

Condensed Consolidated Interim Financial Statements of

**Azucar Minerals Ltd.**

For the three months ended March 31, 2022  
(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, 2022 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, 2022	December 31, 2021
	\$	\$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents (Note 10)	1,865,037	2,116,521
Accounts receivable and prepaid expenses (Note 4)	56,237	60,085
	<b>1,921,274</b>	<b>2,176,606</b>
<b>Non-current assets</b>		
Property and equipment (Note 5)	128,645	133,117
Exploration and evaluation assets (Note 6)	22,532,161	22,351,457
	<b>22,660,806</b>	<b>22,484,574</b>
<b>TOTAL ASSETS</b>	<b>24,582,080</b>	<b>24,661,180</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade and other payables (Note 8(b))	145,804	145,974
<b>Total liabilities</b>	<b>145,804</b>	<b>145,974</b>
<b>EQUITY</b>		
Share capital (Note 7)	24,043,321	24,043,321
Reserves (Note 7)	3,663,587	3,631,587
Deficit	(3,270,632)	(3,159,702)
<b>Total equity</b>	<b>24,436,276</b>	<b>24,515,206</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>24,582,080</b>	<b>24,661,180</b>

These condensed consolidated interim financial statements are authorized for issue by the Board of Directors on May 19, 2022.

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 unaudited condensed consolidated interim financial statements.

**Azucar Minerals Ltd.**

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

	Three months ended March 31,	
	2022	2021
	\$	\$
<b>Expenses</b>		
Administrative services fee (Note 8(a)(b))	36,778	163,523
Depreciation (Note 5)	4,472	5,425
Office	11,284	9,045
Professional fees	9,045	38,337
Transfer agent and filing fees	16,594	14,069
Travel and promotion	-	10,817
Share-based payments (Note 7(b))	32,000	-
	<b>110,173</b>	<b>241,216</b>
<b>Other income (loss)</b>		
Interest income	813	3,040
Foreign exchange gain (loss)	(1,570)	5,970
	<b>(757)</b>	<b>9,010</b>
<b>Total comprehensive loss for the period</b>	<b>(110,930)</b>	<b>(232,206)</b>
<b>Basic and diluted net loss per share (Note 9)</b>	<b>(0.00)</b>	<b>(0.00)</b>

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

**Azucar Mineral Ltd.**

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

	Three months ended March 31,	
	2022	2021
	\$	\$
<b>Operating activities</b>		
Net loss for the period	(110,930)	(232,206)
Items not affecting cash		
Depreciation	4,472	5,425
Share-based payments	32,000	-
Changes in non-cash working capital components		
Accounts receivable and prepaid expenses	3,848	(4,559)
Trade and other payables	(6,985)	(32,230)
Net cash used in operating activities	(77,595)	(263,570)
<b>Investing activities</b>		
Exploration and evaluation assets - costs	(173,889)	(419,604)
Property and equipment - purchase	-	-
Net cash used in investing activities	(173,889)	(419,604)
<b>Financing activities</b>		
Net cash from financing activities	-	-
Change in cash and cash equivalents	(251,484)	(683,174)
Cash and cash equivalents, beginning of period	2,116,521	4,424,939
Cash and cash equivalents, end of period	1,865,037	3,741,765
Supplemental cash flow information (Note 10)		

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

**Azucar Mineral Ltd.**

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

	<u>Share Capital</u>		<u>Reserves</u>		<u>Deficit</u>	<u>Total</u>
	Number of shares	Amount \$	Share-based payments \$	Total Reserves \$		
<b>Balance, January 1, 2021</b>	<b>73,829,025</b>	<b>24,043,321</b>	<b>3,356,037</b>	<b>3,356,037</b>	<b>(2,180,267)</b>	<b>25,219,091</b>
Total comprehensive loss for the period	-	-	-	-	(232,206)	(232,206)
<b>Balance, March 31, 2021</b>	<b>73,829,025</b>	<b>24,043,321</b>	<b>3,356,037</b>	<b>3,356,037</b>	<b>(2,412,473)</b>	<b>24,986,885</b>
Share-based payments	-	-	275,550	275,550	-	275,550
Total comprehensive loss for the period	-	-	-	-	(747,229)	(747,229)
<b>Balance, December 31, 2021</b>	<b>73,829,025</b>	<b>24,043,321</b>	<b>3,631,587</b>	<b>3,631,587</b>	<b>(3,159,702)</b>	<b>24,515,206</b>
Share-based payments	-	-	32,000	32,000	-	32,000
Total comprehensive loss for the period	-	-	-	-	(110,930)	(110,930)
<b>Balance, March 31, 2022</b>	<b>73,829,025</b>	<b>24,043,321</b>	<b>3,663,587</b>	<b>3,663,587</b>	<b>(3,270,632)</b>	<b>24,436,276</b>

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, 2022

(Unaudited - Expressed in Canadian dollars)

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### **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. 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.

### **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, 2021.

The changes in accounting policies are also expected to be reflected in the Company's consolidated financial statements as at and for the year ended December 31, 2022.

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, 2022 are not necessarily indicative of the results that may be expected for the year ended December 31, 2022.

## Azucar Minerals Ltd.

Notes to the condensed consolidated interim financial statements

For the three months ended March 31, 2022

(Unaudited - Expressed in Canadian dollars)

### 3. Significant Accounting Policies

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, 2021.

### 4. Accounts Receivable and Prepaid Expenses

Accounts receivable and prepaid expenses consist of the following:

	March 31, 2022	December 31, 2021
	\$	\$
Accounts receivable	35,336	30,352
Prepaid expenses	20,901	29,733
	<b>56,237</b>	<b>60,085</b>

### 5. Property and Equipment

	Computer hardware	Computer software	Field equipment	Building	Total
	\$	\$	\$	\$	\$
<b>Cost</b>					
<b>December 31, 2021</b>	<b>4,781</b>	<b>26,006</b>	<b>39,582</b>	<b>118,420</b>	<b>188,789</b>
Additions	-	-	-	-	-
<b>March 31, 2022</b>	<b>4,781</b>	<b>26,006</b>	<b>39,582</b>	<b>118,420</b>	<b>188,789</b>
<b>Accumulated depreciation</b>					
<b>December 31, 2021</b>	<b>3,105</b>	<b>13,774</b>	<b>21,622</b>	<b>17,171</b>	<b>55,672</b>
Depreciation	126	917	898	2,531	4,472
<b>March 31, 2022</b>	<b>3,231</b>	<b>14,691</b>	<b>22,520</b>	<b>19,702</b>	<b>60,144</b>
<b>Carrying amounts</b>					
December 31, 2021	1,676	12,232	17,960	101,249	133,117
<b>March 31, 2022</b>	<b>1,550</b>	<b>11,315</b>	<b>17,062</b>	<b>98,718</b>	<b>128,645</b>



## Azucar Minerals Ltd.

Notes to the condensed consolidated interim financial statements

For the three months ended March 31, 2022

(Unaudited - Expressed in Canadian dollars)

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### 6. Exploration and Evaluation Assets

<b>Exploration and evaluation assets – El Cobre</b>	<b>\$</b>
<b>Acquisition costs:</b>	
<b>Opening balance – December 31, 2021</b>	<b>1,539,062</b>
Additions	-
<b>Closing balance – March 31, 2022</b>	<b>1,539,062</b>
<b>Deferred exploration costs:</b>	
<b>Opening balance - December 31, 2021</b>	<b>20,812,395</b>
Costs incurred during the period:	
Drilling and related costs	12,176
Professional/technical fees	16,251
Claim maintenance/lease costs	49,150
Geochemical, metallurgy	16,863
Travel and accommodation	9,596
Geology, geophysics, exploration	56,771
Supplies and miscellaneous	12,110
Environmental	2,395
Value-added tax	5,392
<b>Total deferred exploration costs during the period</b>	<b>180,704</b>
<b>Closing balance – March 31, 2022</b>	<b>20,993,099</b>
<b>Total exploration and evaluation assets</b>	<b>22,532,161</b>

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.

### 7. Share Capital and Reserves

(a) *Authorized share capital*

At March 31, 2022, 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.

## Azucar Minerals Ltd.

Notes to the condensed consolidated interim financial statements

For the three months ended March 31, 2022

(Unaudited - Expressed in Canadian dollars)

### 7. Share Capital and Reserves (Continued)

#### (b) 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, 2022, the Company may reserve up to 1,056,903 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 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 three months ended March 31, 2022 vested on the grant date.

The continuity of stock options for the period ended March 31, 2022 is as follows:

Expiry date	Exercise price	December 31, 2021	Granted	Exercised	Expired/cancelled	March 31, 2022
February 28, 2022	\$ 0.36	400,000	-	-	(400,000)	-
May 9, 2022	\$ 0.11	425,000	-	-	-	425,000
December 17, 2022	\$ 0.16	380,000	-	-	-	380,000
May 11, 2023	\$ 0.12	3,544,200	-	-	-	3,544,200
June 14, 2023	\$ 0.13	383,000	-	-	-	383,000
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
Options outstanding and exercisable		<b>6,326,000</b>	<b>400,000</b>	-	<b>(400,000)</b>	<b>6,326,000</b>
Weighted average exercise price		\$ 0.13	\$ 0.11	-	\$ 0.36	\$ 0.12

Total share-based payments expenses as a result of options granted and vested during the period ended March 31, 2022 was \$32,000 (2021 - \$Nil).

The fair value of the options granted during the period ended March 31, 2022 was estimated on the grant date using the Black-Scholes option pricing model with the following weighted average assumptions:

Risk-free interest rate	2.02%
Expected life	5 years
Expected volatility	76.87%
Expected dividend yield	Nil
Weighted average fair value per option	\$0.08

## Azucar Minerals Ltd.

Notes to the condensed consolidated interim financial statements

For the three months ended March 31, 2022

(Unaudited - Expressed in Canadian dollars)

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### 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:

	Three months ended March 31,	
	2022	2021
	\$	\$
Management fees <sup>(1)</sup>	27,125	117,225
Share-based compensation	32,000	-
	<u>59,125</u>	<u>117,225</u>

<sup>(1)</sup> Management fees are recorded within Administrative services fees.

#### (b) Other related party transactions

##### Administrative Services Agreement

The Company paid administrative services fees to Almaden for the period ended March 31, 2022 \$36,778 (2021 - \$163,523) 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 March 31, 2022, included in trade and other payables is \$10,961 (December 31, 2021 - \$15,063) due to Almaden.

##### Other

At March 31, 2022, the Company accrued \$Nil (December 31, 2021 - \$81,309) payable to Almadex for drilling services in Mexico included in exploration and evaluation assets.

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 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, 2022 was based on the net loss attributable to common shareholders of \$110,930 (2021 - \$232,206) and a weighted average number of common shares outstanding of 73,829,025 (2021 - 73,829,025).

The calculation of diluted net loss per share for the three months ended March 31, 2022 and 2021 did not include the effect of stock options and warrants as they were considered anti-dilutive.

## Azucar Minerals Ltd.

Notes to the condensed consolidated interim financial statements

For the three months ended March 31, 2022

(Unaudited - Expressed in Canadian dollars)

### 10. Supplemental Cash Flow Information

Cash and cash equivalents is comprised of the following:

	<b>March 31, 2022</b>	December 31, 2021
	\$	\$
Cash	<b>865,037</b>	916,521
Term Deposits	<b>1,000,000</b>	1,200,000
	<b>1,865,037</b>	2,116,521

As at March 31, 2022, \$99,906 (December 31, 2021 - \$93,091) 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.

As at March 31, 2022, 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:

	<b>US dollar</b>	<b>Mexican peso</b>
All amounts in Canadian dollars		
	\$	\$
Cash and cash equivalents	216,338	297,001
Accounts receivable and prepaid expenses	-	1,285
<b>Total assets</b>	<b>216,338</b>	<b>298,286</b>
Trade and other payables	13,777	87,358
<b>Total liabilities</b>	<b>13,777</b>	<b>87,358</b>
<b>Net assets</b>	<b>202,561</b>	<b>210,928</b>

## **Azucar Minerals Ltd.**

Notes to the condensed consolidated interim financial statements

For the three months ended March 31, 2022

(Unaudited - Expressed in Canadian dollars)

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### **11. Financial Instruments (Continued)**

#### **(a) Currency risk (Continued)**

A 10% change in the US dollar exchange rate relative to the Canadian dollar would change the Company's profit or loss by \$20,000.

A 10% change in the Mexican peso relative to the Canadian dollar would change the Company's profit or loss by \$21,000.

#### **(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, 2022, 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 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.

## Azucar Minerals Ltd.

Notes to the condensed consolidated interim financial statements

For the three months ended March 31, 2022

(Unaudited - Expressed in Canadian dollars)

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### 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 period. 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, the United States, and Mexico.

Geographic information is as follows:

	<b>Property and equipment</b>	<b>Exploration and evaluation assets</b>	<b>March 31, 2022</b>
	\$	\$	\$
Mexico	116,669	22,532,161	22,648,830
Canada	11,976	-	11,976
	<b>128,645</b>	<b>22,532,161</b>	<b>22,660,806</b>

The Company's revenue from interest income on cash and cash equivalents was earned in Canada.