge to profit or loss. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized.

(i) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized.

(j) Share-based payments

The Company's stock option plan allows Company employees, directors, officers and consultants to acquire shares of the Company. The fair value of options granted is recognized as share-based payment expense with a corresponding increase in reserves. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

Fair value is measured at grant date, and each tranche is recognized using the graded vesting method over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of stock options that are expected to vest. In situations where equity instruments are issued to consultants and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

Almadex Minerals Ltd. (formerly 1154229 B.C. Ltd.)

Notes to the consolidated financial statements

Period from incorporation on February 26, 2018 to December 31, 2018

(Expressed in Canadian dollars)

4. Significant Accounting Policies (Continued)

(k) Share capital

Proceeds from the exercise of stock options and warrants are recorded as share capital in the amount for which the option or warrant enabled the holder to purchase a share in the Company, in addition to the proportionate amount of reserves originally created at the issuance of the stock options or warrants. Share capital issued for non-monetary consideration is valued at the closing market price at the date of issuance. The proceeds from the issuance of units are allocated between common shares and common share purchase warrants based on the residual value method. Under this method, the proceeds are allocated to common shares based on the fair value of a common share at the announcement date of the unit offering and any residual remaining is allocated to common share purchase warrants.

(l) Reclamation and closure cost obligations

Decommissioning and restoration provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation and discount rates. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows discounted for the market discount rate.

Over time the discounted liability is increased for the changes in the present value based on the current market discount rates and liability risks. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

When the Company enters into an option agreement on its exploration and evaluations assets, as part of the option agreement, responsibility for any reclamation and remediation becomes the responsibility of the optionee.

(m) Net loss per share

The Company presents the basic and diluted net loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted net loss per share is determined by adjusting the net loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares (Note 12).

(n) Future accounting standards

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for future accounting periods. The following have not yet been adopted by the Company.

- IFRS 16, *Leases*, is a standard to establish principles for recognition, measurement, presentation and disclosure of leases with an impact on lessee accounting, effective for annual periods beginning on or after January 1, 2019. The eventual application of this standard is not expected to have a significant impact on the Company's existing accounting policies or financial statement presentation.

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5. Accounts Receivable and Prepaid Expenses

Accounts receivable and prepaid expenses consist of the following:

	December 31, 2018
	\$
Accounts receivable	345,630
Prepaid expenses	22,719
	368,349

At December 31, 2018, the Company has recorded value added taxes of \$40,984 included in exploration and evaluation assets as the value added tax relates to certain projects and will be recovered when the assets are sold (Note 9).

6. Marketable Securities and Investments

a) Marketable securities consist of common shares in publicly-traded companies over which the Company does not have control or significant influence. Marketable securities are designated as FVTPL and valued at fair value of \$1,834,601 as at December 31, 2018. Unrealized losses due to year-end revaluation to fair value of \$2,633,475 are recorded in profit or loss. The valuation of the common shares has been determined in whole by reference to the closing price traded on the exchange at each reporting date.

b) Investments consist of 1,597 ounces of gold bullion which is recorded at the fair value of \$2,786,465 as at December 31, 2018. The investments are designated as FVTPL and valued at fair value. Unrealized gains due to year-end revaluation to fair value of \$60,430 are recorded in profit or loss. The valuation of the gold bullion investment is determined in whole by reference to the closing price of gold at each reporting period.

7. Contingent Shares Receivable

Goldgroup Mining Inc.

As part of the Plan of Arrangement with Azucar (Note 2), the Company obtained contingent shares receivable of 7,000,000 shares of Goldgroup Mining Inc. ("Goldgroup") which may be obtained upon satisfaction of the following conditions:

- i. 1,000,000 common shares will be received upon commencement of commercial production on the Caballo Blanco project ("Caballo Blanco");
- ii. 2,000,000 common shares will be received upon measured and indicated resources including cumulative production for Caballo Blanco reaching 2,000,000 ounces of gold;
- iii. 2,000,000 common shares will be received upon measured, indicated and inferred resources including cumulative production for Caballo Blanco reaching 5,000,000 ounces of gold; and
- iv. 2,000,000 common shares will be received upon measured, indicated and inferred resources including cumulative production for Caballo Blanco reaching 10,000,000 ounces of gold.

On December 24, 2014, Goldgroup sold Caballo Blanco to Timmins Gold Corp ("Timmins"). On July 22, 2016, Timmins Gold Corp ("Timmins") sold Caballo Blanco to Candelaria Mining Corp ("Candelaria"). If Candelaria achieves the above conditions, management believes that the bonus common shares will continue to be payable from Goldgroup.

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7. Contingent Shares Receivable (Continued)

The Company has recorded contingent shares receivable of \$19,500 based on management's best estimate of the fair value of the Goldgroup common shares as at December 31, 2018, and a loss of \$11,700 on fair value adjustment in profit or loss during the period ended December 31, 2018.

8. Property and Equipment

	Automotive equipment	Office equipment	Geological library	Field equipment	Drill equipment	Total
	\$	\$	\$	\$	\$	\$
Cost						
February 26, 2018	-	-	-	-	-	-
Contribution from spin-out assets (Note 2)	174,856	-	114	85,683	508,967	769,620
Additions	69,006	1,055	-	-	479,585	549,646
December 31, 2018	243,862	1,055	114	85,683	988,552	1,319,266
February 26, 2018	-	-	-	-	-	-
Depreciation	19,256	53	6	4,998	29,690	54,003
December 31, 2018	19,256	53	6	4,998	29,690	54,003
Carrying amounts						
February 26, 2018	-	-	-	-	-	-
December 31, 2018	224,606	1,002	108	80,685	958,862	1,265,263

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9. Exploration and Evaluation Assets

Exploration and evaluation assets	El Chato	Yago	Other Properties	Total
	\$	\$	\$	\$
Acquisition costs:				
Opening balance – February 26, 2018	-	-	-	-
Contribution from spin-out assets (Note 2)	6,397,514	33,113	17	6,430,644
Additions	-	-	83,108	83,108
Impairment of acquisitions costs	-	-	(83,108)	(83,108)
Closing balance – December 31, 2018	6,397,514	33,113	17	6,430,644
Deferred exploration costs:				
Opening balance – February 26, 2018	-	-	-	-
Costs incurred during the period:				
Drilling and related costs	-	125,086	-	125,086
Professional/technical fees	1,624	3,658	21,411	26,693
Claim maintenance/lease costs	28,432	31,534	111,913	171,879
Geochemical, metallurgy	-	91,077	2,049	93,126
Travel and accommodation	-	14,277	3,218	17,495
Geology, geophysics, exploration	214,329	222,567	143,529	580,425
Supplies and miscellaneous	94	7,719	1,126	8,939
Reclamation, environmental	-	727	-	727
Value-added tax	15	40,969	-	40,984
Recovery of exploration costs	-	-	(975)	(975)
Impairment of deferred exploration costs	-	-	(282,271)	(282,271)
Total deferred exploration costs during the period	244,494	537,614	-	782,108
Closing balance – December 31, 2018	244,494	537,614	-	782,108
Total exploration and evaluation assets	6,642,008	570,727	17	7,212,752

The following is a description of the Company's most significant property interests and related spending commitments:

(a) El Chato

El Chato is a 100% owned project acquired by staking.

(b) Yago

On February 5, 2016, Azucar acquired the Yago, Mezquites, and San Pedro properties in Mexico from a company in common with one of its directors in return for a 1% Net Smelter Return ("NSR") royalty which is capped at \$1,000,000.

(c) Other Properties

Other properties consist of a portfolio of early-stage exploration projects located in Canada, the United States and Mexico. During the year ended December 31, 2018, the Company recorded an impairment of acquisition cost of \$83,108 and deferred costs of \$282,271 with respect to such properties. Each remaining property is carried at \$1 as at December 31, 2018.

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9. Exploration and Evaluation Assets (Continued)

(c) Other Properties (Continued)

Los Venados

The Los Venados property was transferred from Azucar to Almadex on May 18, 2018. On October 6, 2015, Azucar entered into an option to purchase a 100% interest in the Los Venados project in Sonora State Mexico. The Company's commitments to pay cash and issue common shares of Azucar are as follows:

	No. of Shares of Azucar	\$	
Beginning balance May 18, 2018	200,000	30,000	Paid and issued by Azucar
October 14, 2018	100,000	20,000	Paid and issued Azucar shares by Almadex
October 14, 2019	100,000	50,000	
October 14, 2020	100,000	50,000	
Total	500,000	150,000	

Almadex will meet minimum assessment requirements and pay claim taxes. Almadex will also make a one-time \$500,000 payment due when a National Instrument 43-101 compliant resource greater than 500,000 ounces of gold has been identified. The vendor will have a 2% NSR royalty on the project, 100% of which can be purchased by the Company at any time for \$1,000,000.

On October 4, 2018, the Company transferred 100,000 shares of Azucar at fair value of \$0.44 per share as an option payment to the Optionor of the Los Venados project.

On November 29, 2016, Azucar signed a definitive agreement to option all of its interest in the Los Venados project to Aloro Mining Corp. (formerly Wolverine Minerals Corp.) ("Aloro") in exchange for the following:

	No. of Shares of Aloro	\$	
Beginning balance May 18, 2018	500,000	30,000	Received by Azucar
February 9, 2019	500,000	-	Received by Almadex (Note 18)
February 9, 2020	1,000,000	-	
Total	2,000,000	30,000	

In addition to the share issuances above, Almadex retained a 2.0% NSR royalty on the property, and Aloro assumed all obligations of Azucar to the underlying owner of the Los Venados claims, with the exception of the issuance of Azucar shares, but including the annual cash payments and the contingent one-time \$500,000 payment due when a National Instrument 43-101 compliant resource greater than 500,000 ounces of gold has been identified.

In addition, Aloro has agreed to drill a minimum 1,000 meters by February 9, 2019, as part of the total required project expenditures of a minimum of US\$500,000 by February 9, 2020.

The estimated fair value of consideration to be received from Aloro on option of the project by the Company is expected to be less than the consideration payable by the Company to the optionor. As a result, the project is carried at \$1.

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9. Exploration and Evaluation Assets (Continued)

(c) Other Properties (Continued)

Willow

The Willow property was transferred from Azucar to Almadex on May 18, 2018. The Company's wholly-owned U.S. subsidiary, Almadex America Inc., signed a definitive agreement to option up to 75% of its interest in the Willow project, Nevada, to Abacus Mining and Exploration Corp. ("Abacus").

Abacus can earn an initial 60% interest in the Willow project by incurring work expenditures on the project totaling US\$3,000,000 and issuing a total of 416,668 shares to the Company over a five-year period.

	No. of Common Shares in Abacus	Fair value on receipt \$	Cumulative Amount of Exploration Expenditures (\$US)
Beginning balance May 18, 2018	83,334	31,667	100,000
February 22, 2019 (Note 18)	41,667	-	400,000
February 22, 2020	41,667	-	1,000,000
February 22, 2021	83,333	-	1,800,000
February 22, 2022	166,667	-	3,000,000
Total	416,668	31,667	\$ 3,000,000

Upon having earned its initial interest, Abacus will be required to incur minimum annual exploration expenditures of US\$500,000 on the property and, by February 22, 2027, deliver a Feasibility Study in respect of the Willow project to Almadex, subject to certain rights of extension. Should Abacus fail to incur the minimum annual expenditures for two consecutive years, Almadex may elect to become operator of the project, and the parties will enter into a 60%/40% joint venture agreement with standard dilution provisions.

Abacus will earn an additional 15% interest in the project upon delivery of a Feasibility Study to Almadex, at which point a 75%/25% joint venture will be formed, with pro-rata funding of ongoing work in proportion to the respective interests held at that time. Until such time as a joint venture is formed pursuant to the agreement, Almadex's interest is a carried interest.

Skoonka Creek

The Skoonka Creek gold property ("Skoonka") was transferred from Azucar to Almadex on May 18, 2018. Azucar signed an agreement with Westhaven Ventures Inc. ("Westhaven") and Strongbow Exploration Ltd. ("Strongbow"), pursuant to which Westhaven acquired Skoonka, which had been held by Strongbow and Almadex pursuant to a 65.74%/34.26% joint venture. In exchange for its interest in the Property, Azucar received 700,000 shares of Westhaven at a fair value of \$84,000 and a 2% NSR royalty on the Property.

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10. Share Capital and Reserves

(a) Authorized share capital

At December 31, 2018, the Company's authorized share capital consisted of an unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid or issued under Azucar's Plan of Arrangement. There were 53,927,769 shares issued to shareholders of the Company under the Plan of Arrangement (Note 2).

(b) Issuance of common shares in 2018

During the period from incorporation on February 26, 2018 to December 31, 2018, the Company received \$106,439 and \$17,628 on the exercise of 1,122,700 options and 44,400 finders' warrants.

(c) Warrants

The continuity of warrants for the period from incorporation on February 26, 2018 to December 31, 2018 is as follows:

Expiry date	Exercise Price	Spin-out warrants May 18, 2018	Issued	Exercised	Expired	December 31, 2018
August 27, 2019	\$ 0.59	1,248,000	-	-	-	1,248,000
August 27, 2019	\$ 0.40	44,400	-	(44,400)	-	-
March 27, 2020	\$ 0.59	1,999,995	-	-	-	1,999,995
Warrants outstanding and exercisable		3,292,395	-	(44,400)	-	3,247,995
Weighted average exercise price		\$ 0.59	-	\$ 0.40	-	\$ 0.59

The spin-out warrants above were issued pursuant to the Plan of Arrangement, whereby holders of outstanding Azucar warrants received, in exchange for each warrant, one Azucar replacement warrant and one Almadex warrant, with exercise prices of the Azucar replacement warrants and the Almadex warrants based on the proportional market value of the two companies after completion of the Plan of Arrangement.

(d) Stock option plan

The Company's stock option plan permits the issuance of options to acquire up to a maximum of 10% of the Company's issued common shares. Stock options issued to any consultant or person providing investor relations services cannot exceed 2% of the issued and outstanding common shares in any twelve month period. At December 31, 2018, the Company may reserve up to 195,497 shares that may be granted as stock options. The exercise price of any option cannot be less than the volume weighted average trading price of the shares for the five trading days immediately preceding the date of the grant. The maximum term of all options is five years. The Board of Directors determines the term of the option and the time during which any options may vest. Options granted to consultants or persons providing investor relations services shall vest in stages with no more than 25% of such option being exercisable in any three month period. All options granted during the period from incorporation on February 26, 2018 to December 31, 2018 vested on the date of grant.

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10. Share Capital and Reserves (Continued)*(d) Stock option plan (Continued)*

The continuity of stock options for the period from incorporation on February 26, 2018 to December 31, 2018 is as follows:

Expiry date	Exercise price	Spin-out Stock Option May 18, 2018	Granted	Exercised	Expired/ cancelled	December 31, 2018
June 8, 2018	\$ 0.11	292,500	-	(292,500)	-	-
June 18, 2018	\$ 0.10	150,000	-	(150,000)	-	-
August 28, 2018	\$ 0.05	289,200	-	(289,200)	-	-
August 28, 2018	\$ 0.19	151,000	-	(151,000)	-	-
December 17, 2018	\$ 0.05	60,000	-	(60,000)	-	-
December 17, 2018	\$ 0.35	90,000	-	-	(90,000)	-
January 2, 2019	\$ 0.07	210,000	-	(180,000)	-	30,000
February 27, 2019	\$ 0.40	115,000	-	-	-	115,000
May 5, 2019	\$ 0.32	573,000	-	-	-	573,000
July 2, 2019	\$ 0.09	90,000	-	-	-	90,000
July 2, 2019	\$ 0.40	877,800	-	-	-	877,800
April 30, 2020	\$ 0.31	300,000	-	-	-	300,000
December 17, 2020	\$ 0.27	-	330,000	-	-	330,000
April 28, 2021	\$ 0.32	-	2,998,200	-	-	2,998,200
Options outstanding and exercisable		3,198,500	3,328,200	(1,122,700)	(90,000)	5,314,000
Weighted average exercise price		\$ 0.26	\$ 0.32	\$ 0.09	\$ 0.35	\$ 0.33

The spin-out stock options noted above were issued pursuant to the Plan of Arrangement, whereby holders of outstanding Azucar stock options received, in exchange for each stock option, one Azucar replacement stock option and one Almadex stock option, with exercise prices of the Azucar replacement stock options and the Almadex stock options based on the proportional market value of the two companies after completion of the Arrangement.

The fair value of the options granted during the period from incorporation on February 26, 2018 to December 31, 2018, was estimated on the grant date using the Black-Scholes option pricing model with the following weighted average assumptions:

Risk-free interest rate	2.11%
Expected life	2.63 years
Expected volatility	84.82%
Expected dividend yield	Nil
Weighted average fair value per option	\$0.18

During the period from incorporation on February 26, 2018 to December 31, 2018, the Company recognized share-based payments expense of \$589,836 associated with the vesting of stock options granted.

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10. Share Capital and Reserves (Continued)

(e) Reserves

In connection with the Plan of Arrangement (Note 2), the fair value of stock options and finders' warrants spun-out was \$735,655 and \$7,730, respectively, and was recorded as share-based payments and an increase to reserves.

The fair value of the options and finders' warrants received pursuant to the spin-out, as a result of the Plan of Arrangement, was estimated using the Black-Scholes option pricing model with the following assumptions:

	Options	Finders' Warrants
Risk-free interest rate	2.02%	2.02%
Expected life	0.84 years	1.28 years
Expected volatility	100%	100%
Expected dividend yield	Nil	Nil
Weighted average fair value per option	\$0.23	\$0.17

During the period from incorporation on February 26, 2018 to December 31, 2018, a fair value of \$7,730 and \$258,221 was transferred from reserves to share capital upon exercise of finders' warrants and stock options, respectively.

11. Related Party Transactions and Balances

(a) Compensation of key management personnel

Key management personnel include these persons having the authority and responsibility for planning, directing and controlling the activities of the Company as a whole. Key management includes members of the Board, the President and Chief Executive Officer, the Chief Financial Officer and the Vice President Corporate Development. These amounts are included within administrative services fee expense. The aggregate value of compensation to key management personnel was as follows:

	Period from incorporation on February 26, 2018 to December 31, 2018
Management fees ⁽¹⁾	174,834
Share-based payments ⁽²⁾	1,106,570
	1,281,404

⁽¹⁾ Management fees are recorded within Administrative services fees.

⁽²⁾ Share-based payments includes stock options spun-out from Azucar.

(b) Other related party transactions

Administrative Services Agreement

The Company paid administrative services fees to Almaden Minerals Ltd. ("Almaden") pursuant to an Administrative Services Agreement dated May 18, 2018, under which Almaden provides the Company with office space, executive management, marketing support, technical oversight, and financial/corporate secretary duties, amongst other administrative services.

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11. Related Party Transactions and Balances (Continued)

(b) Other related party transactions (Continued)

Administrative Services Agreement (Continued)

At December 31, 2018, included in trade and other payables is \$116,268 due to Almaden.

Other

During the period from incorporation on February 26, 2018 to December 31, 2018, other income of \$793,230 was paid by Almaden and Azucar to the Company for drill equipment rental services in Mexico of which \$37,533 and \$252,069 is recorded in accounts receivable in relation to Almaden and Azucar, respectively.

12. Net Loss per Share

Basic and diluted net loss per share

The calculation of basic net loss per share for the period from incorporation on February 26, 2018 to December 31, 2018 was based on the net loss attributable to common shareholders of \$3,884,989 and a weighted average number of common shares outstanding of 40,331,787.

The calculation of diluted net loss per share for the period from incorporation on February 26, 2018 to December 31, 2018 did not include the effect of stock options and warrants as they are anti-dilutive.

13. Supplemental Cash Flow Information

Supplemental information regarding the split between cash and cash equivalents is as follows:

	December 31, 2018
	\$
Cash	2,505,955
Term Deposits	3,800,000
	<u>6,305,955</u>

Supplemental information regarding non-cash transactions is as follows:

<u>Investing and financing activities</u>	<u>Period from incorporation on February 26, 2018 to December 31, 2018</u>
	\$
Exploration and evaluation expenditures included in trade and other payables	206,654
Fair value of finders' warrants reclassified to share capital on exercise	7,730
Fair value of options reclassified to share capital on exercise	258,221
Fair value of Azucar shares issued for exploration and evaluation assets	44,000
Net assets assumed in the Plan of Arrangement (Note 2)	21,571,148

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14. Income Taxes

- (a) The provision for income taxes differs from the amounts computed by applying the Canadian statutory rates to the net loss before income taxes due to the following:

	December 31, 2018
	\$
Net income (loss) before taxes	(3,884,989)
Statutory rate	27%
Expected income tax	(1,048,947)
Effect of different tax rates in foreign jurisdictions	18,966
Non-deductible share-based payments	357,883
Other permanent items	329,547
Change in unrecognized deductible temporary differences and other	342,551
	-

- (b) The significant components of deferred income tax assets (liabilities) are as follows:

	December 31, 2018
	\$
Deferred tax assets:	
Non-capital losses	71,774
	71,774
Deferred tax liabilities:	
Property and equipment	(66,509)
Contingent shares receivable	(5,265)
	(71,774)
Net deferred tax assets (liabilities)	-

- (c) Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets have been recognized are attributable to the following:

	December 31, 2018
	\$
Non-capital loss carry forwards	7,423,648
Exploration and evaluation assets	4,723,955
Share issue costs	111,200
Marketable securities	2,601,536
	14,860,339

At December 31, 2018, the Company had operating loss carry forwards available for tax purposes in Canada of \$423,057 which expire between 2033 and 2038, in the United States of \$545,480 which expire between 2031 and 2038 and in Mexico of \$6,455,111 which expire between 2018 and 2028.

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15. Financial Instruments

The fair values of the Company's cash and cash equivalents, accounts receivable and trade and other payables approximate their carrying values because of the short-term nature of these instruments.

The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk, interest rate risk and commodity and equity price risk

(a) Currency risk

The Company's property interests in Mexico make it subject to foreign currency fluctuations and inflationary pressures which may adversely affect the Company's financial position, results of operations and cash flows. The Company is affected by changes in exchange rates between the Canadian dollar and foreign currencies. The Company does not invest in foreign currency contracts

As at December 31, 2018, the Company is exposed to foreign exchange risk through the following assets and liabilities denominated in currencies other than the functional currency of the applicable subsidiary:

All amounts in Canadian dollars	US dollar	Mexican peso
	\$	\$
Cash and cash equivalents	1,051,012	295,704
Accounts receivable and prepaid expenses	-	290,410
Total assets	1,051,012	586,114
Trade and other payables	205,138	-
Total liabilities	205,138	-
Net assets	845,874	586,114

A 10% change in the US dollar exchange rate relative to the Canadian dollar would change the Company's profit or loss by \$85,000.

A 10% change in the Mexican peso relative to the Canadian dollar would change the Company's profit or loss by \$59,000.

(b) Credit risk

The Company's cash and cash equivalents are held in large Canadian and Mexican financial institutions. The Company's accounts receivable consists primarily of receivables on equipment rental fees charged to Almaden and Azucar. The Company is exposed to credit risks through its accounts receivable.

To mitigate exposure to credit risk on cash and cash equivalents, the Company has established policies to limit the concentration of credit risk with any given banking institution where the funds are held, to ensure counterparties demonstrate minimum acceptable credit risk worthiness and ensure liquidity of available funds.

As at December 31, 2018, the Company's maximum exposure to credit risk is the carrying value of its cash and cash equivalents and accounts receivable.

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15. Financial Instruments (Continued)

(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.

Trade and other payables are due within twelve months of the statement of financial position date.

(d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to varying interest rates on cash and cash equivalents. The Company has no interest-bearing debt.

A 1% change in the interest rate would change the Company's net loss by \$63,000.

(e) Price risk

(i) Commodity price risk

The ability of the Company to explore its exploration and evaluation assets and the future profitability of the Company are directly related to the market price of gold and other precious metals. The Company has not hedged any of its potential future gold sales of the quantities held in investments. The Company monitors gold prices to determine the appropriate course of action to be taken by the Company.

A 1% change in the price of gold would affect the fair value of the Company's gold investment by \$28,000.

(ii) Equity price risk

Equity price risk is defined as the potential adverse impact on the Company's operations due to movements in individual equity price or general movements in the level of the stock market. The Company closely monitors the individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company.

(f) Classification of financial instruments

IFRS 13 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value as follows:

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

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15. Financial Instruments (Continued)

(f) Classification of financial instruments (Continued)

The following table sets forth the Company's financial assets measured at fair value by level within the fair value hierarchy.

2018	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Marketable securities and investments	4,621,066	-	-	4,621,066
Contingent shares receivable	-	19,500	-	19,500

Level 2 inputs used in determining the fair value of contingent shares receivable includes the use of quoted market prices for the underlying shares of the public companies, as well as estimates regarding the likelihood of achieving certain milestones that would trigger the collection of the contingent shares receivable by the Company.

16. Management of Capital

The Company considers its capital to consist of components of equity. 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 exploration of its exploration and evaluation assets and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages its 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 and, acquire or dispose of assets.

In order to maximize ongoing exploration efforts, the Company does not pay out dividends. The Company's investment policy is to invest its short-term excess cash in highly liquid short-term interest-bearing investments with short-term maturities, selected with regards to the expected timing of expenditures from continuing operations.

The Company expects its current capital resources will be sufficient to carry its exploration plans and operations for the foreseeable future. There have been no changes to the Company's capital management approach during the year. The Company is not subject to externally imposed capital requirements.

Almadex Minerals Ltd. (formerly 1154229 B.C. Ltd.)

Notes to the consolidated financial statements

Period from incorporation on February 26, 2018 to December 31, 2018

(Expressed in Canadian dollars)

17. Segmented Information

The Company operates in one reportable operating segment, being the acquisition and exploration of mineral resource properties in Canada, the United States, and Mexico.

Geographic information is as follows:

	Contingent shares receivable	Property and equipment	Exploration and evaluation assets	December 31, 2018
Canada	\$ 19,500	\$ 12,881	\$ 5	\$ 32,386
United States	-	-	4	4
Mexico	-	1,252,382	7,212,743	8,465,125
	19,500	1,265,263	7,212,752	8,497,515

The Company's revenue from interest income on cash and cash equivalents was earned in Canada. Other income from drill equipment rental services was earned in Mexico.

18. Subsequent Events

On February 21, 2019, the Company received 41,667 shares of Abacus at a fair value of \$2,917.

On February 21, 2019, the Company received 500,000 shares of Aloro at a fair value of \$55,000.

On March 27, 2019, the Company signed a definitive agreement to option 60% interest in the Nicoamen and Merit projects to Independence Gold Corp. ("IGC"). IGC can acquire a 60% interest in the respective property by:

1. Making a cash payment of \$10,000 (paid);
2. Issuing an aggregate of 650,000 of its common shares (100,000 received); and
3. Incurring exploration expenditures of \$725,000 (\$75,000 in the first year), including a commitment to drill 1,000 meters during a three-year option period.

Upon completion of the 60% earn-in, Almadex and IGC will immediately form a joint venture for the purpose of carrying out further exploration work on the respective property. If either party's participating interest falls below 15%, their interest will be converted into a 2% NSR royalty.