

Consolidated Financial Statements of

Almadex Minerals Ltd.

For the years ended December 31, 2020 and 2019

Almadex Minerals Ltd.

December 31, 2020 and 2019

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Almadex Minerals Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Almadex Minerals Ltd. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of loss and comprehensive 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, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

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 21, 2021

Chartered Professional Accountants

Almadex Minerals Ltd.

Consolidated statements of financial position
(Expressed in Canadian dollars)

	December 31, 2020	December 31, 2019
	\$	\$
ASSETS		
Current assets		
Cash and cash equivalents (Note 13)	5,203,877	5,038,009
Accounts receivable and prepaid expenses (Note 4 and 11(b))	595,927	234,491
Marketable securities and investments (Note 5)	1,273,763	1,020,457
	7,073,567	6,292,957
Non-current assets		
Gold loan receivable (Note 7)	4,158,059	3,216,818
Contingent shares receivable (Note 6)	15,600	7,800
Property and equipment (Note 8)	917,209	1,119,957
Exploration and evaluation assets (Note 9)	12,693	7,769,120
	5,103,561	12,113,695
TOTAL ASSETS	12,177,128	18,406,652
LIABILITIES		
Current liabilities		
Trade and other payables (Note 11(b))	102,471	141,530
Total liabilities	102,471	141,530
EQUITY		
Share capital (Note 10)	23,307,146	21,982,336
Reserves (Note 10)	1,312,724	1,255,624
Deficit	(12,545,213)	(4,972,838)
Total equity	12,074,657	18,265,122
TOTAL EQUITY AND LIABILITIES	12,177,128	18,406,652
Nature of operations (Note 1)		
Subsequent Events (Note 18)		

These consolidated financial statements are authorized for issue by the Board of Directors on April 21, 2021.

They are signed on the Company's behalf by:

/s/Duane Poliquin
Director

/s/Mark T. Brown
Director

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

Almadex Minerals Ltd.

Consolidated statements of loss and comprehensive loss
(Expressed in Canadian dollars)

	Years ended December 31,	
	2020	2019
	\$	\$
Revenue		
Exploration and drilling services (Note 11(b))	455,143	867,904
Financing fees (Note 7)	270,688	103,287
Interest income and others	42,309	87,294
	768,140	1,058,485
Expenses		
Administrative services fee (Note 11(a)(b))	466,427	319,116
Depreciation (Note 8)	242,882	218,492
Professional fees	209,689	227,448
Office	95,781	78,760
Stock exchange, transfer agent and filing fees	25,027	35,753
Travel and promotion	57,001	49,797
Share-based payments (Note 10(d))	57,100	209,054
	1,153,907	1,138,420
Operating loss	(385,767)	(79,935)
Other income (loss)		
Impairment of exploration and evaluation assets (Note 9)	(8,043,300)	(413,510)
Gain on sale of exploration and evaluation assets	99,217	-
Gain on sale of property and equipment (Note 8)	-	11,472
Unrealized gain on gold loan receivable (Note 7)	802,035	472,331
Unrealized foreign exchange on gold loan receivable (Note 7)	(131,482)	(104,794)
Unrealized gain (loss) on marketable securities and investments (Note 5)	104,579	(921,140)
Gain (loss) on sale of marketable securities and investments	(500)	1,393
Unrealized gain (loss) on contingent shares receivable (Note 6)	7,800	(11,700)
Foreign exchange loss	(24,957)	(41,966)
	(7,572,375)	(1,087,849)
Loss and comprehensive loss for the year	(7,572,375)	(1,087,849)
Basic and diluted net loss per share (Note 12)	(0.13)	(0.02)

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,	
	2020	2019
	\$	\$
Operating activities		
Net loss for the year	(7,572,375)	(1,087,849)
Items not affecting cash		
Depreciation	242,882	218,492
Unrealized (gain) loss on contingent shares receivable	(7,800)	11,700
Unrealized (gain) loss on marketable securities and investments	(104,579)	921,140
(Gain) loss on sale of marketable securities and investments	500	(1,393)
Unrealized gain on gold loan receivable	(802,035)	(472,331)
Unrealized foreign exchange on gold loan receivable	131,482	104,794
Gain on sale of exploration and evaluation assets	(99,217)	-
Impairment of exploration and evaluation assets	8,043,300	413,510
Gain on sale of property and equipment	-	(11,472)
Financing fees	(270,688)	(103,287)
Share-based payments	57,100	209,054
Changes in non-cash working capital components		
Accounts receivable and prepaid expenses	(361,436)	128,722
Trade and other payables	(1,885)	(351,365)
Net cash used in operating activities	(744,751)	(20,285)
Investing activities		
Exploration and evaluation assets - costs	(407,547)	(1,214,047)
Property and equipment – purchase	(40,134)	(89,932)
Net proceeds from sale of property and equipment	-	28,218
Net proceeds from sale of exploration and evaluation assets	33,490	20,000
Net proceeds from sale of marketable securities	-	-
Reclamation deposit	-	-
Net cash used in investing activities	(414,191)	(1,255,761)
Financing activities		
Private Placement, net	1,324,810	-
Options exercised	-	8,100
Finders' warrants exercised	-	-
Net cash from financing activities	1,324,810	8,100
Change in cash and cash equivalents	165,868	(1,267,946)
Cash and cash equivalents, beginning of period	5,038,009	6,305,955
Cash and cash equivalents, end of period	5,203,877	5,038,009
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)

	Share Capital		Reserves		Deficit	Total
	Number of shares	Amount	Share-based payments	Total reserves		
		\$	\$	\$	\$	\$
Balance, January 1, 2019	55,094,969	21,953,536	1,067,270	1,067,270	(3,884,989)	19,135,817
Share-based payments	-	-	209,054	209,054	-	209,054
Options exercised	90,000	8,100	-	-	-	8,100
Fair value of options transferred to share capital	-	20,700	(20,700)	(20,700)	-	-
Loss and comprehensive loss for the year	-	-	-	-	(1,087,849)	(1,087,849)
Balance, December 31, 2019	55,184,969	21,982,336	1,255,624	1,255,624	(4,972,838)	18,265,122
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)
Balance, December 31, 2020	60,584,969	23,307,146	1,312,724	1,312,724	(12,545,213)	12,074,657

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, 2020 and 2019
(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, 2020.

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
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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 initial fair value of gold loan receivable;
- 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
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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:

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

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

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

(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 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, 2020 and 2019
(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
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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.

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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
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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 loss per share

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

Almadex Minerals Ltd.

Notes to the consolidated financial statements
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(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, 2020. This accounting standard is not currently expected to have a significant effect on the Company's accounting policies or financial statements.

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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, 2020	December 31, 2019
	\$	\$
Accounts receivable (Note 11)	542,940	175,985
Prepaid expenses	52,987	58,506
	595,927	234,491

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 \$1,183,763 (2019 - \$928,457) as at December 31, 2020. Unrealized gains due to year-end revaluation to fair value of \$106,579 (2019 – loss of \$963,140) 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) Prior to May 14, 2019, investments consisted of 1,597 ounces of gold bullion. The investments were designated as FVTPL and valued at fair value. Unrealized gain due to year-end revaluation to fair value was recorded in profit or loss. The valuation of the gold bullion investment was determined in whole by reference to the closing price of gold at each reporting period. On May 14, 2019, Almadex agreed to loan up to 1,597 ounces of gold bullion to Almaden Minerals Ltd. (“Almaden”), a company related by way of common directors (Note 7).

c) 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 \$90,000 as at December 31, 2020 (2019 - \$92,000). An unrealized loss due to year-end revaluation to fair value of \$2,000 (2019 – gain of \$42,000) is recorded in profit or loss. These warrants were valued using the Black-Scholes option-pricing model with the following assumptions: expected life of 3.36 years, risk-free interest rate of 0.18%, expected dividend yield of 0% and expected volatility of 77.22%.

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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 (2019 - \$7,800) based on management’s best estimate of the fair value of the Goldgroup common shares as at December 31, 2020, and an unrealized gain of \$7,800 (2019 – loss of \$11,700) on fair value adjustment in profit or loss during the year ended December 31, 2020.

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.

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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, 2020, the Company deposited the full 1,597 ounces of gold bullion and Almaden has drawn 1,200 (2020 – 400 ounces; 2019 – 800 ounces) ounces on the account. The fair value of the gold loan receivable for the year ended December 31, 2020 increased by \$802,035 (2019 - \$472,331) due to an increase in the price of gold.

	December 31, 2020	December 31, 2019
Gold loan receivable, opening balance	\$ 3,216,818	\$ 2,790,858
Accrued interest income	261,152	39,760
Accrued standby fees	9,536	13,527
Expenses	-	5,136
Change in FVTPL	802,035	472,331
Foreign exchange difference	(131,482)	(104,794)
	\$ 4,158,059	\$ 3,216,818

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8. Property and Equipment

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

	Automotive equipment	Office equipment	Geological library	Field equipment	Drill equipment	Total
	\$	\$	\$	\$	\$	\$
Cost						
December 31, 2018	243,862	1,055	114	85,683	988,552	1,319,266
Additions	53,518	-	-	-	36,414	89,932
Disposals	(19,843)	-	-	-	-	(19,843)
December 31, 2019	277,537	1,055	114	85,683	1,024,966	1,389,355
Accumulated depreciation						
December 31, 2018	19,256	53	6	4,998	29,690	54,003
Depreciation	68,500	301	21	16,137	133,533	218,492
Disposal	(3,097)	-	-	-	-	(3,097)
December 31, 2019	84,659	354	27	21,135	163,223	269,398
Carrying amounts						
December 31, 2018	224,606	1,002	108	80,685	958,862	1,265,263
December 31, 2019	192,878	701	87	64,548	861,743	1,119,957

During the year ended December 31, 2019, the Company disposed of equipment with a net book value of \$16,746 for proceeds of \$28,218 resulting in a gain on sale of property and equipment of \$11,472.

Almadex Minerals Ltd.

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9. Exploration and Evaluation Assets

Exploration and evaluation assets	El Chato	Yago	Nueva España	Other Properties	Total
	\$	\$	\$	\$	\$
Acquisition costs:					
Opening balance – December 31, 2019	6,397,514	33,113	1	16	6,430,644
Additions	-	-	-	93,285	93,285
Recovery of acquisition costs	-	-	-	(33,490)	(33,490)
Impairment of acquisition costs	(6,397,513)	(33,112)	-	(59,795)	(6,490,420)
Closing balance – December 31, 2020	1	1	1	16	19
Deferred exploration costs:					
Opening balance – December 31, 2019	468,627	869,849	-	-	1,338,476
Costs incurred during the period:					
Drilling and related costs	-	-	12,516	-	12,516
Professional/technical fees	2,188	3,735	5,521	11,604	23,048
Claim maintenance/lease costs	19,941	85,418	17,504	162,395	285,258
Geochemical, metallurgy	-	-	8,555	1,900	10,455
Travel and accommodation	-	523	11,700	1,977	14,200
Geology, geophysics, exploration	5,466	-	34,893	64,115	104,474
Supplies and miscellaneous	-	231	3,785	3,407	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	(486,024)	(959,756)	(85,123)	(21,977)	(1,552,880)
Total deferred exploration costs during the year	(468,627)	(869,849)	12,674	-	(1,325,802)
Closing balance – December 31, 2020	-	-	12,674	-	12,674
Total exploration and evaluation assets	1	1	12,675	16	12,693

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9. Exploration and Evaluation Assets (Continued)

Exploration and evaluation assets	El Chato	Yago	Nueva España	Other Properties	Total
	\$	\$	\$	\$	\$
Acquisition costs:					
Opening balance – December 31, 2018	6,397,514	33,113	1	16	6,430,644
Share proceeds from options	-	-	-	(80,496)	(80,496)
Cash proceeds from options	-	-	-	(20,000)	(20,000)
Additions	-	-	-	192,783	192,783
Impairment of acquisition costs	-	-	-	(92,287)	(92,287)
Closing balance – December 31, 2019	6,397,514	33,113	1	16	6,430,644
Deferred exploration costs:					
Opening balance – December 31, 2018	244,494	537,614	-	-	782,108
Costs incurred during the year:					
Drilling and related costs	76,642	112,097	15,420	-	204,159
Professional/technical fees	11,700	4,918	7,001	24,268	47,887
Claim maintenance/lease costs	70,156	77,785	18,239	173,314	339,494
Geochemical, metallurgy	18,265	51,954	1,113	13,498	84,830
Travel and accommodation	23,881	5,177	5,550	2,585	37,193
Geology, geophysics, exploration	73,581	74,410	52,179	30,545	230,715
Supplies and miscellaneous	537	5,894	805	908	8,144
Reclamation, environmental	4,418	-	-	-	4,418
Value-added tax	(55,047)	-	-	-	(55,047)
Recovery of exploration costs	-	-	-	(24,202)	(24,202)
Impairment of deferred exploration costs	-	-	(100,307)	(220,916)	(321,223)
Total deferred exploration costs during the year	224,133	332,235	-	-	556,368
Closing balance – December 31, 2019	468,627	869,849	-	-	1,338,476
Total exploration and evaluation assets	6,866,141	902,962	1	16	7,769,120

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

(a) *El Chato*

El Chato is a 100% owned project acquired by staking. Given that no further expenditures are planned, the Company recorded a write-down at December 31, 2020 of \$6,883,537 (2019 - \$Nil) to a carrying value of \$1.

(b) *Yago*

On February 5, 2016, Azucar acquired the Yago, Mezquites, and San Pedro properties in Mexico from a company in common with one of its directors in return for a 1% Net Smelter Return ("NSR") royalty which is capped at \$1,000,000. Given that no further expenditures are planned, the Company recorded a write-down at December 31, 2020 of \$992,868 (2019 - \$Nil) to a carrying value of \$1.

(c) *Nueva España*

Nueva España is a 100% owned project acquired by staking. During the year ended December 31, 2020, the Company recorded an impairment of \$85,123 (2019 - \$100,307) in deferred exploration expenditures from January 1 to June 30, 2020 however, the Company planned a small exploration program in which deferred exploration expenses were recorded in exploration and evaluation assets.

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9. Exploration and Evaluation Assets (Continued)

(d) Other Properties (Continued)

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, 2020, the Company recorded an impairment of acquisition cost of \$59,795 (2019 - \$92,287) and deferred costs of \$21,977 (2019 - \$220,916) with respect to such properties. Each remaining property is carried at \$1 as at December 31, 2020.

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	
Total	500,000	265,750	150,000	

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

On 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 4, 2019, the Company transferred 100,000 shares of Azucar at fair value of \$0.205 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
Total	2,000,000	147,500	30,000	

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

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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 21, 2019, the Company received 500,000 shares of Aloro at a fair value of \$55,000. 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	-	1,800,000
February 22, 2022	166,667	-	3,000,000
Total	416,668	38,751	\$ 3,000,000

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

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

On February 18, 2020, the Company received 41,667 shares of Abacus at a fair value of \$4,167. On February 21, 2019, the Company received 41,667 shares of Abacus at a fair value of \$2,917.

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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)
Nicoamen				
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	-	-	325,000
April 2, 2022	250,000	-	-	725,000
Total	650,000	12,500	10,000	\$ 725,000

	No. of Common Shares in IGC	Fair value on receipt \$	Cash received \$	Cumulative Amount of Exploration Expenditures (\$CAD)
Merit				
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	-	-	325,000
April 2, 2022	250,000	-	-	725,000
Total	650,000	12,500	10,000	\$ 725,000

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 May 20, 2020, the Company received 200,000 shares of IGC for the Nicoamen and Merit projects at a fair value of \$9,000. On March 27, 2019, the Company received \$20,000 cash from IGC and on April 2, 2019, the Company received 200,000 shares of IGC at a fair value of \$16,000.

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.

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

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9. Exploration and Evaluation Assets (Continued)

(d) Other Properties (Continued)

Ponderosa (Continued)

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 September 18, 2019, the Company received 328,947 shares of 1201361 B.C. Ltd. at a fair value of \$6,579. 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:

	\$USD	
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	
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
Total	550,000	

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:

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
Total	3,500,000	104,000	25,000	\$ 3,500,000

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9. Exploration and Evaluation Assets (Continued)

(d) Other Properties (Continued)

Davis and Paradise Valley properties (Continued)

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.

10. Share Capital and Reserves

(a) Authorized share capital

At December 31, 2020, the Company's authorized share capital consisted of an unlimited number of common shares without par value.

(b) Issuance of common shares in 2020 and 2019

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 consists 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.

During the year ended December 31, 2019, the Company received \$8,100 on the exercise of 90,000 options.

(c) Warrants

The continuity of warrants for the years ended December 31, 2020 and 2019 are as follows:

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		1,999,995	5,400,000	-	(1,999,995)	5,400,000
Weighted average exercise price		\$ 0.59	\$ 0.40	-	\$ 0.59	\$ 0.40

Expiry date	Exercise Price	December 31, 2018	Issued	Exercised	Expired	December 31, 2019
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		3,247,995	-	-	(1,248,000)	1,999,995
Weighted average exercise price		\$ 0.59	-	-	\$ 0.59	\$ 0.59

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10. Share Capital and Reserves (Continued)

(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, 2020, the Company may reserve up to 754,497 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, 2020 vested on the date of grant.

The continuity of stock options for the years ended December 31, 2020 and 2019 are as follows:

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		5,188,000	755,000	-	(639,000)	5,304,000
Weighted average exercise price		\$ 0.31	\$ 0.20	-	\$ 0.29	\$ 0.30

Expiry date	Exercise price	December 31, 2018	Granted	Exercised	Expired/cancelled	December 31, 2019
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
June 4, 2021	\$ 0.32	-	628,000	-	-	628,000
July 7, 2021	\$ 0.29	-	931,800	-	-	931,800
Options outstanding and exercisable		5,314,000	1,559,800	(90,000)	(1,595,800)	5,188,000
Weighted average exercise price		\$ 0.33	\$ 0.30	\$ 0.09	\$ 0.37	\$ 0.31

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10. Share Capital and Reserves (Continued)

(d) Stock option plan (Continued)

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

The fair value of the options granted during the year ended December 31, 2019, was estimated on the grant date using the Black-Scholes option pricing model with the following weighted average assumptions:

Risk-free interest rate	1.48%
Expected life	2 years
Expected volatility	79.73%
Expected dividend yield	Nil
Weighted average fair value per option	\$0.13

During the year ended December 31, 2020, the Company recognized share-based payments expense of \$57,100 (2019 - \$209,054) 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 Vice President Corporate Development. These amounts are included within administrative services fee expense. The aggregate value of compensation to key management personnel was as follows:

	December 31, 2020	December 31, 2019
Management fees ⁽¹⁾	303,600	202,400
Share-based payments	47,100	166,700
	350,700	369,100

⁽¹⁾ 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.

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11. Related Party Transactions and Balances (Continued)

(b) Other related party transactions (Continued)

At December 31, 2020, included in trade and other payables is \$40,616 (2019 - \$34,296) due to Almaden. Amounts owing to related parties are unsecured, non-interest bearing and due on demand.

Other

At December 31, 2020, \$455,143 (2019 - \$867,904) included in exploration and drilling services revenue was billed by the Company to Almaden and Azucar for mining exploration services in Mexico of which \$37,689 (2019 - \$133,498) and \$460,463 (2019 - \$Nil) are recorded in accounts receivable in relation to Almaden and Azucar, respectively.

12. Net Loss per Share

Basic and diluted net loss per share

The calculation of basic net loss per share for the year ended December 31, 2020 was based on the net loss attributable to common shareholders of \$7,572,375 (2019 - \$1,087,849) and a weighted average number of common shares outstanding of 56,321,035 (2019 - 55,140,092).

The calculation of diluted net loss per share for the periods ended December 31, 2020 and 2019 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, 2020	December 31, 2019
	\$	\$
Cash	1,194,597	1,328,849
Term Deposits	4,009,280	3,709,160
	5,203,877	5,038,009

Supplemental information regarding non-cash transactions is as follows:

	Periods Ended	
Investing and financing activities	December 31, 2020	December 31, 2019
		\$
Exploration and evaluation expenditures included in trade and other payables	5,307	42,481
Fair value of finders' warrants reclassified to share capital on exercise	-	-
Fair value of options reclassified to share capital on exercise	-	20,700
Fair value of Azucar shares issued for exploration and evaluation assets	18,000	20,500
Fair value of shares received on disposal of exploration and evaluation assets	167,227	80,496
Gold loan receivable	-	2,790,858

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14. Income Taxes

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

	December 31, 2020	December 31, 2019
	\$	\$
Net income (loss) before taxes	(7,572,375)	(1,087,849)
Statutory rate	27%	27%
Expected income tax	(2,044,541)	(293,719)
Effect of different tax rates in foreign jurisdictions	(233,201)	24,695
Non-deductible share-based payments	15,417	56,445
Other permanent items	(117,218)	142,894
Change in unrecognized deductible temporary differences and other	2,379,543	69,685
	-	-

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

	December 31, 2020	December 31, 2019
	\$	\$
Deferred tax assets:		
Non-capital losses	1,776	4,277
Marketable securities and investments	140,142	49,617
Property, plant and equipment	4,212	-
	146,130	53,894
Deferred tax liabilities:		
Property and equipment	(1,776)	(2,171)
Gold loan receivable	(140,142)	(49,617)
Contingent shares receivable	(4,212)	(2,106)
	(146,130)	(53,894)
Net deferred tax assets (liabilities)	-	-

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

	December 31, 2020	December 31, 2019
	\$	\$
Non-capital loss carry forwards	6,344,706	6,709,710
Capital loss carry forwards	45,500	-
Exploration and evaluation assets	13,204,961	5,143,580
Share issue costs	20,152	-
Property and equipment	914,464	131,500
Marketable securities and investments	2,201,527	3,067,158
Royalties	17,835,000	17,835,000
	40,566,310	32,886,948

At December 31, 2020, the Company had operating loss carry forwards available for tax purposes in Canada of \$1,044,902 (2019 - \$544,059) which expire between 2033 and 2040, in the United States of \$712,158 (2019 - \$626,615) which expire between 2031 to indefinite and in Mexico of \$4,587,647 (2019 - \$5,539,036) which expire between 2021 and 2030.

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15. Financial Instruments

The fair values of the Company's cash and cash equivalents, accounts receivable and trade and other payables approximate their carrying values because of the short-term nature of these instruments. The 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, 2020, 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	735,113	324,709
Accounts receivable and prepaid expenses	5,314	498,892
Gold loan receivable	4,158,059	-
Total assets	4,898,486	823,601
Trade and other payables	13,067	825
Total liabilities	13,067	825
Net assets	4,885,419	822,776

A 10% change in the US dollar exchange rate relative to the Canadian dollar would change the Company's profit or loss by \$489,000.

A 10% change in the Mexican peso relative to the Canadian dollar would change the Company's profit or loss by \$82,000.

(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.

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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, 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 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.

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15. Financial Instruments (Continued)

(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.

2020	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
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

2019	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Marketable securities and investments	928,457	92,000	-	1,020,457
Contingent shares receivable	-	7,800	-	7,800
Gold loan receivable	3,216,818	-	-	3,216,818

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) 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.

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.

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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:

2020	Gold loan receivable	Contingent shares receivable	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
	4,158,059	15,600	917,209	12,693	5,103,561

2019	Gold loan receivable	Contingent shares receivable	Property and equipment	Exploration and evaluation assets	December 31, 2019
	\$	\$	\$	\$	\$
Canada	3,216,818	7,800	10,204	5	3,234,827
United States	-	-	-	5	5
Mexico	-	-	1,109,753	7,769,110	8,878,863
	3,216,818	7,800	1,119,957	7,769,120	12,113,695

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 March 4, 2021, the Company received 83,333 shares of Abacus at a fair value of \$11,667 (Note 9 (d)).

On April 1, 2021, the Company received 400,000 shares of IGC at a fair value of \$56,000 (Note 9 (d)).