

Consolidated Financial Statements of

**Almadex Minerals Ltd.**

For the years ended December 31, 2021 and 2020

# **Almadex Minerals Ltd.**

December 31, 2021 and 2020

## Table of contents

Independent Auditors' Report	1-2
Consolidated statements of financial position	3
Consolidated statements of income (loss) and comprehensive income (loss)	4
Consolidated statements of cash flows	5
Consolidated statements of changes in equity	6
Notes to the consolidated financial statements	7-34

## 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 statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of income (loss) and comprehensive income (loss), changes in 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 December 31, 2021 and 2020, 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.

### *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 Catherine Tai.

A handwritten signature in black ink that reads "Davidson & Company LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada  
April 26, 2022

Chartered Professional Accountants

**Almadex Minerals Ltd.**

Consolidated statements of financial position  
(Expressed in Canadian dollars)

	December 31, 2021	December 31, 2020
	\$	\$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents (Note 13)	17,216,481	5,203,877
Accounts receivable and prepaid expenses (Note 4 and 11(b))	755,286	595,927
Marketable securities and investments (Note 5)	1,832,061	1,273,763
	<b>19,803,828</b>	<b>7,073,567</b>
<b>Non-current assets</b>		
Gold loan receivable (Note 7)	4,278,297	4,158,059
Contingent shares receivable (Note 6)	15,600	15,600
Deferred income tax assets (Note 14 (b))	601,342	-
Property and equipment (Note 8)	931,919	917,209
Exploration and evaluation assets (Note 9)	286,291	12,693
	<b>6,113,449</b>	<b>5,103,561</b>
<b>TOTAL ASSETS</b>	<b>25,917,277</b>	<b>12,177,128</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade and other payables (Note 11(b))	493,920	102,471
Income tax payable (Note 14(a))	694,005	-
<b>Total liabilities</b>	<b>1,187,925</b>	<b>102,471</b>
<b>EQUITY</b>		
Share capital (Note 10)	23,307,146	23,307,146
Reserves (Note 10)	1,928,180	1,312,724
Deficit	(505,974)	(12,545,213)
<b>Total equity</b>	<b>24,729,352</b>	<b>12,074,657</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>25,917,277</b>	<b>12,177,128</b>
Nature of operations (Note 1)		
Subsequent events (Note 18)		

These consolidated financial statements are authorized for issue by the Board of Directors on April 26, 2022.

They are signed on the Company's behalf by:

/s/Duane Poliquin  
Director

/s/Lawrence Segerstrom  
Director

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

**Almadex Minerals Ltd.**

Consolidated statements of income (loss) and comprehensive income (loss)

(Expressed in Canadian dollars)

	Years ended December 31,	
	2021	2020
	\$	\$
<b>Revenue</b>		
Exploration and drilling services (Note 11(b))	2,106,094	455,143
Financing fees (Note 7)	279,836	270,688
Interest income and others	17,026	42,309
	<b>2,402,956</b>	<b>768,140</b>
<b>Expenses</b>		
Administrative services fee (Note 11(a)(b))	969,532	466,427
Depreciation (Note 8)	208,496	242,882
Professional fees	641,053	209,689
Office	163,759	95,781
Stock exchange, transfer agent and filing fees	23,488	25,027
Travel and promotion	116,599	57,001
Share-based payments (Note 10(d))	615,456	57,100
	<b>2,738,383</b>	<b>1,153,907</b>
<b>Operating loss</b>	<b>(335,427)</b>	<b>(385,767)</b>
<b>Other income (loss)</b>		
Impairment of exploration and evaluation assets (Note 9)	(545,060)	(8,043,300)
Gain on sale of royalty (Note 9(d))	13,561,506	-
Gain on sale of exploration and evaluation assets	56,894	99,217
Gain on sale of property and equipment (Note 8)	2,703	-
Unrealized gain (loss) on gold loan receivable (Note 7)	(143,909)	802,035
Unrealized foreign exchange on gold loan receivable (Note 7)	(15,689)	(131,482)
Unrealized gain (loss) on marketable securities and investments (Note 5)	(311,184)	104,579
Loss on sale of marketable securities and investments	(3,460)	(500)
Unrealized gain on contingent shares receivable (Note 6)	-	7,800
Foreign exchange loss	(134,472)	(24,957)
<b>Income (loss) before income taxes</b>	<b>12,131,902</b>	<b>(7,572,375)</b>
<b>Income Taxes</b>		
Current income tax expense (Note 14 (a))	694,005	-
Deferred income tax recovery (Note 14(b))	(601,342)	-
	<b>92,663</b>	<b>-</b>
<b>Net income (loss) and comprehensive income (loss) for the year</b>	<b>12,039,239</b>	<b>(7,572,375)</b>
<b>Basic and diluted net income (loss) per share (Note 12)</b>	<b>0.19</b>	<b>(0.13)</b>

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

## Almadex Minerals Ltd.

Consolidated statements of cash flows

(Expressed in Canadian dollars)

	Years ended December 31,	
	2021	2020
	\$	\$
<b>Operating activities</b>		
Net Income (loss) for the year	12,039,239	(7,572,375)
Items not affecting cash		
Income tax expense	694,005	-
Deferred income tax recovery	(601,342)	-
Depreciation	208,496	242,882
Unrealized gain on contingent shares receivable	-	(7,800)
Unrealized (gain) loss on marketable securities and investments	311,184	(104,579)
Loss on sale of marketable securities and investments	3,460	500
Unrealized (gain) loss on gold loan receivable	143,909	(802,035)
Unrealized foreign exchange on gold loan receivable	15,689	131,482
Gain on sale of exploration and evaluation assets	(56,894)	(99,217)
Gain on sale of property and equipment	(2,703)	-
Gain on sale of royalty	(13,561,506)	-
Impairment of exploration and evaluation assets	545,060	8,043,300
Financing fees	(279,836)	(270,688)
Share-based payments	615,456	57,100
Changes in non-cash working capital components		
Accounts receivable and prepaid expenses	(159,359)	(361,436)
Trade and other payables	307,663	(1,885)
Net cash from (used in) operating activities	222,521	(744,751)
<b>Investing activities</b>		
Exploration and evaluation assets - costs	(815,613)	(407,547)
Property and equipment – purchase	(161,016)	(40,134)
Net proceeds from sale of property and equipment	10,482	-
Net proceeds from sale of exploration and evaluation assets	-	33,490
Net proceeds from sale of marketable securities	15,230	-
Net proceeds from sale of royalty	12,741,000	-
Net cash from (used in) in investing activities	11,790,083	(414,191)
<b>Financing activities</b>		
Private Placement, net	-	1,324,810
Net cash from financing activities	-	1,324,810
Change in cash and cash equivalents	12,012,604	165,868
Cash and cash equivalents, beginning of year	5,203,877	5,038,009
Cash and cash equivalents, end of year	17,216,481	5,203,877
Supplemental cash flow information (Note 13)		

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

**Almadex Minerals Ltd.**

Consolidated statements of changes in equity  
(Expressed in Canadian dollars)

	<b>Share Capital</b>		<b>Reserves</b>		<b>Deficit</b>	<b>Total</b>
	Number of shares	Amount	Share-based payments	Total reserves		
		\$	\$	\$	\$	\$
<b>Balance, January 1, 2020</b>	<b>55,184,969</b>	<b>21,982,336</b>	<b>1,255,624</b>	<b>1,255,624</b>	<b>(4,972,838)</b>	<b>18,265,122</b>
Share-based payments	-	-	57,100	57,100	-	57,100
Private placements, net	5,400,000	1,324,810	-	-	-	1,324,810
Loss and comprehensive loss for the year	-	-	-	-	(7,572,375)	(7,572,375)
<b>Balance, December 31, 2020</b>	<b>60,584,969</b>	<b>23,307,146</b>	<b>1,312,724</b>	<b>1,312,724</b>	<b>(12,545,213)</b>	<b>12,074,657</b>
Share-based payments	-	-	615,456	615,456	-	615,456
Income for the year	-	-	-	-	12,039,239	12,039,239
<b>Balance, December 31, 2021</b>	<b>60,584,969</b>	<b>23,307,146</b>	<b>1,928,180</b>	<b>1,928,180</b>	<b>(505,974)</b>	<b>24,729,352</b>

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



## **Almadex Minerals Ltd.**

Notes to the consolidated financial statements  
For the years ended December 31, 2021 and 2020  
(Expressed in Canadian dollars)

---

### **1. Nature of Operations**

Almadex Minerals 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 to reorganize Azucar Minerals Ltd. (“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. 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, 2021.

Certain amounts in prior years have been reclassified to conform to the current period presentation.

#### *(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:

## **Almadex Minerals Ltd.**

Notes to the consolidated financial statements  
For the years ended December 31, 2021 and 2020  
(Expressed in Canadian dollars)

---

### **2. Basis of Presentation** *(Continued)*

#### *(d) Significant accounting judgments and estimates (continued)*

##### 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.

##### Estimates

- A global pandemic related to COVID-19 was declared in March 2020. The current and expected impacts on global commerce have been, and are anticipated to be, far-reaching. To date, there has been significant volatility in commodity prices and foreign exchange rates, restrictions on the conduct of business in many jurisdictions, including travel restrictions, and supply chain disruptions. There is significant ongoing uncertainty surrounding COVID-19 and the extent and duration of the impact that it may have;
- 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 statements of financial position and the related depreciation included in the consolidated statements of comprehensive loss;
- The value of the exploration and evaluation assets which are recorded in the consolidated statements 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 6;
- The estimated fair value of transferable share purchase warrants issued which are included in marketable securities and investments.

## Almadex Minerals Ltd.

Notes to the consolidated financial statements  
For the years ended December 31, 2021 and 2020  
(Expressed in Canadian dollars)

---

### 3. Significant Accounting Policies

#### (a) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries as follows:

	<b>Jurisdiction</b>	<b>Nature of operations</b>
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

#### (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

##### *Financial assets and liabilities*

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, gold loan receivable and contingent shares receivable, are classified as FVTPL. Trade and other payables is classified at amortized cost.

##### *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 term deposits and 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.

Notes to the consolidated financial statements  
For the years ended December 31, 2021 and 2020  
(Expressed in Canadian dollars)

---

### 3. 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%
Office equipment	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:

##### *Exploration and drilling services*

Revenue from exploration and drilling services consists of equipment rentals and contract exploration drilling 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.

##### *Financing fees*

Revenue from financing fees which includes accrued interest and standby fees from the gold loan fees is recognized on an accrual basis using the effective interest method. Under the effective interest method, the interest rate realized is not necessarily the same as the stated rate in the loan. The effective interest rate is the rate required to discount the future value of the loan cash flows to their present value and is adjusted for the receipt of cash and non-cash items in connection with the loan.

##### *Interest income*

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

#### (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:

## **Almadex Minerals Ltd.**

Notes to the consolidated financial statements  
For the years ended December 31, 2021 and 2020  
(Expressed in Canadian dollars)

---

### **3. Significant Accounting Policies (Continued)**

#### *(g) Exploration and evaluation assets (Continued)*

- (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;
- (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 long-lived assets*

Long-lived assets 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.

## **Almadex Minerals Ltd.**

Notes to the consolidated financial statements  
For the years ended December 31, 2021 and 2020  
(Expressed in Canadian dollars)

---

### **3. Significant Accounting Policies (Continued)**

#### *(h) Impairment of long-lived assets (Continued)*

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.

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.

## Almadex Minerals Ltd.

Notes to the consolidated financial statements  
For the years ended December 31, 2021 and 2020  
(Expressed in Canadian dollars)

---

### 3. Significant Accounting Policies (Continued)

#### (j) Share-based payments (Continued)

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.

#### (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 earnings (loss) per share

The Company presents the basic and diluted net earnings (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 earnings (loss) per share is determined by adjusting the net earnings (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).

## Almadex Minerals Ltd.

Notes to the consolidated financial statements  
For the years ended December 31, 2021 and 2020  
(Expressed in Canadian dollars)

---

### 3. Significant Accounting Policies (*Continued*)

#### (n) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company assesses whether the contract involves the use of an identified asset, whether the right to obtain substantially all of the economic benefits from use of the asset during the term of the arrangement exists, and if the Company has the right to direct the use of the asset. At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

As a lessee, the Company recognizes a right-of-use asset and a lease liability at the commencement date of a lease. The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight line method from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate. Lease payments included in the measurement of the lease liability are comprised of:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- exercise prices of purchase options if the Company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if there is a change in the estimate or assessment of the expected amount payable under a residual value guarantee, purchase, extension or termination option. Variable lease payments not included in the initial measurement of the lease liability are charged directly to profit or loss.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are charged directly to profit or loss on a straight-line basis over the lease term.

#### (o) Standards issued or amended but not yet effective

The Company has not applied the following revised IFRS that has been issued but was not yet effective at December 31, 2021. This accounting standard is not currently expected to have a significant effect on the Company's accounting policies or financial statements.



## Almadex Minerals Ltd.

Notes to the consolidated financial statements  
For the years ended December 31, 2021 and 2020  
(Expressed in Canadian dollars)

---

### 3. Significant Accounting Policies (Continued)

(o) Standards issued or amended but not yet effective (Continued)

IAS 16, Property, Plant and Equipment - Proceeds before Intended Use (effective January 1, 2022). The amendment prohibits deducting from the cost of property, plant and equipment amounts received from selling items produced while preparing the asset for its intended use. Instead, a company will recognize such sale proceeds and related cost in profit or loss.

### 4. Accounts Receivable and Prepaid Expenses

Accounts receivable and prepaid expenses consist of the following:

	December 31, 2021	December 31, 2020
	\$	\$
Accounts receivable (Note 11)	705,783	542,940
Prepaid expenses	49,503	52,987
	<b>755,286</b>	<b>595,927</b>

### 5. 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 \$1,707,061 (2020 - \$1,183,763) as at December 31, 2021. Unrealized loss due to year-end revaluation to fair value of \$313,184 (2020 – gain of \$106,579) 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) The Company received 500,000 transferable share purchase warrants issued by Almaden with an exercise price of \$1.50 per share and an expiry date of May 14, 2024 as an arrangement fee of \$50,000 (Note 7) for the gold loan. The warrants are designated as FVTPL and has a fair value of \$25,000 as at December 31, 2021 (2020 - \$90,000). An unrealized loss due to year-end revaluation to fair value of \$65,000 (2020 – of \$2,000) is recorded in profit or loss. These warrants were valued using the Black-Scholes option-pricing model with the following assumptions: expected life of 2.36 years, risk-free interest rate of 1.04%, expected dividend yield of 0% and expected volatility of 78.65%.

c) The Company received 829,652 transferable share purchase warrants issued by Star Royalties Ltd. (“Star Royalties”) with an exercise price of \$0.70 per share and an expiry date of September 29, 2023 as a part of consideration (Note 9) for the sold of its 2% NSR royalty on the Elk property. The warrants are designated as FVTPL and has a fair value of \$100,000 as at December 31, 2021. An unrealized gain due to year-end revaluation to fair value of \$67,000 (2020 – Nil) is recorded in profit or loss. These warrants were valued using the Black-Scholes option-pricing model with the following assumptions: expected life of 2 years, risk-free interest rate of 1.04%, expected dividend yield of 0% and expected volatility of 40.40%.

## **Almadex Minerals Ltd.**

Notes to the consolidated financial statements  
For the years ended December 31, 2021 and 2020  
(Expressed in Canadian dollars)

---

### **6. Contingent Shares Receivable**

#### ***Goldgroup Mining Inc.***

As part of the Plan of Arrangement with Azucar (Note 1), 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.

The Company has recorded contingent shares receivable of \$15,600 (2020 - \$15,600) based on management’s best estimate of the fair value of the Goldgroup common shares as at December 31, 2021, and an unrealized gain of \$Nil (2020 – \$7,800) on fair value adjustment in profit or loss during the year ended December 31, 2021.

### **7. Gold Loan Receivable**

Almaden (or the “Borrower”) entered into a secured gold loan agreement (“Gold Loan”) with the Company pursuant to which the Company has agreed to loan up to 1,597 ounces of gold bullion to Almaden. The approximate value of this gold as at May 14, 2019 was US\$2,072,060 or \$2,790,858.

Under the terms of the Gold Loan, Almaden will be entitled to draw-down the gold in minimum 400 ounce tranches. At any given time, the amount of gold ounces drawn multiplied by the London Bullion Market Association (“LBMA”) AM gold price in US dollars, plus any accrued interest or unpaid fees, shall constitute the Loan Value.

The maturity date for the Gold Loan is March 31, 2024, and can be extended by two years at the discretion of the Borrower (the “Term”). Repayment of the Loan Value shall be made either through delivery of that amount of gold equivalent to the loan value, or through the issuance of common shares of Almaden (“Shares”), according to the Company’s discretion. Mandatory prepayment shall be required in the event that Almaden’s Ixtaca gold-silver project located in Puebla State, Mexico (the “Ixtaca Project”) enters into commercial production during the Term, requiring the Borrower to deliver 100 gold ounces per month to the Company. In addition, Almaden has the right to pre-pay the Loan Value at any time without penalty, in either gold bullion or Shares as chosen by the Company, and the Company has the right to convert the Loan Value into Shares at any time during the Term. The conversion rate is equal to 95% of the 5 trading day volume weighted average price of the Shares on the Toronto Stock Exchange or an equivalent.

The interest rate of the Gold Loan is 10% of the Loan Value per annum, calculated monthly, paid in arrears. Interest payments can either be accrued to the Loan Value, or paid by the Borrower in cash or gold bullion. A standby fee of 1% per annum, accrued quarterly, will be applied to any undrawn amount on the Gold Loan.

## Almadex Minerals Ltd.

Notes to the consolidated financial statements  
For the years ended December 31, 2021 and 2020  
(Expressed in Canadian dollars)

---

### 7. Gold Loan Receivable (Continued)

In addition, the Company received on May 14, 2019 from Almaden 500,000 transferable share purchase warrants (“Warrants”), with an exercise price of \$1.50 per Share and an expiry date of May 14, 2024 as an arrangement fee to cover the administrative costs of setting up the credit facility. These warrants were valued at \$50,000 using the Black-Scholes option-pricing model with the following assumptions: expected life of five years, risk-free interest rate of 1.54%, expected dividend yield of 0% and expected volatility of 44%.

Security for the loan is certain equipment related to Almaden’s Rock Creek Mill. The Gold Loan includes industry standard provisions in the event of default, material breach and change of control.

The convertible gold loan receivable is classified as a financial asset and has been designated at FVTPL with an embedded derivative from the indexation of the loan principal portion to the movement in the price of gold in the US dollar denominated financial instrument. The gold loan receivable was recorded at fair value at inception in accordance with IFRS 13 and is subsequently remeasured with changes in fair value being recognized in the statement of operations.

As at December 31, 2021, the Company deposited the full 1,597 ounces of gold bullion and Almaden has drawn 1,200 (2020 – 400 ounces) ounces on the account. The fair value of the gold loan receivable for the year ended December 31, 2021 decreased by \$143,909 (2020 – increase by \$802,035) due to a decrease in the price of gold.

	<b>December 31, 2021</b>	December 31, 2020
Gold loan receivable, opening balance	<b>\$ 4,158,059</b>	\$ 3,216,818
Accrued interest income	<b>271,093</b>	261,152
Accrued standby fees	<b>8,743</b>	9,536
Change in FVTPL	<b>(143,909)</b>	802,035
Foreign exchange difference	<b>(15,689)</b>	(131,482)
	<b>\$ 4,278,297</b>	\$ 4,158,059

## Almadex Minerals Ltd.

Notes to the consolidated financial statements  
For the years ended December 31, 2021 and 2020  
(Expressed in Canadian dollars)

### 8. Property and Equipment

	Automotive equipment	Office equipment	Geological library	Field equipment	Drill equipment	Total
	\$	\$	\$	\$	\$	\$
<b>Cost</b>						
<b>December 31, 2020</b>	<b>317,671</b>	<b>1,055</b>	<b>114</b>	<b>85,683</b>	<b>1,024,966</b>	<b>1,429,489</b>
Additions	136,781	-	-	12,000	82,204	230,985
Disposals	(18,808)	-	-	-	-	(18,808)
<b>December 31, 2021</b>	<b>435,644</b>	<b>1,055</b>	<b>114</b>	<b>97,683</b>	<b>1,107,170</b>	<b>1,641,666</b>
<b>Accumulated depreciation</b>						
<b>December 31, 2020</b>	<b>144,027</b>	<b>564</b>	<b>44</b>	<b>34,045</b>	<b>333,600</b>	<b>512,280</b>
Disposals	(11,029)	-	-	-	-	(11,029)
Depreciation	60,536	147	14	10,928	136,871	208,496
<b>December 31, 2021</b>	<b>193,534</b>	<b>711</b>	<b>58</b>	<b>44,973</b>	<b>470,471</b>	<b>709,747</b>
<b>Carrying amounts</b>						
December 31, 2020	173,644	491	70	51,638	691,366	917,209
<b>December 31, 2021</b>	<b>242,110</b>	<b>344</b>	<b>56</b>	<b>52,710</b>	<b>636,699</b>	<b>931,919</b>

	Automotive equipment	Office equipment	Geological library	Field equipment	Drill equipment	Total
	\$	\$	\$	\$	\$	\$
<b>Cost</b>						
<b>December 31, 2019</b>	<b>277,537</b>	<b>1,055</b>	<b>114</b>	<b>85,683</b>	<b>1,024,966</b>	<b>1,389,355</b>
Additions	40,134	-	-	-	-	40,134
Disposals	-	-	-	-	-	-
<b>December 31, 2020</b>	<b>317,671</b>	<b>1,055</b>	<b>114</b>	<b>85,683</b>	<b>1,024,966</b>	<b>1,429,489</b>
<b>Accumulated depreciation</b>						
<b>December 31, 2019</b>	<b>84,659</b>	<b>354</b>	<b>27</b>	<b>21,135</b>	<b>163,223</b>	<b>269,398</b>
Disposals	-	-	-	-	-	-
Depreciation	59,368	210	17	12,910	170,377	242,882
<b>December 31, 2020</b>	<b>144,027</b>	<b>564</b>	<b>44</b>	<b>34,045</b>	<b>333,600</b>	<b>512,280</b>
<b>Carrying amounts</b>						
December 31, 2019	192,878	701	87	64,548	861,743	1,119,957
<b>December 31, 2020</b>	<b>173,644</b>	<b>491</b>	<b>70</b>	<b>51,638</b>	<b>691,366</b>	<b>917,209</b>

## Almadex Minerals Ltd.

Notes to the consolidated financial statements  
For the years ended December 31, 2021 and 2020  
(Expressed in Canadian dollars)

### 9. Exploration and Evaluation Assets

<b>Exploration and evaluation assets</b>	<b>San Pedro</b>	<b>Lajas</b>	<b>Nueva España</b>	<b>Other Properties</b>	<b>Total</b>
	\$	\$	\$	\$	\$
<b>Acquisition costs:</b>					
<b>Opening balance – December 31, 2020</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>16</b>	<b>19</b>
Additions	-	-	-	40,373	<b>40,373</b>
Recovery of acquisition costs	-	-	-	(30,273)	<b>(30,273)</b>
<b>Closing balance – December 31, 2021</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>10,116</b>	<b>10,119</b>
<b>Deferred exploration costs:</b>					
<b>Opening balance – December 31, 2020</b>	-	-	<b>12,674</b>	-	<b>12,674</b>
Costs incurred during the period:					
Drilling and related costs	32,898	4,714	-	201,996	<b>239,608</b>
Professional/technical fees	451	609	801	26,746	<b>28,607</b>
Claim maintenance/lease costs	21,996	15,862	31,427	207,372	<b>276,657</b>
Geochemical, metallurgy	11,467	1,703	-	783	<b>13,953</b>
Travel and accommodation	6,392	10,948	-	35,663	<b>53,003</b>
Geology, geophysics, exploration	69,589	39,490	5,152	96,176	<b>210,407</b>
Supplies and miscellaneous	6,190	-	-	14,602	<b>20,792</b>
Reclamation, environmental	2,460	1,349	-	2,317	<b>6,126</b>
Recovery of exploration costs	-	-	-	(40,595)	<b>(40,595)</b>
Impairment of deferred exploration costs	-	-	-	(545,060)	<b>(545,060)</b>
<b>Total deferred exploration costs during the year</b>	<b>151,443</b>	<b>74,675</b>	<b>37,380</b>	-	<b>263,498</b>
<b>Closing balance – December 31, 2021</b>	<b>151,443</b>	<b>74,675</b>	<b>50,054</b>	-	<b>276,172</b>
<b>Total exploration and evaluation assets</b>	<b>151,444</b>	<b>74,676</b>	<b>50,055</b>	<b>10,116</b>	<b>286,291</b>

## Almadex Minerals Ltd.

Notes to the consolidated financial statements  
For the years ended December 31, 2021 and 2020  
(Expressed in Canadian dollars)

### 9. Exploration and Evaluation Assets (Continued)

Exploration and evaluation assets	San Pedro	Lajas	Nueva España	Other Properties	Total
	\$	\$	\$	\$	\$
<b>Acquisition costs:</b>					
<b>Opening balance – December 31, 2019</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>6,430,641</b>	<b>6,430,644</b>
Additions	-	-	-	93,285	93,285
Recovery of acquisition costs	-	-	-	(33,490)	(33,490)
Impairment of acquisition costs	-	-	-	(6,490,420)	(6,490,420)
<b>Closing balance – December 31, 2020</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>16</b>	<b>19</b>
<b>Deferred exploration costs:</b>					
<b>Opening balance – December 31, 2019</b>	-	-	-	<b>1,338,476</b>	<b>1,338,476</b>
Costs incurred during the period:					
Drilling and related costs	-	-	12,516	-	12,516
Professional/technical fees	870	2,498	5,521	14,159	23,048
Claim maintenance/lease costs	21,948	15,827	17,504	229,979	285,258
Geochemical, metallurgy	563	1,013	8,555	324	10,455
Travel and accommodation	-	-	11,700	2,500	14,200
Geology, geophysics, exploration	5,350	1,209	34,893	63,022	104,474
Supplies and miscellaneous	-	-	3,785	3,638	7,423
Reclamation, environmental	-	-	3,323	3,323	6,646
Value-added tax	-	-	-	(13,521)	(13,521)
Recovery of exploration costs	-	-	-	(223,421)	(223,421)
Impairment of deferred exploration costs	(28,731)	(20,547)	(85,123)	(1,418,479)	(1,552,880)
<b>Total deferred exploration costs during the year</b>	-	-	12,674	(1,338,476)	(1,325,802)
<b>Closing balance – December 31, 2020</b>	-	-	<b>12,674</b>	-	<b>12,674</b>
<b>Total exploration and evaluation assets</b>	<b>1</b>	<b>1</b>	<b>12,675</b>	<b>16</b>	<b>12,693</b>

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

**(a) San Pedro**

San Pedro is a 100% owned project acquired by staking in Jalisco State, Mexico. During the year ended December 31, 2021, the Company recorded an impairment of deferred costs of \$Nil (2020 - \$28,731)

**(b) Lajas**

Lajas project is a 100% owned project acquired by staking in San Luis Potosi State, Mexico. During the year ended December 31, 2021, the Company recorded an impairment of deferred costs of \$Nil (2020 - \$20,547)

**(c) Nueva España**

Nueva España is a 100% owned project acquired by staking. During the year ended December 31, 2021, the Company recorded an impairment of \$Nil (January 1 to June 30, 2020 - \$85,123) in deferred exploration expenditures however, the Company planned a small exploration program in which deferred exploration expenses were recorded in exploration and evaluation assets.

## Almadex Minerals Ltd.

Notes to the consolidated financial statements  
For the years ended December 31, 2021 and 2020  
(Expressed in Canadian dollars)

### 9. Exploration and Evaluation Assets (Continued)

#### (d) 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, 2021, the Company recorded an impairment of acquisition cost of \$Nil (2020 - \$6,490,420) and deferred costs of \$545,060 (2020 - \$1,418,479) with respect to such properties. Each remaining property is carried at \$1 as at December 31, 2021.

#### 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 Common Shares of Azucar	Fair value on issued \$	Cash paid \$	
Beginning balance May 18, 2018	200,000	183,250	30,000	Paid and issued by Azucar
October 14, 2018	100,000	44,000	20,000	Paid by Aloro Mining Corp. ("Aloro") and issued by Almadex
October 14 and October 6, 2019	100,000	20,500	20,000	Paid by Aloro and issued by Almadex
October 14 and October 6, 2020	100,000	18,000	20,000	Paid by Aloro and issued by Almadex
October 6, 2021	-	-	60,000	Paid by Aloro
<b>Total</b>	<b>500,000</b>	<b>265,750</b>	<b>150,000</b>	

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 November 13, 2020, the Company transferred 100,000 shares of Azucar at fair value of \$0.18 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 in exchange for the following:

	No. of Common Shares of Aloro	Fair value on receipt \$	Cash received \$	
Beginning balance May 18, 2018	500,000	52,500	30,000	Received by Azucar
February 9, 2019	500,000	55,000	-	Received by Almadex
February 9, 2020	1,000,000	40,000	-	Received by Almadex
<b>Total</b>	<b>2,000,000</b>	<b>147,500</b>	<b>30,000</b>	

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.

## Almadex Minerals Ltd.

Notes to the consolidated financial statements  
For the years ended December 31, 2021 and 2020  
(Expressed in Canadian dollars)

### 9. Exploration and Evaluation Assets (Continued)

#### (d) Other Properties (Continued)

##### Los Venados (Continued)

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.

On February 13, 2020, the Company received 1,000,000 shares of Aloro at a fair value of \$40,000.

##### 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	41,667	2,917	400,000
February 22, 2020	41,667	4,167	1,000,000
February 22, 2021	83,333	11,667	1,800,000
February 22, 2022	166,667	-	3,000,000
<b>Total</b>	<b>416,668</b>	<b>50,418</b>	<b>\$ 3,000,000</b>

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.

On February 18, 2020, the Company received 41,667 shares of Abacus at a fair value of \$4,167.

On March 4, 2021, the Company received 83,333 shares of Abacus at a fair value of \$11,667.

On February 9, 2022, the definitive agreement was amended to include a certain drill hole at a designated location on the property and to extend the completion of the US\$3 million cumulative exploration expenditures to December 31, 2022.



## Almadex Minerals Ltd.

Notes to the consolidated financial statements  
For the years ended December 31, 2021 and 2020  
(Expressed in Canadian dollars)

### 9. Exploration and Evaluation Assets (Continued)

#### (d) Other Properties (Continued)

##### Nicoamen and Merit

On March 27, 2019, the Company signed a definitive agreement to option a 60% interest in the Nicoamen and Merit projects to Independence Gold Corp. (“IGC”). IGC can acquire a 60% interest in the respective property by incurring work expenditures on each project totaling \$725,000 and issuing a total of 650,000 shares to the Company over a three-year period per each project. In addition, IGC commits to drill 1,000 meters during a three-year option period per each project.

	No. of Common Shares in IGC	Fair value on receipt \$	Cash received \$	Cumulative Amount of Exploration Expenditures (\$CAD)
<b>Nicoamen</b>				
March 27, 2019	-	-	10,000	-
April 2, 2019	100,000	8,000	-	-
April 2, 2020	100,000	4,500	-	75,000
April 2, 2021	200,000	28,000	-	325,000
April 2, 2022	250,000	-	-	725,000
<b>Total</b>	<b>650,000</b>	<b>40,500</b>	<b>10,000</b>	<b>\$ 725,000</b>

	No. of Common Shares in IGC	Fair value on receipt \$	Cash received \$	Cumulative Amount of Exploration Expenditures (\$CAD)
<b>Merit</b>				
March 27, 2019	-	-	10,000	-
April 2, 2019	100,000	8,000	-	-
April 2, 2020	100,000	4,500	-	75,000
April 2, 2021	200,000	28,000	-	325,000
April 2, 2022	250,000	-	-	725,000
<b>Total</b>	<b>650,000</b>	<b>40,500</b>	<b>10,000</b>	<b>\$ 725,000</b>

Upon completion of the 60% earn-in, IGC and the Company 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.

On April 1, 2021, the Company received 400,000 shares of IGC at a fair value of \$56,000 and on May 20, 2020, the Company received 200,000 shares of IGC for the Nicoamen and Merit projects at a fair value of \$9,000.

##### Ponderosa

On September 11, 2019, the Company signed a definitive agreement to option a 60% interest in the Ponderosa project to 1201361 B.C. Ltd. (“Optionee”). Optionee can acquire a 60% interest in the property by incurring work expenditures totaling \$500,000, including 500 meters of drilling within three-years and completing a “liquidity event” within four years. In addition, the Optionee issued 5% of its issued capital to the Company, and will top-up to this amount at the time of a liquidity event.

A “liquidity event” is some form of transaction which results in the Optionee’s, or its affiliates’, common shares becoming publicly traded on a recognized stock exchange.

## Almadex Minerals Ltd.

Notes to the consolidated financial statements  
For the years ended December 31, 2021 and 2020  
(Expressed in Canadian dollars)

---

### 9. Exploration and Evaluation Assets (Continued)

#### (d) Other Properties (Continued)

##### Ponderosa (Continued)

Upon completion of the 60% earn-in, Almadex and the Optionee have agreed to immediately form a 40/60 joint venture for the purpose of carrying out further exploration work on the project with the Optionee as operator and straight line dilution for failure to participate in work programs. If either party's participating interest falls below 10%, their interest will be converted into a 2% NSR royalty.

On December 21, 2020, the liquidity event occurred where Company received a top up amount of 336,635 shares of 1201361 B.C. Ltd. and exchanged all of its shares of 1201361 B.C. Ltd. for 332,791 shares of Au Gold Corp. at fair value of \$16,639.

##### Davis property

On November 15, 2019, the Company entered into an option to purchase a 100% interest in the Davis property in Nevada, USA. Pursuant to an amending agreement dated August 31, 2020, the Company's amended commitment the purchase agreement to pay cash as follows:

	<u>\$USD</u>	
Upon execution of the agreement	100,000	Paid on November 15, 2019
August 31, 2020	25,000	Paid on August 7, 2020
May 15, 2021	25,000	Paid on May 14, 2021
May 15, 2022	50,000	
May 15, 2023	50,000	
May 15, 2024	100,000	
May 15, 2025	200,000	Greater of \$US200,000 or 140 ounces of gold
<b>Total</b>	<b>550,000</b>	

The Company has the right to purchase the Davis property at any time to a maximum of US\$800,000 plus 180 ounces of gold bullion. Upon commencement of production from the property, the Company shall pay a 2% NSR royalty with a buy down provision on the first 1% NSR royalty at the greater of \$2,000,000 and 1,400 ounces of gold bullion and the remaining 1% NSR royalty at the greater of \$6,000,000 and 4,000 ounces of gold bullion.

##### Davis and Paradise Valley properties

On September 14, 2020, the Company signed a definitive agreement to option a 60% of its Davis and Paradise Valley properties (collectively, the "Project") to Makara Mining Corp. ("Makara", the "Optionee"). Under the terms of the agreement, Optionee can acquire a 60% interest in the Project in exchange for the following:

## Almadex Minerals Ltd.

Notes to the consolidated financial statements  
For the years ended December 31, 2021 and 2020  
(Expressed in Canadian dollars)

### 9. Exploration and Evaluation Assets (Continued)

#### (d) Other Properties (Continued)

##### Davis and Paradise Valley properties (Continued)

Davis and Paradise Valley	No. of Common Shares in Makara	Fair value on receipt \$	Cash received \$	Cumulative Amount of Exploration Expenditures (\$USD)
September 22, 2020	100,000	104,000	25,000	-
September 21, 2021	400,000	-	-	250,000
September 21, 2022	500,000	-	-	500,000
September 21, 2023	500,000	-	-	750,000
September 21, 2024	500,000	-	-	1,000,000
September 21, 2025	1,500,000	-	-	3,500,000
<b>Total</b>	<b>3,500,000</b>	<b>104,000</b>	<b>25,000</b>	<b>\$ 3,500,000</b>

Upon completion of the 60% earn-in, Almadex and the Optionee have agreed to form a 40/60 joint venture for the purpose of carrying out further exploration work on the Project with Optionee as operator and straight line dilution in the event of failure to participate in work programs. If either party's participating interest falls below 10%, their interest will be converted into a 2% NSR royalty.

During the year ended 2021, the Company announced the option agreement with Makara has been terminated by Almadex as Makara did not make the required payments.

##### Royalty on the Elk property

On September 29, 2021, the Company sold its 2% NSR royalty on the Elk property to Star Royalties Ltd. ("Star Royalties") for gross proceeds of \$13,561,506. The Company received USD\$10,000,000 in cash, 1,659,304 common shares of Star Royalties and 829,652 common shares warrants of Star Royalties exercisable for two years at \$0.70 per common share.

### 10. Share Capital and Reserves

#### (a) Authorized share capital

At December 31, 2021, the Company's authorized share capital consisted of an unlimited number of common shares without par value.

#### (b) Issuance of common shares in 2021 and 2020

On October 16, 2020, the Company closed a non-brokered private placement by the issuance of 5,400,000 units at a price of \$0.25 per unit for gross proceeds of \$1,350,000. Each unit consisted of one common share and one non-transferable common share purchase warrant. Each whole warrant allows the holder to purchase one common share of the Company at a price of \$0.40 per share until October 16, 2022. In connection with the private placement, the Company also incurred \$25,190 in share issue costs. These amounts were recorded as a reduction to share capital. The proceeds of the private placement were allocated entirely to share capital.

## Almadex Minerals Ltd.

Notes to the consolidated financial statements  
For the years ended December 31, 2021 and 2020  
(Expressed in Canadian dollars)

### 10. Share Capital and Reserves (Continued)

#### (c) Warrants

The continuity of warrants for the years ended December 31, 2021 and 2020 are as follows:

Expiry date	Exercise Price	December 31, 2020	Issued	Exercised	Expired	December 31, 2021
October 16, 2022	\$ 0.40	5,400,000	-	-	-	5,400,000
Warrants outstanding and exercisable		<b>5,400,000</b>	-	-	-	<b>5,400,000</b>
Weighted average exercise price		\$ 0.40	-	-	-	\$ 0.40

Expiry date	Exercise Price	December 31, 2019	Issued	Exercised	Expired	December 31, 2020
March 27, 2020	\$ 0.59	1,999,995	-	-	(1,999,995)	-
October 16, 2022	\$ 0.40	-	5,400,000	-	-	5,400,000
Warrants outstanding and exercisable		<b>1,999,995</b>	<b>5,400,000</b>	-	<b>(1,999,995)</b>	<b>5,400,000</b>
Weighted average exercise price		\$ 0.59	\$ 0.40	-	\$ 0.59	\$ 0.40

#### (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, 2021, the Company may reserve up to 188,497 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 ten 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 year ended December 31, 2021 vested on the date of grant.

The continuity of stock options for the years ended December 31, 2021 and 2020 are as follows:

## Almadex Minerals Ltd.

Notes to the consolidated financial statements  
For the years ended December 31, 2021 and 2020  
(Expressed in Canadian dollars)

### 10. Share Capital and Reserves (Continued)

#### (d) Stock option plan (Continued)

Expiry date	Exercise price	December 31, 2020	Granted	Exercised	Expired/cancelled	December 31, 2021
April 28, 2021	\$ 0.32	2,989,200	-	-	(2,989,200)	-
June 4, 2021	\$ 0.32	628,000	-	-	(628,000)	-
July 7, 2021	\$ 0.29	931,800	-	-	(931,800)	-
May 9, 2022	\$ 0.19	425,000	-	-	-	425,000
December 23, 2022	\$ 0.21	330,000	-	-	-	330,000
May 11, 2023	\$ 0.26	-	3,189,200	-	(340,000)	2,849,200
June 14, 2023	\$ 0.27	-	463,000	-	(30,000)	433,000
July 8, 2023	\$ 0.30	-	757,800	-	-	757,800
December 5, 2023	\$ 0.31	-	1,075,000	-	-	1,075,000
Options outstanding and exercisable		<b>5,304,000</b>	<b>5,485,000</b>	-	<b>(4,919,000)</b>	<b>5,870,000</b>
Weighted average exercise price		\$ 0.30	\$ 0.28	-	\$ 0.31	\$ 0.27

Expiry date	Exercise price	December 31, 2019	Granted	Exercised	Expired/cancelled	December 31, 2020
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	-	-	(9,000)	2,989,200
June 4, 2021	\$ 0.32	628,000	-	-	-	628,000
July 7, 2021	\$ 0.29	931,800	-	-	-	931,800
May 9, 2022	\$ 0.19	-	425,000	-	-	425,000
December 23, 2022	\$ 0.21	-	330,000	-	-	330,000
Options outstanding and exercisable		<b>5,188,000</b>	<b>755,000</b>	-	<b>(639,000)</b>	<b>5,304,000</b>
Weighted average exercise price		\$ 0.31	\$ 0.20	-	\$ 0.29	\$ 0.30

The fair value of the options granted during the year ended December 31, 2021, was estimated on the grant date using the Black-Scholes option pricing model with the following weighted average assumptions:

Risk-free interest rate	0.47%
Expected life	2 years
Expected volatility	67.64%
Expected dividend yield	Nil
Weighted average fair value per option	\$0.11

The fair value of the options granted during the year ended December 31, 2020, was estimated on the grant date using the Black-Scholes option pricing model with the following weighted average assumptions:

Risk-free interest rate	0.26%
Expected life	2 years
Expected volatility	69.64%
Expected dividend yield	Nil
Weighted average fair value per option	\$0.08

## Almadex Minerals Ltd.

Notes to the consolidated financial statements  
For the years ended December 31, 2021 and 2020  
(Expressed in Canadian dollars)

---

### 10. Share Capital and Reserves (Continued)

#### (d) Stock option plan (Continued)

During the year ended December 31, 2021, the Company recognized share-based payments expense of \$615,456 (2020 - \$57,100) associated with the vesting of stock options granted.

### 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 Executive Vice President. These amounts are included within administrative services fee expense. The aggregate value of compensation to key management personnel was as follows:

	December 31, 2021	December 31, 2020
Management fees <sup>(1)</sup>	738,738	303,600
Share-based payments	527,580	47,100
	<b>1,266,318</b>	350,700

<sup>(1)</sup> Management fees are recorded within Administrative services fees.

#### (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.

At December 31, 2021, included in trade and other payables is \$69,298 (2020 - \$40,616) due to Almaden. Amounts owing to related parties are unsecured, non-interest bearing and due on demand.

##### Other

At December 31, 2021, \$2,106,094 (2020 - \$455,143) included in exploration and drilling services revenue was billed by the Company to Almaden \$73,402, Azucar \$107,167 and third parties \$1,925,525 for mining exploration services in Mexico and US of which \$72,130 (2020 - \$37,689), \$81,309 (2020 - \$460,463) and \$486,735 (2020 - \$Nil) are recorded in accounts receivable in relation to Almaden, Azucar and third parties respectively.

## Almadex Minerals Ltd.

Notes to the consolidated financial statements  
For the years ended December 31, 2021 and 2020  
(Expressed in Canadian dollars)

### 12. Net Income (Loss) per Share

#### *Basic and diluted net income (loss) per share*

The calculation of basic net income (loss) per share for the year ended December 31, 2021 was based on the net income attributable to common shareholders of \$12,039,239 (2020 – net loss of \$7,572,375) and a weighted average number of common shares outstanding of 60,584,969 (2020 – 56,321,035).

The calculation of diluted net income per share for the year ended December 31, 2021 includes a weighted average number of common shares outstanding of 64,917,074, adjusted for the effects of all dilutive potential common shares, which comprises 4,332,105 stock options and nil warrants.

The calculation of diluted net loss per share for the period ended December 31, 2020 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, 2021	December 31, 2020
	\$	\$
Cash	3,872,381	1,194,597
Term Deposits	13,344,100	4,009,280
	<b>17,216,481</b>	<b>5,203,877</b>

Supplemental information regarding non-cash transactions is as follows:

	Periods Ended	
	December 31, 2021	December 31, 2020
<b>Investing and financing activities</b>		\$
Exploration and evaluation expenditures included in trade and other payables	19,124	5,307
Property, plant and equipment included in trade and other payables	69,969	-
Fair value of Azucar shares issued for exploration and evaluation assets	-	18,000
Fair value of shares received on disposal of exploration and evaluation assets	67,666	167,227

### 14. Income Taxes

(a) The income tax recognized in income (loss) and comprehensive income (loss) are as follows:

	December 31, 2021	December 31, 2020
	\$	\$
Current income tax expense	694,005	-
Deferred income tax recovery	(601,342)	-
Income taxes	<b>92,663</b>	-

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:

## Almadex Minerals Ltd.

Notes to the consolidated financial statements  
For the years ended December 31, 2021 and 2020  
(Expressed in Canadian dollars)

### 14. Income Taxes (Continued)

	December 31, 2021	December 31, 2020
	\$	\$
Income (loss) before income taxes	12,131,902	(7,572,375)
Statutory rate	27%	27%
Expected income tax	3,275,614	(2,044,541)
Effect of different tax rates in foreign jurisdictions	38,717	(233,201)
Non-deductible share-based payments	166,173	15,417
Other permanent items	(28,433)	(117,218)
Change in unrecognized deductible temporary differences and other	(3,359,408)	2,379,543
Total income tax expense	92,663	-

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

	December 31, 2021	December 31, 2020
	\$	\$
Deferred tax assets:		
Non-capital losses	-	-
Exploration and evaluation assets	753,726	
Marketable securities and investments	118,596	140,142
Property, plant and equipment	5,661	5,988
	877,983	146,130
Deferred tax liabilities:		
Property and equipment	(1,449)	(1,776)
Gold loan receivable	(118,596)	(140,142)
Marketable securities	(152,384)	-
Contingent shares receivable	(4,212)	(4,212)
	(276,641)	(146,130)
Net deferred tax assets (liabilities)	601,342	-

(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, 2021	December 31, 2020
	\$	\$
Non-capital loss carry forwards	4,804,881	6,344,706
Capital loss carry forwards	25,635	45,500
Exploration and evaluation assets	19,792,548	13,204,961
Share issue costs	15,114	20,152
Property and equipment	987,831	914,464
Marketable securities and investments	1,498,213	2,201,527
Royalties	-	17,835,000
	27,124,222	40,566,310

At December 31, 2021, the Company had operating loss carry forwards available for tax purposes in Canada of \$941,941 (2020 - \$1,044,902) which expire between 2034 and 2041, in the United States of \$641,051 (2020 - \$712,158) which expire between 2034 to indefinite and in Mexico of \$3,221,889 (2020 - \$4,587,647) which expire between 2023 and 2031.



## Almadex Minerals Ltd.

Notes to the consolidated financial statements  
For the years ended December 31, 2021 and 2020  
(Expressed in Canadian dollars)

---

### 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 fair value of the gold loan receivable is based on the gold market price as at each reporting date.

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, 2021, 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	14,893,822	248,756
Accounts receivable and prepaid expenses	500,480	154,156
Gold loan receivable	4,278,297	-
<b>Total assets</b>	<b>19,672,599</b>	<b>402,912</b>
Trade and other payables	146,976	146,848
<b>Total liabilities</b>	<b>146,976</b>	<b>146,848</b>
<b>Net assets</b>	<b>19,525,623</b>	<b>256,064</b>

A 10% change in the US dollar exchange rate relative to the Canadian dollar would change the Company's profit or loss by \$1,953,000.

A 10% change in the Mexican peso relative to the Canadian dollar would change the Company's profit or loss by \$26,000.

#### (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 third parties, Almaden and Azucar. The Company also has a gold loan receivable from Almaden. The Company is exposed to credit risks through its accounts receivable and gold loan 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.

## **Almadex Minerals Ltd.**

Notes to the consolidated financial statements  
For the years ended December 31, 2021 and 2020  
(Expressed in Canadian dollars)

---

### **15. Financial Instruments (Continued)**

#### **(b) Credit risk (Continued)**

To mitigate exposure to credit risk on the gold loan receivable, the Company has secured the gold loan receivable with certain equipment related to Almaden's Rock Creek Mill, and also has been monitoring the share price of Almaden to ensure the loan can be settled with Almaden's common shares according to the terms of the loan agreement.

As at December 31, 2021, the Company's maximum exposure to credit risk is the carrying value of its cash and cash equivalents, accounts receivable and gold loan receivable.

#### **(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 does not have a significant impact on the Company's net loss.

#### **(e) Commodity and equity 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 is exposed to the commodity price risk on fluctuation of gold prices on its gold loan receivable. 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 loan receivable by \$40,000.

##### *(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:

## Almadex Minerals Ltd.

Notes to the consolidated financial statements  
For the years ended December 31, 2021 and 2020  
(Expressed in Canadian dollars)

---

### 15. Financial Instruments (Continued)

#### (f) Classification of financial instruments (Continued)

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).

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

<b>2021</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	\$	\$	\$	\$
Marketable securities and investments	1,707,061	125,000	-	1,832,061
Contingent shares receivable	-	15,600	-	15,600
Gold loan receivable	4,278,297	-	-	4,278,297

<b>2020</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	\$	\$	\$	\$
Marketable securities and investments	1,183,763	90,000	-	1,273,763
Contingent shares receivable	-	15,600	-	15,600
Gold loan receivable	4,158,059	-	-	4,158,059

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.

Level 2 inputs are also used in determining the fair value of warrants received from Almaden (Note 7) and Star Royalties (Note 9) as an arrangement fee to cover the administrative costs of setting up the gold loan using the Black-Scholes option-pricing model and proceeds on sale of royalties respectively.

#### (g) Concentration risk

Concentration risk of 44.8% of accounts receivable is due from one customer.

### 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.

## Almadex Minerals Ltd.

Notes to the consolidated financial statements  
For the years ended December 31, 2021 and 2020  
(Expressed in Canadian dollars)

### 16. Management of Capital (Continued)

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.

### 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:

2021	Gold loan receivable	Contingent shares receivable	Deferred income tax assets	Property and equipment	Exploration and evaluation assets	December 31, 2021
	\$	\$	\$	\$	\$	\$
Canada	4,278,297	15,600	601,342	6,426	5	4,901,670
United States	-	-	-	204,804	5	204,809
Mexico	-	-	-	720,689	286,281	1,006,970
	<b>4,278,297</b>	<b>15,600</b>	<b>601,342</b>	<b>931,919</b>	<b>286,291</b>	<b>6,113,449</b>

2020	Gold loan receivable	Contingent shares receivable	Deferred income tax assets	Property and equipment	Exploration and evaluation assets	December 31, 2020
	\$	\$	\$	\$	\$	\$
Canada	4,158,059	15,600	-	8,094	5	4,181,758
United States	-	-	-	72,154	5	72,159
Mexico	-	-	-	836,961	12,683	849,644
	<b>4,158,059</b>	<b>15,600</b>	<b>-</b>	<b>917,209</b>	<b>12,693</b>	<b>5,103,561</b>

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 January 26, 2022, the Company granted certain consultant an aggregate of 50,000 stock options in accordance with the terms of the Company's stock option plan, each of which is exercisable into one common share at an exercise price of \$0.31 per share until January 26, 2024.
- On February 16, 2022, the Company received 166,666 shares of Abacus at a fair value of \$10,000 (Note 9 (d)).
- On March 28, 2022, the option partner terminated its options on the Nicoamen and Merit projects.