

FINANCIAL STATEMENTS



December 31, 2019
(Expressed in Canadian dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Auramex Resource Corp.

Opinion

We have audited the accompanying financial statements of Auramex Resource Corp. (the "Company"), which comprise the statements of financial position as at December 31, 2019 and 2018, and the statements of loss and comprehensive loss, cash flows and changes in stockholders' equity for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, 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 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 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the financial statements, which describes matters and conditions that indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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



We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 Stephen Hawkshaw.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Professional Accountants

April 23, 2020

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AURAMEX RESOURCE CORP.
 Statements of Financial Position
 As at December 31, 2019 and December 31, 2018
 (Expressed in Canadian dollars)

	December 31 2019	December 31 2018
ASSETS		
Current		
Cash	\$ 56,634	\$ 370,453
Receivables	19,039	14,033
Prepaid expenses	111,914	6,878
	<u>187,587</u>	391,364
Exploration and evaluation assets (Note 5,8)	<u>3,212,499</u>	2,493,300
	<u>\$ 3,400,086</u>	<u>\$ 2,884,664</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 8)	\$ 430,642	\$ 76,893
STOCKHOLDERS' EQUITY		
Share Capital (Note 6)	15,301,386	14,671,796
Subscription Receipts	-	70,000
Equity reserves	1,365,270	1,218,228
Deficit	<u>(13,697,212)</u>	<u>(13,152,253)</u>
	<u>2,969,444</u>	2,807,771
	<u>\$ 3,400,086</u>	<u>\$ 2,884,664</u>
Nature and continuance of operations (Note 1)		

Approved, and authorized by the board of directors on April 23, 2020:

"Lawrence Roulston"
 Director

"Marie Brannstrom"
 Director

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

AURAMEX RESOURCE CORP.Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

	Years Ended December 31,	
	2019	2018
Expenses		
Directors fees (Note 8)	12,500	450
Insurance	6,002	3,985
Management and consulting fees (Note 8)	193,267	187,053
Marketing and promotion	110,227	36,861
Property investigation	10,000	-
Office and sundry	7,658	14,000
Professional fees	49,497	46,023
Share-based payment expense (Notes 6 and 8)	147,042	27,702
Transfer agent and filing fees	23,191	28,866
Travel	9,510	5,801
	(568,894)	(350,741)
Other Income (Note 4)	18,351	2,000
Recovery of flow-through premium (Note 9)	7,730	48,528
Loss on settlement of debt (Note 6 and 8)	-	(30,238)
Gain on sale of subsidiary (Note 4)	-	301,301
Tax payable on deferred flow through expenses	(2,146)	-
Loss and comprehensive loss for the year	\$ (544,959)	\$ (29,150)
Loss per share – basic and diluted	\$ (0.011)	\$ (0.001)
Weighted average number of common shares outstanding – basic and diluted	50,045,296	35,277,320

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

AURAMEX RESOURCE CORP.
Statements of Cash Flows
(Expressed in Canadian dollars)

	Years ended December 31	
	2019	2018
Operating Activities		
Loss for the year	\$ (544,959)	\$ (29,150)
Items not involving cash:		
Loss on settlement of debt	-	30,238
Recovery of flow-through premium	(7,730)	48,528
Share-based payment expense	147,042	27,702
Gain on sale of subsidiary	-	(301,301)
Changes in operating assets and liabilities		
Receivables and prepaid expenses	(110,042)	(17,632)
Accounts payable and accrued liabilities	42,287	(137,526)
	(473,402)	(379,141)
Investing Activities		
Option payments received	23,175	75,000
Acquisition of exploration and evaluation assets	(420,676)	(581,398)
Recovery of exploration and evaluation assets	28,244	-
	(369,257)	(506,398)
Financing Activities		
Shares issued for cash, net of share issuance costs	511,840	1,049,789
Subscription receipts	-	70,000
Shares issued on exercise of stock options	-	12,500
Shares issued on exercise of warrants	17,000	2,500
Shareholder loans (repayments)	-	(13,200)
	528,840	1,121,589
Increase in cash	(313,819)	236,050
Cash, beginning of year	370,453	134,403
Cash, end of year	\$ 56,634	\$ 370,453
Supplemental disclosure of cash flow information		
Shares issued under property agreements	\$ 30,750	\$ 7,750
Shares issued in settlement of accounts payable and accrued liabilities	-	221,455
Shares issued in settlement of shareholder loans	-	49,783
Residual value of warrants	-	7,520
Fair value of options transferred on exercise	-	8,446
Flow-through premium	-	56,400
Exploration and evaluation assets included in accounts payable and accrued liabilities	365,278	46,086
Subscription receipts reclassified to share capital	70,000	-

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

AURAMEX RESOURCE CORP.

Statement of Changes in Stockholders' Equity
For the years ended December 31, 2019 and 2018
(Expressed in Canadian dollars)

Share Capital						
Issued and outstanding	Number of shares	Amount	Subscription Receipts	Equity reserves	Deficit	Total Equity
Balance as at December 31, 2017	24,327,149	\$ 13,383,553	\$ -	\$ 1,191,452	\$ (13,123,103)	\$ 1,451,902
Shares issued pursuant to private placements	16,878,000	1,067,530	-	7,520	-	1,075,050
Shares issued pursuant to property option agreements	150,000	7,750	-	-	-	7,750
Subscription receipts	-	-	70,000	-	-	70,000
Share issuance costs	-	(25,261)	-	-	-	(25,261)
Flow through tax liability recognised	-	(56,460)	-	-	-	(56,460)
Shares issued for debt	3,013,750	271,238	-	-	-	271,238
Shares issued pursuant warrant exercises	50,000	2,500	-	-	-	2,500
Shares issued pursuant stock option exercises	250,000	20,946	-	(8,446)	-	12,500
Share based payments	-	-	-	27,702	-	27,702
Loss and comprehensive loss for the year	-	-	-	-	(29,150)	(29,150)
Balance as at December 31, 2018	44,668,899	\$ 14,671,796	\$ 70,000	\$ 1,218,228	\$ (13,152,253)	\$ 2,807,771
Shares issued pursuant to private placements	11,780,000	589,000	(70,000)	-	-	519,000
Shares issued pursuant to property option agreements	575,000	30,750	-	-	-	30,750
Share issuance costs	-	(7,160)	-	-	-	(7,160)
Shares issued pursuant warrant exercises	330,000	17,000	-	-	-	17,000
Share based payments	-	-	-	147,042	-	147,042
Loss and comprehensive loss for the year	-	-	-	-	(544,959)	(544,959)
Balance as at December 31, 2019	57,353,899	\$ 15,301,386	\$ -	\$ 1,365,270	\$ (13,697,212)	\$ 2,969,444

The accompanying notes are an integral part of these financial statements

AURAMEX RESOURCE CORP.

Notes to the Financial Statements

For the years ended December 31, 2019 and December 31, 2018

(Expressed in Canadian Dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

Auramex Resource Corp. ("Auramex" or the "Company") is a Canadian company incorporated in the province of British Columbia and trades on the TSX Venture Exchange ("TSXV"). The Company is currently active in the acquisition, exploration and evaluation of mineral properties.

The address of the Company's registered and corporate office is 20th Floor, 250 Howe Street, Vancouver, British Columbia, Canada, V6C 3R8.

The Company is in the process of exploring its mineral properties and has not yet determined whether the reserves of its properties are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production or proceeds from the disposition thereof.

The Company's financial statements are prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, which contemplates the Company will continue in operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. The Company has not generated revenue from operations and will require additional financing or outside participation to undertake further exploration and subsequent development of its exploration and evaluation assets. Future operations of the Company are dependent on its ability to raise additional equity financing and the attainment of profitable operations. These material uncertainties may cast a significant doubt on the Company's ability to continue as a going concern.

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 or ability to raise funds.

	December 31, 2019	December 31, 2018
Working capital surplus / (deficiency)	\$ (243,055)	\$ 314,471
Deficit	(13,697,212)	(13,152,253)

2. BASIS OF PREPARATION

The financial statements of the Company are presented in Canadian dollars, unless otherwise indicated.

These financial statements, including comparatives, have been prepared using accounting policies consistent with IFRS as issued by the International Accounting Standards Board ("IASB") and are in accordance with interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). The financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments as fair value through profit or loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

AURAMEX RESOURCE CORP.

Notes to the Financial Statements

For the years ended December 31, 2019 and December 31, 2018

(Expressed in Canadian Dollars)

2. BASIS OF PREPARATION (Continued)

Critical accounting estimates and judgments

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the year. Actual results could differ from these estimates.

Critical Judgments

The preparation of these financial statements requires management to make judgments regarding the going concern of the Company as previously discussed in Note 1 of these financial statements, as well as the determination of functional currency.

The functional currency is the currency of the primary economic environment in which an entity operates, and has been determined to be the Canadian dollar for both the current and comparative period by conducting an analysis of the consideration factors identified in IAS 21, the Effects of Changes in Foreign Exchange Rates.

The determination of the cash generating units ("CGU's") to which exploration properties and their related costs are allocated for the purposes of assessing impairment, and the related estimation of the future events that could result in impairment are inherently subject to uncertainty. The estimated recoverable amount could be impacted by changes in these judgments in the future.

Key Sources of Estimation Uncertainty

Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting periods. Actual results could differ from those estimates and such differences could be significant.

AURAMEX RESOURCE CORP.

Notes to the Financial Statements

For the years ended December 31, 2019 and December 31, 2018

(Expressed in Canadian Dollars)

2. BASIS OF PREPARATION (continued)

Significant estimates made by management affecting our financial statements include:

Share-based payments

Estimating fair value for granted stock options requires determining the most appropriate valuation model which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility, dividend yield, and rate of forfeitures and making assumptions about them.

Deferred tax Assets & Liabilities

The estimation of income taxes and liabilities includes evaluating the recoverability of deferred tax assets and liabilities based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets or liabilities will not be realized. The ultimate realization of deferred tax assets and liabilities is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves.

To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets and liabilities, and deferred income tax provisions or recoveries could be affected.

Non-monetary transactions

All non-monetary transactions are measured at the fair value of the asset surrendered or the asset received, whichever is more reliable, unless the transaction lacks commercial substance or the fair value cannot be reliably established. The commercial substance requirement is met when the future cash flows are expected to change significantly as a result of the transaction.

When the fair value of a non-monetary transaction cannot be reliably measured, it is recorded at the carrying amount (after reduction, when appropriate, for impairment) of the asset given up and adjusted by the fair value of any monetary consideration received or given. When the asset received or the consideration given up is shares in an actively traded market, the market value of those shares will be considered fair value.

Carrying value and recoverability of Exploration & Evaluation Assets

The carrying amount of Company's exploration and evaluation assets does not necessarily represent present or future values, and the Company's exploration and evaluation assets have been accounted for under the assumption that the carrying amount will be recoverable. Recoverability is dependent on various factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to commence and complete development and upon future profitable production or proceeds from the disposition of the mineral properties themselves. Additionally, there are numerous geological, economic, environmental and regulatory factors and uncertainties that could impact management's assessment as to the overall viability of its properties or to the ability to generate future cash flows necessary to cover or exceed the carrying value of the Company's exploration and evaluation assets.

AURAMEX RESOURCE CORP.

Notes to the Financial Statements

For the years ended December 31, 2019 and December 31, 2018

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES

Foreign exchange

The functional currency is the currency of the primary economic environment in which the entity operates and has been determined for each entity within the Company.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the statement of financial position date while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in profit or loss.

Financial Instruments

Financial instruments are measured on initial recognition at fair value, plus, in the case of financial instruments other than those classified as fair value through profit or loss ("FVPL"), directly attributable transaction costs. Financial instruments are recognized when the Company become party to the contracts that give rise to them and are classified as amortized cost, fair value through profit or loss or fair value through other comprehensive income, as appropriate.

The Company considers whether a contract contains an embedded derivative when the entity first becomes a party to it. The embedded derivatives are separated from the host contract if the host contract is not measured at fair value through profit or loss and when the economic characteristics and risks are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Financial assets at FVPL

Financial assets at FVPL include financial assets held for trading and financial assets not designated upon initial recognition as amortized cost or fair value through other comprehensive income ("FVOCI"). A financial asset is classified in this category principally for the purpose of selling in the short term, or if so designated by management. Transaction costs are expensed as incurred. On initial recognition, a financial asset that otherwise meets the requirements to be measured at amortized cost or FVOCI may be irrevocably designated as FVPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. Financial assets measured at FVPL are measured at fair value with changes in fair value recognized in profit or loss.

Financial assets at FVOCI

On initial recognition of an equity investment that is not held for trading, an irrevocable election is available to measure the investment at fair value upon initial recognition plus directly attributable transaction costs and at each period end, changes in fair value are recognized in other comprehensive income ("OCI") with no reclassification to profit or loss. The election is available on an investment-by-investment basis.

AURAMEX RESOURCE CORP.

Notes to the Financial Statements

For the years ended December 31, 2019 and December 31, 2018

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets at amortized cost

A financial asset is measured at amortized cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and is not designated as FVPL. Financial assets classified as amortized cost are measured subsequent to initial recognition at amortized cost using the effective interest method. Cash, other receivables and certain other assets are classified as and measured at amortized cost.

Financial liabilities

Financial liabilities, including accounts payable and accrued liabilities and finance leases are recognized initially at fair value, net of transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in net earnings when the liabilities are derecognized as well as through the amortization process. Borrowing liabilities are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date. Accounts payable and accrued liabilities and finance leases are classified as and measured at amortized cost.

Derivative instruments

Derivative instruments, including embedded derivatives, are measured at fair value on initial recognition and at each subsequent reporting period. Any gains or losses arising from changes in fair value on derivatives are recorded in profit or loss.

Fair values

The fair value of quoted investments is determined by reference to market prices at the close of business on the statement of financial position date. Where there is no active market, fair value is determined using valuation techniques. These include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; discounted cash flow analysis; and, pricing models.

Financial instruments that are measured at fair value subsequent to initial recognition are grouped into a hierarchy based on the degree to which the fair value is observable as follows:

- Level 1 fair value measurements are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within 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 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

AURAMEX RESOURCE CORP.

Notes to the Financial Statements

For the years ended December 31, 2019 and December 31, 2018

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

A loss allowance for expected credit losses is recognized in OCI for financial assets measured at amortized cost. At each balance sheet date, on a forward-looking basis, the Company assesses the expected credit losses associated with its financial assets carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The impairment model does not apply to investment in equity instruments. The expected credit losses are required to be measured through a loss allowance at an amount equal to the 12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date) or full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument). A loss allowance for full lifetime expected credit losses is required for a financial instrument if the credit risk of that financial instrument has increased significantly since initial recognition.

Derecognition of financial assets and liabilities

A financial asset is derecognised when either the rights to receive cash flows from the asset have expired or the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party. If neither the rights to receive cash flows from the asset have expired nor the Company has transferred its rights to receive cash flows from the asset, the Company will assess whether it has relinquished control of the asset or not. If the Company does not control the asset then derecognition is appropriate.

A financial liability is derecognised when the associated obligation is discharged or canceled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

Exploration and evaluation assets

Once the legal right to explore a property has been acquired, exploration and evaluation costs are capitalized on an individual prospect basis until such time as an economic ore body is defined or the prospect is abandoned. Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is first tested for impairment and then considered to be a mine under development, and is classified as "mines under construction". Costs for a producing prospect are amortized on a unit-of-production method based on the estimated life of the ore reserves, while those costs for the prospects abandoned are written off.

The recoverability of the amounts capitalized for the undeveloped exploration and evaluation assets is dependent upon the determination of economically recoverable ore reserves, confirmation of the Company's interest in the underlying mineral claims, the ability to obtain the necessary financing to complete their development and future profitable production or proceeds from the disposition thereof.

Management reviews the carrying value of exploration and evaluation assets whenever events or circumstances indicate they may be impaired. If impairment is indicated an impairment loss is recorded, calculated as the amount by which the carrying amount of the exploration and evaluation asset exceeds the estimated recoverable amount.

AURAMEX RESOURCE CORP.

Notes to the Financial Statements

For the years ended December 31, 2019 and December 31, 2018

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment

At the end of each reporting period, the Company's long term assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less cost to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties.

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. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the year. For an asset that does not generate largely independent cash inflow, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Provision for environmental rehabilitation

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of mineral interests (exploration and evaluation assets), when those obligations result from the acquisition, construction development or normal operation of the assets. The net present value of future rehabilitation cost estimates arising from the decommissioning of the related asset is capitalized to the related asset along with the corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to a related asset with a corresponding entry to the rehabilitation provision. The Company's estimates are revised annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates. Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit or loss for the period.

As at December 31, 2019 and December 31, 2018, there are no significant rehabilitation obligations.

AURAMEX RESOURCE CORP.

Notes to the Financial Statements

For the years ended December 31, 2019 and December 31, 2018

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basic and diluted loss per share

Basic loss per share is computed using the weighted average number of common shares outstanding during the year. Diluted loss per share is calculated giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common shares. Potential issuable common shares are not included in the calculation if their inclusion would be anti-dilutive. The calculation assumes that proceeds received from the exercise of stock options and warrants are used to repurchase common shares at the prevailing market rate.

Share-based payments

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

The fair value of stock options is measured using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to share capital.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

Income tax

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded by providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable loss; differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Additional taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off tax assets against tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its tax assets and liabilities on a net basis.

AURAMEX RESOURCE CORP.

Notes to the Financial Statements

For the years ended December 31, 2019 and December 31, 2018

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share Capital

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, share warrants and options are classified as equity instruments.

Warrants issued by the Company typically accompany an issuance of shares in the Company (a "unit"), and entitle the warrant holder to exercise the warrants for a stated price for a stated number of common shares in the Company. The fair values of the components of the units sold are measured using the residual value approach. The carrying amount of the warrants is determined based on any difference between gross proceeds and the estimated fair market value of the shares. If the proceeds are less than or equal to the estimated fair market value of shares issued, a nil carrying amount is assigned to the warrants.

Flow-through shares

The Company will, from time to time, issue flow-through common shares and units to finance a significant portion of its exploration program. Pursuant to the terms of flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) capital stock. Upon expenses being incurred, the Company derecognizes the liability and the premium is recognized as a recovery of flow-through premium.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a period of up to two years.

Share Issuance Costs

Costs directly identifiable with the raising of capital are charged against the related capital stock. Costs related to shares not yet issued are recorded as deferred financing costs. These costs are presented as other assets until the issuance of the shares, to which the costs relate, at which time the costs are charged against the related share capital or charged to operations if the shares are not issued.

Accounting Standards adopted during the year

The following standards have been adopted as at January 1, 2019. The Company has determined the impact of the new requirements to be not material.

IFRS 16, Leases ("IFRS 16") replaces IAS 17, Leases ("IAS 17"). The new model requires the recognition of almost all lease contracts on a lessee's statement of financial position as a lease liability reflecting future lease payments and a 'right-of-use asset' with exceptions for certain short-term leases and leases of low-value assets. In addition, the lease payments are required to be presented on the statement of cash flow within operating and financing activities for the interest and principal portions, respectively.

AURAMEX RESOURCE CORP.

Notes to the Financial Statements

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(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)**Accounting standards and amendments issued but not yet adopted**

There are no IFRS that are not yet effective that would be expected to have a material impact on the Company.

4. SALE OF SUBSIDIARY

On January 22, 2018, the Company finalized the sale of Exploración Auramex S.A. de C.V and transferred ownership of the subsidiary to the purchaser. As consideration for the transfer, the purchaser provided an indemnification to the Company against all of the debts of the subsidiary totalling \$301,301, recognised as a gain on sale of subsidiary. The subsidiary had no assets. Further, the Company was to receive 100,000 shares in a reporting issuer when the purchaser transferred mineral titles held by Exploración Auramex S.A. de C.V to a reporting issuer for which no value has been attributed as completion was not determinable at December 31, 2018. The Company negotiated and received a cash payment of \$18,000 in settlement of this obligation during the year ended December 31, 2019.

5. EXPLORATION AND EVALUATION ASSETS

	Year ended December 31 2019	Year ended December 31 2018
Acquisition Costs		
Balance, start of year	294,510	351,760
Additions	60,750	17,750
Option payments received	(23,175)	(75,000)
Balance, end of year	\$ 332,085	294,510
Deferred Exploration Costs		
Balance, start of year	\$ 2,198,790	\$ 1,852,350
Geology	328,944	187,799
Camp and Field Expenses	359,306	78,949
Geophysics and External Studies	-	40,050
Assay and Lab Costs	6,151	29,044
Permits taxes and assessment fees	2,977	1,290
Travel	12,490	9,308
Investment tax credit	(28,244)	-
Balance, end of year	\$ 2,880,414	\$ 2,198,790
Total Exploration and Evaluation Assets	3,212,499	2,493,300

AURAMEX RESOURCE CORP.

Notes to the Financial Statements

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5. EXPLORATION AND EVALUATION ASSETS (continued)

Title to mineral property interests involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral claims. The Company has mineral property interests in Canada and formerly in México. The Company has investigated title to all of its mineral property interests, and, to the best of its knowledge, title to all of its interest are in good standing.

Stewart Properties, British Columbia

The Stewart Properties are located in the Skeena Mining Division, British Columbia. The properties have been acquired under various option agreements, purchase agreements and by staking.

Certain claims are subject to a net smelter royalty ("NSR") ranging from 1% - 2.5%.

Rufus

On February 5, 2019, the Company entered an option to acquire 75% of the Rufus property, located in the Stewart Camp of BC's Golden Triangle.

To complete the option, the Company must:

- a) Issue shares of the Company as follows:
 - i. 175,000 shares on execution of the agreement (issued, valued at \$8,750).
 - ii. 175,000 shares on or before the first anniversary of the agreement (subsequently issued, valued at \$7,000)
 - iii. 175,000 shares on or before the second anniversary of the agreement;
 - iv. 225,000 shares on or before the third anniversary of the agreement; and

The vendors retain a 2% NSR, one half of which can be purchased for \$1,000,000 until 90 days after the start of commercial production.

Bayview / Comet

On February 21, 2019 the Company acquired certain tenures covering the Bayview and Comet occurrences for consideration of 100,000 shares of the Company (issued, valued at \$6,000).

The vendor retains a 1% NSR.

Dorothy 2

On March 1, 2019 the Company entered an option to acquire the Dorothy 2 property, located in the Stewart Camp of BC's Golden Triangle.

AURAMEX RESOURCE CORP.

Notes to the Financial Statements

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(Expressed in Canadian Dollars)

5. EXPLORATION AND EVALUATION ASSETS (continued)

To complete the option, the Company must:

- a) Make cash payments to the Company as follows:
 - i. \$5,000 on execution of the agreement (paid);
 - ii. \$10,000 on or before the first anniversary of the agreement (extended until June 30, 2020);
 - iii. \$10,000 on or before the second anniversary of the agreement;
 - iv. \$10,000 on or before the third anniversary of the agreement; and
 - v. \$10,000 on or before the fourth anniversary of the agreement.
- b) Issue shares of the Company as follows:
 - i. 100,000 shares on execution of the agreement (issued, valued at \$6,000).
 - ii. 100,000 shares on or before the first anniversary of the agreement (extended until June 30, 2020)
 - iii. 100,000 shares on or before the second anniversary of the agreement;
 - iv. 100,000 shares on or before the third anniversary of the agreement; and
 - v. 300,000 shares on or before the fourth anniversary of the agreement.

The vendor retains a 2.5% NSR, of which one-half percent can be purchased for \$1,000,000 until 90 days after the start of commercial production. The Company is required to keep the property in good standing and carry out \$150,000 of work over 4 years.

Silver Crown

On March 15, 2019, the Company entered an option to acquire the Silver Crown property, located in the Stewart Camp of BC's Golden Triangle.

To complete the option, the Company must:

- a) Make cash payments to the Company as follows:
 - i. \$10,000 on execution of the agreement (paid);
 - ii. \$15,000 on or before the first anniversary of the agreement (subsequently paid);
 - iii. \$20,000 on or before the second anniversary of the agreement;
 - iv. \$25,000 on or before the third anniversary of the agreement; and
 - v. \$50,000 on or before the fourth anniversary of the agreement.
- b) Issue shares of the Company as follows:
 - i. 100,000 shares on execution of the agreement (issued, valued at \$6,000).
 - ii. 100,000 shares on or before the first anniversary of the agreement (subsequently issued, valued at \$2,500).
 - iii. 100,000 shares on or before the second anniversary of the agreement;
 - iv. 100,000 shares on or before the third anniversary of the agreement; and
 - v. 100,000 shares on or before the fourth anniversary of the agreement.

AURAMEX RESOURCE CORP.

Notes to the Financial Statements

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5. EXPLORATION AND EVALUATION ASSETS (continued)

The vendors will retain a 2% NSR, one half of which can be purchased for \$1,000,000 with a minimum advance annual royalty of \$50,000 to begin after 7 years.

Exdale

On May 10, 2018, the Company expanded its Georgie River property holdings by acquiring the Exdale tenure located on the northern edge of the Company's Georgie River property. The 100% acquisition of the tenure is in consideration of 50,000 shares of the Company valued at \$3,250 (issued) and a retained 2% NSR in favour of the vendor.

Bay Silver

On July 28, 2018, the Company entered an option to acquire the Bay Silver property, located in the Stewart Camp of BC's Golden Triangle.

To complete the option, the Company must:

- a) Make cash payments to the Company as follows:
 - i. \$10,000 on execution of the agreement (paid);
 - ii. \$15,000 on or before the first anniversary of the agreement (paid);
 - iii. \$20,000 on or before the second anniversary of the agreement;
 - iv. \$25,000 on or before the third anniversary of the agreement; and
 - v. \$50,000 on or before the fourth anniversary of the agreement.
- b) Issue shares of the Company as follows:
 - i. 100,000 shares on execution of the agreement (issued, valued at \$4,500).
 - ii. 100,000 shares on or before the first anniversary of the agreement (issued, valued at \$4,000)
 - iii. 100,000 shares on or before the second anniversary of the agreement;
 - iv. 100,000 shares on or before the third anniversary of the agreement; and
 - v. 100,000 shares on or before the fourth anniversary of the agreement.

The vendors retain a 2% NSR, one half of which can be purchased for \$1,000,000 with a minimum advance annual royalty of \$50,000 to begin after 7 years.

Option Agreements Granted

Georgia River

On April 10, 2017, the Company granted an option to Decade Resources Ltd. ("Decade") to earn a 75% interest in certain mineral claims within the Georgia River area of the Stewart Properties. The Company received \$125,000 and \$700,000 in Portable Assessment Credits.

The option agreement was terminated during the year ended December 31, 2019. The Company now holds a 100% interest in all but two of the tenures composing the Georgia River project.

AURAMEX RESOURCE CORP.

Notes to the Financial Statements

For the years ended December 31, 2019 and December 31, 2018

(Expressed in Canadian Dollars)

5. EXPLORATION AND EVALUATION ASSETS (continued)

West George Copper

On August 30, 2017, the Company granted an option to Mountain Boy Minerals Ltd. ("Mountain Boy") to earn a 60% interest in certain mineral claims within the West George Copper area of the Stewart Properties. In order to exercise its option, Mountain Boy must:

- a) Make cash payments to the Company as follows:
 - i. \$10,000 on or before the second anniversary of the agreement (received); and
 - ii. \$20,000 on or before the third anniversary of the agreement.
- b) Provide \$700,000 in Portable Assessment Credits (received).
- c) Incur exploration expenditures on the property as follows:
 - i. \$30,000 on or before the second anniversary of the agreement (extended until August 30, 2020);
 - ii. \$50,000 on or before the third anniversary of the agreement.

After earning a 60% interest, each \$250,000 work expenditure performed will change the percentage ownership by 5%. If Mountain Boy earns 95% interest, the remaining 5% converts to a 1.5% NSR. Once the option is exercised, the Company will receive a 2% NSR of which 1% can be purchased for \$1,000,000.

Surprise Creek

On September 7, 2017, the Company granted an option to Decade to earn a 60% interest in certain mineral claims within the Surprise Creek area of the Stewart Properties. In order to exercise its option, Decade must:

- a) Make cash payments to the Company as follows:
 - i. \$5,000 on execution of the agreement (received);
 - ii. \$15,000 on or before the second anniversary of the agreement (outstanding); and
 - iii. \$20,000 on or before the third anniversary of the agreement.
- b) Provide \$300,000 in Portable Assessment Credits (received).
- c) Incur exploration expenditures on the property as follows:
 - i. \$50,000 on or before the second anniversary of the agreement (results outstanding);
 - ii. \$70,000 on or before the third anniversary of the agreement; and

Upon Decade earning the 60% interest, the Company will receive an NSR of 2%, half of which can be purchased for \$1,000,000. If either party to the agreement is diluted to 5%, that party will receive a 1.5% NSR for its 5% interest and the other party will hold a 100% property interest. During the year ended December 31, 2019, the Company agreed to transfer one of the tenures in Surprise Creek to Decade in exchange for two tenures in the Lower Bear project area (Prince John, and AG1). Decade terminated the option agreement subsequent to December 31, 2019.

AURAMEX RESOURCE CORP.

Notes to the Financial Statements

For the years ended December 31, 2019 and December 31, 2018

(Expressed in Canadian Dollars)

5. EXPLORATION AND EVALUATION ASSETS (continued)

Red Cliff

On September 7, 2017, the Company granted an option to Decade to earn an 80% interest in certain mineral claims adjacent to Decade's Red Cliff property within the Stewart Properties. The Company received \$5,000 and \$300,000 in Portable Assessment Credits.

Decade terminated the option agreement subsequent to December 31, 2019.

Portable Assessment Credits acquired from the foregoing transactions were used to extend the expiry dates of the tenures by five years. As the Company applied the Portable Assessment Credits to the exploration and evaluation assets, the Company has recorded the transaction on a net basis which results in a \$nil impact on exploration and evaluation assets.

Silver Crown

The Company has optioned to Mountain Boy Minerals Ltd. ("Mountain Boy") the right to earn a 100% interest in a portion of the Silver Crown property. The Company and Mountain Boy will receive pre-determined portions of the property upon exercise of the underlying option agreement. In return, Mountain Boy has agreed to fund a *pro rata* portion of the underlying agreement, as determined by the relative areas of the properties to be received by each company.

During the year ended December 31, 2019, the Company received \$13,175. (2018 – Nil). The Company received a further \$15,000 subsequent to December 31, 2019.

AURAMEX RESOURCE CORP.

Notes to the Financial Statements

For the years ended December 31, 2019 and December 31, 2018

(Expressed in Canadian Dollars)

6. SHARE CAPITAL

a) Authorized

Unlimited number of common shares without par value

During the year ended December 31, 2019, the Company had the following share transactions:

The Company issued 1,550,000 units in a private placement at \$0.05 per unit for gross proceeds of \$77,500 of which \$70,000 had been received prior to December 31, 2018. Each unit consisted of one common share and one-half of one share purchase warrant. Each whole warrant will entitle the holder to purchase one additional common share at a price of \$0.10 per common share until January 29, 2020.

The Company issued 7,630,000 units in private placement at a price of \$0.05 per unit for gross proceeds of \$381,500. Each unit consisted of one common share of the Company and one common share purchase warrant each of which will entitle the holder to acquire one common share of the Company at a price of \$0.07 until February 22, 2021.

The Company issued 2,600,000 units in private placement at a price of \$0.05 per unit for gross proceeds of \$130,000. Each unit consisted of one common share of the Company and one common share purchase warrant each of which will entitle the holder to acquire one common share of the Company at a price of \$0.07 until April 18, 2021

330,000 warrants were exercised for gross proceeds of \$17,000.

During the year ended December 31, 2018, the Company had the following share transactions:

The Company issued 2,130,000 flow-through shares at a price of \$0.05 per share for gross proceeds of \$106,500. The company paid \$6,390 finders fees in relation to the issue. A flow-through premium liability of \$16,827 was recognised in respect of these flow-through shares.

The Company issued 1,700,000 flow-through shares at a price of \$0.05 per share for gross proceeds of \$85,000. A flow-through premium liability of \$12,070 was recognised in respect of these flow-through shares.

The Company issued 2,206,000 flow-through shares at a price of \$0.05 per share for gross proceeds of \$110,300. The company paid \$1,109 finders fees in relation to the issue. A flow-through premium liability of \$20,736 was recognised in respect of these flow-through shares.

The Company issued 800,000 units in a private placement at \$0.05 per unit for gross proceeds of \$40,000. Each unit consisted of one common share and one common share purchase warrant. Each share purchase warrant is exercisable at a price of \$0.10 per share until November 29, 2019. The Company paid \$600 finders fees in relation to the issue. The warrants were allocated a value of \$7,520 using the residual value allocation method.

The Company issued 2,337,000 flow-through shares at a price of \$0.05 per share for gross proceeds of \$116,850. A flow-through premium liability of \$35,522 was recognised in respect of these flow-through shares.

AURAMEX RESOURCE CORP.

Notes to the Financial Statements

For the years ended December 31, 2019 and December 31, 2018

(Expressed in Canadian Dollars)

6. SHARE CAPITAL (continued)

The Company issued 7,705,000 units in a private placement at \$0.08 per unit for gross proceeds of \$616,400. Each unit consisted of one common share and one common share purchase warrant. Each share purchase warrant is exercisable at a price of \$0.10 per share until February 16, 2020. The Company paid \$12,960 finders fees in relation to the issue.

The Company issued 3,013,750 shares at a price of \$0.09 per share to settle debt in the amount of \$241,100 owing to related parties, resulting in a loss on settlement of debt of \$30,238.

A total of 250,000 incentive stock options were exercised for total proceeds of \$12,500.

A total of 50,000 share purchase warrants were exercised for total proceeds of \$2,500.

b) Share Purchase Warrants

A summary of share purchase warrant activity for the year ended December 31, 2019 is as follows:

	Number of Warrants	Exercise Price
Balance outstanding at December 31, 2017	2,340,000	\$ 0.05
Issued	8,105,000	0.10
Exercised	(50,000)	0.05
Balance outstanding at December 31, 2018	10,395,000	0.08
Issued	11,005,000	0.07
Expired	(2,360,000)	0.05
Exercised	(330,000)	0.05
Balance outstanding at December 31, 2019	18,710,000	\$ 0.09

As at December 31, 2019, the Company had the following share purchase warrants outstanding:

Exercise Price	Number Outstanding	Remaining Years	Expiry Date
\$ 0.10	7,705,000	1.13	February 16, 2020 ¹
\$ 0.10	775,000	0.08	January 29, 2020 ¹
\$ 0.07	7,630,000	1.15	February 22, 2021
\$ 0.07	2,600,000	1.30	April 18, 2021
	<u>18,710,000</u>		

¹ Subsequent to December 31, 2019, 8,480,000 warrants expired unexercised.

c) Stock Options

The Company has a 10% rolling stock option plan.

The Company's stock option plan provides for the grant of incentive stock options to employees, consultants, officers and directors of the Company. Options are granted for a term of up to ten years from the date granted. Stock options granted to directors, officers, employees and consultants for other than investor relations activities vest at the discretion of the directors. Options granted for investor relations activities vest over 12 months with no more than 25% of the options vesting in any three-month period.

6. SHARE CAPITAL (continued)

AURAMEX RESOURCE CORP.

Notes to the Financial Statements

For the years ended December 31, 2019 and December 31, 2018

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The Company granted incentive stock options under the Company's stock option plan to directors, officers, employees and consultants of the Company to purchase up to an aggregate of 782,000 treasury shares exercisable at a price of \$0.05 per share for a period of 5 years. The Company also granted stock options to purchase up to an aggregate of 1,925,000 treasury shares exercisable at a price of \$0.06 per share for a period of 5 years.

A summary of share options activity for the year ended December 31, 2019 is as follows:

	Number of Stock Options	Exercise Price
Balance outstanding at December 31, 2017	3,266,000	\$ 0.06
Granted	518,000	0.06
Exercised	(250,000)	0.05
Expired	(150,000)	0.05
Balance outstanding at December 31, 2018	3,384,000	0.06
Granted	2,707,000	0.06
Expired	(1,950,000)	0.06
Balance outstanding at December 31, 2019	4,141,000	\$ 0.05

The following table summarizes information about the stock options outstanding at December 31, 2019:

	Exercise price	Number outstanding and exercisable	Remaining years	Expiry date
\$	0.055	518,000	3.53	July 12, 2023
\$	0.05	400,000	4.74	September 24, 2024
\$	0.05	500,000	7.11	February 8, 2027
\$	0.05	233,000	7.97	December 19, 2027
\$	0.05	715,000	4.08	January 28, 2024
\$	0.06	1,775,000	4.52	July 7, 2024
		4,141,000		

Share-based payments

The Company recognizes share-based payment expense for all stock options granted using the fair value based method of accounting. The fair value of stock options is determined by the Black-Scholes Option Pricing Model with assumptions for risk-free interest rates, dividend yields, volatility factors of the expected market price of the Company's common shares, forfeiture rate, and expected life of the options. The risk free rate of return is the yield on a zero-coupon Canadian Treasury Bill of a term consistent with the assumed option life. The expected average term is the average expected period to exercise, based on the historical activity. The expected volatility is based on the historical volatility of the Company.

AURAMEX RESOURCE CORP.

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6. SHARE CAPITAL (continued)

During the year ended December 31, 2019 the Company recognized share-based payment expense of \$147,042 (2016 - \$27,702) using the following weighted average assumptions:

	December 31, 2019	December 31, 2019
Share price	\$0.056	\$0.055
Risk-free interest rate	1.60%	2.05%
Expected life of options	5 years	5 years
Annualized volatility	200.00%	195.18%
Expected forfeitures	0%	0%
Dividend rate	0%	0%
Fair value per option	\$0.054	\$0.054

7. SHAREHOLDER LOANS

On March 7, 2017, the Company borrowed \$12,000 from directors of the Company. The loans were repaid on March 7, 2018, along with interest calculated at 10% per annum. As consideration for the loans, the Company issued a total of 38,000 shares valued at \$1,900 and issued a total of 50,000 share purchase warrants valued at \$906. The warrants were exercisable into one common share at a price of \$0.05 per share for a period of one year. The fair value of the warrants was calculated using the Black-Scholes valuation model with the following assumptions: expected life of 1 year, annual volatility of 164.96%, annual dividends of 0%, discount rate of 0.79%. Interest of \$983 was recorded with respect to these loans for during the year ended December 31, 2017. The effective interest rate on the loans was 33.38% per annum.

On August 2, 2011, certain related parties subscribed to a private placement that was not completed. In that regard, the deposits on shares of \$50,000 had been treated as shareholders' loans. These loans were repaid January 31, 2018 by shares for debt settlement.

AURAMEX RESOURCE CORP.

Notes to the Financial Statements

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8. RELATED PARTY TRANSACTIONS

Related parties and related party transactions impacting the accompanying financial statements are summarized below and include transactions with the following individuals or entities:

Key management personnel

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

Remuneration attributed to key management personnel can be summarized as follows:

	Years ended December 31,	
	2019	2018
Directors' fees	\$ 12,500	\$ 450
Management and consulting fees	239,500	187,000
Geological consulting fees	178,408	55,025
Share based payments	120,871	27,703
	<u>\$ 551,277</u>	<u>\$ 270,178</u>

At December 31, 2019, an amount of \$240,626 (December 31, 2018 - \$34,290) was included in accounts payable and accrued liabilities for unpaid amounts relating to fees and expenses owed to officers and directors, and to companies controlled by them.

During the year ended December 31, 2018, the Company paid principal of \$12,000 and interest of \$983 on loans from directors.

During the year ended December 31, 2018, the Company issued 3,013,750 shares at a price of \$0.09 per share to settle debt in the amount of \$241,100 owing to related parties, of which \$50,000 were shareholder loans and \$191,000 was included in accounts payable and accrued liabilities, resulting in a loss on settlement of debt of \$30,238 (Note 6).

Mountain Boy Minerals Ltd. has a director in common with the Company and is a related party. Both Mountain Boy Minerals and the Company have performed exploration work and incurred expenses on behalf of each other. The balance owing by Mountain Boy Limited in respect of these expenditures amounted to \$4,172 at December 31, 2019 (2018 - \$4,183). In addition, the Company has entered into various Mineral Property Option agreements as described in Note 5.

AURAMEX RESOURCE CORP.

Notes to the Financial Statements

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9. INCOME TAX

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2019	2018
Loss for the year before income taxes	\$ (544,959)	\$ (29,150)
Expected income tax recovery	(147,000)	(8,000)
Change in statutory rates	(8,000)	-
Permanent difference	38,000	(87,000)
Impact of flow through shares	58,000	55,000
Share issue cost	(2,000)	(7,000)
Adjustment to prior years provision versus statutory tax returns	14,000	109,000
Impact of sale of subsidiary	-	104,000
Change in unrecognized deductible temporary differences	47,000	(166,000)
Total income tax (recovery) expense	\$ -	\$ -

The significant components of the Company's deferred tax assets that have not been included on the statement of financial position are as follows:

	2019	2018
Deferred Tax Assets		
Exploration and evaluation assets	\$ 752,000	818,000
Property and equipment	-	5,000
Share Issue Costs	6,000	6,000
Allowable capital losses	160,000	159,000
Non-capital losses available for future periods	1,034,000	917,000
	1,952,000	1,905,000
Unrecognized deferred tax assets	(1,952,000)	(1,905,000)
Net deferred tax assets	\$ -	\$ -

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the statement of financial position are as follows:

	2019	Expiry Date Range	2018	Expiry Date Range
Temporary Differences				
Exploration and evaluation assets	\$2,701,000	No expiry date	\$2,944,000	No expiry date
Investment tax credit	31,000	2020 to 2023	31,000	2030 to 2033
Property and equipment	-	No expiry date	19,000	No expiry date
Share Issue costs	22,000	2037 to 2044	22,000	2037 to 2043
Allowable capital losses	592,000	No expiry date	589,000	No expiry date
Non-capital losses available for future periods	3,828,000	2026 to 2039	3,396,000	2026 to 2038

The Company raised \$418,650 of flow-through financing during the year ended December 31, 2018. By December 31, 2018, \$200,710 had been spent on eligible exploration expenditure and the Company spend the remaining \$217,940 by December 31, 2019 resulting in a recovery of flow-through premium of \$7,730 (2018 - \$48,528).

Tax attributes are subject to review, and potential adjustment, by tax authorities.

AURAMEX RESOURCE CORP.

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(Expressed in Canadian Dollars)

10. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and evaluation of resource properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company considers capital to be components of stockholders' equity.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the year ended December 31, 2019. The Company is not subject to externally imposed capital requirements.

11. FINANCIAL INSTRUMENTS

The fair value of the Company's receivables and accounts payable and accrued liabilities approximate carrying value which is the amount recorded on the statement of financial position due to their short terms to maturity or ability of prompt liquidation. The Company's other financial instrument, cash, under the fair value hierarchy is measured at fair value based on level one quoted prices in active markets for identical assets and liabilities.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2019, the Company has cash of \$56,634 to settle current liabilities of \$430,642. The Company is exposed to liquidity risk.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's credit risk is primarily attributable to cash and receivables. Cash is held with highly rated financial institutions and management believes the risk of loss to be remote. The Company has no significant concentration of credit risk arising from operations. Receivables consist of input tax credits receivable from the Government of Canada. The Company does not believe it is subject to significant credit risk in relation to its receivables.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

a) Interest rate risk

The Company has cash balances and interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade demand deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As of December 31, 2019, the Company had no funds invested in investment-grade short-term deposit certificates. During the year ended December 31, 2018, the Company repaid \$13,200 in loans, representing the Company's interest bearing debt.

11. FINANCIAL INSTRUMENTS (continued)

AURAMEX RESOURCE CORP.

Notes to the Financial Statements

For the years ended December 31, 2019 and December 31, 2018

(Expressed in Canadian Dollars)

b) Foreign currency risk

The Company's exposure to foreign currency risk or fluctuations related to amounts, denominated in US Dollars is minimal, subsequent to the disposal of its subsidiary.

c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

12. SEGMENT INFORMATION

The Company has one reportable operating segment in Canada, being the acquisition, exploration and evaluation of mineral resources. All the Company's long-term assets are located in Canada.