

Condensed Consolidated Interim Financial Statements of

Azucar Minerals Ltd.

For the three months ended March 31, 2019
(Unaudited)

**NOTICE OF NO AUDITOR REVIEW OF CONDENSED
CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

The accompanying unaudited condensed consolidated interim financial statements of Azucar Minerals Ltd. (“the Company”) for the three months ended March 31, 2019 have been prepared by the management of the Company and approved by the Company’s Audit Committee and the Company’s Board of Directors.

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the consolidated interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company’s management.

The Company’s independent auditor has not performed a review of these financial statements in accordance with standards established by CPA Canada for a review of the condensed consolidated interim financial statements by an entity’s auditor.

Azucar Minerals Ltd.

Condensed consolidated interim statements of financial position
(Unaudited - Expressed in Canadian dollars)

	March 31, 2019	December 31, 2018
	\$	\$
ASSETS		
Current assets		
Cash and cash equivalents (Note 10)	12,682,966	14,469,889
Accounts receivable and prepaid expenses (Note 4)	242,439	240,320
	12,925,405	14,710,209
Non-current assets		
Property and equipment (Note 5)	36,185	28,150
Exploration and evaluation assets (Note 6)	14,793,411	13,359,805
	14,829,596	13,387,955
TOTAL ASSETS	27,755,001	28,098,164
LIABILITIES		
Current liabilities		
Trade and other payables (Note 8(b))	564,389	615,027
Total liabilities	564,389	615,027
EQUITY		
Share capital (Note 7)	23,991,008	23,991,008
Reserves (Note 7)	3,118,445	2,998,745
Retained earnings (Deficit)	81,159	493,384
Total equity	27,190,612	27,483,137
TOTAL EQUITY AND LIABILITIES	27,755,001	28,098,164

Subsequent Events (Note 14)

These condensed consolidated interim financial statements are authorized for issue by the Board of Directors on May 29, 2019.

They are signed on the Company's behalf by:

/s/Duane Poliquin
Director

/s/Mark T. Brown
Director

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

Azucar Minerals Ltd.

Condensed consolidated interim statements of loss and comprehensive loss
(Unaudited - Expressed in Canadian dollars)

	Three months ended March 31,	
	2019	2018
	\$	\$
Expenses		
Administrative services fee (Note 8(a)(b))	149,598	109,682
Depreciation (Note 5)	1,653	47,872
Impairment of exploration and evaluation assets	-	81,587
Salaries and benefits	34,756	-
Office	9,403	18,223
Professional fees	41,981	320,893
Transfer agent and filing fees	34,855	22,140
Travel and promotion	18,830	10,759
Share-based payments (Note 7(c))	119,700	-
	410,776	611,156
Other income (loss)		
Interest and other income (Note 8(b))	25,708	178,872
Gain on sale of exploration and evaluation assets	-	39,167
Gain on sale of marketable securities	-	6,805
Gain on sale of property and equipment	-	69,553
Gain on fair value of contingent shares receivable	-	7,800
Foreign exchange gain (loss)	(27,157)	78,697
	(1,449)	380,894
Net loss for the period	(412,225)	(230,262)
Other comprehensive income (loss)		
Items that may be reclassified subsequently to profit or loss		
Net change in fair value of FVOCI investments net of tax of \$Nil	-	172,391
Other comprehensive income for the period	-	172,391
Loss and comprehensive loss for the period	(412,225)	(57,871)
Basic and diluted net loss per share (Note 9)	(0.01)	(0.01)

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

Azucar Minerals Ltd.

Condensed consolidated interim statements of cash flows
(Unaudited - Expressed in Canadian dollars)

	Three months ended March 31,	
	2019	2018
	\$	\$
Operating activities		
Net loss for the period	(412,225)	(230,262)
Items not affecting cash		
Depreciation	1,653	47,872
Gain on fair value of contingent shares receivable	-	(7,800)
Gain on sale of marketable securities	-	(6,805)
Impairment of exploration and evaluation assets	-	81,587
Unrealized foreign exchange on reclamation deposit	-	1,848
Gain on sale of exploration and evaluation assets	-	(39,167)
Gain on sale of property and equipment	-	(69,553)
Share-based payments	119,700	-
Changes in non-cash working capital components		
Accounts receivable and prepaid expenses	(2,119)	(868,311)
Trade and other payables	2,143	875,161
Net cash used in operating activities	(290,848)	(215,430)
Investing activities		
Exploration and evaluation assets - costs	(1,486,387)	(561,016)
Property and equipment – purchase	(9,688)	(28,241)
Net proceeds from sale of property and equipment	-	103,798
Net proceeds from sale of marketable securities	-	30,345
Net cash used in investing activities	(1,496,075)	(455,114)
Financing activities		
Issuance of shares, net of share issue costs	-	5,270,077
Options exercised	-	409,220
Net cash from financing activities	-	5,679,297
Change in cash and cash equivalents	(1,786,923)	5,008,753
Cash and cash equivalents, beginning of the period	14,469,889	1,511,419
Cash and cash equivalents, end of the period	12,682,966	6,520,172
Supplemental cash flow information (Note 10)		

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

Azucar Minerals Ltd.

Condensed consolidated interim statement of changes in equity
(Unaudited - Expressed in Canadian dollars)

	Share Capital		Reserves				Deficit	Total
	Number of shares	Amount	Share-based payments	Warrants	Available-for-sale financial assets	Total Reserves		
		\$	\$	\$	\$	\$	\$	\$
Balance, January 1, 2018	48,422,869	15,977,418	1,926,029	34,188	266,707	2,226,924	(3,773,867)	14,430,475
Private placement, net	4,000,000	5,270,077	-	-	-	-	-	5,270,077
Options exercised	1,306,000	409,220	-	-	-	-	-	409,220
Fair value of options transferred to share capital	-	189,415	(189,415)	-	-	(189,415)	-	-
Loss and comprehensive income (loss) for the period	-	-	-	-	172,391	172,391	(230,262)	(57,871)
Balance, March 31, 2018	53,728,869	21,846,130	1,736,614	34,188	439,098	2,209,900	(4,004,129)	20,051,901
Share-based payments – modification and grant	-	(6,620)	1,573,881	6,620	-	1,580,501	-	1,573,881
Private placement, net	14,614,402	19,183,172	-	-	-	-	-	19,183,172
Options exercised	1,291,700	318,564	-	-	-	-	-	318,564
Fair value of options transferred to share capital	-	311,750	(311,750)	-	-	(311,750)	-	-
Finders' warrants exercised	44,400	42,312	-	-	-	-	-	42,312
Fair value of finders' warrants transferred to share capital	-	40,808	-	(40,808)	-	(40,808)	-	-
Transfer of net assets pursuant to spin-out	-	(22,105,108)	-	-	-	-	-	(22,105,108)
Shares issued to Almadex	4,000,000	4,360,000	-	-	-	-	-	4,360,000
Total comprehensive income (loss) for the period	-	-	-	-	(439,098)	(439,098)	4,497,513	4,058,415
Balance, December 31, 2018	73,679,371	23,991,008	2,998,745	-	-	2,998,745	493,384	27,483,137
Share-based payments	-	-	119,700	-	-	119,700	-	119,700
Total comprehensive income (loss) for the period	-	-	-	-	-	-	(412,225)	(412,225)
Balance, March 31, 2019	73,679,371	23,991,008	3,118,445	-	-	3,118,445	81,159	27,190,612

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

Azucar Minerals Ltd.

Notes to the condensed consolidated interim financial statements

For the three months ended March 31, 2019

(Unaudited - Expressed in Canadian dollars)

1. Nature of Operations

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

2. Basis of Presentation

(a) Statement of Compliance with International Financial Reporting Standards

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance and compliance with International Accounting Standards (“IAS”) 34 “*Interim Financial Reporting*” (“IAS 34”) using accounting policies consistent with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”).

(b) Basis of preparation

These condensed consolidated interim financial statements are prepared on a going concern basis, which assumes the Company will continue its operations for a reasonable period of time. The Company’s ability to continue its operations is dependent upon obtaining additional financing or maintaining continued support from its shareholders and creditors, and generating profitable operations in the future.

These condensed consolidated interim financial statements include the accounts of the Company and its subsidiaries. This interim financial report does not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period.

Except as described below, these condensed consolidated interim financial statements follow the same accounting policies and methods of application as the annual audited consolidated financial statements for the year ended December 31, 2018.

The changes in accounting policies are also expected to be reflected in the Company's consolidated financial statements as at and for the year ending December 31, 2019.

The following is an accounting standard issued and effective January 1, 2019.

- IFRS 16: New standard to establish principles for recognition, measurement, presentation and disclosure of leases with an impact on lessee accounting, effective for annual periods beginning on or after January 1, 2019. The adoption of this standard did not have an impact on the Company’s existing accounting policies or financial statement presentation.

3. Significant Accounting Policies

These condensed consolidated interim financial statements do not include all note disclosures required by IFRS for annual financial statements. In the opinion of management, all adjustments considered necessary for fair presentation of the Company’s financial position, results of operations and cash flows have been included. Operating results for the period ended March 31, 2019 are not necessarily indicative of the results that may be expected for the period ending December 31, 2019.

Azucar Minerals Ltd.

Notes to the condensed consolidated interim financial statements

For the three months ended March 31, 2019

(Unaudited - Expressed in Canadian dollars)

3. Significant Accounting Policies (Continued)

The preparation of these condensed consolidated interim financial statements requires management to make judgements and estimates that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these judgements and estimates. The condensed consolidated interim financial statements include judgements and estimates which, by their nature, are uncertain. The impacts of such judgements and estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods. There have been no changes in estimates since the annual consolidated financial statements as at and for the year ended December 31, 2018.

4. Accounts Receivable and Prepaid Expenses

Accounts receivable and prepaid expenses consist of the following:

	March 31 2019	December 31, 2018
	\$	\$
Accounts receivable	173,867	173,151
Prepaid expenses	68,572	67,169
	242,439	240,320

5. Property and Equipment

	Computer hardware	Computer software	Field equipment	Total
	\$	\$	\$	\$
Cost				
December 31, 2018	2,093	-	32,206	34,299
Additions	-	2,312	7,376	9,688
March 31, 2019	2,093	2,312	39,582	43,987
Accumulated depreciation				
December 31, 2018	646	-	5,503	6,149
Depreciation	173	22	1,458	1,653
March 31, 2019	819	22	6,961	7,802
Carrying amounts				
December 31, 2018	1,447	-	26,703	28,150
March 31, 2019	1,274	2,290	32,621	36,185

Azucar Minerals Ltd.

Notes to the condensed consolidated interim financial statements

For the three months ended March 31, 2019

(Unaudited - Expressed in Canadian dollars)

6. Exploration and Evaluation Assets

Exploration and evaluation assets – El Cobre	\$
Acquisition costs:	
Opening balance – December 31, 2018	1,380,274
Additions	-
Closing balance – March 31, 2019	1,380,274
Deferred exploration costs:	
Opening balance - December 31, 2018	11,979,531
Costs incurred during the period:	
Drilling and related costs	554,539
Professional/technical fees	12,510
Claim maintenance/lease costs	40,369
Geochemical, metallurgy	165,396
Travel and accommodation	53,581
Geology, geophysics, exploration	406,869
Supplies and miscellaneous	51,747
Reclamation, environmental	5,117
Value-added tax	143,478
Total deferred exploration costs during the period	1,433,606
Closing balance – March 31, 2019	13,413,137
Total exploration and evaluation assets	14,793,411

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

El Cobre

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

7. Share Capital and Reserves

(a) Authorized share capital

At March 31, 2019, 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) Warrants

The continuity of warrants for the period ended March 31, 2019 is as follows:

Azucar Minerals Ltd.

Notes to the condensed consolidated interim financial statements

For the three months ended March 31, 2019

(Unaudited - Expressed in Canadian dollars)

7. Share Capital and Reserves (Continued)

(b) Warrants (Continued)

Expiry date	Exercise Price	December 31, 2018	Issued	Exercised	Expired	March 31, 2019
August 27, 2019	* \$ 1.41	1,248,000	-	-	-	1,248,000
March 27, 2020	* \$ 1.41	1,999,995	-	-	-	1,999,995
Warrants outstanding and exercisable		3,247,995	-	-	-	3,247,995
Weighted average exercise price		\$ 1.41	-	-	-	\$ 1.41

* On May 18, 2018, the Company adjusted the exercise price on outstanding warrants proportionately to reflect the value transferred to Almadex.

(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 relations services cannot exceed 2% of the issued and outstanding common shares in any twelve month period. At March 31, 2019, the Company may reserve up to 572,937 shares that may be granted as stock options. The exercise price of any option cannot be less than the volume weighted average trading price of the shares for the five trading days immediately preceding the date of the grant. The maximum term of all options is five years. The Board of Directors determines the term of the option and the time during which any options may vest. Options granted to consultants or persons providing investor relations services shall vest in stages with no more than 25% of such option being exercisable in any three month period. All options granted during the period ended March 31, 2019 vested on the date of grant.

The continuity of stock options for the period ended March 31, 2019 is as follows:

Expiry date	Exercise price	December 31, 2018	Granted	Exercised	Expired/cancelled	March 31, 2019
January 2, 2019	* \$ 0.17	30,000	-	-	(30,000)	-
February 27, 2019	* \$ 0.95	115,000	-	-	(115,000)	-
May 5, 2019	* \$ 0.78	573,000	-	-	-	573,000
July 2, 2019	* \$ 0.21	90,000	-	-	-	90,000
July 2, 2019	* \$ 0.97	877,800	-	-	-	877,800
April 30, 2020	* \$ 0.73	300,000	-	-	-	300,000
December 15, 2020	\$ 0.39	330,000	-	-	-	330,000
April 28, 2021	\$ 0.60	3,959,200	-	-	-	3,959,200
February 28, 2022	\$ 0.36	-	665,000	-	-	665,000
Options outstanding and exercisable		6,275,000	665,000	-	(145,000)	6,795,000
Weighted average exercise price		\$ 0.66	0.36	-	0.79	\$ 0.63

* On May 18, 2018, the Company adjusted the exercise price on outstanding stock options proportionately to reflect the value transferred to Almadex.

Azucar Minerals Ltd.

Notes to the condensed consolidated interim financial statements

For the three months ended March 31, 2019

(Unaudited - Expressed in Canadian dollars)

7. Share Capital and Reserves (Continued)

(c) Stock option plan (Continued)

During the three months ended March 31, 2019, the Company recognized share-based payments expense of \$119,700 (2018 - \$Nil) 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 Vice President Corporate Development. These amounts are included within administrative services fee expense. The aggregate value of compensation to key management personnel was as follows:

	Three months ended March 31,	
	2019	2018
Management fees ⁽¹⁾	101,200	75,900
Share-based payments	92,700	-
	193,900	75,900

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

(b) Other related party transactions

Administrative Services Agreement

The Company paid administrative services fees to Almaden 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.

At March 31, 2019, included in trade and other payables is \$137,046 (December 31, 2018 - \$170,181) due to Almaden.

Other

At March 31, 2019, the Company accrued \$242,838 (December 31, 2018 - \$252,069) payable to Almadex and recorded in exploration and evaluation assets for drilling equipment rental services in Mexico.

During the three months ended March 31, 2019, other income of \$Nil (March 31, 2018 - \$178,047) was paid by Almaden to the Company for drill equipment rental services in Mexico.

During the three months ended March 31, 2019, the Company paid a company controlled by a Director of the Company \$22,385 (March 31, 2018 - \$7,721) for geological services included in exploration and evaluation assets.

Azucar Minerals Ltd.

Notes to the condensed consolidated interim financial statements

For the three months ended March 31, 2019

(Unaudited - Expressed in Canadian dollars)

9. Net Loss per Share

Basic and diluted net loss per share

The calculation of basic net loss per share for the three months ended March 31, 2019 was based on the net loss attributable to common shareholders of \$412,225 (2018 – \$230,262) and a weighted average number of common shares outstanding of 73,679,371 (2018 – 48,725,969).

The calculation of diluted net loss per share for the period ended March 31, 2019 and March 31, 2018 did not include the effect of stock options and warrants as they were considered anti-dilutive.

10. Supplemental Cash Flow Information

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

	March 31, 2019	December 31, 2018
	\$	\$
Cash	2,182,966	1,787,789
Term Deposits	10,500,000	12,682,100
	12,682,966	14,469,889

Supplemental information regarding non-cash transactions is as follows:

Investing and financing activities	March 31, 2019	March 31, 2018
	\$	\$
Fair value of options reclassified to share capital on exercise	-	189,415

As at March 31, 2019, \$322,359 (December 31, 2018 - \$375,140) of exploration and evaluation asset costs is included in trade and other payables.

11. Financial Instruments

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

The Company 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 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.

Azucar Minerals Ltd.

Notes to the condensed consolidated interim financial statements

For the three months ended March 31, 2019

(Unaudited - Expressed in Canadian dollars)

11. Financial Instruments (Continued)

(a) Currency risk (Continued)

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

All amounts in Canadian dollars	US dollar	Mexican peso
	\$	\$
Cash and cash equivalents	898,183	11,839
Total assets	898,183	11,839
Trade and other payables	371,105	3,229
Total liabilities	371,105	3,229
Net assets	527,078	8,610

A 10% change in the US dollar exchange rate relative to the Canadian dollar would change the Company's profit or loss by \$53,000.

A 10% change in the Mexican peso relative to the Canadian dollar would change the Company's profit or loss by \$1,000.

(b) Credit risk

The Company's cash and cash equivalents are held in large Canadian and Mexican financial institutions. The Company's accounts receivable consists primarily of sales tax due from the federal government of Canada. The Company is exposed to credit risks through its accounts receivable.

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

As at March 31, 2019, the Company's maximum exposure to credit risk is the carrying value of its cash and cash equivalents 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.

(d) Interest rate risk

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

A 1% change in the interest rate would change the Company's net loss by \$127,000.

Azucar Minerals Ltd.

Notes to the condensed consolidated interim financial statements

For the three months ended March 31, 2019

(Unaudited - Expressed in Canadian dollars)

11. Financial Instruments (Continued)

(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.

12. Management of Capital

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

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

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

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

13. Segmented Information

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

Geographic information is as follows:

	Property and equipment	Exploration and evaluation assets	March 31, 2019
	\$	\$	\$
Canada	2,226	-	2,226
Mexico	33,959	14,793,411	14,827,370
	36,185	14,793,411	14,829,596

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

Azucar Minerals Ltd.

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(Unaudited - Expressed in Canadian dollars)

14. Subsequent Events

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