

**ALMADEX MINERALS LTD.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**September 30, 2020**

**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 November 19, 2020. 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, Almadex optioned the Paradise Valley and Davis properties (collectively, the "Project") to Makara Mining Corp. ("Makara"). Under the terms of the agreement, Makara can acquire a 60% interest in the Project by:

1. Paying Almadex US\$25,000 on the Effective Date of the Agreement and assuming all underlying obligations in relation to the Project;
2. Incurring not less than an aggregate US\$250,000 in exploration expenditures on or before the 1<sup>st</sup> Anniversary Date, and incurring not less than an aggregate US\$250,000 in exploration expenditures on or before each successive Anniversary Date and not less than an aggregate US\$3,500,000 in exploration on or before the 5<sup>th</sup> Anniversary Date; and
3. Issuing to Almadex an aggregate 3,500,000 Common Shares over the five year option period.

Elsewhere, work continued on advancing new business opportunities.

## **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 by its respected technical team through responsible and cost-effective idea generation and exploration using its seasoned staff of Mexican geologists and drillers, 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.

## **MINERAL PROPERTIES**

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, Minera Gavilán.

### ***Recent Updates***

Almadex 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.

In late 2019, the Company drilled 861.36 meters in 2 exploration holes on the El Chato property, which did not return meaningful results. The Company believes that the El Chato property still holds potential for discovery, however no planned exploration is considered in the near term.

### **Yago – Mexico**

The Yago Property (“Yago”) is comprised of 23 mineral claims that total approximately 3,846 hectares, and is owned 100% by Gavilán, 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 Gavilán (at the time, a wholly-owned subsidiary of Almaden, 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, Gavilán 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, Gavilán re-purchased Yago from Alianza in return for a 1% NSR royalty capped at CAD\$1,000,000.

The Company completed some prospect drilling at Yago in fiscal 2019, as reported in news releases of February 26 and April 3, 2019, and is currently considering alternatives for further advancing the property.

### **Nueva España – Mexico**

The Nueva España project covers an area of clay alteration silicification and veining developed in volcanic and carbonate rocks. The alteration is interpreted to represent a low-sulphidation vein system. There are numerous historic pits and shallow workings.

During the nine months ended September 30, 2020, the Company incurred in exploration costs of \$96,334 (2019 - \$43,919) on a small exploration program that consists of mapping and soil sampling. During the nine months ended September 30, 2020, the Company recorded an impairment of \$85,123 (2019 - \$43,919) with respect to this property.

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

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

### **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 nine months ended September 30, 2020, the Company incurred in acquisition cost of \$ 41,795 (2019 - \$39,243) and exploration costs of \$185,539 (2019 - \$189,633) on mainly a care-and-maintenance basis before recovery of \$95,419 (2019 - \$24,202). The difference was recorded as a write-down of \$131,915 (2019 - \$204,674) 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. . In addition to the risks described herein, readers of this MD&A are encouraged to read the "Risk Factors" contained in the Company's annual management discussion and analysis filed on and available under the Company's SEDAR profile on [www.sedar.com](http://www.sedar.com). Important risk factors to consider among others are:

- inherent risks within the mining industry;
- market volatility for marketable securities and investments
- mineral resource estimates;
- prices of gold, silver and other metals;
- cash flows and additional funding requirements;
- exchange rate fluctuations;
- environmental;
- laws, regulations and permits,
- political, economic and social environment;
- title to mineral properties;
- possible dilution to present and prospective shareholders;
- material risk of dilution presented by large number of outstanding share purchase options and warrants;
- trading volume;
- volatility of share price;
- competition;
- dependence on management; and
- conflict of interest.

### **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 September 30, 2020, the Company concluded that impairment indicators existed with respect to certain of its exploration and evaluation assets. An impairment of acquisition and deferred exploration costs of \$8,094,121 for the nine months ended September 30, 2020 (2019 - \$248,593) 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:

	Q3 Sep 2020 Quarter	Q2 June 2020 Quarter	Q1 March 2020 Quarter	Q4 Dec 2019 Quarter
	\$	\$	\$	\$
Total revenue	98,106	80,487	245,524	102,294
Loss and comprehensive (loss) income	(7,659,395)	560,860	(56,321)	(611,778)
Income (loss) per share – basic	(0.14)	0.01	(0.00)	(0.01)
Income (loss) per share – diluted	(0.14)	0.01	(0.00)	(0.01)
Total assets	11,273,530	18,850,728	18,304,814	18,406,652
Cash dividends declared	-	-	-	-

	Q3 Sep 2019 Quarter	Q2 June 2019 Quarter	Q1 March 2019 Quarter	Q4 Dec 2018 Quarter
	\$	\$	\$	\$
Total revenue	304,925	371,132	280,134	324,235
Loss and comprehensive (loss) income	(215,703)	(8,254)	(252,114)	64,999
Income (loss) per share – basic	(0.00)	(0.00)	(0.01)	0.00
Income (loss) per share – diluted	(0.00)	(0.00)	(0.01)	0.00
Total assets	18,986,668	19,085,596	19,161,198	19,792,885
Cash dividends declared	-	-	-	-

Quarterly variances in total revenue are dependent on the interest income earned from various levels of cash balances, drilling services earned from Almaden and Azucar and financing fees from the gold loan to Almaden. The main causes of change in net loss from quarter to quarter is dependent on total revenue earned during the quarter; operating expenses to review business opportunities, and other income (loss) from various sources as discussed in Review of Operations and Financial Results section below.

## Results of Operations and Financial Results

### Results of Operations for the three months ended September 30, 2020 compared to the three months ended September 30, 2019

For the three months ended September 30, 2020, the Company recorded a net loss and comprehensive loss of \$7,659,395 (2019 – \$215,703) or a basic and diluted net loss of \$0.14 (2019 - \$0.00) per share. The revenue of \$98,106 (2019 - \$304,925) during the three months ended September 30, 2020 consisted of interest income of \$5,398 (2019 - \$17,851) from cash balances; and financing fees of \$68,024 (2019 - \$12,604) earned from the gold loan to Almaden. The reduction of \$249,786 in drill services contributed to the majority decrease in revenue during 2020 Q3 as Azucar drill program was shut down temporarily due to the Mexican government's enforcement to suspend all non-essential activities as a result of the COVID-19 pandemic.

A significant portion of total expenses of \$287,115 (2019 - \$374,022) during the three months ended September 30, 2020 were related to general and administrative expenses incurred by the Company to review business opportunities and to administer the on-going business activities. An increase in administrative services fee to \$109,211 compared to \$86,452 during 2019 Q3 was paid due to increase oversight to shut down the business activities in Mexico and the administration of the drilling service and lending businesses. The administration service fees were paid to Almaden during the three months ended September 30, 2020 for providing office space, executive management services, marketing support and technical oversight to Almadex.

Significant non-cash items during the three months ended September 30, 2020 included impairment of exploration and evaluation assets of \$7,928,280 (2019 - \$124,361), unrealized gain on marketable securities and investments of \$189,830 (2019 – loss \$209,340), unrealized gain on gold loan receivable of \$240,054 (2019 – \$157,334) and gain on sale of exploration and evaluation assets of \$113,000 (2019 - \$6,578). 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. During the 2020 Q3, the Company impaired \$6.9 million from El Chato project as no further exploration work is planned in the near term. Unrealized gain on marketable securities relates to share price fluctuations in the capital markets. The rise in commodity prices have increased the share price of most miners in the equity market. The unrealized gain on gold loan receivable relates to the rise in spot gold price in the commodities market at September 30, 2020. Gain on sale of exploration and evaluation assets relates to share proceeds received from options of the Davis, Paradise Valley, Nicoamen and Merit projects.

#### Results of Operations for the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019

For the nine months ended September 30, 2020, the Company recorded a net loss and comprehensive loss of \$7,154,856 (2019 – \$476,071) or a basic and diluted net loss of \$0.13 (2019 – \$0.01) per share. The revenue of \$424,117 (2019 - \$956,191) during the nine months ended September 30, 2020 consisted of interest income of \$29,669 (2019 - \$58,117) from cash balances; drilling services of \$190,343 (2019 - \$831,747) from Almaden and Azucar; and financing fees of \$204,105 (2019 - \$66,327) earned from the gold loan to Almaden. The reduction of \$641,404 in drilling services contributed to the majority decrease in revenue as Azucar shut down its drill program effective March 27, 2020 in compliance to the Mexican government's mandate due to COVID-19 concerns compared to the same time last year.

A significant portion of total expenses of \$872,749 (2019 - \$896,521) during the nine months ended September 30, 2020 were related to general and administrative expenses incurred by the Company to review business opportunities and to administer the on-going business activities. An increase in administrative services fee to \$356,143 compared to \$237,592 was paid due to increase oversight to shut down the business activities in Mexico and the administration of the drilling service and lending businesses. The administration service fees were paid to Almaden during the nine months ended September 30, 2020 for providing office space, executive management services, marketing support and technical oversight to Almadex.

Significant non-cash items during the nine months ended September 30, 2020 included impairment of exploration and evaluation assets of \$8,094,121 (2019 - \$248,593) of which \$6.9 million relates to the El Chato project, unrealized gain on marketable securities and investments of \$394,262 (2019 – loss of \$713,762), unrealized gain on gold loan receivable of \$786,380 (2019 – \$398,913) and gain on sale of exploration and evaluation assets of \$157,167 (2019 - \$100,495). 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 gain on marketable securities relates to share price fluctuations in the capital markets. The unrealized gain on gold loan receivable relates to the fluctuation in spot gold price in the commodities market at September 30, 2020. Gain on sale of exploration and evaluation assets relates to share proceeds received from certain optioned projects.

#### **Liquidity and Capital Resources**

At September 30, 2020, the Company had working capital of \$5,866,101, including cash and cash equivalents of \$4,118,673.

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 September 30, 2020

Net cash used in operations during the three months ended September 30, 2020 was \$167,513 (2019 - \$238,898), after adjusting for non-cash activities.

Net cash used in investing activities of \$138,780 (2019 - \$216,715) during the three months ended September 30, 2020 relates to the purchase of property and equipment of \$40,134 (2019 - \$35,283), net proceeds from sale of exploration and evaluation assets of \$33,490 (2019 - \$Nil) and expenditures on exploration and evaluation assets of \$132,136 (2019 - \$195,198).

There were no cash from financing activities during the three months ended September 30, 2020 (2019 - \$8,100).

Nine months ended September 30, 2020

Net cash used in operations during the three months ended September 30, 2020 was \$508,549 (2019 - \$427,596), after adjusting for non-cash activities.

Net cash used in investing activities of \$410,787 (2019 - \$860,546) during the nine months ended September 30, 2020 relates to the purchase of property and equipment of \$40,134 (2019 - \$88,322), expenditures on exploration and evaluation assets of \$404,143 (2019 - \$820,442), net proceeds from the sale of property and equipment of \$Nil (2019 - \$28,218) and net proceeds from the sale of exploration and evaluation assets of \$33,490 (2019 - \$20,000).

There were no cash from financing activities during the nine months ended September 30, 2020 (2019 - \$8,100).

**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
December 31, 2019	55,184,969	\$21,982,336
November 19, 2020	60,584,969	\$23,332,336

**Share issuances during fiscal 2020**

The Company has no share issuances as at September 30, 2020. On October 16, 2020, the Company issued 5,400,000 shares at \$0.25 per share as part of its non-brokered private placement financing.

The following table summarizes information about warrants outstanding at November 19, 2020:

<b>Expiry date</b>	<b>Exercise Price</b>	<b>December 31, 2019</b>	<b>Issued</b>	<b>Exercised</b>	<b>Expired</b>	<b>November 19, 2020</b>
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

The table in Note 11(c) to the consolidated financial statements summarizes information about warrants outstanding at December 31, 2019.

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 11(d) to the consolidated financial statements for the period ended December 31, 2019, which are available on SEDAR at [www.sedar.com](http://www.sedar.com).

The following table summarizes information about stock options outstanding at November 19, 2020:

<b>Expiry date</b>	<b>Exercise price</b>	<b>December 31, 2019</b>	<b>Granted</b>	<b>Exercised</b>	<b>Expired/ cancelled</b>	<b>November 19, 2020</b>
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
Options outstanding and exercisable		<b>5,188,000</b>	<b>425,000</b>	-	<b>(309,000)</b>	<b>5,304,000</b>
Weighted average exercise price		\$ 0.31	\$ 0.19	-	\$ 0.31	\$ 0.30

As of date of this MD&A, there were 60,584,969 common shares issued and outstanding and 71,288,969 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:

<b>Three months ended September 30, 2020</b>	<b>Fees<sup>(1)</sup></b>	<b>Share-based Payments</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Chairman	18,000	-	18,000
President & CEO	25,125	-	25,125
CFO	16,875	-	16,875
VP Corporate Development	15,900	-	15,900
	<u>75,900</u>	<u>-</u>	<u>75,900</u>

<b>Nine months ended September 30, 2020</b>	<b>Fees<sup>(1)</sup></b>	<b>Share-based Payments</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Chairman	54,000	-	54,000
President & CEO	75,375	24,000	99,375
CFO	50,625	-	50,625
VP Corporate Development	47,700	-	47,700
	<u>227,700</u>	<u>24,000</u>	<u>251,700</u>

<b>Three months ended September 30, 2019</b>	<b>Fees<sup>(1)</sup></b>	<b>Share-based Payments</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Chairman	12,000	17,160	29,160
President & CEO	16,750	39,000	55,750
CFO	11,250	-	11,250
VP Corporate Development	10,600	-	10,600
Directors	-	22,620	22,620
	<u>50,600</u>	<u>78,780</u>	<u>129,380</u>

<b>Nine months ended September 30, 2019</b>	<b>Fees<sup>(1)</sup></b>	<b>Share-based Payments</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Chairman	36,000	30,180	66,180
President & CEO	50,250	53,000	103,250
CFO	33,750	8,400	42,150
VP Corporate Development	31,800	7,000	38,800
Directors	-	68,120	68,120
	<b>151,800</b>	<b>166,700</b>	<b>318,500</b>

<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 September 30, 2020, included in trade and other payables is \$42,668 (December 31, 2019 - \$34,296) due to Almaden.

**Other**

At September 30, 2020, drilling services of \$190,343 (September 30, 2019 - \$831,747) was paid by Almaden and Azucar to the Company for drilling services in Mexico of which \$25,456 (December 31, 2019 - \$133,498) and \$189,990 (December 31, 2019 - \$Nil) is recorded in accounts receivable in relation to Almaden and Azucar, respectively.

Amounts owing to related parties are unsecured, non-interest bearing and due on demand.

**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 September 30, 2020, 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	825,676	310,197
Account receivables and prepaid expenses	-	224,966
Gold loan receivable	4,269,856	-
<b>Total assets</b>	<b>5,095,532</b>	<b>535,163</b>
Trade and other payables	48,076	662
<b>Total liabilities</b>	<b>48,076</b>	<b>662</b>
<b>Net assets</b>	<b>5,047,456</b>	<b>534,501</b>

A 10% change in the US dollar exchange rate relative to the Canadian dollar would change the Company's profit or loss by \$505,000.

A 10% change in the Mexican peso exchange rate relative to the Canadian dollar would change the Company's profit or loss by \$53,000.

**(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 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.

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 September 30, 2020, 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 would change the Company's net loss by \$41,000.

**(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 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 \$43,000.

*(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>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Marketable securities and investments	1,346,886	225,000	-	1,571,886
Contingent shares receivable	-	19,500	-	19,500
Gold loan receivable	4,269,856	-	-	4,269,856

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 as an arrangement fee to cover the administrative costs of setting up the gold loan. The warrants are valued using the Black-Scholes option-pricing model.

### **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 event**

On October 16, 2020, the Company announced that it has closed a non-brokered private placement financing of 5,400,000 units, (the "Units") at a price of \$0.25 per Unit. Each Unit consisted of one common share of the Company and one non-transferable common share purchase warrant, each warrant (a "Warrant") entitling the holder to purchase one common share of the Company at a price of \$0.40 per share until October 16, 2022.

## **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*  
*Jack McCleary, P.Geo.*  
*William J. Worrall, Q.C.*

### **Compensation Committee members:**

*Jack McCleary, P.Geo.*  
*Mark T. Brown, CPA, CA*  
*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*