

Condensed Consolidated Interim Financial Statements of

Azucar Minerals Ltd.

For the three and nine months ended September 30, 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 and nine months ended September 30, 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)

	September 30, 2019	December 31, 2018
	\$	\$
ASSETS		
Current assets		
Cash and cash equivalents (Note 10)	9,732,889	14,469,889
Accounts receivable and prepaid expenses (Note 4)	111,411	240,320
	9,844,300	14,710,209
Non-current assets		
Property and equipment (Note 5)	58,162	28,150
Exploration and evaluation assets (Note 6)	17,597,740	13,359,805
	17,655,902	13,387,955
TOTAL ASSETS	27,500,202	28,098,164
LIABILITIES		
Current liabilities		
Trade and other payables (Note 8(b))	789,731	615,027
Total liabilities	789,731	615,027
EQUITY		
Share capital (Note 7)	24,043,321	23,991,008
Reserves (Note 7)	3,302,237	2,998,745
Retained earnings (Deficit)	(635,087)	493,384
Total equity	26,710,471	27,483,137
TOTAL EQUITY AND LIABILITIES	27,500,202	28,098,164

These condensed consolidated interim financial statements are authorized for issue by the Board of Directors on November 20, 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 September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
	\$	\$	\$	\$
Expenses				
Administrative services fee (Note 8(a)(b))	169,629	113,087	468,525	336,390
Depreciation (Note 5)	1,715	1,455	5,083	75,234
Impairment of exploration and evaluation assets	-	-	-	102,202
Salaries and benefits	37,471	-	98,636	-
Office	22,500	10,493	61,299	49,434
Professional fees	45,765	69,324	166,554	221,773
Transfer agent and filing fees	12,242	24,937	59,248	88,591
Travel and promotion	10,052	32,762	47,932	45,771
Share-based payments (Note 7(c))	135,492	1,108,576	318,222	1,524,381
	434,866	1,360,634	1,225,499	2,443,776
Other income (loss)				
Interest and other income (Note 8(b))	33,384	36,333	140,396	229,016
Gain (loss) on transfer of spin-out assets	-	(189,367)	-	6,146,095
Realized gain on spin-out of marketable securities and investments	-	-	-	439,098
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 income (loss)	4,219	(15,994)	(43,368)	(27,189)
	37,603	(169,028)	97,028	6,910,345
Net income (loss) for the period	(397,263)	(1,529,662)	(1,128,471)	4,466,569
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
Reclassification adjustment relating to FVOCI investments included in net loss, net of tax of \$Nil	-	-	-	(439,098)
Other comprehensive loss for the period	-	-	-	(266,707)
Total comprehensive income (loss) for the period	(397,263)	(1,529,662)	(1,128,471)	4,199,862
Basic and diluted net income (loss) per share (Note 9)	(0.01)	(0.02)	(0.02)	0.07

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		Nine months ended	
	2019	September 30, 2018	2019	September 30, 2018
	\$	\$	\$	\$
Operating activities				
Net income (loss) for the period	(397,263)	(1,529,662)	(1,128,471)	4,466,569
Items not affecting cash				
Depreciation	1,715	1,455	5,083	75,234
Gain on fair value of contingent shares receivable	-	-	-	(7,800)
Gain on sale of marketable securities	-	-	-	(6,805)
Impairment of exploration and evaluation assets	-	-	-	102,202
Unrealized foreign exchange on reclamation deposit	-	-	-	1,748
Gain on sale of exploration and evaluation assets	-	-	-	(39,167)
Gain on sale of property and equipment	-	-	-	(69,553)
Loss (gain) on transfer of spin-out assets	-	189,367	-	(6,146,095)
Realized gain on spin-out of marketable securities and investments	-	-	-	(439,098)
Share-based payments	135,492	1,108,576	318,222	1,524,381
Changes in non-cash working capital components				
Accounts receivable and prepaid expenses	(674)	163,232	128,909	(49,111)
Trade and other payables	49,961	(183,548)	(100,081)	(45,492)
Net cash used in operating activities	(210,769)	(250,580)	(776,338)	(632,987)
Investing activities				
Exploration and evaluation assets - costs	(984,729)	(993,609)	(3,963,150)	(2,491,728)
Property and equipment - purchase	(25,407)	-	(35,095)	(30,971)
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	(1,010,136)	(993,609)	(3,998,245)	(2,388,556)
Financing activities				
Issuance of shares, net of share issue costs	-	-	18,683	24,335,845
Transaction cost paid in connection with the arrangement	-	-	-	(533,960)
Cash paid to Almadex pursuant to plan of arrangement	-	-	-	(5,984,338)
Cash in subsidiaries spun out to Almadex	-	-	-	(756,116)
Options exercised	18,900	87,472	18,900	691,184
Finders' warrants exercised	-	-	-	42,312
Net cash from financing activities	18,900	87,472	37,583	17,794,927
Change in cash and cash equivalents	(1,202,005)	(1,156,717)	(4,737,000)	14,773,384
Cash and cash equivalents, beginning of the period	10,934,894	17,441,520	14,469,889	1,511,419
Cash and cash equivalents, end of the period	9,732,889	16,284,803	9,732,889	16,284,803
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 statements of changes in equity
(Unaudited - Expressed in Canadian dollars)

	Share Capital		Reserves				Retained earnings (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
Share-based payments – modification and grant	-	(6,620)	1,524,381	6,620	-	1,531,001	-	1,524,381
Private placement, net	18,391,568	24,335,845	-	-	-	-	-	24,335,845
Options exercised	2,357,700	691,184	-	-	-	-	-	691,184
Fair value of options transferred to share capital	-	460,306	(460,306)	-	-	(460,306)	-	-
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	-	-	-	-	(266,707)	(266,707)	4,466,569	4,199,862
Balance, September 30, 2018	73,216,537	23,796,145	2,990,104	-	-	2,990,104	692,702	27,478,951
Share-based payments	-	-	49,500	-	-	49,500	-	49,500
Private placement, net	222,834	117,404	-	-	-	-	-	117,404
Options exercised	240,000	36,600	-	-	-	-	-	36,600
Fair value of options transferred to share capital	-	40,859	(40,859)	-	-	(40,859)	-	-
Total comprehensive loss for the period	-	-	-	-	-	-	(199,318)	(199,318)
Balance, December 31, 2018	73,679,371	23,991,008	2,998,745	-	-	2,998,745	493,384	27,483,137
Share-based payments	-	-	318,222	-	-	318,222	-	318,222
Private placement, net	59,654	18,683	-	-	-	-	-	18,683
Options exercised	90,000	18,900	-	-	-	-	-	18,900
Fair value of options transferred to share capital	-	14,730	(14,730)	-	-	(14,730)	-	-
Total comprehensive loss for the period	-	-	-	-	-	-	(1,128,471)	(1,128,471)
Balance, September 30, 2019	73,829,025	24,043,321	3,302,237	-	-	3,302,237	(635,087)	26,710,471

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 and nine months ended September 30, 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.

Certain amounts in prior years have been reclassified to conform to the current period presentation.

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.

Azucar Minerals Ltd.

Notes to the condensed consolidated interim financial statements

For the three and nine months ended September 30, 2019

(Unaudited - Expressed in Canadian dollars)

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 September 30, 2019 are not necessarily indicative of the results that may be expected for the period ending December 31, 2019.

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:

	September 30, 2019	December 31, 2018
	\$	\$
Accounts receivable	61,155	173,151
Prepaid expenses	50,256	67,169
	111,411	240,320

5. Property and Equipment

	Computer hardware	Computer software	Field equipment	Total
	\$	\$	\$	\$
Cost				
December 31, 2018	2,093	-	32,206	34,299
Additions	-	27,719	7,376	35,095
September 30, 2019	2,093	27,719	39,582	69,394
Accumulated depreciation				
December 31, 2018	646	-	5,503	6,149
Depreciation	519	67	4,497	5,083
September 30, 2019	1,165	67	10,000	11,232
Carrying amounts				
December 31, 2018	1,447	-	26,703	28,150
September 30, 2019	928	27,652	29,582	58,162

Azucar Minerals Ltd.

Notes to the condensed consolidated interim financial statements
For the three and nine months ended September 30, 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	69,508
Closing balance – September 30, 2019	1,449,782
Deferred exploration costs:	
Opening balance - December 31, 2018	11,979,531
Costs incurred during the period:	
Drilling and related costs	1,645,258
Professional/technical fees	42,672
Claim maintenance/lease costs	80,625
Geochemical, metallurgy	553,789
Travel and accommodation	146,057
Geology, geophysics, exploration	1,152,524
Supplies and miscellaneous	94,435
Environmental	17,061
Value-added tax	436,006
Total deferred exploration costs during the period	4,168,427
Closing balance – September 30, 2019	16,147,958
Total exploration and evaluation assets	17,597,740

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 September 30, 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.

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 the Company at a price of \$0.3274 per share for a total of \$19,531, thereby maintaining its ownership in the Company of 19.9%. The Company also incurred \$848 in other cash share issuance costs.

Azucar Minerals Ltd.

Notes to the condensed consolidated interim financial statements

For the three and nine months ended September 30, 2019

(Unaudited - Expressed in Canadian dollars)

7. Share Capital and Reserves (Continued)

(b) Warrants

The continuity of warrants for the period ended September 30, 2019 is as follows:

Expiry date	Exercise Price	December 31, 2018	Issued	Exercised	Expired	September 30, 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	-	-	(1,248,000)	1,999,995
Weighted average exercise price		\$ 1.41	-	-	\$ 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 September 30, 2019, the Company may reserve up to 632,903 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 September 30, 2019 vested on the date of grant.

The continuity of stock options for the period ended September 30, 2019 is as follows:

Expiry date	Exercise price	December 31, 2018	Granted	Exercised	Expired/cancelled	September 30, 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	-	-	(25,000)	3,934,200
June 4, 2021	\$ 0.29	-	573,000	-	(20,000)	553,000
July 7, 2021	\$ 0.34	-	967,800	-	-	967,800
February 28, 2022	\$ 0.36	-	665,000	-	-	665,000
Options outstanding and exercisable		6,275,000	2,205,800	(90,000)	(1,640,800)	6,750,000
Weighted average exercise price		\$ 0.66	\$ 0.33	\$ 0.21	\$ 0.87	\$ 0.51

Azucar Minerals Ltd.

Notes to the condensed consolidated interim financial statements
For the three and nine months ended September 30, 2019
(Unaudited - Expressed in Canadian dollars)

7. Share Capital and Reserves (Continued)

(c) Stock option plan (Continued)

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

The fair value of the options granted during the period ended September 30, 2019, was estimated on the grant date using the Black-Scholes option pricing model with the following weighted average assumptions:

Risk-free interest rate	1.59%
Expected life	2.30 years
Expected volatility	73.82%
Expected dividend yield	Nil
Weighted average fair value per option	\$0.14

During the nine months ended September 30, 2019, the Company recognized share-based payments expense of \$318,222 (2018 - \$1,524,381) 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 September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
	\$	\$	\$	\$
Management fees ⁽¹⁾	101,200	75,900	303,600	227,700
Share-based payments	84,840	859,600	233,970	1,197,470
	186,040	935,500	537,570	1,425,170

⁽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 September 30, 2019, included in trade and other payables is \$76,957 (December 31, 2018 - \$170,181) due to Almaden.

Azucar Minerals Ltd.

Notes to the condensed consolidated interim financial statements

For the three and nine months ended September 30, 2019

(Unaudited - Expressed in Canadian dollars)

8. Related Party Transactions and Balances (Continued)

(b) Other related party transactions (Continued)

Other

At September 30, 2019, the Company accrued \$230,041 (December 31, 2018 - \$252,069) payable to Almadex for drilling equipment rental services in Mexico included in exploration and evaluation assets.

During the nine months ended September 30, 2019, other income of \$Nil (September 30, 2018 - \$178,047) was paid by Almaden to the Company for drill equipment rental services in Mexico.

During the nine months ended September 30, 2019, the Company paid a company controlled by a Director of the Company \$49,470 (September 30, 2018 - \$77,866) for geological services included in exploration and evaluation assets.

9. Net Income (Loss) per Share

Basic and diluted net loss per share

The calculation of basic net loss per share for the three months ended September 30, 2019 was based on the net loss attributable to common shareholders of \$397,263 (2018 – of \$1,529,662) and a weighted average number of common shares outstanding of 73,828,047 (2018 – 73,027,494).

The calculation of basic net loss per share for the nine months ended September 30, 2019 was based on the net loss attributable to common shareholders of \$1,128,471 (2018 – income of \$4,466,569) and a weighted average number of common shares outstanding of 73,746,955 (2018 – 61,628,700).

The calculation of diluted net loss per share for the three and nine months ended September 30, 2019 did not include the effect of stock options and warrants, as they were considered anti-dilutive.

The calculation of diluted net loss per share for the three months ended September 30, 2018 did not include the effect of stock options and warrants, as they were considered anti-dilutive.

The calculation of diluted net income per share for the nine months ended September 30, 2018 includes the weighted average number of common shares outstanding, adjusted for the effects of all dilutive potential common shares, which comprise 757,381 stock options and nil warrants.

Azucar Minerals Ltd.

Notes to the condensed consolidated interim financial statements
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(Unaudited - Expressed in Canadian dollars)

10. Supplemental Cash Flow Information

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

	September 30, 2019	December 31, 2018
	\$	\$
Cash	1,632,889	1,787,789
Term Deposits	8,100,000	12,682,100
	9,732,889	14,469,889

Supplemental information regarding non-cash transactions is as follows:

	Nine months ended September 30,	
<u>Investing and financing activities</u>	2019	2018
	\$	\$
Fair value of finders' warrants	-	6,620
Fair value of finders' warrants reclassified to share capital on exercise	-	40,808
Fair value of options reclassified to share capital on exercise	14,730	460,306

As at September 30, 2019, \$649,925 (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 and nine months ended September 30, 2019
(Unaudited - Expressed in Canadian dollars)

11. Financial Instruments (Continued)

(a) Currency risk (Continued)

As at September 30, 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	454,230	606,111
Total assets	454,230	606,111
Trade and other payables	78,789	527,362
Total liabilities	78,789	527,362
Net assets	375,441	78,749

A 10% change in the US dollar exchange rate relative to the Canadian dollar would change the Company's profit or loss by \$38,000.

A 10% change in the Mexican peso relative to the Canadian dollar would change the Company's profit or loss by \$8,000.

(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 September 30, 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 \$97,000.

Azucar Minerals Ltd.

Notes to the condensed consolidated interim financial statements

For the three and nine months ended September 30, 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	September 30, 2019
	\$	\$	\$
Canada	27,459	-	27,459
Mexico	30,703	17,597,740	17,628,443
	58,162	17,597,740	17,655,902

The Company's revenue from interest income on cash and cash equivalents was earned in Canada. Drill equipment rental services earned in Mexico was \$Nil for September 30, 2019, as all the drill equipment was transferred to Almadex after the Plan of Arrangement dated May 18, 2018.