Consolidated Financial Statements of

Azucar Minerals Ltd. (formerly Almadex Minerals Limited)

For the year ended December 31, 2018 and 2017

Azucar Minerals Ltd. (formerly Almadex Minerals Limited)
December 31, 2018 and 2017

Table of contents

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Azucar Minerals Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Azucar Minerals Ltd. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of net income (loss) and comprehensive income (loss), 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 Azucar Minerals Ltd. as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's, Discussion and Analysis prior to the date of this auditors' 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 Grant P. Block.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada — Chartered Professional Accountants

April 16, 2019

Azucar Minerals Ltd. (formerly Almadex Minerals Limited)
Consolidated statements of financial position
(Expressed in Canadian dollars)

	December 31, 2018	December 31, 2017
	$	$
ASSETS		
Current assets		
Cash and cash equivalents (Note 13)	**14,469,889**	1,511,419
Accounts receivable and prepaid expenses (Note 5)	**240,320**	463,757
Marketable securities and investments (Note 6)	**-**	2,773,253
	14,710,209	4,748,429
Non-current assets		
Reclamation deposits (Note 4(l))	**-**	25,929
Contingent shares receivable (Note 7)	**-**	23,400
Property and equipment (Note 8)	**28,150**	875,698
Exploration and evaluation assets (Note 9)	**13,359,805**	9,098,599
	13,387,955	10,023,626
TOTAL ASSETS	**28,098,164**	14,772,055
LIABILITIES		
Current liabilities		
Trade and other payables (Note 11(b))	**615,027**	341,580
Total liabilities	**615,027**	341,580
EQUITY		
Share capital (Note 10)	**23,991,008**	15,977,418
Reserves (Note 10)	**2,998,745**	2,226,924
Retained earnings (Deficit)	**493,384**	(3,773,867)
Total equity	**27,483,137**	14,430,475
TOTAL EQUITY AND LIABILITIES	**28,098,164**	14,772,055

Subsequent Events (Note 18)

These consolidated financial statements are authorized for issue by the Board of Directors on April 16, 2019.

They are signed on the Company's behalf by:

/s/Duane Poliquin
Director

/s/Mark T. Brown
Director

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

Azucar Minerals Ltd. (formerly Almadex Minerals Limited)

Consolidated statements of net income (loss) and comprehensive income (loss)

(Expressed in Canadian dollars)

	Years ended December 31, 2018	2017
	$	$
Revenue		
Interest income	**192,695**	19,794
Other income (Note 11(b))	**178,047**	300,247
	370,742	320,041
Expenses		
Administrative services fee (Note 11(a)(b))	**531,457**	492,478
Depreciation (Note 8)	**76,742**	216,259
Impairment of exploration and evaluation assets (Note 9(d))	**102,202**	1,008,726
Office	**59,284**	11,054
Professional fees	**345,068**	353,857
Transfer agent and filing fees	**110,038**	78,556
Travel and promotion	**55,948**	61,013
Share-based payments (Note 10(d))	**1,573,881**	1,406,514
	2,854,620	3,628,457
Operating loss	**(2,483,878)**	(3,308,416)
Other income (loss)		
Gain on transfer of spin-out assets (Note 2)	**6,146,095**	-
Realized gain on spin-out of marketable securities and investments	**439,098**	-
Gain on sale of exploration and evaluation assets (Note 9(d))	**39,167**	89,052
Gain on sale of marketable securities and investments	**6,805**	1,123,701
Gain on sale of property and equipment (Note 8)	**69,553**	-
Gain (loss) on fair value of contingent shares receivable (Note 7)	**7,800**	(27,300)
Foreign exchange gain (loss)	**42,611**	(86,478)
Net income (loss) for the year	**4,267,251**	(2,209,441)
Other comprehensive income (loss)		
Items that may be reclassified subsequently to profit or loss		
Net change in fair value of available-for-sale financial assets, net of tax of $Nil (Note 6)	**172,391**	(699,126)
Reclassification adjustment relating to the sale of available-for-sale financial assets included in net loss, net of tax of $Nil	**(439,098)**	(903,670)
Other comprehensive loss for the year	**(266,707)**	(1,602,796)
Total comprehensive income (loss) for the year	**4,000,544**	(3,812,237)
Basic and diluted net income (loss) per share (Note 12)	**0.07**	(0.05)

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

Azucar Mineral Ltd. (formerly Almadex Minerals Limited)
Consolidated statements of cash flows
(Expressed in Canadian dollars)

	Years ended December 31,	
	2018	2017
	$	$
Operating activities		
Net income (loss) for the year	**4,267,251**	(2,209,441)
Items not affecting cash		
Depreciation	**76,742**	216,259
(Gain) loss on fair value of contingent shares receivable	**(7,800)**	27,300
Gain on sale of marketable securities	**(6,805)**	(1,123,701)
Impairment of exploration and evaluation assets	**102,202**	1,008,726
Unrealized foreign exchange on reclamation deposit	**1,748**	1,647
Gain on sale of exploration and evaluation assets	**(39,167)**	(89,052)
Gain on sale of property and equipment	**(69,553)**	-
Gain on transfer of spin-out assets	**(6,146,095)**	-
Realized gain on spin-out of marketable securities and investments	**(439,098)**	-
Share-based payments	**1,573,881**	1,406,514
Changes in non-cash working capital components		
Accounts receivable and prepaid expenses	**(33,605)**	(264,847)
Trade and other payables	**(18,778)**	(30,893)
Net cash used in operating activities	**(739,077)**	(1,057,488)
Investing activities		
Exploration and evaluation assets - costs	**(4,352,468)**	(4,534,662)
Property and equipment - purchase	**(33,059)**	(128,057)
Net proceeds from sale of property and equipment	**103,798**	-
Net proceeds from sale of marketable securities	**30,345**	836,716
Net cash used in investing activities	**(4,251,384)**	(3,826,003)
Financing activities		
Issuance of shares, net of share issue costs	**24,453,249**	3,231,785
Transaction cost paid in connection with the arrangement (Note 2)	**(533,960)**	-
Cash paid to Almadex pursuant to plan of arrangement	**(5,984,338)**	-
Cash from subsidiaries spun out to Almadex	**(756,116)**	-
Options exercised	**727,784**	483,990
Finder's warrants exercised	**42,312**	-
Net cash from financing activities	**17,948,931**	3,715,775
Change in cash and cash equivalents	**12,958,470**	(1,167,716)
Cash and cash equivalents, beginning of year	**1,511,419**	2,679,135
Cash and cash equivalents, end of year	**14,469,889**	1,511,419

Supplemental cash flow information (Note 13)

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

Azucar Mineral Ltd. (formerly Almadex Minerals Limited)
Consolidated statement of changes in equity
(Expressed in Canadian dollars)

	Share Capital		Reserves					
	Number of shares	Amount	Share-based payments	Warrants	Available-for-sale financial assets	Total Reserves	**Retained earnings (Deficit)**	**Total**
		$	$	$	$	$	$	$
Balance, January 1, 2017	**44,336,369**	**12,093,447**	**590,899**	**-**	**1,869,503**	**2,460,402**	**(1,564,426)**	**12,989,423**
Share-based payments	-	-	1,406,514	-	-	1,406,514	-	1,406,514
Private placement, net	2,496,000	3,231,785	-	-	-	-	-	3,231,785
Fair value of finders' warrants	-	(34,188)	-	34,188	-	34,188	-	-
Options exercised	1,490,500	483,990	-	-	-	-	-	483,990
Fair value of options transferred to share capital	-	71,384	(71,384)	-	-	(71,384)	-	-
Shares issued for exploration and evaluation assets	100,000	131,000	-	-	-	-	-	131,000
Total comprehensive loss for the year	-	-	-	-	(1,602,796)	(1,602,796)	(2,209,441)	(3,812,237)
Balance, December 31, 2017	**48,422,869**	**15,977,418**	**1,926,029**	**34,188**	**266,707**	**2,226,924**	**(3,773,867)**	**14,430,475**
Share-based payments – modification and grant	-	(6,620)	1,573,881	6,620	-	1,580,501	-	1,573,881
Private placement, net	18,614,402	24,453,249	-	-	-	-	-	24,453,249
Options exercised	2,597,700	727,784	-	-	-	-	-	727,784
Fair value of options transferred to share capital	-	501,165	(501,165)	-	-	(501,165)	-	-
Finders' warrants exercised	44,400	42,312	-	-	-	-	-	42,312
Fair value of finders' warrants transferred to share capital	-	40,808	-	(40,808)	-	(40,808)	-	-
Transfer of net assets pursuant to spin-out (Note 2)	-	(22,105,108)	-	-	-	-	-	(22,105,108)
Shares issued to Almadex	4,000,000	4,360,000	-	-	-	-	-	4,360,000
Total comprehensive income (loss) for the year	-	-	-	-	(266,707)	(266,707)	4,267,251	4,000,544
Balance, December 31, 2018	**73,679,371**	**23,991,008**	**2,998,745**	**-**	**-**	**2,998,745**	**493,384**	**27,483,137**

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

(Expressed in Canadian dollars)

1. Nature of Operations

Azucar Minerals Ltd. (formerly Almadex Minerals Limited) (the "Company" or "Azucar") was incorporated on April 10, 2015 under the laws of the Province of British Columbia pursuant to a Plan of Arrangement to reorganize Almaden Minerals Ltd. ("Almaden") which was completed on July 31, 2015. The Company's business activity is the acquisition and exploration of exploration and evaluation properties in Canada, the United States and Mexico. To date, the Company has not generated significant revenues from operations and is considered to be in the exploration stage. The address of the Company's registered and records office is Suite 1710 –1177 West Hastings Street, Vancouver, BC, Canada V6E 2L3.

2. Plan of Arrangement

On May 18, 2018, the spin-out of Almadex Minerals Ltd. (formerly 1154229 B.C. Ltd.) ("Almadex") became effective, as all conditions to the statutory Plan of Arrangement (the "Plan of Arrangement") were satisfied or waived.

Pursuant to the Plan of Arrangement, Azucar's shareholders exchanged their existing common shares of Azucar and received one "new" Azucar common share and one common share of Almadex.

The carrying value of the net assets transferred to Almadex, pursuant to the Plan of Arrangement, consisted of the following assets and liabilities:

Assets:	
Cash paid to Almadex	$ 5,984,338
Shares issued to Almadex	4,360,000
Cash in subsidiaries spun out	756,116
Accounts receivable and prepaid expenses	257,042
Marketable securities and investments	2,961,271
Reclamation deposits	24,181
Contingent shares receivable	31,200
Property and equipment	769,620
Exploration and evaluation assets	284,549
Total Assets	15,428,317
Liabilities:	
Trade and other payables	(3,264)
Carrying value of net assets	**15,425,053**
Fair value of net assets distributed	**21,571,148**
Gain on transfer of spin-out assets	**$ 6,146,095**

In accordance with IFRIC 17, Distribution of Non-cash Assets to Owners, the Company recognized the distribution of net assets to Azucar shareholders at fair value with the difference between that value and the carrying amount of the net assets recognized in the consolidated statement of comprehensive income (loss).

The Plan of Arrangement resulted in a reduction of share capital amounting to $22,105,108 ($21,571,148 fair value of net assets plus transaction cost of $533,960).

The fair value of the net assets distributed was based on the share price of Almadex on May 28, 2018, its first day of trading, of $0.40 per share multiplied by the total number of shares issued and outstanding, 53,927,869.

2. Plan of arrangement *(Continued)*

Under the terms of the Plan of Arrangement, each issued and outstanding Azucar option and warrant has been adjusted to compensate the option and warrant holders for the assets spun-out. The exercise price paid has been allocated between the Company and Almadex on the same ratio that the fair market value of the spin-out assets has, to the fair market value of the assets of the Company. See Note 10 (c) and (d).

3. 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 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, 2018.

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:

3. 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 statement of financial position and the related depreciation included in the consolidated statement of comprehensive loss;
- The value of the exploration and evaluation assets which are recorded in the consolidated statement of financial position;
- The Company uses the Black-Scholes option pricing model to determine the fair value of options and finders' warrants in order to calculate share-based payments expense. Certain inputs into the model are estimates that involve considerable judgment and are or could be affected by significant factors that are out of the Company's control;
- The assessment of indications of impairment of each exploration and evaluation asset and related determination of the net realizable value and impairment of those assets where applicable;
- The estimated fair value of contingent share payments receivable in the event that Goldgroup Mining Inc. achieves some or all of the specified resource and production levels described in Note 7.

4. 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
(i)	Almadex America Inc.	USA	exploration company
(i)	Republic Resources Ltd.	Canada	service company
(i)	Ixtaca Precious Metals Inc.	Canada	holding company (inactive)
	Pangeon Holdings Ltd.	Canada	holding company (inactive)
(i)	Almadex Royalties Limited	Canada	holding company (inactive)
(i)	Almaden de Mexico, S.A. de C.V.	Mexico	exploration company (inactive)
(i)	Minera Gavilan, S.A. de C.V.	Mexico	exploration company
	Minera Alondra, S.A. de C.V.	Mexico	exploration company

(i) Included in consolidation until May 18, 2018 due to the Plan of Arrangement (Note 2).

4. Significant Accounting Policies *(Continued)*

(a) Basis of consolidation (Continued)

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

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

(b) Foreign currencies

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on dates of transactions. At each financial position reporting date, all assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss.

(c) Financial instruments

The Company has initially adopted IFRS 9, *Financial Instruments* from January 1, 2018. The effect of initially applying this standard did not have a material impact on the Company's financial statements and prior period amounts were not restated. A number of other new standards are also effective from January 1, 2018, however, were also not deemed to have a material impact on the Company's financial statements.

IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39, *Financial Instruments: Recognition and Measurement*. There was no material impact to the Company's financial statements as a result of transitioning to IFRS 9.

The details of the new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

(i) Classification and measurement of financial assets and liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets held to maturity, loans and receivables, and available for sale.

The adoption of IFRS 9 has not had a significant effect on the Company's accounting policies related to financial liabilities. The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

4. Significant Accounting Policies *(Continued)*

(c) Financial instruments (Continued)

(i) Classification and measurement of financial assets and liabilities *(Continued)*

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, accounts receivable, and reclamation deposits are classified at amortized cost. The Company’s marketable securities and investments are classified as FVOCI, contingent shares receivable are classified as FVTPL. Trade and other payables is classified at amortized cost.

(ii) 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, accounts receivable, and reclamation deposits.

The adoption of the ECL impairment model had no impact on the carrying amounts of the Company's financial assets on the transition date, given the accounts receivable are substantially all current and there has been minimal historical customer default. Moreover, cash and cash equivalents have not been subject to historical credit risk, and reclamation deposits represent amounts that may be redeemed for their full carrying amount and are not subject to significant fluctuations in value.

(d) Cash and cash equivalents

Cash equivalents include term deposits with an original maturity of three months or less, or are readily convertible into a known amount of cash.

(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%
Computer hardware	30%
Geological library	20%
Field equipment	20%
Drill equipment	20%

4. 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:

Interest income
Revenue is recognized as interest accrues on cash and cash equivalent balances.

Other income
Revenue from other income consists of equipment rentals and contract exploration services provided to third parties and are recognized upon completion of the services for which the measurement of the consideration can be reasonably assured and the ultimate collection is reasonably assured.

(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

(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.

4. Significant Accounting Policies (*Continued)*

(g) Exploration and evaluation assets (Continued)

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 property and equipment

Property and equipment 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.

4. 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.

4. Significant Accounting Policies *(Continued)*

(k) Share capital

Proceeds from the exercise of stock options and warrants are recorded as share capital in the amount for which the option or warrant enabled the holder to purchase a share in the Company, in addition to the proportionate amount of reserves originally created at the issuance of the stock options or warrants. Share capital issued for non-monetary consideration is valued at the closing market price at the date of issuance. The proceeds from the issuance of units are allocated between common shares and common share purchase warrants based on the residual value method. Under this method, the proceeds are allocated to common shares based on the fair value of a common share at the announcement date of the unit offering and any residual remaining is allocated to common share purchase warrants.

(l) Reclamation and closure cost obligations

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

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

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

At December 31, 2018, the Company has $Nil (2017 - $2,500) of reclamation deposits held with the Ministry of Mines of British Columbia and $Nil (2017 - $23,429) of reclamation deposits held with the State of Nevada.

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 income (loss) per share

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

(Expressed in Canadian dollars)

4. Significant Accounting Policies *(Continued)*

(n) Future accounting standards

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for future accounting periods. The following have not yet been adopted by the Company.

- IFRS 16: New standard to establish principles for recognition, measurement, presentation and disclosure of leases with an impact on lessee accounting, effective for annual periods beg IFRS 16, *Leases*, is a new standard to establish principles for recognition, measurement, presentation and disclosure of leases with an impact on lessee accounting, effective for annual periods beginning on or after January 1, 2019. The eventual application of this standard is not expected to have a significant impact on the Company's existing accounting policies or financial statement presentation.

5. Accounts Receivable and Prepaid Expenses

Accounts receivable and prepaid expenses consist of the following:

	December 31 2018	December 31, 2017
	$	$
Accounts receivable	**173,151**	395,780
Allowance for doubtful account	**-**	(4,455)
Prepaid expenses	**67,169**	72,432
	240,320	463,757

At December 31, 2018, the Company has recorded value added taxes of $270,109 (2017 - $319,918) included in exploration and evaluation assets as the value added tax relates to certain projects and will be recovered when the assets are sold (Note 9).

6. 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 were designated as FVOCI and valued at fair value of $Nil as at December 31, 2018 (December 31, 2017 - $186,817). Unrealized gains and losses due to year-end revaluation to fair value, other than those determined to be other than significant or prolonged losses, are recorded as other comprehensive income (loss). The valuation of common shares was determined in whole by reference to the closing price traded on the exchange at each reporting date. These assets were transferred to Almadex as detailed in the Plan of Arrangement on May 18, 2018 (Note 2).

b) Investments consist of 1,597 ounces of gold bullion which was recorded at the fair value of $Nil as at December 31, 2018 (December 31, 2017 - $2,586,436). The investments were designated as FVOCI and valued at fair value. Unrealized gains and losses due to year-end revaluation to fair value, other than those determined to be other than significant or prolonged losses, are recorded as other comprehensive income (loss). The valuation of the gold bullion investment was determined in whole by reference to the closing price of gold at each reporting period. This asset was transferred to Almadex as detailed in the Plan of Arrangement on May 18, 2018 (Note 2).

7. Contingent Shares Receivable

Goldgroup Mining Inc.

As part of the Plan of Arrangement with Almaden (Note 1), the Company obtained a contingent share receivable of 7,000,000 shares of Goldgroup Mining Inc. ("Goldgroup") which may be obtained upon satisfaction of the following conditions:

i. 1,000,000 common shares will be received upon commencement of commercial production on the Caballo Blanco project ("Caballo Blanco");
ii. 2,000,000 common shares will be received upon measured and indicated resources including cumulative production for Caballo Blanco reaching 2,000,000 ounces of gold;
iii. 2,000,000 common shares will be received upon measured, indicated and inferred resources including cumulative production for Caballo Blanco reaching 5,000,000 ounces of gold; and
iv. 2,000,000 common shares will be received upon measured, indicated and inferred resources including cumulative production for Caballo Blanco reaching 10,000,000 ounces of gold.

On December 24, 2014, Goldgroup sold Caballo Blanco to Timmins Gold Corp ("Timmins"). On July 22, 2016, Timmins Gold Corp ("Timmins") sold Caballo Blanco to Candelaria Mining Corp ("Candelaria"). If Candelaria achieves the above conditions, management believes that the bonus common shares will continue to be payable from Goldgroup.

The Company has recorded a contingent share receivable of $Nil (2017 - $23,400) based on management's best estimate of the fair value of the Goldgroup common shares as at December 31, 2018, and a gain of $7,800 (2017 – loss of $27,300) on fair value adjustment in profit or loss during the years ended December 31, 2018, and 2017. This asset was transferred to Almadex as detailed in the Plan of Arrangement on May 18, 2018 (Note 2).

(Expressed in Canadian dollars)

8. Property and Equipment

	Automotive equipment	Computer hardware	Geological library	Field equipment	Drill equipment	Total
	$	$	$	$	$	$
Cost						
December 31, 2017	**248,396**	**2,093**	**200**	**146,812**	**849,480**	**1,246,981**
Additions	23,691	-	-	9,368	-	33,059
Disposals	-	-	-	-	(57,760)	(57,760)
December 31, 2018	**272,087**	**2,093**	**200**	**156,180**	**791,720**	**1,222,280**
Accumulated depreciation						
December 31, 2017	**76,718**	**26**	**77**	**31,636**	**262,826**	**371,283**
Depreciation	20,513	620	9	12,158	43,442	76,742
Disposals	-	-	-	-	(23,515)	(23,515)
December 31, 2018	**97,231**	**646**	**86**	**43,794**	**282,753**	**424,510**
Carrying amounts						
December 31, 2017	171,678	2,067	123	115,176	586,654	875,698
December 31, 2018	174,856	1,447	114	112,386	508,967	797,770
Less amount transferred to Almadex (Note 2)	(174,856)	-	(114)	(85,683)	(508,967)	(769,620)
December 31, 2018	**-**	**1,447**	**-**	**26,703**	**-**	**28,150**

During the year ended December 31, 2018, the Company disposed of equipment with a net book value of $34,245 for proceeds of $103,798 resulting in a gain on sale of property and equipment of $69,553 (2017 - $Nil).

	Automotive equipment	Computer hardware	Geological library	Field equipment	Drill equipment	Total
	$	$	$	$	$	$
Cost						
December 31, 2016	**178,997**	**-**	**200**	**94,163**	**845,564**	**1,118,924**
Additions	69,399	2,093	-	52,649	3,916	128,057
December 31, 2017	**248,396**	**2,093**	**200**	**146,812**	**849,480**	**1,246,981**
Accumulated depreciation						
December 31, 2016	**23,697**	**-**	**46**	**13,803**	**117,478**	**155,024**
Depreciation	53,021	26	31	17,833	145,348	216,259
December 31, 2017	**76,718**	**26**	**77**	**31,636**	**262,826**	**371,283**
Carrying amounts						
December 31, 2016	155,300	-	154	80,360	728,086	963,900
December 31, 2017	**171,678**	**2,067**	**123**	**115,176**	**586,654**	**875,698**

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(Expressed in Canadian dollars)

9. Exploration and Evaluation Assets

Exploration and evaluation assets	El Cobre $	El Chato $	Yago $	Other Properties $	Total $
Acquisition costs:					
Opening balance – December 31, 2017	**733,800**	**1**	**1**	**17**	**733,819**
Additions	646,474	-	-	-	**646,474**
Closing balance – December 31, 2018	**1,380,274**	**1**	**1**	**17**	**1,380,293**
Deferred exploration costs:					
Opening balance - December 31, 2017	**8,140,474**	**224,306**	**-**	**-**	**8,364,780**
Costs incurred during the period:					
Drilling and related costs	1,542,984	-	-	-	**1,542,984**
Professional/technical fees	56,362	2,098	1,736	10,708	**70,904**
Claim maintenance/lease costs	75,348	15,952	29,948	64,355	**185,603**
Geochemical, metallurgy	414,174	-	-	-	**414,174**
Technical studies	25,130	-	-	-	**25,130**
Travel and accommodation	144,097	-	-	4,637	**148,734**
Geology, geophysics, exploration	1,159,513	9,062	888	18,483	**1,187,946**
Supplies and miscellaneous	125,931	-	398	1,954	**128,283**
Reclamation, environmental	27,616	-	-	-	**27,616**
Value-added tax	267,902	-	142	2,065	**270,109**
Impairment of deferred exploration costs	-	-	-	(102,202)	**(102,202)**
Total deferred exploration costs during the period	3,839,057	27,112	33,112	-	**3,899,281**
Closing balance – December 31, 2018	**11,979,531**	**251,418**	**33,112**	**-**	**12,264,061**
Total exploration and evaluation assets – December 31, 2018	**13,359,805**	**251,419**	**33,113**	**17**	**13,644,354**
Less amounts transferred to Almadex (Note 2)	-	(251,419)	(33,113)	(17)	**(284,549)**
Total exploration and evaluation assets	**13,359,805**	**-**	**-**	**-**	**13,359,805**

(Expressed in Canadian dollars)

9. Exploration and Evaluation Assets *(Continued)*

Exploration and evaluation assets	El Cobre $	El Chato $	Yago $	Los Venados $	Other Properties $	Total $
Acquisition costs:						
Opening balance – December 31, 2016	**47,261**	**1**	**1**	**49,663**	**21**	**96,947**
Proceeds from options	-	-	-	-	(106,500)	**(106,500)**
Additions	686,539	-	-	131,000	244,235	**1,061,774**
Gain on disposition	-	-	-	-	89,052	**89,052**
Impairment of acquisitions costs	-	-	-	(180,662)	(226,792)	**(407,454)**
Closing balance – December 31, 2017	**733,800**	**1**	**1**	**1**	**16**	**733,819**
Deferred exploration costs:						
Opening balance - December 31, 2016	**5,085,538**	**62,456**	**-**	**174,836**	**-**	**5,322,830**
Costs incurred during the period:						
Drilling and related costs	822,339	-	-	-	-	**822,339**
Professional/technical fees	9,948	591	9,787	1,055	30,678	**52,059**
Claim maintenance/lease costs	58,915	29,570	183,779	-	116,813	**389,077**
Geochemical, metallurgy	408,169	9,818	567	-	9,104	**427,658**
Travel and accommodation	131,394	4,768	628	-	3,232	**140,022**
Geology, geophysics, exploration	1,224,710	93,469	3,287	603	40,447	**1,362,516**
Supplies and miscellaneous	98,703	1,263	366	-	-	**100,332**
Reclamation, environmental	31,026	9,868	4,673	-	-	**45,567**
Value-added tax	269,732	12,503	898	97	36,688	**319,918**
Recovery of exploration costs	-	-	-	-	(16,266)	**(16,266)**
Impairment of deferred exploration costs	-	-	(203,985)	(176,591)	(220,696)	**(601,272)**
Total deferred exploration costs during the period	3,054,936	161,850	-	(174,836)	-	**3,041,950**
Closing balance – December 31, 2017	**8,140,474**	**224,306**	**-**	**-**	**-**	**8,364,780**
Total exploration and evaluation assets	**8,874,274**	**224,307**	**1**	**1**	**16**	**9,098,599**

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

(a) El Cobre

During 2011, Almaden completed the sale of its 30% interest in the Caballo Blanco property located in the state of Veracruz, Mexico to Goldgroup. As part of the sale, Goldgroup transferred to Almaden its 40% interest in the El Cobre property also located in the state of Veracruz, Mexico. The Company owns a 100% interest in the El Cobre property.

(b) El Chato

El Chato is a 100% owned project acquired by staking. This asset was transferred to Almadex as detailed in the Plan of Arrangement on May 18, 2018 (Note 2).

(Expressed in Canadian dollars)

9. Exploration and Evaluation Assets *(Continued)*

(c) Yago

On February 5, 2016, the Company acquired the Yago, Mezquites, and San Pedro properties in Mexico from a company in common with one of its directors in return for a 1% Net Smelter Return ("NSR") royalty which is capped at $1,000,000. This asset was transferred to Almadex as detailed in the Plan of Arrangement on May 18, 2018 (Note 2).

(d) Other Properties

Other properties consist of a portfolio of early-stage exploration projects located in Canada, the United States and Mexico. During the period ended December 31, 2018, the Company recorded an impairment of deferred costs of $102,202 (December 31, 2017 - $1,008,726) with respect to such properties. These properties were transferred to Almadex as detailed in the Plan of Arrangement on May 18, 2018 (Note 2).

Skoonka Creek

On May 24, 2017, the Company signed an agreement with Westhaven Ventures Inc. ("Westhaven") and Strongbow Exploration Ltd. ("Strongbow"), pursuant to which Westhaven acquired the Skoonka Creek gold property (the "Property"), which had been held by Strongbow and Azucar pursuant to a 65.74%/34.26% joint venture. In exchange for its interest in the Property, Azucar received 700,000 shares of Westhaven on May 25, 2017, at a fair value of $84,000 and a 2% NSR royalty on the Property. This asset was transferred to Almadex as detailed in the Plan of Arrangement on May 18, 2018 (Note 2).

Los Venados

On October 6, 2015, the Company entered into an option to purchase a 100% interest in the Los Venados project in Sonora State Mexico. The Company's commitments to pay cash and issue common shares are as follows:

On signing:	$10,000 cash and 50,000 shares of Azucar (Paid and issued at a fair value of $10,250).
October 14, 2016:	$10,000 cash and 50,000 shares of Azucar (Paid and issued at a fair value of $42,000).
October 14, 2017:	$10,000 cash and 100,000 shares of Azucar (Paid and issued at a fair value of $131,000).
October 14, 2018:	$20,000 cash and 100,000 shares of Azucar (Subsequently paid by Almadex).
October 14, 2019:	$50,000 cash and 100,000 shares of Azucar payable by Almadex.
October 14, 2020:	$50,000 cash and 100,000 shares of Azucar payable by Almadex.

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 Almadex at any time for $1,000,000.

On November 29, 2016, the Company signed a definitive agreement to option all of its interest in the Los Venados project to Aloro Mining Corp. (formerly Wolverine Minerals Corp.) ("Aloro") in exchange for the following:

On signing:	$30,000 cash and 250,000 shares of Aloro (Received at a fair value of $22,500).
February 9, 2018:	250,000 shares of Aloro (Received at a fair value of $30,000).
February 9, 2019:	500,000 shares of Aloro (Received by Almadex).
February 9, 2020:	1,000,000 shares of Aloro to be received by Almadex.

(Expressed in Canadian dollars)

9. Exploration and Evaluation Assets *(Continued)*

(d) ***Other Properties*** *(Continued)*

Los Venados *(continued)*

Almadex will retain a 2.0% NSR royalty that was transferred from Azucar on May 18, 2018. In addition, Aloro has agreed to drill a minimum 1,000 meters by February 9, 2019, as part of the total required project expenditures of a minimum of US$500,000 by February 9, 2020.

On February 13, 2018, the Company received 250,000 shares of Aloro at a fair value of $30,000. This amount was recorded as gain on sale of exploration and evaluation assets.

Willow

On February 14, 2017, the Company and its wholly-owned U.S. subsidiary, Almadex America Inc., signed a definitive agreement to option up to 75% of its interest in the Willow project, Nevada, to Abacus Mining and Exploration Corp. ("Abacus").

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

	No. of Common Shares in Abacus [1]	Fair value on receipt ($CAD)	Cumulative Amount of Exploration Expenditures ($US)
February 22, 2017	41,667	$ 22,500	$ Nil
February 22, 2018	41,667	9,167	100,000
February 22, 2019	41,667	-	400,000
February 22, 2020	41,667	-	1,000,000
February 22, 2021	83,333	-	1,800,000
February 22, 2022	166,667	-	3,000,000
Total	**416,668**	**$ 31,667**	**$ 3,000,000**

[1] On April 26, 2017, Abacus consolidated its common shares on the basis of one post-consolidated common share for every six pre-consolidated common shares.

On February 9, 2018, the Company received 41,667 shares of Abacus at a fair value of $9,167. This amount was recorded as gain on sale of exploration and evaluation assets. This asset was transferred to Almadex as detailed in the Plan of Arrangement on May 18, 2018 (Note 2).

Gain on sale of exploration and evaluation assets is comprised of the following:

	Years ended December 31, 2018	2017
Sale of Skoonka Creek	$ -	$ 83,999
Option of Willow	9,167	5,057
Option of Los Venados	30,000	-
Other [1]	-	(4)
Total gain on sale of exploration and evaluation assets	$ 39,167	$ 89,052

[1] Claims dropped in 2017, Llano Grande, Cenzontle, Cuautepec, and Chilcuautla.

10. Share Capital and Reserves

(a) Authorized share capital

At December 31, 2018 and 2017, the Company's authorized share capital consisted of an unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.

(b) Issuance of common shares in 2018 and 2017

On October 17, 2018, Newcrest Canada Holding Inc. ("Newcrest") exercised its top-up rights pursuant to the May 18, 2018 Investor Right Agreement with the Company. Newcrest acquired 222,834 common shares of Azucar at a price of $0.5581 per share for a total of $124,364, thereby maintaining its ownership in the Company of 19.9%. In connection with the private placement, the Company also incurred $6,960 in other cash share issuance costs.

On May 18, 2018, the Company closed a non-brokered private placement by the issuance of 14,391,568 shares at a price of approximately $1.325 per share for gross proceeds to the Company of $19,074,425 and incurred $51,731 in other cash share issuance costs. The share issuance cost was recorded as reduction to share capital. The proceeds of the private placement were allocated entirely to share capital.

The Company issued 4,000,000 shares to Almadex at a price of $1.09 per share as part of the Plan of Arrangement (Note 2).

On March 27, 2018, the Company closed a non-brokered private placement by the issuance of 4,000,000 units at a price of $1.40 per unit for gross proceeds to the Company of $5,600,000. Under the private placement the Company issued 1,999,995 warrants. Each whole warrant allows the holder to purchase one common share of the Company at a price of $2.00 per share until March 27, 2020. Share issuance costs included a finders' fee of $166,555 in cash. In connection with the private placement, the Company also incurred $120,294 in other cash share issuance costs. These amounts were recorded as reduction to share capital. The proceeds of the private placement were allocated entirely to share capital.

During the year ended December 31, 2017, the Company issued 100,000 common shares at a fair value of $1.31 per share for a total fair value of $131,000 as a payment for the Los Venados Option Agreement (Note 9(d)).

On February 27, 2017, the Company closed a non-brokered private placement by the issuance of 2,496,000 units at a price of $1.35 per unit for gross proceeds to the Company of $3,369,600. Each unit consists of one common share and one-half of one non-transferable common share purchase warrant. Each whole warrant allows the holder to purchase one common share of the Company at a price of $2.00 per share until August 27, 2019. Share issue costs included a finders' fee of $106,650 in cash, and finders' warrants to purchase up to 44,400 common shares at a price of $1.35 per common share until August 27, 2019. The fair value of the finders' warrants was $34,188. In connection with the private placement, the Company also incurred $31,165 in other cash share issue costs. These amounts were recorded as reduction to share capital. The proceeds of the private placement were allocated entirely to share capital.

(Expressed in Canadian dollars)

10. Share Capital and Reserves *(Continued)*

(c) Warrants

The continuity of warrants for the years ended December 31, 2018 and 2017 are as follows:

Expiry date	Exercise Price	December 31, 2017	Issued	Exercised	Expired	December 31, 2018
August 27, 2019	* $ 1.41	1,248,000	-	-	-	1,248,000
August 27, 2019	* $ 0.95	44,400	-	(44,400)	-	-
March 27, 2020	* $ 1.41	-	1,999,995	-	-	1,999,995
Warrants outstanding and exercisable		**1,292,400**	**1,999,995**	**(44,400)**	**-**	**3,247,995**
Weighted average exercise price		$ 1.40	$ 1.41	$ 0.95	-	$ 1.41

***** On May 18, 2018, the Company adjusted the exercise price on outstanding warrants proportionately to reflect the value transferred to Almadex. The weighted average exercise price as at December 31, 2017 changed from $1.98 to $1.40.

The incremental fair value of finder's warrants repriced during the year ended December 31, 2018, as result of the Plan of Arrangement, was estimated to be $6,620 on the modification date using the Black-Scholes option pricing model with the following weighted average assumptions:

Risk-free interest rate	2.02%
Expected life	1.00 year
Expected volatility	82.40%
Expected dividend yield	Nil
Weighted average fair value per finder's warrant	$0.15

Expiry date	Exercise Price	December 31, 2016	Issued	Exercised	Expired	December 31, 2017
August 27, 2019	$ 2.00	-	1,248,000	-	-	1,248,000
August 27, 2019	$ 1.35	-	44,400	-	-	44,400
Warrants outstanding and exercisable		**-**	**1,292,400**	**-**	**-**	**1,292,400**
Weighted average exercise price		-	$ 1.98	-	-	$ 1.98

The fair value of finder's warrants granted during the year ended December 31, 2017, was estimated on the grant date using the Black-Scholes option pricing model with the following weighted average assumptions:

Risk-free interest rate	0.76%
Expected life	2.50 years
Expected volatility	103.46%
Expected dividend yield	Nil
Weighted average fair value per finder's warrant	$0.77

(Expressed in Canadian dollars)

10. Share Capital and Reserves *(Continued)*

(d) Stock option plan

The Company's stock option plan permits the issuance of options to acquire up to a maximum of 10% of the Company's issued common shares. Stock options issued to any consultant or person providing investor relations services cannot exceed 2% of the issued and outstanding common shares in any twelve month period. At December 31, 2018, the Company may reserve up to 1,092,937 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 five 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, 2018 vested on the grant date.

The continuity of stock options for the year ended December 31, 2018 and 2017 are as follows:

Expiry date	Exercise price	December 31, 2017	Granted	Exercised	Expired/ cancelled	December 31, 2018
April 4, 2018	$ 0.40	54,000	-	(54,000)	-	-
May 6, 2018	$ 0.37	39,000	-	(39,000)	-	-
May 6, 2018	$ 0.46	72,000	-	(72,000)	-	-
June 8, 2018	$ 0.38	935,000	-	(935,000)	-	-
June 8, 2018	* $ 0.27	292,500	-	(292,500)	-	-
June 18, 2018	* $ 0.24	150,000	-	(150,000)	-	-
August 28, 2018	$ 0.16	405,000	-	(405,000)	-	-
August 28, 2018	* $ 0.11	289,200	-	(289,200)	-	-
August 28, 2018	* $ 0.46	151,000	-	(121,000)	(30,000)	-
December 17, 2018	* $ 0.10	60,000	-	(60,000)	-	-
December 17, 2018	* $ 0.83	90,000	-	-	(90,000)	-
January 2, 2019	* $ 0.17	210,000	-	(180,000)	-	30,000
February 27, 2019	* $ 0.95	115,000	-	-	-	115,000
May 5, 2019	$ 1.10	10,000	-	-	(10,000)	-
May 5, 2019	* $ 0.78	573,000	-	-	-	573,000
July 2, 2019	* $ 0.21	90,000	-	-	-	90,000
July 2, 2019	* $ 0.97	877,800	-	-	-	877,800
April 30, 2020	* $ 0.73	300,000	-	-	-	300,000
December 15, 2020	$ 0.39	-	330,000	-	-	330,000
April 28, 2021	$ 0.60	-	3,959,200	-	-	3,959,200
Options outstanding and exercisable		**4,713,500**	**4,289,200**	**(2,597,700)**	**(130,000)**	**6,275,000**
Weighted average exercise price		$ 0.53	0.58	$ 0.28	$ 0.77	$ 0.66

***** On May 18, 2018, the Company adjusted the exercise price on outstanding stock options proportionately to reflect the value transferred to Almadex. The weighted average exercise price as at December 31, 2017 changed from $0.70 to $0.53.

(Expressed in Canadian dollars)

10. Share Capital and Reserves *(Continued)*

(d) Stock option plan *(continued)*

The fair value of the options granted and the incremental fair value of stock options repriced during the year ended December 31, 2018, was estimated on the grant date and modification date, respectively using the Black-Scholes option pricing model with the following weighted average assumptions:

Risk-free interest rate	2.07%
Expected life	1.81 years
Expected volatility	76.07%
Expected dividend yield	Nil
Weighted average fair value per option	$0.21

Expiry date	Exercise price	December 31, 2016	Granted	Exercised	Expired/ cancelled	December 31, 2017
January 6, 2017	$ 0.23	708,000	-	(708,000)	-	-
May 4, 2017	$ 0.44	120,000	-	(120,000)	-	-
June 8, 2017	$ 0.46	45,000	-	(45,000)	-	-
September 11, 2017	$ 0.53	300,000	-	(300,000)	-	-
November 22, 2017	$ 0.51	60,000	-	(60,000)	-	-
April 4, 2018	$ 0.40	54,000	-	-	-	54,000
May 6, 2018	$ 0.37	39,000	-	-	-	39,000
May 6, 2018	$ 0.46	72,000	-	-	-	72,000
June 8, 2018	$ 0.38	1,300,000	-	(72,500)	-	1,227,500
June 18, 2018	$ 0.34	150,000	-	-	-	150,000
August 28, 2018	$ 0.16	834,200	-	(140,000)	-	694,200
August 28, 2018	$ 0.65	151,000	-	-	-	151,000
December 17, 2018	$ 0.15	90,000	-	(30,000)	-	60,000
December 17, 2018	$ 1.18	90,000	-	-	-	90,000
January 2, 2019	$ 0.24	225,000	-	(15,000)	-	210,000
February 27, 2019	$ 1.35	-	115,000	-	-	115,000
May 5, 2019	$ 1.10	-	583,000	-	-	583,000
July 2, 2019	$ 0.30	90,000	-	-	-	90,000
July 2, 2019	$ 0.98	40,000	-	-	(40,000)	-
July 2, 2019	$ 1.37	-	877,800	-	-	877,800
April 30, 2020	$ 1.04	-	300,000	-	-	300,000
Options outstanding and exercisable		**4,368,200**	**1,875,800**	**(1,490,500)**	**(40,000)**	**4,713,500**
Weighted average exercise price		$ 0.35	$ 1.23	$ 0.32	$ 0.98	$ 0.70

(Expressed in Canadian dollars)

10. Share Capital and Reserves *(Continued)*

(d) Stock option plan *(continued)*

The fair value of the options granted during the year ended December 31, 2017, was estimated on the grant date using the Black-Scholes option pricing model with the following weighted average assumptions:

Risk-free interest rate	0.87%
Expected life	2.23 years
Expected volatility	101.12%
Expected dividend yield	Nil
Weighted average fair value per option	$0.75

During the year ended December 31, 2018, the Company recognized share-based payments expenses of $1,573,881 (2017 - $1,406,514) associated with the vesting of stock options granted, of which $415,805 is associated with the incremental fair value of stock options repriced as a result of the Plan of Arrangement.

11. Related Party Transactions and Balances

(a) Compensation of key management personnel

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

	December 31, 2018		December 31, 2017
Management fees[1]	**377,325**		348,600
Share-based payments	**1,246,970**	[2]	1,058,620
	1,624,295		1,407,220

[1] Management fees are recorded within Administrative services fees.

[2] Includes share-based payments related to the incremental fair value of stock options repriced as a result of the Plan of Arrangement.

(b) Other related party transactions

Administrative Services Agreement

The Company paid administrative services fees of $531,457 (2017 - $492,478) to Almaden pursuant to an Administrative Services Agreement dated May 15, 2015, under which Almaden provides the Company with office space, executive management, marketing support, technical oversight, and financial/corporate secretary duties, amongst other administrative services.

(Expressed in Canadian dollars)

11. Related Party Transactions and Balances *(Continued)*

(b) Other related party transactions *(Continued)*

At December 31, 2018, included in accounts payable is $170,181 (December 31, 2017 - $195,550) due to Almaden.

At December 31, 2018, other income of $178,047 (2017 - $300,247) was paid by Almaden to the Company for drill equipment rental services in Mexico of which of $Nil (2017 - $153,038) is recorded in accounts receivable.

At December 31, 2018, the Company paid a company controlled by a Director of the Company $106,518 (2017 - $109,454) for geological services included in exploration and evaluation assets.

12. Net Income (Loss) per Share

Basic and diluted net income (loss) per share

The calculation of basic net income (loss) per share for the year ended December 31, 2018 was based on the net income attributable to common shareholders of $4,267,251 (2017 – net loss of $2,209,441) and a weighted average number of common shares outstanding of 64,610,205 (2017 – 47,619,132).

The calculation of diluted net income per share for the year ended December 31, 2018 includes the weighted average number of common shares outstanding adjusted for the effects of all potentially dilutive common shares, which comprise 133,562 stock options and nil warrants

The calculation of diluted net loss per share for the years ended December 31, 2017 did not include the effect of stock options and warrants as they were considered anti-dilutive.

13. Supplemental Cash Flow Information

Cash and cash equivalents is comprised of the following:

	December 31, 2018	December 31, 2017
	$	$
Cash	**1,787,789**	1,211,419
Term Deposits	**12,682,100**	300,000
	14,469,889	1,511,419

(Expressed in Canadian dollars)

13. Supplemental Cash Flow Information *(Continued)*

Supplemental information regarding non-cash transactions is as follows:

Investing and financing activities	**December 31, 2018**	December 31, 2017
	$	$
Exploration and evaluation expenditures included in trade and other payables	**375,140**	79,651
Fair value of shares issued for exploration and evaluation assets	**-**	131,000
Fair value of shares received on disposal of exploration and evaluation assets ($22,500 was accrued at December 31, 2016)	**-**	129,000
Fair value of finders' warrants	**6,620**	34,188
Fair value of finders' warrants reclassified to share capital on exercise	**40,808**	-
Fair value of options reclassified to share capital on exercise	**501,165**	71,384

During the years ended December 31, 2018, and 2017, the Company paid $nil and $nil for income taxes and interest, respectively.

14. Income Taxes

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

	December 31, 2018	December 31, 2017
	$	$
Net income (loss) before income taxes	**4,267,251**	(2,209,441)
Statutory rate	**27%**	26%
Expected income tax	**1,152,158**	(574,455)
Effect of different tax rates in foreign jurisdictions	**(15,809)**	(155,059)
Non-deductible share-based payments	**424,948**	365,694
Other permanent items	**(1,826,282)**	(96,568)
Change in unrecognized deductible temporary differences and other	**264,985**	460,388
	-	-

In September 2017, the British Columbia (BC) Government proposed changes to the general corporate income tax rate to increase the rate from 11% to 12% effective January 1, 2018 and onwards. This change in tax rate was substantively enacted on October 26, 2017. The relevant deferred tax balances have been remeasured to reflect the increase in the Company's combined Federal and Provincial (BC) general corporate income tax rate from 26% to 27%.

(Expressed in Canadian dollars)

14. Income Taxes *(Continued)*

In December 2017, the United States Government proposed changes to the Federal corporate income tax rate to reduce the rate from 34% to 21% effective January 1, 2018 onwards. This change in tax rate was substantively enacted on December 22, 2017. The relevant deferred tax balances have been remeasured to reflect the decrease in the Company's Federal income tax rate from 34% to 21% applicable to the Company's US subsidiaries.

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

	December 31, 2018	December 31, 2017
	$	$
Deferred tax assets:		
Non-capital losses	**-**	292,360
	-	292,360
Deferred tax liabilities:		
Property and equipment	**-**	(106,874)
Marketable securities	**-**	(171,797)
Contingent shares receivable	**-**	(13,689)
	-	(292,360)
Net deferred tax liabilities	**-**	-

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

	December 31, 2018	December 31, 2017
	$	$
Non-capital loss carry forwards	**1,532,858**	8,165,992
Capital loss carry forwards	**912,114**	912,114
Exploration and evaluation assets	**6**	1,805,175
Share issue costs	**660,787**	124,345
	3,105,765	11,007,626

At December 31, 2018, the Company had operating loss carry forwards available for tax purposes in Canada of $1,293,599 (2017 - $699,856) which expire between 2035 and 2038, in the United States of $Nil (2017 - $338,454), and in Mexico of $239,259 (2017 - $7,127,682) which expire between 2022 and 2028.

15. Financial Instruments

The fair values of the Company's cash and cash equivalents, accounts receivable and trade and other payables approximate their carrying values because of the short-term nature of these instruments. The Company's reclamation deposits approximate fair value as the expected proceeds on redemption approximate its carrying value. See Note 15 (f) for fair values of contingent shares receivable and marketable securities and investments.

There have been no changes during the year ended December 31, 2018, as to how the Company classifies its financial assets and liabilities by FVTPL, FVOCI, amortized cost, and other financial liabilities upon adoption of IFRS 9.

15. Financial Instruments *(Continued)*

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

(a) Currency risk

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

As at December 31, 2018, 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	1,048,632	223,097
Accounts receivable and prepaid expenses	-	1,409
Total assets	**1,048,632**	**224,506**
Trade and other payables	95,045	258,385
Total liabilities	**95,045**	**258,385**
Net assets	**953,587**	**(33,879)**

A 10% change in the US dollar exchange rate relative to the Canadian dollar would change the Company's profit or loss by $95,000.

A 10% change in the Mexican peso relative to the Canadian dollar would change the Company's profit or loss by $3,000.

(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 sales tax due from the federal government of Canada. The Company is exposed to credit risks through its accounts receivable.

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

As at December 31, 2018, the Company's maximum exposure to credit risk is the carrying value of its cash and cash equivalents and accounts receivable.

15. 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.

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 $145,000.

(e) Price risk

(i) Commodity price risk

The ability of the Company to explore its exploration and evaluation assets and the future profitability of the Company are directly related to the market price of gold and other precious metals. The Company has not hedged any of its potential future gold sales of the quantities held in investments. The Company monitors gold prices to determine the appropriate course of action to be taken by the Company.

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

(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).

(Expressed in Canadian dollars)

15. 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.

2018	Level 1	Level 2	Level 3	Total
	$	$	$	$
Marketable securities and investments	-	-	-	-
Contingent shares receivable	-	-	-	-

2017	Level 1	Level 2	Level 3	Total
	$	$	$	$
Marketable securities and investments	2,773,253	-	-	2,773,253
Contingent shares receivable	-	23,400	-	23,400

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.

These assets were transferred to Almadex as detailed in the Plan of Arrangement on May 18, 2018 (Note 2).

16. Management of Capital

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

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

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.

(Expressed in Canadian dollars)

17. Segmented Information

The Company operates in one reportable operating segment, being the acquisition and exploration of mineral resource properties in Canada, the United States, and Mexico.

Geographic information is as follows:

2018	Property and equipment	Exploration and evaluation assets	December 31, 2018
	$	$	$
Mexico	28,150	13,359,805	13,387,955
	28,150	**13,359,805**	**13,387,955**

2017	All other non-current assets	Property and equipment	Exploration and evaluation assets	December 31, 2017
	$	$	$	$
Canada	49,329	13,661	5	62,995
United States	-	-	4	4
Mexico	-	862,037	9,098,590	9,960,627
	49,329	**875,698**	**9,098,599**	**10,023,626**

The Company's revenue from interest income on cash and cash equivalents was earned in Canada. Other income from drill equipment rental services was earned in Mexico.

18. Subsequent Events

On February 6, 2019, the Company granted certain employees and directors an aggregate of 665,000 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 $0.36 per share until February 28, 2022.

On April 12, 2019, Newcrest exercised its top-up rights pursuant to the May 18, 2018 Investor Right Agreement with the Company. Newcrest acquired an additional 59,654 common shares of Azucar at a price of $0.3274 per share for a total of $19,531, thereby maintaining its ownership in the Company of 19.9%.