

**ALMADEX MINERALS LTD.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**May 29, 2019**

**INTRODUCTION**

This Management's Discussion and Analysis ("MD&A") for Almadex Minerals Ltd. ("Almadex" or the "Company") has been prepared based on information known to management as of May 29, 2019. This MD&A is intended to help the reader understand the condensed consolidated interim financial statements of Almadex.

Management is responsible for the preparation and integrity of the condensed consolidated interim financial statements, including the maintenance of appropriate information systems, procedures and internal controls. Management also ensures that information used internally or disclosed externally, including the condensed consolidated interim financial statements and MD&A, is complete and reliable.

The Company's board of directors follows recommended corporate-governance guidelines for public companies to ensure transparency and accountability to shareholders. The board's audit committee meets with management regularly to review the condensed consolidated interim financial statements, including the MD&A, and to discuss other financial, operating and internal-control matters.

All currency amounts are expressed in Canadian dollars unless otherwise noted.

**FORWARD-LOOKING STATEMENTS**

Information set forth in this MD&A may involve forward-looking statements under applicable securities laws. Forward-looking statements are statements that relate to future, not past, events. In this context, forward-looking statements often address expected future business and financial performance, and often contain words such as "anticipate", "believe", "plan", "estimate", "expect", and "intend", statements that an action or event "may", "might", "could", "should", or "will" be taken or occur, or other similar expressions. All statements, other than statements of historical fact, included herein including, without limitation, statements about the size and timing of future exploration on and the development of the Company's properties, management's belief that the Company's cash resources are sufficient to meet its working capital and mineral exploration requirements for its next fiscal year, the Company's expectations that it will make expenditures to comply with environmental laws and regulations, the Company's objectives and expectations regarding its capital resources are forward-looking statements. By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the Company's actual results, performance or achievements, or other future events, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the following risks: the need for additional financing; operational risks associated with mineral exploration; fluctuations in commodity prices; title matters; environmental liability claims and insurance; reliance on key personnel; the volatility of the Company's common share price and volume and other factors beyond the Company's control. Forward-looking statements are made based on management's beliefs, estimates and opinions on the date that statements are made and the Company undertakes no obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change, except as required by applicable securities laws. There can be no assurance that such statements will prove to be accurate, and future events and actual results could differ materially from those anticipated in such statements. Important factors that could cause actual results to differ materially from management's expectations are disclosed in the Company's documents filed from time to time via SEDAR with

the Canadian regulatory agencies to whose policies the Company is bound. Investors are cautioned against attributing undue certainty to forward-looking statements.

The users of this information, including but not limited to investors and prospective investors, should read it in conjunction with all other disclosure documents available under the Company's profile on SEDAR ([www.sedar.com](http://www.sedar.com)) and/or on the Company's website at [www.almadexminerals.com](http://www.almadexminerals.com).

## **HIGHLIGHTS**

During the quarter, the Company continued to advance its mineral properties.

In Mexico, the Company announced results from drilling at its Yago project on February 26, 2019 and just after quarter end on April 3, 2019. Four holes were drilled at Yago in 2019 for a total of approximately 793 metres. Results were encouraging and included 1.10 metres of 40.40 g/t gold and 10.40 g/t silver from approximately 50 metres depth. While the veining is currently considered to likely be subvertical, true widths cannot be calculated at this time with certainty. Almadex is presently considering its alternatives for further advancing the Yago property.

In British Columbia, the Company entered into an agreement granting Independence Gold Corp. ("Independence") the option to earn 60% of the Merit and Nicoamen projects, located in the Spences Bridge gold belt of B.C. Independence can acquire a 60% interest in the respective property by:

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

Subsequent to quarter end, the Company announced that it had entered into a secured gold loan with Almaden Minerals Ltd. ("Almaden"), pursuant to which Almadex has agreed to loan up to 1,597 ounces of gold to Almaden.

## **OVERALL PERFORMANCE**

### **Background**

The Company was incorporated on February 26, 2018 under the laws of the Province of British Columbia. The Company's business activity is the acquisition and exploration of mineral properties in Canada, the United States and Mexico.

Almadex's management team has been focused on exploration and discovery in Mexico, the United States and Canada for the past 35 years. Traditionally, management has managed risk by forming joint ventures in which partner companies explore and develop projects in return for the right to earn an interest in them. This approach has exposed shareholders to discovery and capital gains without as much funding and consequent share dilution as would be required through sole development of exploration properties. In some cases, projects were advanced further when they were considered of such merit that the risk/reward ratio favored that approach. In other cases, if a property was optioned out with unsatisfactory results and returned to management but considered by management to still have merit, the property rights were retained in order to demonstrate further potential. This is the fashion in which the Ixtaca and El Cobre discoveries were made by Almadex's management team, as the underlying projects were optioned to several different partners prior to discovery. Ixtaca and El Cobre are currently held in separate public companies, Almaden and Azucar Minerals Ltd ("Azucar"), respectively, although Almadex retains an NSR royalty on both projects.

## **Company Mission and Focus**

Almadex is an exploration company specializing in the discovery of new mineral prospects. The Company currently has an asset portfolio comprised of over numerous exploration properties, NSR royalties, gold bullion, equities and cash.

This portfolio of assets is the direct result of over 35 years of prospecting, discovery and deal making by Almadex's management team. Almadex seeks to continue the legacy of discovery of its respected technical team through responsible and cost-effective idea generation and exploration using its seasoned staff of Mexican geologists and drillers, six company-owned drills, and strong working capital position.

## **Qualified Person**

Morgan Poliquin, Ph.D., P.Eng., a qualified person under the meaning of National Instrument 43-101 ("NI 43-101"), and the President, Chief Executive Officer and a director of Almadex, has reviewed and approved the technical content in this MD&A.

## **Use of the terms "Mineral Resources" and "Mineral Reserves"**

All capitalized terms used in this section have the meaning given to them in NI 43-101.

Any reference in this MD&A to Mineral Resources does not mean Mineral Reserve.

A Mineral Reserve is the economically mineable part of a Measured or Indicated Mineral Resource demonstrated by at least a Preliminary Feasibility Study. This Study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A Mineral Reserve includes diluting materials and allowances for losses that may occur when the material is mined.

Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories. An Inferred Mineral Resource has a lower level of confidence than that applied to an Indicated Mineral Resource. An Indicated Mineral Resource has a higher level of confidence than an Inferred Mineral Resource but has a lower level of confidence than a Measured Mineral Resource.

## **MINERAL PROPERTIES**

A following is a brief description of the more active mineral properties owned by the Company. Additional information can be obtained from Almadex's website [www.almadexminerals.com](http://www.almadexminerals.com).

### **El Chato – Mexico**

The mining title to the El Chato Property was conferred by the Dirección General de Minas in Mexico (General Mine Management, Mexican Authority) to Minera Gavilán S.A. de C.V. ("Gavilán") for exploration and mining between October 11, 2011 and October 10, 2061, in an area initially covering 16,120 ha. On January 30, 2015, Gavilán filed documents for reduction of the tenement surface to the 5,332 hectares presented in the Technical Report on the El Chato Property dated April 6, 2018 entitled "Technical Report on the El Chato Property, Puebla, Mexico" prepared by Kristopher J. Raffle of APEX Geoscience Ltd. On May 15, 2015, Almadex transferred its interest in Gavilán to Azucar. The El Chato Property was later transferred to Almadex as detailed in the Plan of Arrangement dated May 18, 2018, which resulted in the formation of Almadex.

### ***Location and Ownership***

The 100% owned El Chato Property has a total area of 5,332 hectares and is located in Puebla State, Mexico, 10 kilometres (“km”) east of Libres Town, approximately 70 km northeast of the city of Puebla and 165 km east of Mexico City. The El Chato mining claim is registered to Almadex’s wholly-owned subsidiary, Gavilán.

### ***Recent Updates***

Almaden commenced exploration at the El Chato Property in late 2011 and Azucar continued work as of May 2015. Between 2011 and 2017, exploration work at the El Chato Property comprised of rock, soil and stream geochemical sampling, induced polarization (“IP”) geophysical surveys, and geological mapping. A total of 98 rock samples, 534 soil samples and 16 stream sediment samples were collected, and 69.1 line-kilometres of IP was completed. Spectral analysis was performed on 582 of the soil samples, distributed in 477 locations within the El Chato Property, in order to identify hydrothermal alteration minerals. In 2018, a surface exploration program successfully identified targets for future drilling in this porphyry lithocap environment. These targets are defined by IP chargeability anomalies beneath a zone of intense alteration interpreted to represent the upper portion of a buried porphyry system. To date, no drilling or metallurgical analyses have been completed on the El Chato Property.

### ***Yago – Mexico***

The Yago Property (“Yago”) is comprised of 23 mineral claims that total approximately 3,846 hectares, and is owned 100% by Minera Gavilan S.A. de C.V. (“Gavilan”), a wholly owned subsidiary of Almadex. The claims are subject to two royalties; a 1% NSR royalty which applies to all claims and is capped at CAD\$1,000,000, and a 2% NSR (on gold and silver) on the Yago Sur claim, which is capped at US\$250,000.

Yago is located in the state of Nayarit near the Pacific Coast of Mexico, seven kilometres from highway 15 which is one of the major thoroughfares from the United States to Mexico City. The project covers an area of extensive epithermal quartz-adularia veining. Many of the veins have had historic production. In the La Sarda area of the property, minor production was underway in shallow workings on four separate veins until February 2000.

During 1997, Yago was acquired by Gavilan (at the time, a wholly-owned subsidiary of Almaden Minerals Ltd., and now a wholly-owned subsidiary of the Company). From 1998 to 2009, Yago was optioned by several different companies, and on June 10, 2013, Gavilan sold Yago to Tarsis Minerals (now Alianza Minerals Ltd.) as part of a package of properties for 4,000,000 common shares of Tarsis and a 2% Net Smelter Return (“NSR”) royalty on future production on all these properties. On February 16, 2016, Gavilan re-purchased Yago from Alianza in return for a 1% NSR royalty capped at CAD\$1,000,000,

### ***Upcoming / Outlook***

The Company anticipates further work at projects in the Company portfolio, as well as continued regional exploration and generative work in Mexico and Nevada.

## **Other Properties**

Other properties consist of a portfolio of early stage exploration projects located in Canada, the United States of America, and Mexico. During the three months ended March 31, 2019, the Company incurred in exploration costs of \$78,331 on mainly a care and maintenance basis and recorded a write-down of \$78,331 with respect to these properties.

## **RISK FACTORS**

The Company is engaged in exploration for mineral deposits. These activities involve significant risks which, even with careful evaluation, experience and knowledge, may not, in some cases, be eliminated. The Company's success depends on a number of factors, many of which are beyond its control. The primary risk factors affecting the Company include inherent risks in the mining industry, metal price fluctuations and operating in foreign countries and currencies.

### **Inherent risks within the mining industry**

The commercial viability of any mineral deposit depends on many factors, not all of which are within the control of management. Some of the factors that will affect the financial viability of a given mineral deposit include its size, grade and proximity to infrastructure. Government regulation, taxes, royalties, land tenure and use, environmental protection and reclamation and closure obligations could also have a profound impact on the economic viability of a mineral deposit.

Mining activities also involve risks such as unexpected or unusual geological operating conditions, floods, fires, earthquakes, other natural or environmental occurrences and political and social instability. It is not always possible to obtain insurance against all such risks and the Company may decide not to insure against certain risks as a result of high premiums or for other reasons. The Company does not currently maintain insurance against political or environmental risks. Should any uninsured liabilities arise, they could result in increased costs, reductions in profitability, and a decline in the value of the Company's securities.

There is no assurance at this time that the Company's current mineral properties will be economically viable for development and production.

### **Market volatility for marketable securities and investments**

The Company's marketable securities consist of shares of exploration companies which are historically very volatile. The Company's investments consist of gold bullion with fluctuating market prices. There is no assurance that the Company will be able to recover the current fair market value of those shares. The Company also may hold a large number of shares which may be difficult to sell in illiquid markets from time to time.

## **Industry**

The Company is engaged in the exploration and development of mineral properties which is an inherently risky business. There is no assurance that a mineral deposit will ever be discovered, developed and economically produced. Few exploration projects result in the discovery of commercially mineable ore deposits. If market conditions make financings difficult, it may be difficult for the Company to find joint venture partners. The Company may be unsuccessful in identifying and acquiring projects of merit.

### **Mineral resource estimates**

The estimation of reserves and mineralization is a subjective process and the accuracy of any such estimates is a function of the quality of available data and of engineering and geological interpretation and judgment. No assurances can be given that the volume and grade of reserves recovered and rates of production will not be less than anticipated.

### **Prices of gold, silver and other metals**

The price of gold is affected by numerous factors including central bank sales or purchases, producer hedging activities, the relative exchange rate of the U.S. dollar with other major currencies, supply and demand, political, economic conditions and production levels. In addition, the price of gold has been volatile over short periods of time due to speculative activities.

The price of silver is affected by similar factors and, in addition, is affected by having more industrial uses than gold, as well as sometimes being produced as a by-product of mining for other metals with its production thus being more dependent on demand for the main mine product than supply and demand for silver. The prices of other metals and mineral products, such as copper, that the Company may explore for have the same or similar price risk factors.

### **Cash flows and additional funding requirements**

The Company currently has no revenue from operations. In order to continue to advance and develop its mineral properties, the Company will have to raise additional capital. The sources of funds currently available to the Company include equity capital, potential debt capital or the offering of an interest in its projects to another party. The Company currently has sufficient financial resources to undertake all of its currently planned exploration and development programs.

### **Exchange rate fluctuations**

Fluctuations in currency exchange rates, principally the Canadian/U.S. Dollar and the Canadian/Mexican Peso exchange rates, can impact cash flows. The exchange rates have varied substantially over time. Fluctuations in exchange rates may give rise to foreign currency exposure, either favourable or unfavourable, which will impact financial results. The Company does not engage in currency hedging to offset any risk of exchange rates fluctuation.

### **Environmental**

The Company's exploration and development activities are subject to extensive laws and regulations governing environmental protection. The Company is also subject to various reclamation-related conditions. Although the Company closely follows and believes it is operating in compliance with all applicable environmental regulations, there can be no assurance that all future requirements will be obtainable on reasonable terms. Failure to comply may result in enforcement actions causing operations to cease or be curtailed and may include corrective measures requiring capital expenditures. Intense lobbying over environmental concerns by NGOs opposed to mining has caused some governments to cancel or restrict development of mining projects. Current publicized concern over climate change may lead to carbon taxes, requirements for carbon offset purchases or new regulation. The costs or likelihood of such potential issues to the Company cannot be estimated at this time.

### **Laws, Regulations, and Permits**

The Company's exploration activities are subject to extensive federal, provincial, state and local laws and regulations governing prospecting, development, production, exports, taxes, labour standards, occupational health and safety, mine safety, waste disposal, protection of the

environment, protection of historic and archeological sites, protection of endangered and protected species and other matters in all the jurisdictions in which it operates. The Company is required to have a wide variety of permits from governmental and regulatory authorities to carry out its activities. These permits relate to virtually every aspect of the Company's exploration and exploitation activities. Changes in these laws and regulations or changes in their enforcement or interpretation could result in changes in legal requirements or in the terms of the Company's permits that could have a significant adverse impact on the Company's existing or future operations or projects. Obtaining permits can be a complex, time-consuming process. There can be no assurance that the Company will be able to obtain the necessary permits on acceptable terms, in a timely manner or at all. The costs and delays associated with obtaining permits and complying with these permits and applicable laws and regulations could stop or materially delay or restrict the Company from continuing or proceeding with existing or future operations or projects. Any failure to comply with permits and applicable laws and regulations, even if inadvertent, could result in the interruption or closure of operations or material fines, penalties or other liabilities. The Company applies the expertise of its management, advisors, employees and contractors to ensure compliance with current laws and relies on its land men and legal counsel in Canada, Mexico and United States.

To its knowledge, the Company has complied with all regulations in order to conduct its exploration activities.

#### **Political, economic and social environment**

The Company may be adversely affected by political, economic and social uncertainties which could have a material adverse effect on the Company's results of operations and financial condition. Certain areas in which the Company will hold or may acquire properties have experienced and may continue to experience local political unrest and disruption which could potentially affect the Company's projects or interests. Changes in leadership, social or political disruption or unforeseen circumstances affecting political, economic and social structure could adversely affect the Company's property interests or restrict its operations. The Company's mineral exploration and development activities may be affected by changes in government regulations relating to the mining industry and may include regulations on production, price controls, labour, export controls, income taxes, expropriation of property, environmental legislation and safety factors.

#### **Title to mineral properties**

While the Company has investigated title to its mineral properties, this should not be construed as a guarantee of title. The properties may be subject to prior unregistered agreements or transfers and title may be affected by undetected defects.

#### **Possible dilution to present and prospective shareholders**

The Company's plan of operation, in part, contemplates the financing of its business by the issuance of securities and possibly incurring debt. Any transaction involving the issuance of previously authorized but unissued common shares, or securities convertible into common shares, would result in dilution, possibly substantial, to present and prospective shareholders. The Company has traditionally sought joint venture partners to fund in whole or in part exploration projects. Offering an interest in its projects to partners would dilute the Company's interest in the projects.

### **Material risk of dilution presented by large number of outstanding share purchase options and warrants**

At May 29, 2019, there were 4,596,000 stock options and 3,247,995 warrants outstanding. Directors and officers hold 3,806,000 of the options and 790,000 options are held by employees and consultants of the Company.

### **Trading volume**

The relatively low trading volume of the Company's shares reduces the liquidity of an investment in its shares.

### **Volatility of share price**

Market prices for shares of early-stage companies are often volatile. Factors such as announcements of mineral discoveries or discouraging exploration results, changes in financial results, and other factors could have a significant effect on share price.

### **Competition**

There is competition from other mining exploration companies with operations similar to Azucar. Many of the companies with which it competes have operations and financial strength greater than the Company.

### **Dependence on management**

The Company depends heavily on the business and technical expertise of its management.

### **Conflict of interest**

Some of the Company's directors and officers are directors and officers of other natural resource or mining-related companies. These associations may give rise from time-to-time to conflicts of interest. If a conflict arises, the Company may miss the opportunity to participate in certain transactions.

### **Impairment of Exploration and Evaluation Assets**

The Company assesses its exploration and evaluation assets quarterly to determine whether any indication of impairment exists. Common indications of impairment, which is often judgemental, include, but are not limited to, that: the right to explore the assets has expired or will soon expire and is not expected to be renewed, substantive expenditure of further exploration is not planned, or the results are not compelling enough to warrant further exploration by the Company.

At March 31, 2019, the Company concluded that impairment indicators existed with respect to certain of its exploration and evaluation assets. An impairment of deferred exploration cost incurred of \$78,331 for the three months ended March 31, 2019, has been recognized.

## **Material Financial and Operations Information**

### **Summary of Quarterly Results**

The following is a summary of the Company's financial results since becoming a reporting issuer for the quarters ending at the dates noted:

	Q1 Mar 2019 Quarter	Q4 Dec 2018 Quarter	Q3 Sep 2018 Quarter	Q2 Jun 2018 Quarter	Q1 Mar 2018 Quarter
	\$	\$	\$	\$	\$
Total revenue	280,134	324,235	303,463	220,276	-
Loss and comprehensive loss	(252,114)	(664,261)	(1,931,945)	(1,288,783)	-
Income (loss) per share – basic	(0.01)	(0.01)	(0.03)	(0.06)	(0.00)
Income (loss) per share – diluted	(0.01)	(0.01)	(0.03)	(0.06)	(0.00)
Total assets	19,161,198	19,792,885	13,082,604	14,289,101	100
Cash dividends declared	-	-	-	-	-

Quarterly variances in total revenue are dependent on the interest income earned from various levels of cash balances and other income from drilling equipment rental services. The main causes of change in net loss include share-based payments relating to the fair values of stock options granted, operating expenses to review business opportunities, and unrealized loss on marketable securities due to the capital market fluctuations.

### **Results of Operations and Financial Results**

#### Results of Operations for the three months ended March 31, 2019

For the three months ended March 31, 2019, the Company recorded a net loss and comprehensive loss of \$252,114 or a basic and diluted net loss of \$0.01 per share. The Company has no revenues from mining operations as it only conducts exploration work. The revenue of \$280,134 during the three months ended March 31, 2019 consisted of interest income of \$19,203 from cash balances. Other income of \$260,931 relates to drilling equipment rental services to Almaden and Azucar.

A significant portion of total expenses of \$273,776 during the three months ended March 31, 2019 were related to general and administrative expenses such as professional fees of \$46,920 and various other expenses incurred by the Company to review business opportunities and to communicate with shareholders. An administrative services fee of \$75,322 was paid to Almaden during the three months ended March 31, 2019 for providing office space, executive management services, marketing support and technical oversight to Almadex.

Significant non-cash items during the three months ended March 31, 2019 included impairment of exploration and evaluation assets of \$78,331, unrealized loss on marketable securities and investments of \$316,129, and unrealized loss on contingent shares receivable of \$7,800. Impairment of exploration and evaluation assets fluctuates period to period based on management's evaluation of the carrying value of each exploration and evaluation asset interest held at that time. Unrealized loss on marketable securities relate to share price fluctuations in the capital markets. The contingent shares receivable is based on the fair value of the common shares of Goldgroup Mining Inc. ("Goldgroup") held by the Company as at March 31, 2019.

## Liquidity and Capital Resources

At March 31, 2019, the Company had working capital of \$10,081,419, including cash and cash equivalents of \$5,630,397.

Management believes that the Company's cash resources are sufficient to meet its working capital and mineral exploration requirements for its next fiscal year as these expenditures are considered discretionary by management. The Company has no material commitments for the next fiscal year. Management has a proven track record to be able to raise money even in a very challenging financial marketplace.

### Three months ended March 31, 2019

Net cash used in operations during the three months ended March 31, 2019 was \$155,783, after adjusting for non-cash activities.

Net cash used in investing activities of \$519,775 during the three months ended March 31, 2019 relates to purchase of property and equipment of \$29,822, expenditures on exploration and evaluation assets of \$524,405, net proceeds from sale of property and equipment of \$14,452 and net proceeds from sale of exploration and evaluation assets of \$20,000.

Net cash from financing activities during the three months ended March 31, 2019 was \$Nil.

## Disclosure of Outstanding Share Data

The authorized share capital of the Company consists of an unlimited number of common shares without par value.

	<b>Number of Common Shares Issued &amp; Outstanding</b>	<b>Share Capital Amount</b>
December 31, 2018	55,094,969	\$21,953,536
May 29, 2019	55,094,969	\$21,953,536

## Share issuances during fiscal 2019

The Company has no share issuances as at March 31, 2019.

The following table summarizes information about warrants outstanding at May 29, 2019:

<b>Expiry date</b>	<b>Exercise Price</b>	<b>December 31, 2018</b>	<b>Issued</b>	<b>Exercised</b>	<b>Expired</b>	<b>May 29, 2019</b>
August 27, 2019	\$ 0.59	1,248,000	-	-	-	1,248,000
March 27, 2020	\$ 0.59	1,999,995	-	-	-	1,999,995
Warrants outstanding and exercisable		<b>3,247,995</b>	-	-	-	<b>3,247,995</b>
Weighted average exercise price		\$ 0.59	-	-	-	\$ 0.59

The table in Note 10(c) to the consolidated financial statements summarizes information about warrants outstanding at December 31, 2018.

The Company grants directors, officers, employees and contractors options to purchase common shares under its Stock Option Plan. This plan and its terms are detailed in Note 10(d) to the consolidated financial statements for the period ended December 31, 2018, which are available on SEDAR at [www.sedar.com](http://www.sedar.com).

The following table summarizes information about stock options outstanding at May 29, 2019:

<b>Expiry date</b>	<b>Exercise price</b>	<b>December 31, 2018</b>	<b>Granted</b>	<b>Exercised</b>	<b>Expired/ cancelled</b>	<b>May 29, 2019</b>
January 2, 2019	\$ 0.07	30,000	-	-	(30,000)	-
February 27, 2019	\$ 0.40	115,000	-	-	(115,000)	-
May 5, 2019	\$ 0.32	573,000	-	-	(573,000)	-
July 2, 2019	\$ 0.09	90,000	-	-	-	90,000
July 2, 2019	\$ 0.40	877,800	-	-	-	877,800
April 30, 2020	\$ 0.31	300,000	-	-	-	300,000
December 17, 2020	\$ 0.27	330,000	-	-	-	330,000
April 28, 2021	\$ 0.32	2,998,200	-	-	-	2,998,200
Options outstanding and exercisable		<b>5,314,000</b>	-	-	<b>(718,000)</b>	<b>4,596,000</b>
Weighted average exercise price		\$ 0.33	-	-	\$ 0.32	\$ 0.33

As of date of this MD&A, there were 55,094,969 common shares issued and outstanding and 62,938,964 common shares outstanding on a diluted basis.

### **Environmental Provisions and Potential Environmental Contingency**

The Company's mining and exploration activities are subject to various federal, provincial and state laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment and believes its operations are in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations. The Company estimates that future reclamation and site restoration costs based on the Company's exploration activities to date are not significant however the ultimate amount of reclamation and other future site restoration costs to be incurred in the future is uncertain.

### **Off-Balance Sheet Arrangements**

None.

### **Contractual Commitments**

None.

### **Proposed Transactions**

None.

## Transactions with Related Parties

### (a) Compensation of key management personnel

Key management personnel include those persons having the authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The aggregate value of compensation to key management personnel was as follows:

Three months ended March 31, 2019	Fees <sup>(1)</sup>	Share-based Payments	Total
	\$	\$	\$
Chairman	12,000	-	12,000
President & CEO	16,750	-	16,750
CFO	11,250	-	11,250
VP Corporate Development	10,600	-	10,600
	50,600	-	50,600

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

Fees are paid to Almaden for services provided by key management pursuant to the Administrative Services Agreement between Almadex and Almaden, as further described below.

### (b) Other related party transactions

#### Administrative Services Agreement

The Company paid administrative services fees to 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 March 31, 2019, included in trade and other payables is \$83,751 (December 31, 2018 - \$116,268) due to Almaden.

#### Other

During the three months ended March 31, 2019, other income of \$260,931 was paid by Almaden and Azucar to the Company for drill equipment rental services in Mexico of which \$18,093 and \$242,838 is recorded in accounts receivable in relation to Almaden and Azucar, respectively.

## Financial Instruments

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

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

### (a) Currency risk

The Company's property interests in Mexico make it subject to foreign currency fluctuations and inflationary pressures which may adversely affect the Company's financial position, results of operations and cash flows. The Company is affected by

changes in exchange rates between the Canadian dollar and foreign currencies. The Company does not invest in foreign currency contracts to mitigate the risks.

As at March 31, 2019, the Company is exposed to foreign exchange risk through the following financial assets and liabilities denominated in currencies other than the functional currency of the applicable subsidiary:

All amounts in Canadian dollars	US dollar	Mexican peso
	\$	\$
Cash and cash equivalents	1,080,618	305,074
Account receivables and prepaid expenses	260,931	803
<b>Total assets</b>	<b>1,341,549</b>	<b>305,877</b>
Trade and other payables	119,496	906
<b>Total liabilities</b>	<b>119,496</b>	<b>906</b>
<b>Net assets</b>	<b>1,222,053</b>	<b>304,971</b>

A 10% change in the US dollar exchange rate relative to the Canadian dollar would change the Company's profit or loss by \$122,000.

A 10% change in the Mexican peso exchange rate relative to the Canadian dollar would change the Company's profit or loss by \$30,000.

**(b) Credit risk**

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

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

As at March 31, 2019, the Company's maximum exposure to credit risk is the carrying value of its cash and cash equivalents, and accounts 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 would change the Company's net loss by \$56,000.

**(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 has not hedged any of its potential future gold sales of the quantities held in investments. The Company monitors gold prices to determine the appropriate course of action to be taken by the Company.

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

*(ii) Equity price risk*

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

**(f) Classification of Financial instruments**

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

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	\$	\$	\$	\$
Marketable securities	4,362,854	-	-	4,362,854
Contingent shares receivable	-	11,700	-	11,700

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.

## **Management of Capital**

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

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares and acquire or dispose of assets.

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

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

## **Subsequent Events**

On April 2, 2019, the Company received 200,000 shares of Independence at a fair value of \$16,000.

On May 14, 2019, the Company (the "Lender") entered into a secured gold loan agreement ("Gold Loan") with Almaden (the "Borrower") pursuant to which Almadex agreed to loan up to 1,597 ounces of gold to Almaden. The approximate value of this gold is US\$2 million.

The maturity date for the Gold Loan is March 31, 2024, and can be extended by two years at the discretion of the Borrower. Repayment of the loan value shall be made either through delivery of that amount of gold drawn, or through the issuance of shares of the Borrower, according to the Lender's preference.

The interest rate of the Gold Loan is 10% of the loan value per annum, secured against certain equipment related to the Rock Creek Mill, which is not required for the Ixtaca Project. Interest payments can either be accrued to the loan value, or paid by the Borrower in cash or gold. A standby fee of 1% per annum shall apply to any undrawn amount on the Gold Loan. In addition, Almaden has agreed to issue Almadex 500,000 transferable share purchase warrants ("Warrants"), with an exercise price of CAD\$1.50 per share and expiry date of May 14, 2024 as an arrangement fee.

## **Information on the Board of Directors and Management**

### **Directors:**

*Duane Poliquin, P.Eng*  
*Morgan Poliquin, P.Eng, Ph.D.*  
*Douglas McDonald, M.A.Sc, B.Com.*  
*Jack McCleary, P.Geo.*  
*Larry Segerstrom, MBA, MSc.*  
*Mark T. Brown, CPA, CA*  
*William J. Worrall, Q.C.*

### **Audit Committee members:**

*Mark T. Brown, CPA, CA*  
*Douglas McDonald, M.A.Sc, B.Com.*  
*Jack McCleary, P.Geo.*

### **Compensation Committee members:**

*Jack McCleary, P.Geo.*  
*Duane Poliquin, P.Eng.*  
*William J. Worrall, Q.C.*

### **Nominating & Corporate Governance Committee members:**

*Mark T. Brown, CPA, CA*  
*Morgan Poliquin, P.Eng, Ph.D.*  
*William J. Worrall, Q.C.*

### **Management:**

*Duane Poliquin, P.Eng – Chairman*  
*Morgan Poliquin, Ph.D., P.Eng – Chief Executive Officer, President*  
*Korm Trieu, CPA, CA – Chief Financial Officer, Corporate Secretary*  
*Douglas McDonald, M.A.Sc, B.Com. – Vice President, Corporate Development*