

Condensed Consolidated Interim Financial Statements of

Azucar Minerals Ltd.

For the three months ended March 31, 2023
(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, 2023 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, 2023	December 31, 2022
	\$	\$
ASSETS		
Current assets		
Cash and cash equivalents (Note 10)	1,122,657	1,194,252
Accounts receivable and prepaid expenses (Note 4)	28,081	29,300
	1,150,738	1,223,552
Non-current assets		
Property and equipment (Note 5)	111,501	115,228
Exploration and evaluation assets (Note 6)	23,016,233	23,007,659
	23,127,734	23,122,887
TOTAL ASSETS	24,278,472	24,346,439
LIABILITIES		
Current liabilities		
Trade and other payables (Note 8(b))	141,841	190,338
Total liabilities	141,841	190,338
EQUITY		
Share capital (Note 7)	24,043,321	24,043,321
Reserves (Note 7)	3,704,287	3,704,287
Deficit	(3,610,977)	(3,591,507)
Total equity	24,136,631	24,156,101
TOTAL EQUITY AND LIABILITIES	24,278,472	24,346,439
Subsequent Event (Note 14)		

These condensed consolidated interim financial statements are authorized for issue by the Board of Directors on May 24, 2023.

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,	
	2023	2022
	\$	\$
Expenses		
Administrative services fee (Note 8(a)(b))	18,673	36,778
Depreciation (Note 5)	3,727	4,472
Office	5,928	11,284
Professional fees	12,059	9,045
Transfer agent and filing fees	12,123	16,594
Share-based payments (Note 7(b))	-	32,000
	52,510	110,173
Other income (loss)		
Interest income	21,237	813
Foreign exchange gain (loss)	11,803	(1,570)
	33,040	(757)
Total comprehensive loss for the period	(19,470)	(110,930)
Basic and diluted net loss per common share (Note 9)	(0.00)	(0.00)

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

Azucar Minerals Ltd.

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

	Three months ended March 31,	
	2023	2022
	\$	\$
Operating activities		
Net loss for the period	(19,470)	(110,930)
Items not affecting cash		
Depreciation	3,727	4,472
Share-based payments	-	32,000
Changes in non-cash working capital components		
Accounts receivable and prepaid expenses	1,219	3,848
Trade and other payables	(56,408)	(6,985)
Net cash used in operating activities	(70,932)	(77,595)
Investing activities		
Exploration and evaluation assets - costs	(663)	(173,889)
Net cash used in investing activities	(663)	(173,889)
Change in cash and cash equivalents	(71,595)	(251,484)
Cash and cash equivalents, beginning of period	1,194,252	2,116,521
Cash and cash equivalents, end of period	1,122,657	1,865,037
Supplemental cash flow information (Note 10)		

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

Azucar Minerals Ltd.

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

	<u>Share Capital</u>		<u>Reserves</u>		<u>Deficit</u>	<u>Total</u>
	Number of shares	Amount \$	Share-based payments \$	Total Reserves \$		
Balance, January 1, 2022	73,829,025	24,043,321	3,631,587	3,631,587	(3,159,702)	24,515,206
Share-based payments	-	-	32,000	32,000	-	32,000
Total comprehensive loss for the period	-	-	-	-	(110,930)	(110,930)
Balance, March 31, 2022	73,829,025	24,043,321	3,663,587	3,663,587	(3,270,632)	24,436,276
Share-based payments	-	-	40,700	40,700	-	40,700
Total comprehensive loss for the period	-	-	-	-	(320,875)	(320,875)
Balance, December 31, 2022	73,829,025	24,043,321	3,704,287	3,704,287	(3,591,507)	24,156,101
Total comprehensive loss for the period	-	-	-	-	(19,470)	(19,470)
Balance, March 31, 2023	73,829,025	24,043,321	3,704,287	3,704,287	(3,610,977)	24,136,631

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

Azucar Minerals Ltd.

Notes to the consolidated financial statements

For the three months ended March 31, 2023

(Expressed in Canadian dollars)

1. Nature of Operations and Going Concern

Azucar Minerals Ltd. (the “Company” or “Azucar”) was incorporated on April 10, 2015 under the laws of the Province of British Columbia. The Company’s business activity is the exploration of the El Cobre project in Veracruz, Mexico. The Company’s common shares are traded on the TSX Venture Exchange (“TSX-V”) under the symbol “AMZ”. To date, the Company has not generated significant revenues from operations and is considered to be in the exploration stage. The address of the Company’s registered and records office is Suite 1710 –1177 West Hastings Street, Vancouver, BC, Canada V6E 2L3.

The business of exploring for minerals and mine development involves a high degree of risk and there can be no assurance that any of the Company’s current or future exploration programs will result in profitable mining operations. The Company has no source of revenue.

These condensed consolidated interim financial statements were prepared on a “going concern” basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As of March 31, 2023, the Company had a working capital surplus of \$1,008,897 (December 31, 2022 – \$1,033,214). The Company does not currently hold any revenue-generating properties and therefore continues to incur losses. The Company incurred a net loss for the three months ended March 31, 2023, of \$19,470 (2022 – \$110,930) and negative cash flows from operations of \$70,932 for the three months ended March 31, 2023 (2022 – \$77,595). As at March 31, 2023, the Company had an accumulated deficit of \$3,610,977 (December 2022 – \$3,591,507). The Company’s ability to continue as a going concern is dependent upon its ability in the future to achieve profitable operations and in the meantime, to obtain the necessary financing to repay its liabilities when they become due. Management estimates that there is sufficient working capital to sustain operations for the next twelve months. External financing will be sought to finance the operations of the Company and enable the Company to continue its efforts towards the exploration and development of its mineral properties. There can be no assurance that steps management is taking will be successful. These condensed consolidated interim financial statements do not include adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern and such adjustments could be material.

2. Basis of Presentation

(a) Statement of Compliance with 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.

Azucar Minerals Ltd.

Notes to the consolidated financial statements

For the three months ended March 31, 2023

(Expressed in Canadian dollars)

2. Basis of Presentation (Continued)

(b) Basis of preparation (Continued)

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, 2022.

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, 2023.

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, 2023 are not necessarily indicative of the results that may be expected for the year ended December 31, 2023.

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, 2022.

4. Accounts Receivable and Prepaid Expenses

Accounts receivable and prepaid expenses consist of the following:

	March 31, 2023	December 31, 2022
	\$	\$
Accounts receivable	19,269	16,312
Prepaid expenses	8,812	12,988
	28,081	29,300

Azucar Minerals Ltd.

Notes to the consolidated financial statements

For the three months ended March 31, 2023

(Expressed in Canadian dollars)

5. Property and Equipment

	Computer hardware	Computer software	Field equipment	Building	Total
	\$	\$	\$	\$	\$
Cost					
December 31, 2022	4,781	26,006	39,582	118,420	188,789
Additions	-	-	-	-	-
March 31, 2023	4,781	26,006	39,582	118,420	188,789
Accumulated depreciation					
December 31, 2022	3,607	17,444	25,214	27,296	73,561
Depreciation	88	642	718	2,279	3,727
March 31, 2023	3,695	18,086	25,932	29,575	77,288
Carrying amounts					
December 31, 2022	1,174	8,562	14,368	91,124	115,228
March 31, 2023	1,086	7,920	13,650	88,845	111,501

6. Exploration and Evaluation Assets

Exploration and evaluation assets – El Cobre	\$
Acquisition costs:	
Opening balance – December 31, 2022	1,539,062
Additions	-
Closing balance – March 31, 2023	1,539,062
Deferred exploration costs:	
Opening balance - December 31, 2022	21,468,597
Costs incurred during the year:	
Professional/technical fees	9,536
Claim maintenance/lease costs	61,532
Travel and accommodation	3,992
Geology, geophysics, exploration	15,986
Supplies and miscellaneous	9,007
Environmental	140
Refund value-added tax	(94,379)
Value-added tax	2,760
Total deferred exploration costs during the period	8,574
Closing balance – March 31, 2023	21,477,171
Total exploration and evaluation assets	23,016,233

Azucar Minerals Ltd.

Notes to the consolidated financial statements
For the three months ended March 31, 2023
(Expressed in Canadian dollars)

6. Exploration and Evaluation Assets (Continued)

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, 2023, 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) *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, 2023, the Company may reserve up to 1,456,903 shares that may be granted as stock options. The exercise price of any option cannot be less than the discounted market price. The maximum term of all options is ten years. The Board of Directors determines the term of the option and the time during which any options may vest. Options granted to consultants or persons providing investor relations services shall vest in stages with no more than 25% of such option being exercisable in any three month period.

The continuity of stock options for the period ended March 31, 2023 is as follows:

Expiry date	Exercise price	December 31, 2022	Granted	Exercised	Expired/cancelled	March 31, 2023
May 11, 2023	\$ 0.12	3,224,200	-	-	-	3,224,200
June 14, 2023	\$ 0.13	303,000	-	-	-	303,000
July 8, 2023	\$ 0.11	793,800	-	-	-	793,800
February 28, 2024	\$ 0.09	400,000	-	-	-	400,000
March 10, 2027	\$ 0.11	400,000	-	-	-	400,000
March 10, 2027	\$ 0.09	425,000	-	-	-	425,000
December 17, 2027	\$ 0.06	380,000	-	-	-	380,000
Options outstanding and exercisable		5,926,000	-	-	-	5,926,000
Weighted average exercise price		\$ 0.11	-	-	-	\$ 0.11

During the period ended March 31, 2023, the Company recognized share-based payments expenses of \$Nil (2022 - \$32,000) associated with the vesting of stock options granted.

Azucar Minerals Ltd.

Notes to the consolidated financial statements

For the three months ended March 31, 2023

(Expressed in Canadian dollars)

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,	
	2023	2022
	\$	\$
Management fees ⁽¹⁾	12,363	24,725
Share-based compensation	-	32,000
	12,363	56,725

⁽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 Minerals Ltd. (“Almaden”) pursuant to an Administrative Services Agreement dated May 15, 2015, under which Almaden provides the Company with office space, executive management, marketing support, technical oversight, and financial/corporate secretary duties, amongst other administrative services.

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

At March 31, 2023, included in trade and other payables is \$12,926 (December 31, 2022 - \$64,006) due to Almaden.

Other

At March 31, 2023, the Company accrued \$98,267 (December 31, 2022 - \$90,999) payable to Almadex Minerals Ltd. (“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, 2023 was based on the net loss attributable to common shareholders of \$19,470 (2022 – \$110,930) and a weighted average number of common shares outstanding of 73,829,025 (2022 – 73,829,025).

The calculation of diluted net loss per share for the three months ended March 31, 2023 and 2022 did not include the effect of stock options and warrants as they were considered anti-dilutive.

Azucar Minerals Ltd.

Notes to the consolidated financial statements

For the three months ended March 31, 2023

(Expressed in Canadian dollars)

10. Supplemental Cash Flow Information

Cash and cash equivalents is comprised of the following:

	March 31, 2023	December 31, 2022
	\$	\$
Cash	1,122,657	1,194,252
	1,122,657	1,194,252

As at March 31, 2023, \$101,503 (December 31, 2022 - \$93,592) 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, 2023, 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:

	US dollar	Mexican peso
All amounts in Canadian dollars		
	\$	\$
Cash and cash equivalents	223,029	289,919
Accounts receivable and prepaid expenses	-	330
Total assets	223,029	290,249
Trade and other payables	1,827	101,470
Total liabilities	1,827	101,470
Net assets	221,202	188,779

Azucar Minerals Ltd.

Notes to the consolidated financial statements

For the three months ended March 31, 2023

(Expressed in Canadian dollars)

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 \$22,000.

A 10% change in the Mexican peso relative to the Canadian dollar would change the Company's profit or loss by \$19,000.

(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, 2023, 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 consolidated financial statements

For the three months ended March 31, 2023

(Expressed in Canadian dollars)

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 upcoming fiscal year. There have been no changes to the Company's capital management approach during the year. The Company is not subject to externally imposed capital requirements.

13. Segmented Information

The Company operates in two reportable operating segments, being the acquisition and exploration of mineral resource properties in Mexico and acquisition of property and equipment in Canada.

Geographic information is as follows:

	Property and equipment	Exploration and evaluation assets	March 31, 2023
	\$	\$	\$
Mexico	103,119	23,016,233	23,119,352
Canada	8,382	-	8,382
	111,501	23,016,233	23,127,734

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

14. Subsequent Event

On May 12, 2023, the Company granted certain employees, consultants, officer, and directors an aggregate of 3,188,200 stock options in accordance with the terms of the Company's stock option plan, each of which is exercisable into one common share at an exercise price of \$0.09 per share until May 12, 2028.