Consolidated Financial Statements of

Azucar Minerals Ltd.

For the years ended December 31, 2024 and 2023

Azucar Minerals Ltd.
December 31, 2024 and 2023

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INDEPENDENT AUDITOR'S 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, 2024 and 2023, 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 material accounting policy information.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

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

Key Audit Matters

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

We have determined that there are no key audit matters to communicate in our auditor's report.

Other Information

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

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

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

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

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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 Accounting Standards, 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Catherine Tai.

Davidson & Company LLP

Vancouver, Canada

Chartered Professional Accountants

April 10, 2025

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

	December 31, 2024	December 31, 2023
	$	$
ASSETS		
Current assets		
Cash and cash equivalent	**1,739,333**	1,127,401
Accounts receivable and prepaid expenses (Note 4)	**53,884**	44,929
	1,793,217	1,172,330
Non-current assets		
Property and equipment (Note 5)	**4,771**	88,827
Exploration and evaluation assets (Note 6)	**1**	1
	4,772	88,828
TOTAL ASSETS	**1,797,989**	1,261,158
LIABILITIES		
Current liabilities		
Trade and other payables (Note 8(b))	**73,038**	45,074
Total liabilities	**73,038**	45,074
EQUITY		
Share capital (Note 7)	**24,043,321**	24,043,321
Reserves (Note 7)	**3,925,324**	3,914,644
Deficit	**(26,243,694)**	(26,741,881)
Total equity	**1,724,951**	1,216,084
TOTAL EQUITY AND LIABILITIES	**1,797,989**	1,261,158

Nature of operations and going concern (Note 1)

These consolidated financial statements are authorized for issue by the Board of Directors on April 10, 2025.

They are signed on the Company’s behalf by:

/s/Duane Poliquin
Director

/s/ Fuad Sillem
Director

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

Azucar Minerals Ltd.

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

	Years ended December 31, **2024**	2023
	$	$
Expenses		
Administrative services fee (Note 8(a)(b))	**117,868**	75,853
Depreciation (Note 5)	**10,245**	14,907
Office	**28,302**	43,170
Professional fees	**147,932**	145,958
Transfer agent and filing fees	**43,552**	24,567
Share-based payments (Note 7(c))	**10,680**	210,357
	358,579	514,812
Other income		
Interest income (Notes 6 and 14)	**283,368**	126,661
Recovery (impairment) of exploration and evaluation assets (Note 6)	**599,948**	(22,771,185)
Impairment of property and equipment (Note 5)	**(73,811)**	(11,494)
Foreign exchange gain	**47,261**	20,456
	856,766	(22,635,562)
Net income (loss) for the year	**498,187**	(23,150,374)
Total comprehensive income (loss) for the year	**498,187**	(23,150,374)
Basic and diluted net income (loss) per common share (Note 9)	**0.01**	(0.31)

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

Azucar Minerals Ltd.
Consolidated statements of cash flows
(Expressed in Canadian dollars)

	Years ended December 31, **2024**	2023
	$	$
Operating activities		
Net income (loss) for the year	**498,187**	(23,150,374)
Items not affecting cash		
Depreciation	**10,245**	14,907
Impairment (recovery) of exploration and evaluation assets	**(599,948)**	22,771,185
Impairment of property and equipment	**73,811**	11,494
Share-based payments	**10,680**	210,357
Interest income on VAT	**(241,094)**	(126,652)
Changes in non-cash working capital components		
Accounts receivable and prepaid expenses	**(8,955)**	(15,629)
Trade and other payables	**27,964**	(51,672)
Net cash used in operating activities	**(229,110)**	(336,384)
Investing activities		
Exploration and evaluation assets - costs	**(152,761)**	(345,184)
Refund value-added tax	**752,709**	488,065
Interest income on VAT	**241,094**	126,652
Net cash from investing activities	**841,042**	269,533
Change in cash and cash equivalent	**611,932**	(66,851)
Cash and cash equivalent, beginning of year	**1,127,401**	1,194,252
Cash and cash equivalent, end of year	**1,739,333**	1,127,401

Supplemental cash flow information (Note 10)

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

Azucar Minerals Ltd.
Consolidated statement of changes in equity
(Expressed in Canadian dollars)

	Share Capital		Reserves			
	Number of shares	Amount	Share-based payments	Total Reserves	**Deficit**	**Total**
		$	$	$	$	$
Balance, January 1, 2023	**73,829,025**	**24,043,321**	**3,704,287**	**3,704,287**	**(3,591,507)**	**24,156,101**
Share-based payments	-	-	210,357	210,357	-	210,357
Total comprehensive loss for the year	-	-	-	-	(23,150,374)	(23,150,374)
Balance, December 31, 2023	**73,829,025**	**24,043,321**	**3,914,644**	**3,914,644**	**(26,741,881)**	**1,216,084**
Share-based payments	-	-	10,680	10,680	-	10,680
Total comprehensive income for the year	-	-	-	-	498,187	498,187
Balance, December 31, 2024	**73,829,025**	**24,043,321**	**3,925,324**	**3,925,324**	**(26,243,694)**	**1,724,951**

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

1. Nature of Operations and Going Concern

Azucar Minerals Ltd. (the "Company" or "Azucar") was incorporated on April 10, 2015 under the laws of the Province of British Columbia. The Company's business activity is the exploration of the El Cobre project in Veracruz, Mexico. The Company's common shares are traded on the TSX Venture Exchange ("TSX-V") under the symbol "AMZ". 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.

The business of exploring for minerals and mine development involves a high degree of risk and there can be no assurance that any of the Company's current or future exploration programs will result in profitable mining operations. The Company has no source of revenue. As discussed in Note 6, title to the Company's El Cobre project is currently restricted by the Mexican government due to the ongoing legal proceedings, and the Company is unable to perform any mining-related activities at this stage.

These consolidated financial statements were prepared on a "going concern" basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As of December 31, 2024, the Company had a working capital surplus of $1,720,179 (2023 – $1,127,256). The Company does not currently hold any revenue-generating properties and therefore continues to incur losses. The Company incurred a net income for the year ended December 31, 2024 of $498,187 (2023 – net loss of $23,150,374) and negative cash flows from operations of $229,110 for the year ended December 31, 2024 (2023 – $336,384). As at December 31, 2024, the Company had an accumulated deficit of $26,243,694 (2023 – $26,741,881). The Company's ability to continue as a going concern is dependent upon its ability in the future to achieve profitable operations and in the meantime, to obtain the necessary financing to repay its liabilities when they become due. Management estimates that there is sufficient working capital to sustain operations for the next twelve months. External financing will be sought to finance the operations of the Company and enable the Company to continue its efforts towards the exploration and development of its mineral properties. There can be no assurance that steps management is taking will be successful. These consolidated financial statements do not include adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern and such adjustments could be material.

2. Basis of Presentation

(a) *Statement of Compliance with* IFRS

These consolidated financial statements have been prepared in accordance with IFRS Accounting standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

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 that are effective as at December 31, 2024.

2. Basis of Presentation *(Continued)*

(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 judgments 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 judgments and estimates. The consolidated financial statements include judgments and estimates which, by their nature, are uncertain. The impacts of such judgments 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 judgments 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:

<u>Critical Judgments</u>

- 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.

<u>Going Concern</u>

- Management makes an assessment about the Company's ability to continue as a going concern by taking into the account the consideration of the various factors discussed in Note 1. Judgement is applied by management in determining whether or not the elements giving rise to factors that cause doubt about the ability of the Company to continue as a going concern are present.

<u>Estimates</u>

- 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, and
- 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.

3. Material 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
Pangeon Holdings Ltd.	Canada	Holding company (inactive)
Minera Alondra, S.A. de C.V.	Mexico	Exploration company
Ardmore Minerals Ltd.	USA	Exploration company

Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. 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. These consolidated financial statements are presented in Canadian dollars. The functional currency and reporting currency of the Company and its subsidiaries is the Canadian dollar. Accordingly, monetary assets and liabilities denominated in a foreign currency are translated at the exchange rate in effect at the statement of financial position date while non-monetary assets and liabilities denominated in a foreign currency are translated at historical rates. Revenue and expense items denominated in a foreign currency are translated at exchange rates prevailing when such items are recognized in the statement of comprehensive loss. Exchange gains or losses arising on translation of foreign currency items are included in profit or loss. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss.

(c) Financial instruments

Financial assets and liabilities
A financial asset is classified as measured at: amortized cost, fair value through other comprehensive income (FVOCI), or fair value through profit or loss (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 consist primarily of cash and cash equivalent, and accounts receivable and are classified at amortized cost.

Financial liabilities comprise the Company’s trade and other payables. Financial liabilities are initially recognized on the date they are originated and are derecognized when the contractual obligations are discharged or cancelled or expire. Trade and other payables are recognized initially at fair value and are subsequently measured at amortized cost using the effective interest method, when materially different from the initial amount. Fair value is determined based on the present value of future cash flow, discounted at the market rate of interest.

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 equivalent, and accounts receivable.

3. Material Accounting Policies *(Continued)*

(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:

Computer hardware	30%
Computer software	30%
Field equipment	20%
Building	10%

(f) 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.

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

3. Material Accounting Policies *(Continued)*

(f) Exploration and evaluation assets (Continued)

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.

(g) 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.

(h) 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.

3. Material Accounting Policies *(Continued)*

(h) Income taxes (Continued)

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.

(i) 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.

(j) 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.

3. Material Accounting Policies *(Continued)*

(k) Reclamation and closure cost obligations

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

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

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

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

(l) 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 earnings per share is determined by adjusting the net earnings attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares. Outstanding stock options and share purchase warrants that would potentially dilute basic loss per share have not been included in the computation of diluted loss per share because to do so would be anti-dilutive.

(m) New accounting standards adopted

In October 2023, the IASB issued amendments to IAS 1, Presentation of Financial Statements – Classification of Liabilities as Current or Non-Current and Noncurrent Liabilities with Covenants. These amendments increase the disclosure required to enable users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within 12 months. The amendments are effective January 1, 2024, with early adoption permitted. Retrospective application is required on adoption. The Company determined that these amendments didn't have a material effect on its consolidated financial statements.

(n) New standards issued and not yet effective

The following new standards, amendments to standards and interpretations have been issued but are not effective during the year ended December 31, 2024.

On April 9, 2024, the IASB issued a new standard – IFRS 18, "Presentation and Disclosure in Financial Statements" with a focus on updates to the statement of profit or loss. The key new concepts introduced in IFRS 18 relate to:

- the structure of the statement of profit or loss;

(Expressed in Canadian dollars)

3. Material Accounting Policies (*Continued)*

(n) New standards issued and not yet effective (Continued)

- required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and
- enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general.

IFRS 18 will replace IAS 1; many of the other existing principles in IAS 1 are retained, with limited changes. IFRS 18 will apply for reporting periods beginning on or after January 1, 2027 and also applies to comparative information. Adoption of IFRS 18 will not impact the recognition or measurement of items in the financial statements, but it might change what an entity reports as its 'operating profit or loss'. The Company is currently assessing the impact the new standard will have on its financial statements.

4. Accounts Receivable and Prepaid Expenses

Accounts receivable and prepaid expenses consist of the following:

	December 31, 2024	December 31, 2023
	$	$
Accounts receivable	**19,008**	9,312
Prepaid expenses	**34,876**	35,617
	53,884	44,929

5. Property and Equipment

	Computer hardware	**Computer software**	**Field equipment**	**Building**	**Total**
	$	**$**	**$**	**$**	**$**
Cost					
December 31, 2023	**4,781**	**26,006**	**-**	**118,420**	**149,207**
Additions	-	-	-	-	-
Impairment	-	-	-	(118,420)	(118,420)
December 31, 2024	**4,781**	**26,006**	**-**	**-**	**30,787**
Accumulated depreciation					
December 31, 2023	**3,959**	**20,013**	**-**	**36,408**	**60,380**
Depreciation	246	1,798	-	8,201	10,245
Impairment	-	-	-	(44,609)	(44,609)
December 31, 2024	**4,205**	**21,811**	**-**	**-**	**26,016**
Carrying amounts					
December 31, 2023	822	5,993	-	82,012	88,827
December 31, 2024	**576**	**4,195**	**-**	**-**	**4,771**

(Expressed in Canadian dollars)

5. Property and Equipment *(Continued)*

During the year ended December 31, 2024, the Company recorded an impairment of property and equipment of $73,811 (2023 - $11,494). The impairment pertains to a building located on an exploration and evaluation asset, where the Company was unable to carry out exploration activities.

	Computer hardware	Computer software	Field equipment	Building	Total
	$	$	$	$	$
Cost					
December 31, 2022	**4,781**	**26,006**	**39,582**	**118,420**	**188,789**
Additions	-	-	-	-	-
Impairment	-	-	(39,582)		(39,582)
December 31, 2023	**4,781**	**26,006**	**-**	**118,420**	**149,207**
Accumulated depreciation					
December 31, 2022	**3,607**	**17,444**	**25,214**	**27,296**	**73,561**
Depreciation	352	2,569	2,874	9,112	14,907
Impairment			(28,088)		(28,088)
December 31, 2023	**3,959**	**20,013**	**-**	**36,408**	**60,380**
Carrying amounts					
December 31, 2022	1,174	8,562	14,368	91,124	115,228
December 31, 2023	**822**	**5,993**	**-**	**82,012**	**88,827**

During the year ended December 31, 2023, the Company recorded an impairment of property and equipment of $11,494 (2022 - $Nil).

(Expressed in Canadian dollars)

6. Exploration and Evaluation Assets

Exploration and evaluation assets – El Cobre	**$**
Acquisition costs:	
Opening balance – December 31, 2023	**1**
Impairment of acquisition cost	-
Closing balance – December 31, 2024	**1**
Deferred exploration costs:	
Opening balance - December 31, 2023	**-**
Costs incurred during the year:	
Professional/technical fees	38,206
Claim maintenance/lease costs	70,284
Travel and accommodation	4,312
Supplies and miscellaneous	9,570
Environmental	15,648
Refund value-added tax	(752,709)
Value-added tax	14,741
Recovery of deferred exploration costs	599,948
Total deferred exploration costs during the year	-
Closing balance – December 31, 2024	**-**
Total exploration and evaluation assets	**1**

Exploration and evaluation assets – El Cobre	**$**
Acquisition costs:	
Opening balance – December 31, 2022	**1,539,062**
Impairment of acquisition cost	(1,539,061)
Closing balance – December 31, 2023	**1**
Deferred exploration costs:	
Opening balance - December 31, 2022	**21,468,597**
Costs incurred during the year:	
Professional/technical fees	38,048
Claim maintenance/lease costs	129,071
Travel and accommodation	8,591
Geology, geophysics, exploration	41,932
Supplies and miscellaneous	9,149
Environmental	6,465
Refund value-added tax	(488,065)
Value-added tax	18,336
Impairment of deferred exploration costs	(21,232,124)
Total deferred exploration costs during the year	(21,468,597)
Closing balance – December 31, 2023	**-**
Total exploration and evaluation assets	**1**

6. Exploration and Evaluation Assets *(Continued)*

During the year ended December 31, 2024, the Company recorded an impairment of acquisition costs of $Nil (2023 - $1,539,061) and deferred exploration costs of $Nil (2023 - $21,232,124) due to the Company's inability to perform exploration activities on the El Cobre property as mentioned in Note 6(a). A recovery of exploration cost totaling $599,948 (2023 - $Nil) was recognized reflecting a refund of value-added taxes.

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

(a) El Cobre

The Company owns a 100% interest in the El Cobre property located in the state of Veracruz, Mexico.

On September 29, 2023, Azucar received notification from the First District Court of Veracruz ("First District Court") that its Mexican subsidiary, Minera Alondra ("Alondra"), was named in a lawsuit ("Amparo") as an affected third party relating to twenty-four mineral concessions in Veracruz, Mexico (the "Concessions"), of which some may cover the El Cobre project.

The Amparo was filed in 2022 by thirty-three people from the municipalities of Actopan and Alto Lucero, and the First District Court granted them an injunction requiring the cessation of mining-related activities on several concessions, including those owned by the Company and covering the El Cobre project. The Company is appealing this injunction. The Company has also presented arguments regarding the Amparo to the First District Court to protect its rights.

During the year ended December 31, 2024, the Court rejected the Company's motion to modify the injunction. The appeal is pending, and the constitutional hearing is expected to be delayed pending expert reports.

(b) Other

Expenditures incurred by the Company in Mexico are subject to Mexican Value-added tax ("VAT"). The VAT is included in exploration and evaluation assets as incurred. Under Mexican law, VAT paid can be used in the future to offset amounts resulting from VAT charged on sales. Under certain circumstances and subject to approval from tax authorities, a company can also apply for an early refund of VAT prior to generating sales. During 2024, the Company received a VAT recovery of $752,709 (2023 - 488,065) and other income of $241,094 (2023 - $126,652) related to a VAT refund from prior years which is recorded in interest income.

7. Share Capital and Reserves

(a) Authorized share capital

At December 31, 2024, 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 2024 and 2023

There was no share issuances during the years-ended December 31, 2024 and 2023.

(c) 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

(Expressed in Canadian dollars)

7. Share Capital and Reserves *(Continued)*

(c) ***Stock option plan*** *(Continued)*

relations services cannot exceed 2% of the issued and outstanding common shares in any twelve month period. At December 31, 2024, the Company may reserve up to 1,553,903 shares that may be granted as stock options. The exercise price of any option cannot be less than the discounted market price. The maximum term of all options is ten years. The Board of Directors determines the term of the option and the time during which any options may vest. Options granted to consultants or persons providing investor relations services shall vest in stages with no more than 25% of such option being exercisable in any three month period. All options granted during the year ended December 31, 2024 vested on the grant date.

The continuity of stock options for the years ended December 31, 2024 and 2023 are as follows:

Expiry date	Exercise price	December 31, 2023	Granted	Exercised	Expired/ cancelled	December 31, 2024
February 28, 2024	$ 0.09	400,000	-	-	(400,000)	-
March 10, 2027	$ 0.11	400,000	-	-	-	400,000
March 10, 2027	$ 0.09	425,000	-	-	-	425,000
December 17, 2027	$ 0.06	380,000	-	-	-	380,000
May 12, 2028	$ 0.09	3,188,200	-	-	(25,000)	3,163,200
July 10, 2028	$ 0.05	1,060,800	-	-	-	1,060,800
May 10, 2029	$ 0.04	-	400,000	-	-	400,000
Options outstanding and exercisable		**5,854,000**	**400,000**	**-**	**(425,000)**	**5,829,000**
Weighted average exercise price		$ 0.08	$ 0.04	-	$ 0.09	$ 0.08

The weighted average remaining life of stock options outstanding at December 31, 2024 was 3.27 years (2023 – 3.92 years).

Expiry date	Exercise price	December 31, 2022	Granted	Exercised	Expired/ cancelled	December 31, 2023
May 11, 2023	$ 0.12	3,224,200	-	-	(3,224,200)	-
June 14, 2023	$ 0.13	303,000	-	-	(303,000)	-
July 8, 2023	$ 0.11	793,800	-	-	(793,800)	-
February 28, 2024	$ 0.09	400,000	-	-	-	400,000
March 10, 2027	$ 0.11	400,000	-	-	-	400,000
March 10, 2027	$ 0.09	425,000	-	-	-	425,000
December 17, 2027	$ 0.06	380,000	-	-	-	380,000
May 12, 2028	$ 0.09	-	3,188,200	-	-	3,188,200
July 10, 2028	$ 0.05	-	1,060,800	-	-	1,060,800
Options outstanding and exercisable		**5,926,000**	**4,249,000**	**-**	**(4,321,000)**	**5,854,000**
Weighted average exercise price		$ 0.11	$ 0.08	-	$ 0.12	$ 0.08

The weighted average remaining life of stock options outstanding at December 31, 2023 was 3.92 years.

(Expressed in Canadian dollars)

7. Share Capital and Reserves *(Continued)*

(c) Stock option plan (Continued)

The fair value of the options granted during the year ended December 31, 2024, was estimated on the grant date using the Black-Scholes option pricing model with the following weighted average assumptions:

Risk-free interest rate	3.64%
Expected life	5.00 years
Expected volatility	80.96%
Expected dividend yield	Nil
Weighted average fair value per option	$0.03

The fair value of the options granted during the year ended December 31, 2023, was estimated on the grant date using the Black-Scholes option pricing model with the following weighted average assumptions:

Risk-free interest rate	3.42%
Expected life	5.00 years
Expected volatility	79.76%
Expected dividend yield	Nil
Weighted average fair value per option	$0.05

During the year ended December 31, 2024, the Company recognized share-based payments expenses of $10,680 (2023 - $210,357) associated with the vesting of stock options granted.

8. Related Party Transactions and Balances

(a) Compensation of key management personnel

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

	December 31, 2024	December 31, 2023
Management fees[(1)]	**$ 77,775**	$ 49,450
Share-based payments	**10,680**	156,805
	88,455	206,255

(1) Management fees are recorded within Administrative services fees.

(Expressed in Canadian dollars)

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

(b) Other related party transactions

Administrative Services Agreement

The Company paid administrative services fees of $117,868 (2023 - $75,853) to Almaden Minerals Ltd. ("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.

Almaden and the Company are considered related parties through common officers.

At December 31, 2024, included in trade and other payable is $29,170 (December 31, 2023 - $7,005) due to Almaden.

Other

Almadex and the Company are considered related parties through common officers.

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

9. Net Income (Loss) per Share

Basic and diluted net income (loss) per share

The calculation of basic net income per share for the year ended December 31, 2024 was based on the net income attributable to common shareholders of $498,187 (2023 – net loss of $23,150,374) and a weighted average number of common shares outstanding of 73,829,025 (2023 – 73,829,025).

The calculation of diluted net income per share for the year ended December 31, 2024 includes a weighted average number of common shares outstanding of 73,829,025, adjusted for the effects of all dilutive potential common shares, which comprises nil stock options and nil warrants.

The calculation of diluted net loss per share for the years ended December 31, 2023 did not include the effect of stock options and warrants as they were considered anti-dilutive.

10. Supplemental Cash Flow Information

Cash and cash equivalents is comprised of the following:

	December 31, 2024	December 31, 2023
	$	$
Cash	**460,158**	1,127,401
Term Deposits	**1,279,175**	-
	1,739,333	1,127,401

During the years ended December 31, 2024, and 2023, the Company paid $nil and $nil for income taxes and interest, respectively.

(Expressed in Canadian dollars)

11. 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, 2024	December 31, 2023
	$	$
Income (loss) before income taxes	**498,187**	(23,150,374)
Statutory rate	**27%**	27%
Expected income tax expenses (recovery)	**134,510**	(6,250,601)
Effect of different tax rates in foreign jurisdictions	**75,524**	(738,000)
Non-deductible share-based payments	**2,884**	56,796
Other permanent items	**(68,471)**	46,995
Change in unrecognized deductible temporary differences and other	**(144,447)**	6,884,810
	-	-

(b) 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, 2024	December 31, 2023
	$	$
Non-capital loss carry forwards	**5,531,427**	5,095,958
Capital loss carry forwards	**7,762,975**	7,762,975
Exploration and evaluation assets	**22,771,191**	22,771,191
Share issue costs and other	**440,168**	438,265
	36,505,761	36,068,389

At December 31, 2024, the Company had operating loss carry forwards available for tax purposes in Canada of $4,263,797 (2023 - $4,089,804) which expire between 2034 and 2044, in USA of $6,481 (2023 - $Nil) which can be carried forward indefinitely, and in Mexico of $1,261,149 (2023 - $1,006,154) which expire between 2030 and 2032.

As at December 31, 2024, the Company had capital loss carry forwards totaling $7,762,975 (2023 – $7,762,975), which may be carried forward indefinitely under Canadian tax purposes.

12. Financial Instruments

The fair values of the Company's cash and cash equivalent, accounts receivable and trade and other payables approximate their carrying values because of the short-term nature of these instruments.

The Company does not carry any financial instruments at fair value.

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

12. Financial Instruments *(Continued)*

(a) Currency risk *(Continued)*

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, 2024, 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 equivalent	1,221,336	156,345
Accounts receivable and prepaid expenses	5,027	-
Total assets	**1,226,363**	**156,345**
Trade and other payables	2,014	2,995
Total liabilities	**2,014**	**2,995**
Net assets	**1,224,349**	**153,350**

A 10% change in the US dollar exchange rate relative to the Canadian dollar would change the Company's profit or loss by $122,000.

A 10% change in the Mexican peso relative to the Canadian dollar would change the Company's profit or loss by $15,000.

(b) Credit risk

The Company's cash and cash equivalent 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 equivalent, 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, 2024, the Company's maximum exposure to credit risk is the carrying value of its cash and cash equivalent, and accounts receivable.

(c) Liquidity risk

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

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

12. Financial Instruments *(Continued)*

(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. The Company has no interest-bearing debt.

A 1% change in the interest rate does not have any significant impact on the Company's net loss.

(e) Commodity and equity 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 monitors gold prices to determine the appropriate course of action to be taken by the Company. 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.

13. 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 upcoming fiscal year. 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.

14. Segmented Information

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

Geographic information of the Company's non-current assets is as follows:

(Expressed in Canadian dollars)

14. Segmented Information *(Continued)*

	Property and equipment	Exploration and evaluation assets	December 31, 2024
	$	$	$
Mexico	330	1	331
Canada	4,441	-	4,441
	4,771	**1**	**4,772**

	Property and equipment	Exploration and evaluation assets	December 31, 2023
	$	$	$
Mexico	82,484	1	82,485
Canada	6,343	-	6,343
	88,827	**1**	**88,828**

The Company’s revenue from interest income earned in Canada of $42,274 (2023 - $9) relates to interest earned from cash balances and in Mexico of $241,094 (2023 - $126,652) relates to interest earned from value-added tax refunds.