ALMADEX MINERALS LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2019

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") for Almadex Minerals Ltd. ("Almadex" or the "Company") has been prepared based on information known to management as of April 27, 2020. This MD&A is intended to help the reader understand the consolidated financial statements of Almadex.

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

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

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

FORWARD-LOOKING STATEMENTS

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

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

HIGHLIGHTS

During the quarter, the Company entered into an option to purchase 100% ownership, subject to royalty provisions described below, of a package of 34 unpatented claims located adjacent to its Paradise Valley project in Nye County, Nevada (the "Davis Agreement"). The terms of the Davis Agreement are as follows:

Nov. 22, 2019: US$100,000 (paid)
Nov. 15, 2020: US$50,000
Nov. 15, 2021: US$50,000
Nov. 15, 2022: US$50,000
Nov. 15, 2023: US$100,000
Nov. 15, 2024: The greater of US$200,000, or the value of 140 ounces of gold

Upon payment of the above amounts, which may be accelerated, Almadex will have the option to Purchase the claims for an amount equal to the greater of US$250,000 or 180 ounces of gold, subject to a 2.0% NSR production royalty which can be reduced to 1.0% with the payment of the greater of US$2 million or 1,400 troy ounces of gold. If reduced to a 1.0% NSR royalty, the remaining 1.0% NSR royalty shall be capped at an amount equal to the greater of US$6 million and 4,000 troy ounces of gold.

Almadex subsequently acquired through staking an additional 79 claims which are subject to the Davis Agreement due to their proximity to the claims covered by such agreement. Collectively these 113 claims totalling almost 900 hectares will be referred to as the Davis property, which is situated immediately north of the Company's existing Paradise Valley property.

The Davis property covers an area of hydrothermal alteration hosting low-sulphidation epithermal veins on which there has been historic mining and exploration drilling. The Davis property was explored historically by several operators including from 1979 to 1982 by USSRam Exploration culminating in a nine hole drill program at the Davis Mine to test mineralisation beneath the shaft of the mine. More recently another operator drilled additional holes in the same general area of the previous drilling. This historic drilling data indicates the potential for significant widths and grades in the Davis epithermal vein system. While this historic drilling is not 43-101 compliant and cannot be relied upon, it provides clear exploration focus with the deepest intercept returning 40 feet (12.2 metres) of 0.18 oz/t gold (6.2 g/t gold) and 0.62 oz/t silver (21 g/t silver).

Almadex plans to undertake a program of surface mapping, sampling and possibly geophysics in order to define targets for drilling.

During the quarter, the Company drilled approximately 860 meters in two exploration holes on the El Chato property, which did not return meaningful results. The Company believes that the El Chato property still holds potential for discovery and is considering next steps.

More generally, Almadex continued to advance its other mineral properties through a combination of land consolidation and initial prospecting, including where appropriate prospect drilling. Results of this work will be reported as appropriate going forward.

Finally, during the quarter, Almaden Minerals Ltd. ("Almaden") drew-down 400 ounces under the gold loan agreement announced by the Company on May 14, 2019.

OVERALL PERFORMANCE

Background

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

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

Company Mission and Focus

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

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

Qualified Person

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

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

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

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

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

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

MINERAL PROPERTIES

Following is a brief description of the more active mineral properties owned by the Company. Additional information can be obtained from Almadex's website www.almadexminerals.com.

El Chato – Mexico

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

Location and Ownership

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

Recent Updates

Almaden commenced exploration at the El Chato Property in late 2011 and Azucar continued work as of May 2015. Between 2011 and 2017, exploration work at the El Chato Property comprised of rock, soil and stream geochemical sampling, induced polarization ("IP") geophysical surveys, and geological mapping. A total of 98 rock samples, 534 soil samples and 16 stream sediment samples were collected, and 69.1 line-kilometres of IP was completed. Spectral analysis was performed on 582 of the soil samples, distributed in 477 locations within the El Chato Property, in order to identify hydrothermal alteration minerals. In 2018, a surface exploration program successfully identified targets for future drilling in this porphyry lithocap environment. These targets are defined by IP chargeability anomalies beneath a zone of intense alteration interpreted to represent the upper portion of a buried porphyry system.

During the quarter, the Company drilled 861.36 meters in 2 exploration holes on the El Chato property, which did not return meaningful results. The Company believes that the El Chato property still holds potential for discovery and is considering next steps.

Yago – Mexico

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

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

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

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

Upcoming / Outlook

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

Other Properties

Other properties consist of a portfolio of early-stage exploration projects located in Canada, the United States of America, and Mexico. During the year ended December 31, 2019, the Company incurred acquisition costs of $192,783 (2018 - $83,108) and exploration costs of $321,223 (2018 - $282,271) on mainly a care-and-maintenance basis and recorded a write-down of $413,510 (2018 - $365,379) with respect to these properties.

RISK FACTORS

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

Inherent risks within the mining industry

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

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

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

Market volatility for marketable securities and investments

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

Industry

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

Mineral resource estimates

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

Prices of gold, silver and other metals

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

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

Cash flows and additional funding requirements

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

Exchange rate fluctuations

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

Environmental

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

Laws, Regulations, and Permits

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

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

Political, economic and social environment

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

Title to mineral properties

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

Possible dilution to present and prospective shareholders

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

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

At April 27, 2020, there were 5,188,000 stock options and no warrants outstanding. Directors and officers hold 4,434,000 of the options and 754,000 options are held by employees and consultants of the Company.

Trading volume

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

Volatility of share price

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

Competition

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

Dependence on management

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

Conflict of interest

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

Impairment of Exploration and Evaluation Assets

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

At December 31, 2019, the Company concluded that impairment indicators existed with respect to certain of its exploration and evaluation assets. An impairment of acquisition and deferred exploration costs of $413,510 for the year ended December 31, 2019 (2018 - $365,379) has been recognized.

Material Financial and Operations Information

	December 31, 2019	**Period from incorporation on February 26, 2018 to December 31, 2018**
		$
Total revenues	1,058,485	847,974
Net loss for the year	(1,087,849)	(3,884,989)
Net loss per share - basic	(0.02)	0.10
Net loss per share - diluted	(0.02)	0.10
Impairment of exploration and evaluation assets	413,510	365,379
Share-based payments	209,054	1,325,491
Working capital	6,151,427	10,638,302
Total assets	18,406,652	19,792,885
Cash dividends declared – per share	Nil	Nil

Summary of Quarterly Results

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

	Q4 Dec 2019 Quarter	Q3 Sep 2019 Quarter	Q2 June 2019 Quarter	Q1 March 2019 Quarter
	$	$	$	$
Total revenue	102,294	304,925	371,132	280,134
Loss and comprehensive income (loss)	(611,778)	(215,703)	(8,254)	(252,114)
Income (loss) per share – basic	(0.01)	(0.00)	(0.00)	(0.01)
Income (loss) per share – diluted	(0.01)	(0.00)	(0.00)	(0.01)
Total assets	18,406,652	18,986,668	19,085,596	19,161,198
Cash dividends declared	-	-	-	-

	Q4 Dec 2018 Quarter	Q3 Sep 2018 Quarter	Q2 June 2018 Quarter	Q1 March 2018 Quarter
	$	$	$	$
Total revenue	324,235	303,463	220,276	-
Loss and comprehensive loss	64,999	(1,931,945)	(2,018,043)	-
Income (loss) per share – basic	0.00	(0.03)	(0.07)	(0.00)
Income (loss) per share – diluted	0.00	(0.03)	(0.07)	(0.00)
Total assets	19,792,885	13,082,604	14,289,101	100
Cash dividends declared	-	-	-	-

Quarterly variances in total revenue are dependent on the interest income earned from various levels of cash balances, drilling equipment rental fees to Almaden and Azucar and financing fees from the gold loan to Almaden. The main causes of change in net loss from quarter to quarter include share-based payments relating to the fair values of stock options granted, operating expenses to review business opportunities, and other income (loss) from unrealized loss on marketable securities due to the capital market fluctuations as discussed in Review of Operations and Financial Results section below.

Results of Operations and Financial Results

<u>Results of Operations for the three months ended December 31, 2019 compared to the three months ended December 31, 2018</u>

For the three months ended December 31, 2019, the Company recorded a net loss and comprehensive loss of $611,778 (2018 – net income $64,999) or a basic and diluted net loss of $0.01 (2018 – net income of $0.01) per share. The revenue of $102,294 (2018 - $324,235) during the three months ended December 31, 2019 consisted of interest income of $29,177 (2018 - $34,633) from cash balances; equipment rental fees of $36,157 (2018 - $289,602) from drilling equipment rentals to Almaden and Azucar; and financing fees of $36,960 (2018 - $Nil) earned from the gold loan to Almaden. The reduction of $253,445 in 2019 Q4 equipment rental fee contributed to the majority decrease in revenue during 2019 Q4 as Azucar deferred some of its drilling to 2020 fiscal year.

A significant portion of total expenses of $241,899 (2018 - $378,350) during the three months ended December 31, 2019 were related to general and administrative expenses such as professional fees of $69,453 (2018 - $150,491) and various other expenses incurred by the Company to review business opportunities and to communicate with shareholders. An administrative services fee of $81,524 (2018 - $130,470) was paid to Almaden during the three months ended December 31, 2019 for providing office space, executive management services, marketing support and technical oversight to Almadex. A decrease in administrative service fee is due to the reduced exploration activities at site while waiting for drill permits and land access.

Significant non-cash items during the three months ended December 31, 2019 included impairment of exploration and evaluation assets of $265,412 (2018 - $171,171), unrealized loss on marketable securities and investments of $207,378 (2018 – gain $177,836) and unrealized loss on contingent shares receivable of $7,800 (2018 - $Nil). Impairment of exploration and evaluation assets fluctuates period to period based on management's evaluation of the carrying value of each exploration and evaluation asset interest held at that time. Unrealized loss on marketable securities relate to share price fluctuations in the capital markets. The contingent shares receivable is based on the fair value of the common shares of Goldgroup Mining Inc. ("Goldgroup") held by the Company as at December 31, 2019.

<u>Results of Operations for the year ended December 31, 2019 compared to the year ended December 31, 2018</u>

For the year ended December 31, 2019, the Company recorded a net loss and comprehensive loss of $1,087,849 (2018 - $3,884,989) or a basic and diluted net loss of $0.02 (2018 - $0.10) per share. The revenue of $1,058,485 (2018 - $847,974) during the year ended December 31 2019 consisted of interest income of $87,294 (2018 - $54,744) from cash balances; equipment rental fees of $867,904 (2018 - $793,230) from drilling equipment rentals to Almaden and Azucar; and the new financing fees of $103,287 (2018 - $Nil) earned from the gold loan to Almaden.

A significant portion of total expenses of $1,138,420 (2018 - $1,966,516) during the year ended December 31, 2019 were related to general and administrative expenses such as professional fees of $227,448 (2018 - $232,455) and various other expenses incurred by the Company to review business opportunities and to communicate with shareholders. An administrative services fee of $319,116 (2018 - $242,460) was paid to Almaden during the year ended December 31, 2019 for providing office space, executive management services, marketing support and technical oversight to Almadex due to an increase in exploration activities at various projects in Mexico.

Significant non-cash items during the year ended December 31, 2019 included impairment of exploration and evaluation assets of $413,510 (2018 - $365,379), unrealized loss on marketable securities and investments of $921,140 (2018 - $2,573,045), and unrealized loss on contingent shares receivable of $11,700 (2018 - $11,700). Impairment of exploration and evaluation assets fluctuates period to period based on management's evaluation of the carrying value of each exploration and evaluation asset interest held at that time. Unrealized loss on marketable securities relate to share price fluctuations in the capital markets. The contingent shares receivable is based on the fair value of the common shares of Goldgroup held by the Company as at December 31, 2019.

Liquidity and Capital Resources

At December 31, 2019, the Company had working capital of $6,151,427, including cash and cash equivalents of $5,038,009.

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

<u>Three months ended December 31, 2019</u>

Net cash from operations during the three months ended December 31, 2019 was $407,311 (2018 - $770,986), after adjusting for non-cash activities.

Net cash used in investing activities of $395,215 (2018 - $884,824) during the three months ended December 31, 2019 relates to purchase of property and equipment of $1,610 (2018 - $479,585), expenditures on exploration and evaluation assets of $395,605 (2018 - $579,726).

Net cash from financing activities during the three months ended December 31, 2019 was $Nil (2018 - $15,601) as a result of options exercised.

<u>Year ended December 31, 2019</u>

Net cash used in operations during the year ended December 31, 2019 was $20,285 (2018 Net cash from operations - $689,145), after adjusting for non-cash activities.

Net cash used in investing activities of $1,255,761 during the year ended December 31, 2019 (2018 - $1,247,811) relates to purchase of property and equipment of $89,932 (2018 - $549,646), expenditures on exploration and evaluation assets of $1,214,047 (2018 - $896,833), net proceeds from sale of property and equipment of $28,218 (2018 - $Nil) and net proceeds from sale of exploration and evaluation assets of $20,000 (2018 - $Nil).

Net cash from financing activities during the year ended December 31, 2019 was $8,100 (2018 - $6,864,521) as a result of options exercised.

Disclosure of Outstanding Share Data

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

	Number of Common Shares Issued & Outstanding	Share Capital Amount
December 31, 2018	55,094,969	$21,953,536
December 31, 2019	55,184,969	$21,982,336
April 27, 2020	55,184,969	$21,982,336

Share issuances during fiscal 2019

On July 2, 2019, the Company received $8,100 on the exercise of 90,000 stock options with exercise prices of $0.09.

The following table summarizes information about warrants outstanding at April 27, 2020:

Expiry date	Exercise Price	December 31, 2019	Issued	Exercised	Expired	April 27, 2020
March 27, 2020	$ 0.59	1,999,995	-	-	(1,999,995)	-
Warrants outstanding and exercisable		**1,999,995**	**-**	**-**	**(1,999,995)**	**-**
Weighted average exercise price		$ 0.59	-	-	$ 0.59	-

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

The Company grants directors, officers, employees and contractors options to purchase common shares under its Stock Option Plan. This plan and its terms are detailed in Note 11(d) to the consolidated financial statements for the period ended December 31, 2019, which are available on SEDAR at www.sedar.com.

During the year ended December 31, 2019 and to the date of this MD&A, the Company granted the following stock options:

Number of Stock Options Granted	Price Per Share	Expiry Date
628,000	$0.32	June 4, 2021
931,800	$0.29	July 4, 2021

The following table summarizes information about stock options outstanding at April 27, 2020:

Expiry date	Exercise price	December 31, 2019	Granted	Exercised	Expired/ cancelled	April 27, 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	-	-	-	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		**5,188,000**	**-**	**-**	**-**	**5,188,000**
Weighted average exercise price		$ 0.31	-	-	-	$ 0.31

As of date of this MD&A, there were 55,184,969 common shares issued and outstanding and 60,372,969 common shares outstanding on a diluted basis.

Environmental Provisions and Potential Environmental Contingency

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

Off-Balance Sheet Arrangements

None.

Contractual Commitments

None.

Proposed Transactions

None.

Transactions with Related Parties

(a) Compensation of key management personnel

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

2019	**Fees[1]**	**Share-based Payments**	**Total**
	$	**$**	**$**
Chairman	48,000	30,180	78,180
President & CEO	67,000	53,000	120,000
CFO	45,000	8,400	53,400
VP Corporate Development	42,400	7,000	49,400
Directors	-	68,120	68,120
	202,400	166,700	369,100

From February 26, 2018 to December 31, 2018	**Fees[1]**	**Share-based Payments[2]**	**Total**
	$	**$**	**$**
Chairman	29,806	148,650	178,456
President & CEO	68,105	380,900	449,005
CFO	39,044	71,700	110,744
VP Corporate Development	37,879	119,400	157,279
Directors	-	385,920	385,920
	174,834	1,106,570	1,281,404

(1) Management fees are recorded within Administrative services fees.
(2) Share-based payments includes stock options spun-out from Azucar.

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

(b) Other related party transactions

Administrative Services Agreement

The Company paid administrative services fees to Almaden pursuant to an Administrative Services Agreement dated May 18, 2018, under which Almaden provides the Company with office space, executive management, marketing support, technical oversight, and financial/corporate secretary duties, amongst other administrative services.

At December 31, 2019, included in trade and other payables is $34,296 (December 31, 2018 - $116,268) due to Almaden.

Other

During the year ended December 31, 2019, other income of $867,904 (2018 - $793,230) was paid by Almaden and Azucar to the Company for drill equipment rental services in Mexico of which $133,498 (December 31, 2018 $37,533) and $Nil (December 31, 2018 - $252,069) is recorded in accounts receivable in relation to Almaden and Azucar, respectively.

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

Financial Instruments

The fair values of the Company's cash and cash equivalents, accounts receivable and trade and other payables approximate their carrying values because of the short-term nature of these instruments. The fair value of the gold loan receivable is based on the gold market price as at each reporting date.

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

(a) Currency risk

The Company's property interests in Mexico make it subject to foreign currency fluctuations and inflationary pressures which may adversely affect the Company's financial position, results of operations and cash flows. The Company is affected by changes in exchange rates between the Canadian dollar and foreign currencies. The Company does not invest in foreign currency contracts.

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

All amounts in Canadian dollars	US dollar	Mexican peso
	$	$
Cash and cash equivalents	1,024,561	527,946
Account receivables and prepaid expenses	935	134,434
Gold loan receivable	3,216,818	-
Total assets	**4,242,314**	**662,380**
Trade and other payables	51,159	1,205
Total liabilities	**51,159**	**1,205**
Net assets	**4,191,155**	**661,175**

A 10% change in the US dollar exchange rate relative to the Canadian dollar would change the Company's profit or loss by $419,000.

A 10% change in the Mexican peso exchange rate relative to the Canadian dollar would change the Company's profit or loss by $66,000.

(b) Credit risk

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

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

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

As at December 31, 2019, the Company's maximum exposure to credit risk is the carrying value of its cash and cash equivalents, accounts receivable and gold loan receivable.

(c) Liquidity risk

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

Trade and other payables are due within twelve months of the statement of financial position date.

(d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to varying interest rates on cash and cash equivalents. The Company has no interest-bearing debt.

A 1% change in the interest rate would change the Company's net loss by $50,000.

(e) Commodity and equity price risk

(i) Commodity price risk

The ability of the Company to explore its exploration and evaluation assets and the future profitability of the Company are directly related to the market price of gold and other precious metals. The Company is exposed to the commodity price risk on fluctuation of gold prices on its gold loan receivable. The Company monitors gold prices to determine the appropriate course of action to be taken by the Company.

A 1% change in the price of gold would affect the fair value of the Company's gold loan receivable by $32,000.

(ii) Equity price risk

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

(f) Classification of Financial instruments

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

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

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

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

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

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

2018	**Level 1**	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Marketable securities and investments	4,621,066	-	-	4,621,066
Contingent shares receivable	-	19,500	-	19,500

Level 2 inputs used in determining the fair value of contingent shares receivable includes the use of quoted market prices for the underlying shares of the public companies, as well as estimates regarding the likelihood of achieving certain milestones that would trigger the collection of the contingent shares receivable by the Company.

Level 2 inputs are also used in determining the fair value of warrants received from Almaden as an arrangement fee to cover the administrative costs of setting up the gold loan. The warrants are valued using the Black-Scholes option-pricing model.

Management of Capital

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

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

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

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

Subsequent Events

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

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

c) In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business over the medium and long term.

   On April 1, 2020, the Company announced that the Mexican federal government has mandated that all non-essential businesses, including mining and exploration, temporarily suspend operations until April 30, 2020 due to the COVID-19 virus. The Mexican government has since extended this suspension to May 30, 2020, subject to certain exemptions. Almadex is not currently drilling at any of its projects, and drilling activities that it has been conducting on behalf of other companies in Mexico using its wholly-owned drills have ceased.

Information on the Board of Directors and Management

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

Audit Committee members:
Mark T. Brown, CPA, CA
Douglas McDonald, M.A.Sc, B.Com.
Jack McCleary, P.Geo.

Compensation Committee members:
Jack McCleary, P.Geo.
Duane Poliquin, P.Eng.
William J. Worrall, Q.C.

Nominating & Corporate Governance Committee members:
Mark T. Brown, CPA, CA
Morgan Poliquin, P.Eng, Ph.D.
William J. Worrall, Q.C.

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