Consolidated Financial Statements of

Azucar Minerals Ltd.

For the years ended December 31, 2020 and 2019

Azucar Minerals Ltd.

December 31, 2020 and 2019

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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, 2020 and 2019, and the consolidated statements of comprehensive loss, changes in equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the 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 audits is sufficient and appropriate to provide a basis for our opinion.

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.

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, 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.

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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.

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 21, 2021

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

	December 31, 2020	December 31, 2019
	$	$
ASSETS		
Current assets		
Cash and cash equivalents (Note 10)	**4,424,939**	7,528,104
Accounts receivable and prepaid expenses (Note 4)	**111,821**	145,265
	4,536,760	7,673,369
Non-current assets		
Property and equipment (Note 5)	**154,817**	174,865
Exploration and evaluation assets (Note 6)	**21,125,900**	18,879,741
	21,280,717	19,054,606
TOTAL ASSETS	**25,817,477**	26,727,975
LIABILITIES		
Current liabilities		
Trade and other payables (Note 8(b))	**598,386**	211,341
Total liabilities	**598,386**	211,341
EQUITY		
Share capital (Note 7)	**24,043,321**	24,043,321
Reserves (Note 7)	**3,356,037**	3,302,237
Deficit	**(2,180,267)**	(828,924)
Total equity	**25,219,091**	26,516,634
TOTAL EQUITY AND LIABILITIES	**25,817,477**	26,727,975

Nature of Operations (Note 1)

These consolidated financial statements are authorized for issue by the Board of Directors on April 21, 2021.

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 consolidated financial statements.

Azucar Minerals Ltd.
Consolidated statements of comprehensive loss
(Expressed in Canadian dollars)

	Years ended December 31, **2020**	2019
	$	$
Expenses		
Administrative services fee (Note 8(a)(b))	**927,472**	627,052
Depreciation (Note 5)	**20,048**	7,775
Salaries and benefits	**-**	80,175
Office	**65,009**	70,088
Professional fees	**179,096**	226,251
Transfer agent and filing fees	**53,387**	70,132
Travel and promotion	**64,027**	71,004
Share-based payments (Note 7(d))	**53,800**	318,222
	1,362,839	1,470,699
Other income (loss)		
Interest income	**49,745**	199,680
Foreign exchange loss	**(38,249)**	(51,289)
	11,496	148,391
Net loss for the year	**(1,351,343)**	(1,322,308)
Total comprehensive loss for the year	**(1,351,343)**	(1,322,308)
Basic and diluted net loss per share (Note 9)	**(0.02)**	(0.02)

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

Azucar Mineral Ltd.

Consolidated statements of cash flows

(Expressed in Canadian dollars)

	Years ended December 31, **2020**	2019
	$	$
Operating activities		
Net loss for the year	**(1,351,343)**	(1,322,308)
Items not affecting cash		
Depreciation	**20,048**	7,775
Share-based payments	**53,800**	318,222
Changes in non-cash working capital components		
Accounts receivable and prepaid expenses	**33,444**	95,055
Trade and other payables	**(2,200)**	(112,386)
Net cash used in operating activities	**(1,246,251)**	(1,013,642)
Investing activities		
Exploration and evaluation assets - costs	**(1,856,914)**	(5,811,236)
Property and equipment - purchase	**-**	(154,490)
Net cash used in investing activities	**(1,856,914)**	(5,965,726)
Financing activities		
Issuance of shares, net of share issue costs	**-**	18,683
Options exercised	**-**	18,900
Finder's warrants exercised	**-**	-
Net cash from financing activities	**-**	37,583
Change in cash and cash equivalents	**(3,103,165)**	(6,941,785)
Cash and cash equivalents, beginning of year	**7,528,104**	14,469,889
Cash and cash equivalents, end of year	**4,424,939**	7,528,104

Supplemental cash flow information (Note 10)

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

Azucar Mineral 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, 2019	**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 year	-	-	-	-	(1,322,308)	(1,322,308)
Balance, December 31, 2019	**73,829,025**	**24,043,321**	**3,302,237**	**3,302,237**	**(828,924)**	**26,516,634**
Share-based payments	-	-	53,800	53,800	-	53,800
Total comprehensive loss for the year	-	-	-	-	(1,351,343)	(1,351,343)
Balance, December 31, 2020	**73,829,025**	**24,043,321**	**3,356,037**	**3,356,037**	**(2,180,267)**	**25,219,091**

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

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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

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 standards that are effective as at December 31, 2020.

(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:

2. Basis of Presentation *(Continued)*

(d) Significant accounting judgments and estimates (Continued)

Critical Judgments

- 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.

Estimates

- A global pandemic related to COVID-19 was declared in March 2020. The current and expected impacts on global commerce have been, and are anticipated to be, far-reaching. To date, there has been significant volatility in commodity prices and foreign exchange rates, restrictions on the conduct of business in many jurisdictions, including travel restrictions, and supply chain disruptions. There is significant ongoing uncertainty surrounding COVID-19 and the extent and duration of the impact that it may have;
- On April 1, 2020, the Company announced that the Mexican federal government had mandated that all non-essential businesses, including mining and exploration, temporarily suspend operations due to the COVID-19 virus. The Mexican government had since considered mining and exploration activities as essential businesses, thus allowing such businesses to resume operations. On September 3, 2020, the Company received approval from the Mexican government health authorities to resume operations in a safe manner;
- The recoverability of accounts receivable which is included in the consolidated statements of financial position;
- 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;
- 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. Significant 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

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. At each financial position reporting date, all assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. 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 equivalents, 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 equivalents, and accounts receivable.

(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.

3. Significant Accounting Policies

(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) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and other sales tax or duty.

Interest income
Revenue is recognized as interest accrues on cash and cash equivalent balances.

(g) 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

3. Significant Accounting Policies *(Continued)*

(g) Exploration and evaluation assets (Continued)

(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 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.

(h) 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.

3. Significant Accounting Policies *(Continued)*

(i) 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.

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.

(j) 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.

3. Significant Accounting Policies *(Continued)*

(k) 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.

(l) 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.

(m) Net loss per share

The Company presents the basic and diluted net loss per share data for its common shares, calculated by dividing the net loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted net loss per share is determined by adjusting the net loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares (Note 9).

(n) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company assesses whether the contract involves the use of an identified asset, whether the right to obtain substantially all of the economic benefits from use of the asset during the term of the arrangement exists, and if the Company has the right to direct the use of the asset. At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

3. Significant Accounting Policies *(Continued)*

(n) Leases (Continued)

As a lessee, the Company recognizes a right-of-use asset and a lease liability at the commencement date of a lease. The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight line method from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate. Lease payments included in the measurement of the lease liability are comprised of:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- exercise prices of purchase options if the Company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if there is a change in the estimate or assessment of the expected amount payable under a residual value guarantee, purchase, extension or termination option. Variable lease payments not included in the initial measurement of the lease liability are charged directly to profit or loss.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are charged directly to profit or loss on a straight-line basis over the lease term.

(o) Standards issued or amended but not yet effective

The Company has not applied the following revised IFRS that has been issued but was not yet effective at December 31, 2020. This accounting standard is not currently expected to have a significant effect on the Company's accounting policies or financial statements.

IAS 16, Property, *Plant and Equipment - Proceeds before Intended Use* (effective January 1, 2022). The amendment prohibits deducting from the cost of property, plant and equipment amounts received from selling items produced while preparing the asset for its intended use. Instead, a company will recognize such sale proceeds and related cost in profit or loss.

(Expressed in Canadian dollars)

4. Accounts Receivable and Prepaid Expenses

Accounts receivable and prepaid expenses consist of the following:

	December 31, 2020	December 31, 2019
	$	$
Accounts receivable	**65,519**	98,922
Prepaid expenses	**46,302**	46,343
	111,821	145,265

At December 31, 2020, the Company has recorded value added taxes of $197,129 (2019 - $574,688) included in exploration and evaluation assets.

5. Property and Equipment

	Computer hardware	**Computer software**	**Field equipment**	**Building**	**Total**
	$	**$**	**$**	**$**	**$**
Cost					
December 31, 2019	**3,068**	**27,719**	**39,582**	**118,420**	**188,789**
Additions	-	-	-	-	-
December 31, 2020	**3,068**	**27,719**	**39,582**	**118,420**	**188,789**
Accumulated depreciation					
December 31, 2019	**1,361**	**1,043**	**11,520**	**-**	**13,924**
Depreciation	1,026	7,489	5,612	5,921	20,048
December 31, 2020	**2,387**	**8,532**	**17,132**	**5,921**	**33,972**
Carrying amounts					
December 31, 2019	**1,707**	**26,676**	**28,062**	**118,420**	**174,865**
December 31, 2020	**681**	**19,187**	**22,450**	**112,499**	**154,817**

(Expressed in Canadian dollars)

5. Property and Equipment *(Continued)*

	Computer hardware	Computer software	Field equipment	Building[1]	Total
	$	**$**	**$**	**$**	**$**
Cost					
December 31, 2018	**2,093**	**-**	**32,206**	**-**	**34,299**
Additions	975	27,719	7,376	118,420	154,490
December 31, 2019	**3,068**	**27,719**	**39,582**	**118,420**	**188,789**
Accumulated depreciation					
December 31, 2018	**646**	**-**	**5,503**	-	**6,149**
Depreciation	715	1,043	6,017	**-**	7,775
December 31, 2019	**1,361**	**1,043**	**11,520**	**-**	**13,924**
Carrying amounts					
December 31, 2018	1,447	-	26,703	-	28,150
December 31, 2019	**1,707**	**26,676**	**28,062**	**118,420**	**174,865**

(1) The building was constructed on land owned by the Company that is recorded as an acquisition cost in exploration and evaluation assets.

6. Exploration and Evaluation Assets

Exploration and evaluation assets – El Cobre	**$**
Acquisition costs:	
Opening balance – December 31, 2019	**1,539,062**
Additions	-
Closing balance – December 31, 2020	**1,539,062**
Deferred exploration costs:	
Opening balance - December 31, 2019	**17,340,679**
Costs incurred during the period:	
Drilling and related costs	904,516
Professional/technical fees	41,939
Claim maintenance/lease costs	93,585
Geochemical, metallurgy	114,476
Technical studies	31,620
Travel and accommodation	146,570
Geology, geophysics, exploration	657,283
Supplies and miscellaneous	54,554
Environmental	4,487
Value-added tax	197,129
Total deferred exploration costs during the year	2,246,159
Closing balance – December 31, 2020	**19,586,838**
Total exploration and evaluation assets	**21,125,900**

(Expressed in Canadian dollars)

6. Exploration and Evaluation Assets *(Continued)*

Exploration and evaluation assets – El Cobre	**$**
Acquisition costs:	
Opening balance – December 31, 2018	**1,380,274**
Additions	158,788
Closing balance – December 31, 2019	**1,539,062**
Deferred exploration costs:	
Opening balance - December 31, 2018	**11,979,531**
Costs incurred during the period:	
Drilling and related costs	2,038,608
Professional/technical fees	56,996
Claim maintenance/lease costs	80,625
Geochemical, metallurgy	776,255
Travel and accommodation	191,239
Geology, geophysics, exploration	1,528,751
Supplies and miscellaneous	91,004
Environmental	22,982
Value-added tax	574,688
Total deferred exploration costs during the year	5,361,148
Closing balance – December 31, 2019	**17,340,679**
Total exploration and evaluation assets	**18,879,741**

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 December 31, 2020, 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 2020 and 2019

There was no share issuance during the year-ended December 31, 2020.

On April 12, 2019, Newcrest Canada Holding 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%. In connection with the private placement, the Company also incurred $848 in other cash share issuance costs.

(Expressed in Canadian dollars)

7. Share Capital and Reserves *(Continued)*

(c) Warrants

The continuity of warrants for the years ended December 31, 2020 and 2019 are as follows:

Expiry date	Exercise Price	December 31, 2019	Issued	Exercised	Expired	December 31, 2020
March 27, 2020	$ 1.41	1,999,995	-	-	(1,999,995)	-
Warrants outstanding and exercisable		**1,999,995**	**-**	**-**	**(1,999,995)**	**-**
Weighted average exercise price		**$ 1.41**	-	-	$ 1.41	-

Expiry date	Exercise Price	December 31, 2018	Issued	Exercised	Expired	December 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**	**-**	**-**	**(1,248,000)**	**1,999,995**
Weighted average exercise price		**$ 1.41**	-	-	$ 1.41	$ 1.41

(d) 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 December 31, 2020, the Company may reserve up to 932,903 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 year ended December 31, 2020 vested on the grant date.

(Expressed in Canadian dollars)

7. Share Capital and Reserves *(Continued)*

(d) ***Stock option plan*** *(Continued)*

The continuity of stock options for the years ended December 31, 2020 and 2019 are as follows:

Expiry date	Exercise price	December 31, 2019	Granted	Exercised	Expired/ cancelled	December 31, 2020
April 30, 2020	$ 0.73	300,000	-	-	(300,000)	-
December 15, 2020	$ 0.39	330,000	-	-	(330,000)	-
April 28, 2021	$ 0.60	3,934,200	-	-	(350,000)	3,584,200
June 4, 2021	$ 0.29	553,000	-	-	(60,000)	493,000
July 7, 2021	$ 0.34	967,800	-	-	-	967,800
February 28, 2022	$ 0.36	515,000	-	-	-	515,000
May 9, 2022	$ 0.11	-	425,000	-	-	425,000
December 17, 2022	$ 0.16	-	465,000	-	-	465,000
Options outstanding and exercisable		**6,600,000**	**890,000**	**-**	**(1,040,000)**	**6,450,000**
Weighted average exercise price		$ 0.51	$ 0.14	-	$ 0.55	$ 0.45

Expiry date	Exercise price	December 31, 2018	Granted	Exercised	Expired/ cancelled	December 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	-	-	(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	-	(150,000)	515,000
Options outstanding and exercisable		**6,275,000**	**2,205,800**	**(90,000)**	**(1,790,800)**	**6,600,000**
Weighted average exercise price		$ 0.66	$ 0.33	$ 0.21	$ 0.83	$ 0.51

The fair value of the options granted during the year ended December 31, 2020, was estimated on the grant date using the Black-Scholes option pricing model with the following weighted average assumptions:

Risk-free interest rate	0.25%
Expected life	2 years
Expected volatility	80.34%
Expected dividend yield	Nil
Weighted average fair value per option	$0.06

(Expressed in Canadian dollars)

7. Share Capital and Reserves *(Continued)*

(d) Stock option plan *(continued)*

The fair value of the options granted during the year ended December 31, 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 year ended December 31, 2020, the Company recognized share-based payments expenses of $53,800 (2019 - $318,222) 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:

	December 31, 2020	December 31, 2019
Management fees[1]	**607,200**	404,800
Share-based payments	**38,100**	233,970
	645,300	638,770

[1] Management fees are recorded within Administrative services fees.

(b) Other related party transactions

Administrative Services Agreement

The Company paid administrative services fees of $927,472 (2019 - $627,052) 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.

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

At December 31, 2020, included in trade and other payables is $81,623 (December 31, 2019 - $61,873) due to Almaden.

(Expressed in Canadian dollars)

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

(b) Other related party transactions *(Continued)*

Other

At December 31, 2020, the Company accrued $460,463 (December 31, 2019 - $Nil) payable to Almadex for drilling services in Mexico included in exploration and evaluation assets.

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

At December 31, 2020, the Company paid a company controlled by a Director of the Company $Nil (2019 - $49,470) for geological services included in exploration and evaluation assets.

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 year ended December 31, 2020 was based on the net loss attributable to common shareholders of $1,351,343 (2019 – $1,322,308) and a weighted average number of common shares outstanding of 73,829,025 (2019 – 73,767,641).

The calculation of diluted net loss per share for the years ended December 31, 2020 and 2019 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, 2020	December 31, 2019
	$	$
Cash	**1,024,939**	728,104
Term Deposits	**3,400,000**	6,800,000
	4,424,939	7,528,104

Supplemental information regarding non-cash transactions is as follows:

Investing and financing activities	**December 31, 2020**	December 31, 2019
	$	$
Exploration and evaluation expenditures included in trade and other payables	**473,085**	**83,840**
Fair value of options reclassified to share capital on exercise	**-**	**14,730**

During the years ended December 31, 2020, and 2019, 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, 2020	December 31, 2019
	$	$
Net income (loss) before income taxes	**(1,351,343)**	(1,322,308)
Statutory rate	**27%**	27%
Expected income tax	**(364,863)**	(357,023)
Effect of different tax rates in foreign jurisdictions	**20,460**	158
Non-deductible share-based payments	**14,526**	85,920
Other permanent items	**(233,319)**	(30,832)
Change in unrecognized deductible temporary differences and other	**563,196**	301,777
	-	-

(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, 2020	December 31, 2019
	$	$
Non-capital loss carry forwards	**3,607,735**	2,673,626
Capital loss carry forwards	**7,762,975**	7,762,975
Exploration and evaluation assets	**6**	6
Share issue costs and other	**527,527**	594,269
	11,898,243	11,030,876

At December 31, 2020, the Company had operating loss carry forwards available for tax purposes in Canada of $3,443,678 (2019 - $2,539,544) which expire between 2034 and 2040, and in Mexico of $164,057 (2019 - $134,082) which expire between 2027 and 2030.

12. 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.

12. Financial Instruments *(Continued)*

(a) Currency risk *(Continued)*

As at December 31, 2020, 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	237,095	246,369
Total assets	**237,095**	**246,369**
Trade and other payables	9,893	464,706
Total liabilities	**9,893**	**464,706**
Net assets	**227,202**	**(218,337)**

A 10% change in the US dollar exchange rate relative to the Canadian dollar would change the Company's profit or loss by $23,000.

A 10% change in the Mexican peso relative to the Canadian dollar would change the Company's profit or loss by $22,000.

(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 December 31, 2020, 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.

(Expressed in Canadian dollars)

12. Financial Instruments *(Continued)*

(d) Interest rate risk *(Continued)*

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 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.

14. 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:

	Property and equipment	Exploration and evaluation assets	December 31, 2020
	$	$	$
Mexico	136,323	21,125,900	21,262,223
Canada	18,494	-	18,494
	154,817	**21,125,900**	**21,280,717**

(Expressed in Canadian dollars)

14. Segmented Information *(Continued)*

	Property and equipment	Exploration and evaluation assets	December 31, 2019
	$	$	$
Mexico	148,445	18,879,741	19,028,186
Canada	26,420	-	26,420
	174,865	**18,879,741**	**19,054,606**

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