

Consolidated Financial Statements of

Almadex Minerals Ltd.

For the years ended December 31, 2022 and 2021

Almadex Minerals Ltd.

December 31, 2022 and 2021

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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, 2022 and 2021, and the consolidated statements of income and comprehensive income, cash flows, and changes in equity 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, 2022 and 2021, 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 audit 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 audit is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

During the year ended December 31, 2022, the Company recognized revenue of \$6,882,746 from 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.

Revenue from exploration and drilling services was considered to be a key audit matter due the significance for the Company's financial statements, and due to it being identified as an area of significant risk requiring special audit consideration.

The Company's accounting policy for revenue recognition is disclosed in note 3, and the consolidated financial statements disclose further detail concerning the Company's revenues in note 16.



To address this key audit matters, we performed the following procedures:

- Reviewed of the Company's accounting policy for revenue recognition for compliance with IFRS;
- Evaluated the Company's controls regarding revenue recognition;
- Tested exploration and drilling sales transactions against contracts, invoices, and other underlying records; and
- Confirmed revenue and outstanding trade receivables with key customers.

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:

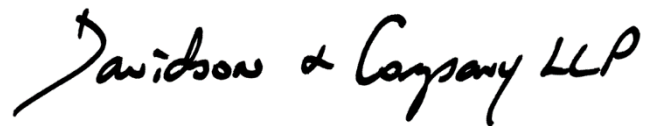
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of 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 Zachary Faure.

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

Vancouver, Canada

Chartered Professional Accountants

April 25, 2023

Almadex Minerals Ltd.

Consolidated statements of financial position
(Expressed in Canadian dollars)

	December 31, 2022	December 31, 2021
	\$	\$
ASSETS		
Current assets		
Cash and cash equivalents (Note 12)	18,396,172	17,216,481
Accounts receivable and prepaid expenses (Note 4 and 10(b))	658,706	755,286
Marketable securities and investments (Note 5)	1,083,373	1,832,061
	20,138,251	19,803,828
Non-current assets		
Gold loan receivable (Note 6)	4,885,928	4,278,297
Contingent shares receivable	-	15,600
Deferred income tax assets (Note 13 (b))	380,582	601,342
Property and equipment (Note 7)	1,064,343	931,919
Reclamation deposit	40,000	-
Exploration and evaluation assets (Note 8)	1,929,835	286,291
	8,300,688	6,113,449
TOTAL ASSETS	28,438,939	25,917,277
LIABILITIES		
Current liabilities		
Trade and other payables (Note 10(b))	443,567	493,920
Income tax payable (Note 13(a))	-	694,005
Total liabilities	443,567	1,187,925
EQUITY		
Share capital (Note 9)	23,322,121	23,307,146
Reserves (Note 9)	1,959,080	1,928,180
Retained earnings (Deficit)	2,714,171	(505,974)
Total equity	27,995,372	24,729,352
TOTAL EQUITY AND LIABILITIES	28,438,939	25,917,277

Nature of operations (Note 1)
Subsequent events (Note 17)

These consolidated financial statements are authorized for issue by the Board of Directors on April 25, 2023.

They are signed on the Company's behalf by:

/s/Duane Poliquin
Director

/s/Lawrence Segerstrom
Director

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

Almadex Minerals Ltd.

Consolidated statements of income and comprehensive income

(Expressed in Canadian dollars)

	Years ended December 31,	
	2022	2021
	\$	\$
Revenue		
Exploration and drilling services (Note 10(b))	6,882,746	3,795,272
Financing fees (Note 6)	323,440	279,836
Royalty income	42,655	-
Interest income	206,523	17,026
	7,455,364	4,092,134
Expenses		
Administrative services fee (Note 10(a)(b))	1,161,360	969,532
Salaries and contractors	1,470,971	702,554
Drilling supplies	689,360	869,930
Depreciation (Note 7)	228,005	208,496
Professional fees	449,640	641,053
Office	175,702	163,759
Stock exchange, transfer agent and filing fees	27,415	23,488
Travel and promotion	285,327	233,293
Directors' fees	30,000	-
Share-based payments (Note 9(d))	56,000	615,456
	4,573,780	4,427,561
	2,881,584	(335,427)
Other income (loss)		
Impairment of exploration and evaluation assets (Note 8)	(120,480)	(545,060)
Gain on sale of royalty (Note 8(f))	-	13,561,506
Gain on sale of exploration and evaluation assets	-	56,894
Gain on sale of property and equipment (Note 7)	23,960	2,703
Unrealized loss on gold loan receivable (Note 6)	(26,219)	(143,909)
Unrealized foreign exchange gain (loss) on gold loan receivable (Note 6)	310,410	(15,689)
Unrealized loss on marketable securities and investments (Note 5)	(758,688)	(311,184)
Loss on sale of marketable securities and investments	-	(3,460)
Unrealized loss on contingent shares receivable	(15,600)	-
Foreign exchange gain (loss)	1,124,339	(134,472)
Income before income taxes	3,419,306	12,131,902
Income Taxes		
Current income tax (recovery) expense (Note 13 (a))	(21,599)	694,005
Deferred income tax expense (recovery) (Note 13 (b))	220,760	(601,342)
	199,161	92,663
Net income and comprehensive income for the year	3,220,145	12,039,239
Basic and diluted net income per share (Note 11)	0.06	0.19

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,	
	2022	2021
	\$	\$
Operating activities		
Net income for the year	3,220,145	12,039,239
Items not affecting cash		
Income tax (recovery) expense	(21,599)	694,005
Deferred income tax expense (recovery)	220,760	(601,342)
Depreciation	228,005	208,496
Unrealized loss on contingent shares receivable	15,600	-
Unrealized loss on marketable securities and investments	758,688	311,184
Loss on sale of marketable securities and investments	-	3,460
Unrealized loss on gold loan receivable	26,219	143,909
Unrealized foreign exchange (gain) loss on gold loan receivable	(310,410)	15,689
Gain on sale of exploration and evaluation assets	-	(56,894)
Gain on sale of property and equipment	(23,960)	(2,703)
Gain on sale of royalty	-	(13,561,506)
Impairment of exploration and evaluation assets	120,480	545,060
Financing fees	(323,440)	(279,836)
Share-based payments	56,000	615,456
Changes in non-cash working capital components		
Accounts receivable and prepaid expenses	118,179	(159,359)
Trade and other payables	(725,694)	307,663
Net cash from operating activities	3,358,973	222,521
Investing activities		
Exploration and evaluation assets - costs	(1,722,719)	(815,613)
Property and equipment – purchase	(452,224)	(161,016)
Net proceeds from sale of property and equipment	45,786	10,482
Reclamation deposit	(40,000)	-
Net proceeds from sale of marketable securities	-	15,230
Net proceeds from sale of royalty	-	12,741,000
Net cash from (used in) investing activities	(2,169,157)	11,790,083
Financing activities		
Option exercised	4,750	-
Withholding taxes on cashless exercise	(14,875)	-
Net cash from (used in) financing activities	(10,125)	-
Change in cash and cash equivalents	1,179,691	12,012,604
Cash and cash equivalents, beginning of year	17,216,481	5,203,877
Cash and cash equivalents, end of year	18,396,172	17,216,481
Supplemental cash flow information (Note 12)		

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)

	<u>Share Capital</u>		<u>Reserves</u>		Retained earnings (Deficit)	<u>Total</u>
	Number of shares	Amount \$	Share-based payments \$	Total reserves \$		
Balance, January 31, 2021	60,584,969	23,307,146	1,312,724	1,312,724	(12,545,213)	12,074,657
Share-based payments	-	-	615,456	615,456	-	615,456
Income for the year	-	-	-	-	12,039,239	12,039,239
Balance, December 31, 2021	60,584,969	23,307,146	1,928,180	1,928,180	(505,974)	24,729,352
Share-based payments	-	-	56,000	56,000	-	56,000
Shares issued for cash on exercise of stock options	25,000	4,750	-	-	-	4,750
Fair value of stock options transferred to share capital	-	2,000	(2,000)	(2,000)	-	-
Shares issued on cashless exercise of options	92,552	-	-	-	-	-
Shares issuance cost on cashless exercise of options	-	(14,875)	-	-	-	(14,875)
Fair value of cashless share options transferred to share capital	-	23,100	(23,100)	(23,100)	-	-
Income for the year	-	-	-	-	3,220,145	3,220,145
Balance, December 31, 2022	60,702,521	23,322,121	1,959,080	1,959,080	2,714,171	27,995,372

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, 2022 and 2021
(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, 2022.

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

- 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 income and comprehensive income;
- 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; and
- The estimated fair value of transferable share purchase warrants issued which are included in marketable securities and investments.

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
ATW Resources Ltd.	Canada	holding company (inactive)
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.

Almadex Minerals Ltd.

Notes to the consolidated financial statements
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3. Significant Accounting Policies (*Continued*)

(a) *Basis of consolidation (Continued)*

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 equivalents and accounts receivable are classified at amortized cost. The Company's marketable securities and investments, gold loan receivable and contingent shares receivable, are classified as FVTPL. Trade and other payables is classified at amortized cost.

Impairment of financial assets

An 'expected credit loss' (ECL) model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. The Company's financial assets measured at amortized cost and subject to the ECL model include cash and cash equivalents, and accounts receivable.

(d) *Cash and cash equivalents*

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

(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%

Almadex Minerals Ltd.

Notes to the consolidated financial statements
For the years ended December 31, 2022 and 2021
(Expressed in Canadian dollars)

3. Significant Accounting Policies (Continued)

(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 estimated 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:

- (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

Almadex Minerals Ltd.

Notes to the consolidated financial statements
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3. Significant Accounting Policies (Continued)

(g) Exploration and evaluation assets (Continued)

- (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.

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.

Almadex Minerals Ltd.

Notes to the consolidated financial statements
For the years ended December 31, 2022 and 2021
(Expressed in Canadian dollars)

3. Significant Accounting Policies (Continued)

(i) Income taxes

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

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

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

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

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

(j) Share-based payments

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

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

(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

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3. Significant Accounting Policies (*Continued*)

(k) *Share capital (Continued)*

residual value method. Under this method, the proceeds are allocated to common shares based on the fair value of a common share at the announcement date of the unit offering and any residual remaining is allocated to common share purchase warrants.

(l) *Reclamation and closure cost obligations*

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

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

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

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

(m) *Net earnings (loss) per share*

The Company presents the basic and diluted net earnings (loss) per share data for its common shares, calculated by dividing the net earnings (loss) attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted net earnings (loss) per share is determined by adjusting the net earnings (loss) attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares (Note 11).

(n) *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, 2022. This accounting standard is not currently expected to have a significant effect on the Company's accounting policies or financial statements.

IAS 1 – Presentation of Financial Statements (“IAS 1”) was amended in January 2020 to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or noncurrent is based solely on a company's right to defer settlement at the reporting date. The right needs to be unconditional and must have substance. The amendments also clarify that the transfer of a company's own equity instruments is regarded as settlement of a liability, unless it results from the exercise of a conversion option meeting the definition of an equity instrument. These amendments were further revised by the issuance of Non-current Liabilities with Covenants (Amendments to IAS 1) on October 31, 2022 which further narrowed the scope of the amendments. The amendments are effective for annual periods beginning on January 1, 2024.

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4. Accounts Receivable and Prepaid Expenses

Accounts receivable and prepaid expenses consist of the following:

	December 31, 2022	December 31, 2021
	\$	\$
Accounts receivable (Note 10)	561,844	705,783
Prepaid expenses	96,862	49,503
	658,706	755,286

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 \$1,068,373 (2021 - \$1,707,061) as at December 31, 2022. Unrealized loss due to year-end revaluation to fair value of \$648,688 (2021 - \$313,184) are recorded in profit or loss. The valuation of the common shares has been determined in whole by reference to the closing price traded on the exchange at each reporting date.

b) The Company received 500,000 transferable share purchase warrants issued by Almaden with an exercise price of \$1.50 per share and an expiry date of May 14, 2024 as an arrangement fee of \$50,000 (Note 6) for the gold loan. The warrants are designated as FVTPL and has a fair value of \$5,000 as at December 31, 2022 (2021 - \$25,000). An unrealized loss due to year-end revaluation to fair value of \$20,000 (2021 - \$65,000) is recorded in profit or loss. These warrants were valued using the Black-Scholes option-pricing model with the following assumptions: expected life of 1.36 years, risk-free interest rate of 3.99%, expected dividend yield of 0% and expected volatility of 64.62%.

c) The Company received 829,652 transferable share purchase warrants issued by Star Royalties Ltd. ("Star Royalties") with an exercise price of \$0.70 per share and an expiry date of September 29, 2023 as a part of consideration (Note 8) for the sale of its 2% NSR royalty on the Elk property. The warrants are designated as FVTPL and has a fair value of \$10,000 as at December 31, 2021 (2021 - \$100,000). An unrealized loss due to year-end revaluation to fair value of \$90,000 (2021 - gain of \$67,000) is recorded in profit or loss. These warrants were valued using the Black-Scholes option-pricing model with the following assumptions: expected life of 0.75 years, risk-free interest rate of 3.99%, expected dividend yield of 0% and expected volatility of 47.81%.

6. 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

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6. Gold Loan Receivable (Continued)

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.

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, 2022, the Company deposited the full 1,597 ounces of gold bullion and Almaden has drawn 1,200 ounces (2021 – 1,200 ounces) on the account. The fair value of the gold loan receivable for the year ended December 31, 2022 decreased by \$26,219 (2021 – \$143,909) due to a decrease in the price of gold.

	December 31, 2022	December 31, 2021
Gold loan receivable, opening balance	\$ 4,278,297	\$ 4,158,059
Accrued interest income	314,024	271,093
Accrued standby fees	9,416	8,743
Change in FVTPL	(26,219)	(143,909)
Foreign exchange difference	310,410	(15,689)
	\$ 4,885,928	\$ 4,278,297

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7. Property and Equipment

	Automotive equipment	Office equipment	Geological library	Field equipment	Drill equipment	Total
	\$	\$	\$	\$	\$	\$
Cost						
December 31, 2021	435,644	1,055	114	97,683	1,107,170	1,641,666
Additions	305,476	-	-	-	76,779	382,255
Disposals	(60,847)	-	-	-	-	(60,847)
December 31, 2022	680,273	1,055	114	97,683	1,183,949	1,963,074
Accumulated depreciation						
December 31, 2021	193,534	711	58	44,973	470,471	709,747
Disposals	(39,021)	-	-	-	-	(39,021)
Depreciation	89,033	103	11	10,542	128,316	228,005
December 31, 2022	243,546	814	69	55,515	598,787	898,731
Carrying amounts						
December 31, 2021	242,110	344	56	52,710	636,699	931,919
December 31, 2022	436,727	241	45	42,168	585,162	1,064,343
Cost						
December 31, 2020	317,671	1,055	114	85,683	1,024,966	1,429,489
Additions	136,781	-	-	12,000	82,204	230,985
Disposals	(18,808)	-	-	-	-	(18,808)
December 31, 2021	435,644	1,055	114	97,683	1,107,170	1,641,666
Accumulated depreciation						
December 31, 2020	144,027	564	44	34,045	333,600	512,280
Disposals	(11,029)	-	-	-	-	(11,029)
Depreciation	60,536	147	14	10,928	136,871	208,496
December 31, 2021	193,534	711	58	44,973	470,471	709,747
Carrying amounts						
December 31, 2020	173,644	491	70	51,638	691,366	917,209
December 31, 2021	242,110	344	56	52,710	636,699	931,919

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8. Exploration and Evaluation Assets

Exploration and evaluation assets	San Pedro	Lajas	Victoria	Logan	Davis/ Paradise	Other Properties	Total
Acquisition costs:	\$	\$	\$	\$	\$	\$	\$
Opening balance – December 31, 2021	1	1	1	10,100	1	15	10,119
Additions	-	-	-	110,901	77,253	-	188,154
Closing balance – December 31, 2022	1	1	1	121,001	77,254	15	198,273
Deferred exploration costs:							
Opening balance – December 31, 2021	151,443	74,675	50,054	-	-	-	276,172
Costs incurred during the period:							
Drilling and related costs	55,963	-	-	-	545,354	-	601,317
Professional/technical fees	21,894	2,184	5,284	15,150	14,655	10,673	69,840
Claim maintenance/lease costs	23,263	19,350	33,716	-	91,819	126,216	294,364
Geochemical, metallurgy	44,618	-	-	10,721	43,702	-	99,041
Travel and accommodation	34,421	3,629	11,871	-	129,251	3,804	182,976
Geology, geophysics, exploration	50,789	780	6,521	117,125	135,635	7,640	318,490
Supplies and miscellaneous	4,521	-	608	216	20,012	2,839	28,196
Reclamation, environmental	2,754	-	-	-	9,584	11,282	23,620
Recovery of exploration costs	-	-	-	-	-	(41,974)	(41,974)
Impairment of deferred exploration costs	-	-	-	-	-	(120,480)	(120,480)
Total deferred exploration costs during the year	238,223	25,943	58,000	143,212	990,012	-	1,455,390
Closing balance – December 31, 2022	389,666	100,618	108,054	143,212	990,012	-	1,731,562
Total exploration and evaluation assets	389,667	100,619	108,055	264,213	1,067,266	15	1,929,835

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8. Exploration and Evaluation Assets (Continued)

Exploration and evaluation assets	San Pedro	Lajas	Victoria	Logan	Davis/Paradise	Other Properties	Total
	\$	\$	\$			\$	\$
Acquisition costs:							
Opening balance – December 31, 2020	1	1	1	-	1	15	19
Additions	-	-	-	10,100	30,273	-	40,373
Recovery of acquisition costs	-	-	-	-	(30,273)	-	(30,273)
Closing balance – December 31, 2021	1	1	1	10,100	1	15	10,119
Deferred exploration costs:							
Opening balance – December 31, 2020	-	-	12,674	-	-	-	12,674
Costs incurred during the period:							
Drilling and related costs	32,898	4,714	-	-	170,746	-	208,358
Professional/technical fees	451	609	801	-	14,525	8,191	24,577
Claim maintenance/lease costs	21,996	15,862	31,427	-	70,311	137,061	276,657
Geochemical, metallurgy	11,467	1,703	-	-	675	108	13,953
Travel and accommodation	6,392	10,948	-	-	32,689	2,974	53,003
Geology, geophysics, exploration	69,589	39,490	5,152	-	130,122	1,334	245,687
Supplies and miscellaneous	6,190	-	-	-	12,880	1,722	20,792
Reclamation, environmental	2,460	1,349	-	-	-	2,317	6,126
Recovery of exploration costs	-	-	-	-	-	(40,595)	(40,595)
Impairment of deferred exploration costs	-	-	-	-	(431,948)	(113,112)	(545,060)
Total deferred exploration costs during the year	151,443	74,675	37,380	-	-	-	263,498
Closing balance – December 31, 2021	151,443	74,675	50,054	-	-	-	276,172
Total exploration and evaluation assets	151,444	74,676	50,055	10,100	1	15	286,291

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

(a) San Pedro

San Pedro is a 100% owned project acquired by staking in Jalisco State, Mexico.

(b) Lajas

Lajas project is a 100% owned project acquired by staking in San Luis Potosi State, Mexico.

(c) Victoria (Formerly Nueva España)

Victoria is a 100% owned project acquired by staking.

(d) Logan

On May 26, 2022, the Company acquired 100% ownership of the Logan project located in Yukon, Canada for a total cost of \$121,001 including a deposit of \$10,100 paid during the year-ended December 31, 2021.

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8. Exploration and Evaluation Assets (Continued)

(e) Davis and Paradise Valley properties

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 amended 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	Paid on May 14, 2021
May 15, 2022	50,000	Paid on May 13, 2022
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.

The Company entered into an option dated March 1, 2022 to purchase a claim within the Paradise property in Nevada USA. The option agreement shall continue for five years with the following cash minimum payments:

	\$USD	
Upon execution of the agreement	10,000	Paid on March 1, 2022
March 1, 2023	10,000	Paid on March 28, 2023
March 1, 2024	25,000	
March 1, 2025	25,000	
March 1, 2026	30,000	
March 1, 2027	650,000	
Total	750,000	

The Company has the option to purchase the claim at any time for the purchase price of USD\$750,000. Any of the above minimum payments shall be credited towards the purchase price.

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:

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8. Exploration and Evaluation Assets (Continued)

(e) Davis and Paradise Valley properties (Continued)

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

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

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

(f) Other Properties

Other properties consist of a portfolio of early-stage exploration projects located in Canada, the United States and Mexico. During the year ended December 31, 2022, the Company recorded an impairment of acquisition cost of \$Nil (2021 - \$Nil) and deferred costs of \$120,480 (2021 - \$113,112) with respect to such properties. Each remaining property is carried at \$1 as at December 31, 2022.

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. Almadex retains a 2.0% NSR royalty on the property.

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 issue \$	Cash paid \$	
Beginning balance May 18, 2018	200,000	183,250	30,000	Paid and issued by Azucar
October 14, 2018	100,000	44,000	20,000	Paid by Aloro Mining Corp. ("Aloro") and issued by Almadex
October 14 and October 6, 2019	100,000	20,500	20,000	Paid by Aloro and issued by Almadex
October 14 and October 6, 2020	100,000	18,000	20,000	Paid by Aloro and issued by Almadex
October 6, 2021	-	-	60,000	Paid by Aloro
Total	500,000	265,750	150,000	

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8. Exploration and Evaluation Assets (Continued)

(f) Other Properties (Continued)

Los Venados (Continued)

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

On November 13, 2020, the Company transferred 100,000 shares of Azucar at fair value of \$0.18 per share as an option payment to the Optionor of the Los Venados project.

On November 29, 2016, Azucar signed a definitive agreement to option all of its interest in the Los Venados project to Aloro in exchange for the following:

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

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

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

Willow

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

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

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8. Exploration and Evaluation Assets (Continued)

(f) Other Properties (Continued)

Willow

	No. of Common Shares in Abacus	Fair value on receipt \$	Cumulative Amount of Exploration Expenditures (\$US)
Beginning balance May 18, 2018	83,334	31,667	100,000
February 22, 2019	41,667	2,917	400,000
February 22, 2020	41,667	4,167	1,000,000
February 22, 2021	83,333	11,667	1,800,000
February 22, 2022	166,667	10,000	-
February 7, 2023 (Note 17)	2,000,000	80,000	-
December 31, 2025	-	-	5,000,000
Total	2,416,668	140,418	\$ 5,000,000

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 9, 2022, the definitive agreement was amended to include a certain drill hole at a designated location on the property and to extend the completion of the US\$3 million cumulative exploration expenditures to December 31, 2022. On December 16, 2022, a second amendment was signed to extend the earn-in period to December 31, 2025 for 2,000,000 shares of Abacus on the condition that Abacus completes US\$5 million cumulative exploration expenditures by that time.

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	28,000	-	325,000
April 2, 2022	250,000	-	-	725,000
Total	650,000	40,500	10,000	\$ 725,000

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8. Exploration and Evaluation Assets (Continued)

(f) Other Properties (Continued)

Nicoamen and Merit (Continued)

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

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 operator and straight line dilution for failure to participate in work programs. If either party's participating interest falls below 10%, their interest will be converted into a 2% NSR royalty.

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

Royalty on the Elk property

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

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8. Exploration and Evaluation Assets (Continued)

(f) Other Properties (Continued)

Royalty on the El Encuentro property

On April 28, 2022, the Company received USD\$33,332 in cash from the sale of the 2% NSR royalty on its El Encuentro property. The payment is related to an advance annual royalty payment of up to USD\$100,000 per year in the event that commercial production does not occur prior to April 25, 2021.

9. Share Capital and Reserves

(a) Authorized share capital

At December 31, 2022, the Company's authorized share capital consisted of an unlimited number of common shares without par value.

(b) Issuance of common shares in 2022 and 2021

During the year ended December 31, 2022, the Company received \$4,750 on the exercise of 25,000 options at price of \$0.19. The Company also issued 92,552 shares in connection with a cashless exercise of 330,000 options. There were no shares issued during the year ended December 31, 2021.

(c) Warrants

The continuity of warrants for the years ended December 31, 2022 and 2021 are as follows:

Expiry date	Exercise Price	December 31, 2021	Issued	Exercised	Expired	December 31, 2022
October 16, 2023 ⁽¹⁾	\$ 0.40	5,400,000	-	-	-	5,400,000
Warrants outstanding and exercisable		5,400,000	-	-	-	5,400,000
Weighted average exercise price		\$ 0.40	-	-	-	\$ 0.40

⁽¹⁾ On September 23, 2022, warrants with an expiry date of October 16, 2022 were extended to October 16, 2023.

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

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9. 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, 2022, the Company may reserve up to 830,252 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, 2022 vested on the date of grant.

The Company's stock option plan permits the option holder to exercise cashless by surrendering a portion of the underlying option shares to pay for the exercise price and the corresponding withholding taxes, if applicable.

The continuity of stock options for the years ended December 31, 2022 and 2021 are as follows:

Expiry date	Exercise price	December 31, 2021	Granted	Exercised	Expired/cancelled	December 31, 2022
May 9, 2022	\$ 0.19	425,000	-	(25,000)	(400,000)	-
December 23, 2022	\$ 0.21	330,000	-	(330,000) (i)	-	-
May 11, 2023	\$ 0.26	2,849,200	-	-	(270,000)	2,579,200
June 14, 2023	\$ 0.27	433,000	-	-	(80,000)	353,000
July 8, 2023	\$ 0.30	757,800	-	-	-	757,800
December 5, 2023	\$ 0.31	1,075,000	-	-	-	1,075,000
January 26, 2024	\$ 0.31	-	50,000	-	-	50,000
May 31, 2027	\$ 0.28	-	425,000	-	-	425,000
Options outstanding and exercisable		5,870,000	475,000	(355,000)	(750,000)	5,240,000
Weighted average exercise price		\$ 0.27	\$ 0.28	\$ 0.21	\$ 0.22	\$ 0.28

- (i) In accordance with the Company's stock option plan, options holders exercised 330,000 stock options on a cashless basis at an exercise price of \$0.21. The total number of shares issued in connection with the cashless exercise of options was 92,552.

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9. Share Capital and Reserves (Continued)

(d) Stock option plan (Continued)

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

The fair value of the options granted during the year ended December 31, 2022, was estimated on the grant date using the Black-Scholes option pricing model with the following weighted average assumptions:

Risk-free interest rate	2.69%
Expected life	4.68 years
Expected volatility	57.76%
Expected dividend yield	Nil
Weighted average fair value per option	\$0.12

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

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

During the year ended December 31, 2022, the Company recognized share-based payments expense of \$56,000 (2021 - \$615,456) associated with the vesting of stock options granted.

10. Related Party Transactions and Balances

(a) Compensation of key management personnel

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

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10. Related Party Transactions and Balances (Continued)

(a) Compensation of key management personnel (Continued)

	December 31, 2022	December 31, 2021
Management fees ⁽¹⁾	848,138	738,738
Share-based payments	36,000	527,580
Directors' fees	30,000	-
	914,138	1,266,318

⁽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.

At December 31, 2022, included in trade and other payables is \$117,044 (2021 - \$69,298) due to Almaden. Amounts owing to related parties are unsecured, non-interest bearing and due on demand.

Other

At December 31, 2022, a portion of \$6,882,746 (2021 - \$3,795,272) included in exploration and drilling services revenue was billed by the Company to Almaden \$Nil (2021 - \$73,402), Azucar \$Nil (2021 - \$107,167) for mining exploration services in Mexico of which \$80,727 (2021 - \$72,130) and \$90,999 (2021 - \$81,309) are recorded in accounts receivable in relation to Almaden and Azucar.

11. Net Income per Share

Basic and diluted net income per share

The calculation of basic net income per share for the year ended December 31, 2022 was based on the net income attributable to common shareholders of \$3,220,145 (2021 - \$12,039,239) and a weighted average number of common shares outstanding of 60,605,183 (2021 - 60,584,969).

The calculation of diluted net income per share for the year ended December 31, 2022 includes a weighted average number of common shares outstanding of 60,979,299, adjusted for the effects of all dilutive potential common shares, which comprises 374,116 stock options and nil warrants.

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

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12. Supplemental Cash Flow Information

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

	December 31, 2022	December 31, 2021
	\$	\$
Cash	5,642,012	3,872,381
Term Deposits	12,754,160	13,344,100
	18,396,172	17,216,481

Supplemental information regarding non-cash transactions is as follows:

	Periods Ended	
	December 31, 2022	December 31, 2021
Investing and financing activities		\$
Exploration and evaluation expenditures included in trade and other payables	70,429	19,124
Property, plant and equipment included in trade and other payables	-	69,969
Fair value of shares received on disposal of exploration and evaluation assets	10,000	67,666

During the years ended December 31, 2022, the Company paid \$Nil (2021 – \$694,005) for income taxes and \$Nil (2021 - \$Nil) for interest.

13. Income Taxes

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

	December 31, 2022	December 31, 2021
	\$	\$
Current income tax expense	(21,599)	694,005
Deferred income tax recovery	220,760	(601,342)
Income taxes	199,161	92,663

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, 2022	December 31, 2021
	\$	\$
Income before income taxes	3,419,306	12,131,902
Statutory rate	27%	27%
Expected income tax	923,213	3,275,614
Effect of different tax rates in foreign jurisdictions	68,519	38,717
Non-deductible share-based payments	15,120	166,173
Other permanent items	(96,399)	(28,433)
Change in unrecognized deductible temporary differences and other	(711,292)	(3,359,408)
Total income tax expense	199,161	92,663

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13. Income Taxes (Continued)

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

	December 31, 2022	December 31, 2021
	\$	\$
Deferred tax assets:		
Non-capital losses	-	-
Exploration and evaluation assets	463,694	753,726
Marketable securities and investments	156,962	118,596
Property, plant and equipment	16,032	5,661
	636,688	877,983
Deferred tax liabilities:		
Exploration and evaluation assets	(14,854)	-
Property and equipment	(1,178)	(1,449)
Gold loan receivable	(156,962)	(118,596)
Marketable securities	(83,112)	(152,384)
Contingent shares receivable	-	(4,212)
	(256,106)	(276,641)
Net deferred tax assets	380,582	601,342

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

	December 31, 2022	December 31, 2021
	\$	\$
Non-capital loss carry forwards	2,878,305	4,804,881
Capital loss carry forwards	25,635	25,635
Exploration and evaluation assets	20,380,527	19,792,548
Share issue costs	10,076	15,114
Property and equipment	1,633,218	987,831
Marketable securities and investments	1,478,901	1,498,213
	26,406,662	27,124,222

At December 31, 2022, the Company had operating loss carry forwards available for tax purposes in Canada of \$1,246,895 (2021 - \$941,941) which expire between 2033 and 2042, in the United States of \$641,626 (2021 - \$641,051) which expire between 2036 to indefinite and in Mexico of \$989,784 (2021 - \$3,221,889) which expire between 2023 and 2032.

14. 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.

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14. Financial Instruments (Continued)

(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, 2022, 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	16,617,671	417,520
Accounts receivable and prepaid expenses	293,941	191,852
Gold loan receivable	4,885,928	-
Total assets	21,797,540	609,372
Trade and other payables	130,063	65,213
Total liabilities	130,063	65,213
Net assets	21,667,477	544,159

A 10% change in the US dollar exchange rate relative to the Canadian dollar would change the Company's profit or loss by \$2,170,000.

A 10% change in the Mexican peso relative to the Canadian dollar would change the Company's profit or loss by \$54,000.

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

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

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, 2022, the Company's maximum exposure to credit risk is the carrying value of its cash and cash equivalents, accounts receivable and gold loan receivable.

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14. Financial Instruments (Continued)

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and cash flow from exploration and drilling services.

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 \$50,000.

(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).

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14. Financial Instruments (Continued)

(f) Classification of financial instruments (Continued)

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

2022	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Marketable securities and investments	1,068,373	15,000	-	1,083,373
Gold loan receivable	4,885,928	-	-	4,885,928

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

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 6) and Star Royalties (Note 8) as an arrangement fee to cover the administrative costs of setting up the gold loan using the Black-Scholes option-pricing model and proceeds on sale of royalties respectively.

(g) Concentration risk

Concentration risk of 42.1% (2021 – 44.8%) of accounts receivable is due from one customer.

15. Management of Capital

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

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

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

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

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16. 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:

2022	Gold loan receivable	Deferred income tax assets	Property and equipment	Exploration and evaluation assets	Reclamation deposit	December 31, 2022
	\$	\$	\$	\$	\$	\$
Canada	4,885,928	380,582	5,106	264,218	40,000	5,575,834
United States	-	-	258,535	1,067,270	-	1,325,805
Mexico	-	-	800,702	598,347	-	1,399,049
	4,885,928	380,582	1,064,343	1,929,835	40,000	8,300,688

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

The Company's revenue from interest income on cash and cash equivalents was earned in Canada. Other income from exploration and drilling services was earned in USA \$923,724 (2021 - \$828,095) and Mexico \$5,959,022 (2021 - \$2,967,177).

17. Subsequent Events

- On January 11, 2023, the Company granted certain directors and officer an aggregate of 330,000 stock options in accordance with the terms of the Company's stock option plan, each of which is exercisable into one common share at an exercise price of \$0.34 per share until December 17, 2027.
- On February 7, 2023, the Company received 2,000,000 shares of Abacus at a fair value of \$80,000 (Note 8 (f)).
- On February 3, 2023, the Company sold its remaining 40% interest in the Ponderosa Property to Au Gold Corp. for consideration of shares and NSR royalty. On February 9, 2023, the Company received 750,000 shares of Au Gold Corp at a fair value of \$30,000.
- On March 6, 2023, the Company received an additional payment of USD\$33,332 in cash from the sale of the 2% NSR royalty on its El Encuentro property. The payment is related to an advance annual royalty payment of up to USD\$100,000 per year in the event that commercial production does not occur prior to April 25, 2021.
- On March 28, 2023, the Company made a second option payment of USD\$10,000 to acquire a claim at Paradise Valley property in Nevada, USA.