



AZTEC MINERALS CORP.

Third Quarter Report

Condensed Consolidated Interim Financial Statements

(stated in Canadian dollars)

Three and Nine Months ended September 30, 2020

(Unaudited – Prepared by Management)

**Notice of No Auditor Review of
Unaudited Condensed Consolidated Interim Financial Statements
For the Three and Nine Months Ended September 30, 2020**

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

The accompanying unaudited condensed consolidated interim financial statements of Aztec Minerals Corp. (the “Company”) for the three and nine months ended September 30, 2020 (the “Financial Statements”) have been prepared by and are the responsibility of the Company’s management, and have not been reviewed by the Company’s auditors. The Financial Statements are stated in Canadian dollars, unless otherwise indicated, and are prepared in accordance with International Accounting Standards 34 (“IAS 34”) and International Financial Reporting Standards (“IFRS”).

AZTEC MINERALS CORP.

(An Exploration Stage Company)

Condensed Consolidated Interim Statements of Financial Position

(Unaudited – Prepared by Management)

(Stated in Canadian dollars)

	Notes	September 30, 2020	December 31, 2019
ASSETS			
Current Assets			
Cash		\$ 2,323,893	\$ 49,755
Receivables and prepaids		444,038	115,214
Total Current Assets		2,767,931	164,969
Non-Current Assets			
Mineral property interests	6, 9(b), 11	3,521,831	2,874,594
Equipment	7	3,741	6,234
Total Non-Current Assets		3,525,572	2,880,828
Total Assets		\$ 6,293,503	\$ 3,045,797
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Accounts payable and accrued liabilities	11	\$ 425,745	\$ 97,510
Shareholders' Equity			
Share capital	9(b)	8,929,963	5,239,750
Reserve for share-based payments		1,056,581	798,720
Deficit		(4,118,786)	(3,090,183)
Total Shareholders' Equity		5,867,758	2,948,287
Total Liabilities and Shareholders' Equity		\$ 6,293,503	\$ 3,045,797

Refer to the accompanying notes to the condensed consolidated interim financial statements.

Approved on behalf of the Board:

/s/ *Bradford Cooke*

Director

/s/ *Patricio Varas*

Director

AZTEC MINERALS CORP.

(An Exploration Stage Company)

Condensed Consolidated Interim Statements of Comprehensive Loss

(Unaudited – Prepared by Management)

(Stated in Canadian dollars)

		Three Months ended September 30,		Nine Months ended September 30,	
	Notes	2020	2019	2020	2019
Expenses:					
Accounting and audit		\$ (705)	\$ 3,962	\$ 4,272	\$ 13,802
Amortization	7	831	831	2,493	2,493
Employee and director remuneration	11	51,390	39,313	139,745	157,247
Legal		1,715	2,060	12,996	5,373
Office and sundry	10, 11	22,941	17,597	60,583	52,298
Project evaluation	10, 11	7,547	800	25,617	22,060
Regulatory		15,012	10,320	44,275	36,617
Shareholder relations		375,257	26	459,025	78,038
Share-based payments	9(c), 11	178,501	26,177	196,971	36,249
Loss before the undernoted		(652,489)	(101,086)	(945,977)	(404,177)
Interest income		324	370	324	3,142
Interest and finance charges	8	1,744	-	(67,954)	-
Foreign exchange loss		2,536	(2,568)	(18,389)	(6,680)
Net loss and comprehensive loss for the period		\$ (647,885)	\$ (103,284)	\$ (1,031,996)	\$ (407,715)
Basic and diluted loss per share		\$ (0.01)	\$ -	\$ (0.02)	\$ (0.01)
Weighted average number of common shares outstanding		58,823,343	32,513,842	41,571,578	29,684,423

Refer to the accompanying notes to the condensed consolidated interim financial statements.

AZTEC MINERALS CORP.

(An Exploration Stage Company)

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

(Unaudited – Prepared by Management)

(Stated in Canadian dollars)

	Notes	Share Capital		Reserve for Share-Based Payments	Deficit	Total
		Number of Shares	Amount			
Balance, December 31, 2018		28,191,016	\$ 4,838,476	\$ 893,670	\$ (2,794,619)	\$ 2,937,527
Private placement	9(b)(ii)	3,900,000	351,000	117,000	-	468,000
Share issue expenses		-	(13,726)	-	-	(13,726)
Property acquisition	9(b)(ii)	600,000	64,000	-	-	64,000
Expiration of stock options		-	-	(114,922)	114,922	-
Expiration of compensation warrants		-	-	(146,395)	146,395	-
Share-based payments		-	-	49,367	-	49,367
Net loss for the year		-	-	-	(556,881)	(556,881)
Balance, December 31, 2019		32,691,016	5,239,750	798,720	(3,090,183)	2,948,287
Private placement	9(b)(i)	18,258,847	3,477,654	-	-	3,477,654
Share issue expenses		-	(225,657)	73,729	-	(151,928)
Property acquisition	9(b)(i)	300,000	15,000	-	-	15,000
Exercise of warrants		2,285,000	358,250	(27,000)	-	331,250
Exercise of stock options		150,000	64,966	(49,216)	-	15,750
Fair value of loan bonus warrants		-	-	66,770	-	66,770
Expiration of stock options		-	-	(3,393)	3,393	-
Share-based payments		-	-	196,971	-	196,971
Net loss for the period		-	-	-	(1,031,996)	(1,031,996)
Balance, September 30, 2020		53,684,863	\$ 8,929,963	\$ 1,056,581	\$ (4,118,786)	\$ 5,867,758
Balance, December 31, 2018		28,191,016	\$ 4,838,476	\$ 893,670	\$ (2,794,619)	\$ 2,937,527
Private placement	9(b)(ii)	3,900,000	351,000	117,000	-	468,000
Share issue expenses		-	(13,691)	-	-	(13,691)
Property acquisition	9(b)(ii)	600,000	64,000	-	-	64,000
Expiration of stock options		-	-	(114,922)	114,922	-
Expiration of compensation warrants		-	-	(146,395)	146,395	-
Share-based payments		-	-	36,249	-	36,249
Net loss for the period		-	-	-	(407,715)	(407,715)
Balance, September 30, 2019		32,691,016	\$ 5,239,785	\$ 785,602	\$ (2,941,017)	\$ 3,084,370

Refer to the accompanying notes to the condensed consolidated interim financial statements.

AZTEC MINERALS CORP.

(An Exploration Stage Company)

Condensed Consolidated Interim Statements of Cash Flows

(Unaudited – Prepared by Management)

(Stated in Canadian dollars)

	Three Months ended September 30,		Nine Months ended September 30,	
	2020	2019	2020	2019
Cash provided from (used by):				
Operations:				
Loss for the period	\$ (647,885)	\$ (103,284)	\$ (1,031,996)	\$ (407,715)
Items not involving cash:				
Accrued interest	(710)	-	-	-
Amortization	831	831	2,493	2,493
Fair value of loan bonus warrants	-	-	66,770	-
Foreign exchange (gain) loss	5,790	(770)	5,404	(1,095)
Share-based payments	178,501	26,177	196,971	36,249
	(463,473)	(77,046)	(760,358)	(370,068)
Changes in non-cash working capital items:				
Receivables and prepaids	(238,912)	34,817	(328,824)	18,195
Accounts payable and accrued liabilities	(37,686)	(28,623)	5,150	(32,111)
Cash used by operating activities	(740,071)	(70,852)	(1,084,032)	(383,984)
Financing:				
Proceeds from loan payable	-	-	60,000	-
Repayment of loan payable	(60,000)	-	(60,000)	-
Issuance of common share, net of share issuance expenses	3,077,654	32,115	3,477,654	454,309
Subscription for common shares	(332,500)	-	-	-
Share issue expenses	(132,554)	-	(151,928)	-
Exercise of warrants	151,250	-	331,250	-
Exercise of stock options	15,750	-	15,750	-
Cash provided from financing activities	2,719,600	32,115	3,672,726	454,309
Investing:				
Mineral property interests, net of recoveries	(158,570)	(303,076)	(309,152)	(545,450)
Cash used by investing activities	(158,570)	(303,076)	(309,152)	(545,450)
Foreign exchange gain (loss) on cash held in foreign currency	(5,790)	770	(5,404)	1,095
Increase (decrease) in cash	1,815,169	(341,043)	2,274,138	(474,030)
Cash, beginning of period	508,724	512,521	49,755	645,508
Cash, end of period	\$ 2,323,893	\$ 171,478	\$ 2,323,893	\$ 171,478

Refer to the accompanying notes to the condensed consolidated interim financial statements.

AZTEC MINERALS CORP.

(An Exploration Stage Company)

Condensed Consolidated Interim Statements of Cash Flows

(Unaudited – Prepared by Management)

(Stated in Canadian dollars)

		Three Months ended September 30,		Nine Months ended September 30.	
	Notes	2020	2019	2020	2019
Non-cash financing and investing activities:					
Accrual for mineral property interests		\$ 246,671	\$ (72,807)	\$ 334,553	\$ 9,579
Fair value of common shares issued for:					
Property acquisition	9(b)	-	45,000	15,000	64,000
Exercise of warrants	9(d)	-	-	27,000	-
Exercise of stock options	9(c)	49,216	-	49,216	-
Fair value of:					
Finders fee warrants	9(d)	73,729	-	73,729	-
Fair value from cancellation of:					
Stock options	9(c)	(1)	1	3,393	114,922
Finders fee warrants	9(d)	-	-	-	146,395
Interest paid	8	1,184	-	1,184	-
Income taxes paid		-	-	-	-

Refer to the accompanying notes to the condensed consolidated interim financial statements.

AZTEC MINERALS CORP.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

Three and Nine Months ended September 30, 2020

(Unaudited – Prepared by Management)

(Stated in Canadian dollars)

1. Nature of Operations and Continuance of Operations

Aztec Minerals Corp. (the “Company”) was incorporated on July 6, 2007 under the laws of British Columbia, Canada. The address of the Company’s registered office is #910 – 800 West Pender Street, Vancouver, BC, Canada, V6C 2V6 and its principal place of business is #1130 – 609 Granville Street, Vancouver, BC, Canada, V7Y 1G5.

The Company is in the mineral exploration business and has not yet determined whether its mineral property interests contain reserves. The recoverability of amounts capitalized for mineral property interests is dependent upon the ability of the Company to arrange appropriate financing as needed, the discovery of reserves, the development of its properties, confirmation and maintenance of the Company’s interest in the underlying properties, the receipt of necessary permitting and upon future profitable production or proceeds from the disposition thereof.

The Company has no operating revenues, has incurred a significant net loss of \$1.03 million for the nine months ended September 30, 2020 (September 30, 2019 - \$407,715), and has a deficit of \$4.1 million as at September 30, 2020 (December 31, 2019 - \$3.1 million). These condensed consolidated interim financial statements have been prepared on a going concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of business. The Company’s ability to continue as a going concern is dependent on the ability of the Company to raise debt or equity financings, and the attainment of profitable operations. Management would need to raise the necessary capital to meet its planned business objectives. There can be no assurance that management’s plans will be successful. These matters indicate the existence of material uncertainties that may cast significant doubt about the Company’s ability to continue as a going concern. These condensed consolidated interim financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of 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:

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* (“IAS 34”) using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board and the interpretations of the International Financial Reporting Standards Interpretations Committee. These unaudited condensed consolidated interim financial statements do not include all of the information and disclosures required for full and complete annual financial statements, and accordingly should be read in conjunction with the Company’s audited consolidated financial statements for the year ended December 31, 2019. The Company has consistently applied the same accounting policies for all periods as presented. Certain of the prior periods’ comparative figures may have been reclassified to conform to the presentation adopted in the current period.

(b) Approval of condensed consolidated interim financial statements:

These condensed consolidated interim financial statements were approved by the Company’s Board of Directors on November 30, 2020.

AZTEC MINERALS CORP.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

Three and Nine Months ended September 30, 2020

(Unaudited – Prepared by Management)

(Stated in Canadian dollars)

2. Basis of Presentation (continued)

(c) Basis of presentation:

These condensed consolidated interim financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at fair value, as disclosed in Note 5. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

(d) Functional currency and presentation currency:

The functional and presentation currencies of the Company and its subsidiaries are the Canadian dollar. Amounts recorded in a foreign currency are translated into Canadian dollars as follows:

- monetary assets and liabilities at the exchange rate at the condensed consolidated interim statement of financial position date;
- non-monetary assets and liabilities at historical exchange rates, unless such items are carried at fair value, in which case they are translated at the exchange rate in effect on the date which the fair value was determined; and
- revenue and expense items at the rate of exchange in effect on the transaction date.

Exchange gains and losses are recorded in profit or loss in the period in which they occur.

(e) Critical accounting estimates and judgments:

The preparation of the condensed consolidated interim financial statements in accordance with IFRS requires management to make estimates, assumptions and judgements that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements along with the reported amounts of revenues, if any, and expenses during the period. Actual results may differ from these estimates and, as such, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognized in the period in which the estimates are revised and in any future periods affected.

Significant areas requiring the use of management estimates relate to the determination of accrued liabilities; accrued site remediation; the variables used in the determination of the fair value of stock options granted and loan bonus warrants and compensation warrants issued; and the valuation of deferred tax assets. While management believes the estimates are reasonable, actual results could differ from those estimates and could impact future financial performance and cash flows.

AZTEC MINERALS CORP.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

Three and Nine Months ended September 30, 2020

(Unaudited – Prepared by Management)

(Stated in Canadian dollars)

2. Basis of Presentation (continued)

(e) Critical accounting estimates and judgments: (continued)

The Company applies judgment in assessing whether material uncertainties exist that would cast significant doubt as to whether the Company could continue as a going concern.

The Company applies judgment in assessing the functional currency of each entity consolidated in these condensed consolidated interim financial statements. The functional currency of the Company and its subsidiaries is determined using the currency of the primary economic environment in which that entity operates.

At the end of each reporting period, the Company assesses each of its mineral property interests to determine whether any indication of impairment exists. Judgment is required in determining whether indicators of impairment exist, including factors such as: the period for which the Company has the right to explore; expected renewals of exploration rights; whether substantive expenditures on further exploration and evaluation of mineral property interests are budgeted or planned; and results of exploration and evaluation activities.

(f) New accounting standards and recent pronouncements:

The standards listed below include only those which the Company reasonably expects may be applicable to the Company in the current period and at a future date. The Company is currently assessing the impact of these future standards on the condensed consolidated interim financial statements.

AZTEC MINERALS CORP.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

Three and Nine Months ended September 30, 2020

(Unaudited – Prepared by Management)

(Stated in Canadian dollars)

2. Basis of Presentation (continued)

(f) New accounting standards and recent pronouncements: (continued)

The following standards will become effective in future periods:

(i) IFRS 17 *Insurance contracts*

This new standard sets out the principles for the recognition, measurement, presentation and disclosure of insurance contracts. The new standard applies to insurance contracts an entity issues and reinsurance contracts it holds.

The main features of the new standard are as follows:

- An entity divides insurance contracts into groups that it will recognize and measure.
- Groups of insurance contracts are recognized and measured at:
 - ◆ a risk-adjusted present value of estimated future cash flows (the fulfillment cash flows); and
 - ◆ an amount representing the unearned profit in the group of contracts (the contractual service margin).
- An entity can choose to apply a simplified measurement approach (the premium allocation approach) when certain criteria are met.
- The profit from a group of insurance contracts is recognized over the period the entity provides insurance coverage and as it is released from risk. If a group of contracts is or becomes loss-making, the loss is recognized in profit or loss immediately.
- An entity presents separately insurance revenue and insurance service expenses, and insurance finance income or expenses.
- An entity discloses qualitative and quantitative information about the amounts recognized in its financial statements from insurance contracts, significant judgments and changes in judgments made in applying IFRS 17, and the nature and extent of the risks that arise from insurance contracts.

The new standard supersedes the requirements in IFRS 4 *Insurance Contracts*.

The new standard is effective for annual periods beginning on or after January 1, 2021, with earlier application permitted for entities that also apply IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers*.

AZTEC MINERALS CORP.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

Three and Nine Months ended September 30, 2020

(Unaudited – Prepared by Management)

(Stated in Canadian dollars)

2. Basis of Presentation (continued)

(f) New accounting standards and recent pronouncements: (continued)

(ii) IFRIC 23 *Uncertainty over Income Tax Treatments*

This new Interpretation, issued by the IASB in June 2017, clarifies how to apply the recognition and measurement requirements in IAS 12 *Income Taxes* when there is uncertainty over income tax treatments.

The main features of IFRIC 23 are as follows:

- An entity considers an uncertain tax treatment separately or together with other uncertain tax treatments depending on which approach better predicts the resolution of the uncertainty.
- Taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates are determined based on whether it is probable that a taxation authority will accept an uncertain tax treatment.
- An entity reassesses judgments or estimates relating to uncertain tax treatments when facts and circumstances change.

The new standard is effective for annual periods beginning on or after January 1, 2021.

(iii) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011))

The amendments clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows:

- requires full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in *Business Combinations*).
- requires the partial recognition of gains and losses where the assets do not constitute a business, i.e., a gain or loss is recognized only to the extent of the unrelated investors' interests in that associate or joint venture.

These requirements apply regardless of the legal form of the transaction, e.g., whether the sale or contribution of assets occurs by an investor transferring shares in a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves.

The effective date of the amendments to IFRS 10 and IAS 28 issued by the IASB in September 2014 has been deferred indefinitely, with earlier application permitted.

AZTEC MINERALS CORP.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

Three and Nine Months ended September 30, 2020

(Unaudited – Prepared by Management)

(Stated in Canadian dollars)

2. Basis of Presentation (continued)

(f) New accounting standards and recent pronouncements: (continued)

(iv) The Conceptual Framework for Financial Reporting

The revised Conceptual Framework, issued by the IASB in March 2018, replaces the Conceptual Framework for Financial Reporting (issued by the IASB in September 2010).

The revised Conceptual Framework includes the following:

- Concepts on measurement, including factors to consider when selecting a measurement basis.
- Concepts on presentation and disclosure, including when to classify income and expenses in other comprehensive income.
- Guidance on determining the boundary of a reporting entity.
- Updated definitions of an asset and a liability.
- Updated criteria for recognizing assets and liabilities in financial statements, and guidance on when to remove them.
- Clarification on the roles of stewardship, prudence, measurement uncertainty and substance over form.

The IASB and the IFRS Interpretations Committee began using the revised Conceptual Framework immediately after it was issued. The effective date for stakeholders who develop an accounting policy based on the Conceptual Framework is for annual periods beginning on or after January 1, 2020. Earlier application is permitted.

AZTEC MINERALS CORP.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

Three and Nine Months ended September 30, 2020

(Unaudited – Prepared by Management)

(Stated in Canadian dollars)

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these condensed consolidated interim financial statements.

(a) Basis of consolidation:

These condensed consolidated interim financial statements include the accounts of the Company and its wholly-owned subsidiaries, Minera Azteca Dorada S.A. de C.V. and Aztec Minerals America Corp. The financial statements of subsidiaries are included in the condensed consolidated interim financial statements from the date control commences until the date control ceases. All significant intercompany transactions and balances are eliminated on consolidation.

Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

(b) Financial instruments:

The Company categorizes financial instruments measured at fair value at one of three levels according to the reliability of the inputs used to estimate fair values. The fair value of financial assets and financial liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Financial assets and liabilities in Level 2 are valued using inputs other than quoted prices for which all significant inputs are based on observable market data. Level 3 valuations are based on inputs that are not based on observable market data.

(c) Mineral property interests:

The Company capitalizes all costs related to investments in mineral property interests on a property-by-property basis. Such costs include mineral property acquisition or staking costs and exploration and development expenditures, net of any recoveries. Costs are deferred until such time as the extent of mineralization has been determined and mineral property interests are either developed or the Company's mineral rights are allowed to lapse.

All deferred mineral property expenditures are reviewed, on a property-by-property basis, to consider whether there are any conditions that may indicate impairment. When the carrying value of a property exceeds its net recoverable amount that may be estimated by quantifiable evidence of an economic geological resource or reserve, joint venture expenditure commitments or the Company's assessment of its ability to sell the property for an amount exceeding the deferred costs, provision is made for the impairment in value.

The amounts shown for acquisition costs and deferred exploration expenditures represent costs incurred to date and do not necessarily reflect present or future values. These costs will be depleted over the useful lives of the properties upon commencement of commercial production or written off if the property interests are abandoned or the claims are allowed to lapse.

AZTEC MINERALS CORP.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

Three and Nine Months ended September 30, 2020

(Unaudited – Prepared by Management)

(Stated in Canadian dollars)

3. Significant Accounting Policies (continued)

(c) Mineral property interests: (continued)

From time to time, the Company may acquire or dispose of a mineral property interest pursuant to the terms of a property option agreement. As the property options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable in the future are not recorded. Property option payments are recorded as property costs or recoveries when the payments are made or received, respectively. When the amount of recoveries exceeds the total amount of capitalized costs of the property, the amount in excess of costs is credited to profit or loss.

4. Management of Capital

The Company is an exploration stage company and its activities involve a high degree of risk. The Company has not yet determined whether its mineral property interests contain reserves and currently has not earned any revenues from its mineral property interests and does not generate cash flows from operations. The Company's primary sources of funds are from debt capital and the issuance of share capital.

The Company defines its capital as debt and share capital. Capital requirements are driven by the Company's exploration activities on its mineral property interests. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place to ensure that adequate funds are available to meet its strategic goals. The Company monitors actual expenses on all exploration projects and overhead to manage its costs, commitments and exploration activities.

The Company invests its excess capital in liquid investments to obtain adequate returns. The investment decision is based on cash management to ensure working capital is available to meet the Company's short-term obligations while maximizing liquidity and returns of unused capital.

Management reviews the capital availability and needs on a regular basis to ensure the above-noted objectives are met. There have been no changes to the Company's approach to capital management during the nine months ended September 30, 2020.

Although the Company has raised funds in the past from the issuance of share capital, it is uncertain whether it would be able to continue this financing in the future. The Company will continue to rely on debt and equity financings to meet its commitments as they become due, to continue exploration work on its mineral property interests, and to meet its administrative overhead costs for the coming periods.

As at September 30, 2020, the Company was not subject to any externally imposed capital requirements.

AZTEC MINERALS CORP.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

Three and Nine Months ended September 30, 2020

(Unaudited – Prepared by Management)

(Stated in Canadian dollars)

5. Financial Instruments and Management of Financial Risk

The Company classifies its financial instruments as follows:

Financial Assets

Cash	Fair value through profit or loss (“FVTPL”)
Receivables	Loans and receivable at amortized cost

Financial Liability

Accounts payable and accrued liabilities	Other financial liabilities under amortized cost
Loan payable	Other financial liabilities under amortized cost

The fair values of the Company’s receivables and accounts payable and accrued liabilities and loan payable approximate their carrying values due to the short terms to maturity. Cash is measured at fair value using Level 1 inputs.

The Company is exposed in varying degrees to a variety of financial instrument related risks, including credit risk, liquidity risk, and market risk which includes foreign currency risk, interest rate risk and other price risk. The types of risk exposure and the way in which such exposure is managed are as follows.

(a) Credit risk:

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations.

The Company's credit risk is primarily attributable to its cash. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality Canadian financial institutions. Non-contractual taxes receivables from government agencies are not considered financial instruments.

Management has reviewed the items comprising the accounts receivable balance, and determined that the accounts are collectible.

(b) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due.

The Company ensures that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash and its ability to raise debt and equity financings. As at September 30, 2020, the Company had working capital of \$2.3 million (December 31, 2019 - \$67,500). The Company will require significant additional funding to meet its short-term liabilities and administrative overhead costs, and to maintain its mineral property interests in 2020.

Accounts payable and accrued liabilities are due in less than 90 days.

AZTEC MINERALS CORP.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

Three and Nine Months ended September 30, 2020

(Unaudited – Prepared by Management)

(Stated in Canadian dollars)

5. Financial Instruments and Management of Financial Risk (continued)

(c) Market risk:

The significant market risk exposures to which the Company is exposed are foreign currency risk, interest rate risk and other price risk.

(i) Foreign currency risk:

The Company has certain cash and accounts payable stated in United States dollars and Mexican pesos, mineral property interests which are in the USA and Mexico, and a portion of its operations are in Mexico, resulting in expenditures subject to foreign currency fluctuations. Fluctuations in the United States dollar and Mexican peso would impact the losses of the Company and the values of its assets and liabilities as the Company's functional and presentation currencies are the Canadian dollar. The Canadian dollar fluctuates with the United States dollar and Mexican peso.

At September 30, 2020, the Company was exposed to currency risk for its Canadian dollar equivalent of financial assets and liabilities denominated in currencies other than Canadian dollars as follows:

	Stated in Canadian Dollars		
	Held in		Total
	United States Dollars	Mexican Pesos	
Cash	\$ 382,747	\$ 71	\$ 382,818
Accounts payable and accrued liabilities	(263,358)	(2,129)	(265,487)
Net financial assets (liabilities), September 30, 2020	\$ 119,389	\$ (2,058)	\$ 117,331
Cash	\$ 9,676	\$ 253	\$ 9,929
Accounts payable and accrued liabilities	(30,013)	(3,495)	(33,508)
Net financial assets (liabilities), December 31, 2019	\$ (20,337)	\$ (3,242)	\$ (23,579)

Based upon the above net exposure as at September 30, 2020 and assuming all other variables remain constant, a 10% (December 31, 2019 – 5%) depreciation or appreciation of the Canadian dollar relative to the United States dollar could result in a decrease/increase of approximately \$11,700 (December 31, 2019 - \$1,000) in the Company's net losses.

The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

AZTEC MINERALS CORP.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

Three and Nine Months ended September 30, 2020

(Unaudited – Prepared by Management)

(Stated in Canadian dollars)

5. Financial Instruments and Management of Financial Risk (continued)

(c) Market risk: (continued)

(ii) Interest rate risk:

In respect of financial assets, the Company's policy is to invest excess cash at floating rates of interest in cash equivalents, in order to maintain liquidity, while achieving a satisfactory return. Fluctuations in interest rates impact on the value of cash equivalents. Interest rate risk is not significant to the Company as it has no cash equivalents at year-end.

(iii) Other price risk:

Other price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. The Company currently does not have any financial instruments which fluctuate with market prices.

6. Mineral Property Interests

	September 30, 2020		
	Mexico	USA	Total
	Cervantes	Tombstone	
Acquisition Costs:			
Balance, December 31, 2019	\$ 575,823	\$ 59,000	\$ 634,823
Acquisition	-	58,486	58,486
Balance, September 30, 2020	575,823	117,486	693,309
Deferred Exploration Expenditures:			
Balance, December 31, 2019	1,945,390	294,381	2,239,771
Assays	-	21,875	21,875
Drilling	-	228,550	228,550
Equipment and systems	624	623	1,247
Field, camp, supplies	-	4,476	4,476
General, administrative, legal, sundry	171,647	693	172,340
Geology	12,589	-	12,589
Geophysics	-	68,660	68,660
Salaries and local labour	6,101	49,318	55,419
Surface taxes	4,686	6,340	11,026
Surveying	370	1,245	1,615
Transportation and travel	218	10,736	10,954
Balance, September 30, 2020	2,141,625	686,897	2,828,522
Mineral Property Interests:			
December 31, 2019	\$ 2,521,213	\$ 353,381	\$ 2,874,594
September 30, 2020	\$ 2,717,448	\$ 804,383	\$ 3,521,831

AZTEC MINERALS CORP.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

Three and Nine Months ended September 30, 2020

(Unaudited – Prepared by Management)

(Stated in Canadian dollars)

6. Mineral Property Interests (continued)

	December 31, 2019		
	Mexico	USA	Total
	Cervantes	Tombstone	
Acquisition Costs:			
Balance, December 31, 2018	\$ 465,558	\$ 10,000	\$ 475,558
Acquisition	110,265	49,000	159,265
Balance, December 31, 2019	575,823	59,000	634,823
Deferred Exploration Expenditures:			
Balance, December 31, 2018	1,550,192	204,428	1,754,620
Assays	30,108	1,527	31,635
Equipment and systems	736	3,144	3,880
Field, camp, supplies	3,290	16	3,306
General, administrative, legal, sundry	86,345	205	86,550
Geology	38,360	2,754	41,114
Geophysics	129,342	5,000	134,342
Salaries and local labour	79,944	58,149	138,093
Surface taxes	4,193	13,532	17,725
Surveying	656	3,195	3,851
Transportation and travel	22,224	2,431	24,655
Balance, December 31, 2019	1,945,390	294,381	2,239,771
Mineral Property Interests:			
December 31, 2018	\$ 2,015,750	\$ 214,428	\$ 2,230,178
December 31, 2019	\$ 2,521,213	\$ 353,381	\$ 2,874,594

AZTEC MINERALS CORP.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

Three and Nine Months ended September 30, 2020

(Unaudited – Prepared by Management)

(Stated in Canadian dollars)

6. Mineral Property Interests (continued)

(a) Cervantes property (Mexico):

On September 30, 2016, the Company entered into the Option Amendment and Assignment Agreement for the Cervantes Property (“Option Assignment Agreement”) for the Cervantes Property with Aztec Metals Corp., which share common directors with the Company, (“AzMet”) and Kootenay Silver Inc. (“Kootenay”), whereby AzMet assigned to the Company all of its rights and interests in the Property Option Agreement dated July 25, 2015 between AzMet and Kootenay (the “Option Agreement”). All obligations of AzMet under the property option agreement were transferred to the Company.

The Company can earn a 65% interest in the Cervantes Property by:

- the issuance of 800,000 common shares,
- cash payments totalling US\$120,000, and
- exploration expenditures of US\$1.2 million over the next 3 years.

Upon earning a 65% interest, the Company can earn an additional 35% interest for a total of 100% interest in the Cervantes Property by:

- completing a preliminary economic assessment by July 25, 2020,
- paying an amount equal to the estimated recoverable equivalent gold ounces of contained metal in resources multiplied by US\$5 per equivalent gold ounce which amount shall be payable in combination of cash and/or shares, and
- granting a 2.5% net smelter return (“NSR”) to Kootenay which can be reduced to 2% NSR for a cash payment of US\$500,000.

If the Company elected not to earn the additional 35% interest in the Cervantes Property, or failed to fulfill the requirements to earn such 35% interest, then a joint venture will be formed between the Company and Kootenay with the Company acting as the operator.

On March 1, 2019, the Company amended the Option Assignment Agreement. Subject to the Company paying to Kootenay US\$250,000 and issuing 700,000 of its common shares (the “Acquisition Payment”) on or before the earlier of: (1) five business days following the execution of an option and joint venture agreement in connection with the property by the Company and another mining company; and (2) July 25, 2019, the Option Assignment Agreement is amended as follows:

- the Company will be deemed to have earned its 65% interest;
- extension of the completion date of July 25, 2020 to January 25, 2022 for the preliminary economic assessment;
- reduction of the 2.5% NSR to 2% NSR to Kootenay;
- increase the NSR and cash purchase price from 0.5% NSR for US\$500,000 to 1% NSR for US\$2.5 million, respectively, which the Company can purchase from Kootenay to reduce the NSR to 1% NSR to Kootenay, at any time after the Company earns a 100% interest in the Cervantes property.

The Company did not make the Acquisition Payment whereby the option agreement was not amended and the original option agreement continued to be in full force and effect.

In July 2019, the Company earned its 65% interest in the Cervantes property whereby the Company issued 500,000 common shares to Kootenay; paid US\$50,000 in cash; and incurred exploration expenditures totalling US\$1.2 million for the Cervantes property. The Company is proceeding with a joint venture agreement with Kootenay.

AZTEC MINERALS CORP.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

Three and Nine Months ended September 30, 2020

(Unaudited – Prepared by Management)

(Stated in Canadian dollars)

6. Mineral Property Interests (continued)

(b) Tombstone property (USA):

On November 30, 2017, as amended on February 28, 2018, the Company entered into a Purchase Option Agreement for the Tombstone property (the “Tombstone Option Agreement”) with Baroyeca Gold & Silver Inc. and its two wholly owned U.S. subsidiaries (collectively, “Baroyeca”). The Company can earn a 75% interest by making cash payments of \$100,000, incurring exploration expenditures of \$1 million and issuing 1 million common shares over a three year period starting from March 23, 2018.

(c) Expenditure options:

As at September 30, 2020, to maintain the Company’s interest and/or to fully exercise the options under various property agreements covering its properties, the Company must incur exploration expenditures on the properties and/or make payments in the form of cash and/or shares to the optionor as follows:

	Cash Payments (CAD\$)	Exploration Expenditures (CAD\$)	Number of Shares
Tombstone Project (Note 6(b)):			
March 23, 2021	\$ 30,000	\$ 249,806	600,000
	\$ 30,000	\$ 249,806	600,000

These amounts may be reduced in the future as the Company determines which mineral property interests to continue to explore and which to abandon.

(d) Title to mineral property interests:

The Company has investigated rights of ownership of all of its mineral properties/concessions and, to the best of its knowledge, all agreements relating to such ownership rights are in good standing. However, all properties/concessions may be subject to prior claims, agreements or transfers, and rights of ownership may be affected by undetected defects.

(e) Realization of assets:

The Company’s investment in and expenditures on its mineral property interests comprise a significant portion of the Company’s assets. Realization of the Company’s investment in these assets is dependent on establishing legal ownership of the properties, on the attainment of successful commercial production or from the proceeds of their disposal. The recoverability of the amounts shown for mineral property interests is dependent upon the existence of reserves, the ability of the Company to obtain necessary financing to complete the development of the properties, and upon future profitable production or proceeds from the disposition thereof.

AZTEC MINERALS CORP.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

Three and Nine Months ended September 30, 2020

(Unaudited – Prepared by Management)

(Stated in Canadian dollars)

6. Mineral Property Interests (continued)

(f) Environmental matters:

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous materials and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former mineral property interests that may result in material liability to the Company.

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation of the Company's operation may cause additional expenses and restrictions.

If the restrictions adversely affect the scope of exploration and development on the mineral properties, the potential for production on the property may be diminished or negated.

7. Equipment

	Office Furnishings	Office Equipment	Total
Cost:			
Balance, December 31, 2018	\$ 4,121	\$ 9,552	\$ 13,673
Add: Acquisitions	-	-	-
Balance, December 31, 2019	4,121	9,552	13,673
Add: Acquisitions	-	-	-
Balance, September 30, 2020	4,121	9,552	13,673
Accumulated amortization:			
Balance, December 31, 2018	706	3,409	4,115
Add: Amortization	802	2,522	3,324
Balance, December 31, 2019	1,508	5,931	7,439
Add: Amortization	601	1,892	2,493
Balance, September 30, 2020	2,109	7,823	9,932
Net book value:			
Balance, December 31, 2019	\$ 2,613	\$ 3,621	\$ 6,234
Balance, September 30, 2020	\$ 2,012	\$ 1,729	\$ 3,741

AZTEC MINERALS CORP.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

Three and Nine Months ended September 30, 2020

(Unaudited – Prepared by Management)

(Stated in Canadian dollars)

8. Loan Payable

On May 22, 2020, the Company arranged an aggregate of \$60,000 in loans from individuals, two of whom are insiders. Each loan bears interest at a rate of 12% per annum, payable on maturity, and has a term of 6 months, provided that the Company may prepay without penalty. A loan bonus totaling 300,000 warrants were issued to the lenders, with each warrant having an exercise price of \$0.20 and expiry date of June 3, 2021. The Company repaid the principal and interest on the loans in July 2020.

Balance, December 31, 2019		\$	-
Add:			
Loan principal	\$	60,000	
Interest charges		<u>1,184</u>	
			61,184
Less:			
Repayment of loan principal	\$	60,000	
Interest paid		<u>1,184</u>	
			(61,184)
Balance, September 30, 2020		\$	-

9. Share Capital

(a) Authorized:

The authorized share capital of the Company is comprised of an unlimited number of common shares without par value.

(b) Issued:

- (i) On March 25, 2020, the Company issued 300,000 common shares at a fair value of \$0.05 per share to Baroyeca (Note 6(b)).

On April 3, 2020, the Company closed a private placement for 8,000,000 units at \$0.05 per unit for total proceeds of \$400,000. Each unit was comprised of one common share and one-half of a full common share purchase warrant. Each full warrant is exercisable to acquire one common share at an exercise price of \$0.10 and has an expiry date of April 3, 2022.

In June 2020, warrants which were exercised for 900,000 common shares have a fair value of \$27,000.

AZTEC MINERALS CORP.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

Three and Nine Months ended September 30, 2020

(Unaudited – Prepared by Management)

(Stated in Canadian dollars)

9. Share Capital (continued)

(b) Issued: (continued)

(i) (continued)

In July 2020, the Company closed a private placement in two tranches totalling 10.3 million units at a price of \$0.30 per unit for gross proceeds of \$3.08 million with each unit comprised of one common share and one-half of one common share purchase warrant; each whole warrant is exercisable to acquire one common share at an exercise price of \$0.40 per share for a period of two years. On July 9, 2020, the Company closed the first tranche for 7.1 million units for gross proceeds of \$2.1 million. On July 23, 2020, the Company closed the second tranche for 3.2 million units for gross proceeds of \$955,000. Finders fees included \$94,883 in cash and 316,278 warrants with the same terms as the underlying warrants in the private placement.

In September 2020, stock options which were exercised for 150,000 common shares have a fair value of \$49,216.

(ii) On March 22, 2019, the Company issued 100,000 common shares at a fair value of \$0.19 per share to Baroyeca (Note 6(b)).

On July 2, 2019, the Company closed a private placement for 3,900,000 units at \$0.12 per unit for total proceeds of \$468,000. Each unit was comprised of one common share and one full common share purchase warrant. Each warrant is exercisable to acquire one common share at an exercise price of \$0.20 and has an expiry date of July 2, 2021. The market price of the Company's common share was \$0.09 on the closing date, resulting in the recognition of a fair value of \$0.03 per warrant.

On July 17, 2019, the Company issued 500,000 common shares to Kootenay at a fair value of \$0.09 per share (Note 6(a)).

(iii) Pursuant to the escrow agreement dated April 19, 2017, 4,571,123 shares of the Company were held in escrow (the "Escrowed Shares"). On September 30, 2020, nil common shares (December 31, 2019 – 685,700 common shares) were held in escrow, whereby the final 685,700 common shares were released from escrow in early May 2020

(c) Stock option plan:

The Company has a stock option plan that allows it to grant stock options to its directors, officers, employees and consultants, provided that the aggregate number of stock options granted shall not at any time exceed 10% of the total number of issued and outstanding common shares of the Company. The exercise price of each stock option shall be based on the market price of the Company's shares as traded on the TSX-V at the time of grant. Stock options have a maximum term of ten years and terminate 30 days following the termination of the optionee's employment, except in the case of death, in which case they terminate one year after the event. Vesting of stock options is made at the discretion of the Board at the time the stock options are granted.

AZTEC MINERALS CORP.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

Three and Nine Months ended September 30, 2020

(Unaudited – Prepared by Management)

(Stated in Canadian dollars)

9. Share Capital (continued)

(c) Stock option plan: (continued)

The continuity of stock options for the nine months ended September 30, 2020 is as follows:

	September 30, 2020	
	Number of shares	Weighted average exercise price
Outstanding balance, beginning of period	3,150,000	\$0.27
Granted	1,930,000	\$0.40
Exercised	(150,000)	\$0.105
Forfeitures	(50,000)	\$0.12
Cancellation	(50,000)	\$0.12
Outstanding balance, end of period	4,830,000	\$0.23

The following table summarizes information about stock options outstanding and exercisable at September 30, 2020:

Exercise Prices	Options Outstanding			Options Exercisable		
	Number Outstanding at Sept 30, 2020	Weighted Average Remaining Contractual Life (Number of Years)	Weighted Average Exercise Prices	Number Exercisable at Sept 30, 2020	Weighted Average Remaining Contractual Life (Number of Years)	Weighted Average Exercise Prices
\$0.12 ⁽¹⁾	100,000	1.37	\$0.12	75,000	1.37	\$0.12
\$0.105 ⁽²⁾	1,800,000	1.59	\$0.105	1,800,000	1.59	\$0.105
\$0.12	1,000,000	3.76	\$0.12	600,000	3.76	\$0.12
\$0.40	1,930,000	4.85	\$0.40	386,000	4.85	\$0.40
	4,830,000	3.25	\$0.23	2,861,000	2.41	\$0.23

⁽¹⁾ In February 2020, the Company re-priced 200,000 stock options from an exercise price of \$0.25 to \$0.12.

⁽²⁾ In February 2020, the Company re-priced 1,950,000 stock options from an exercise price of \$0.35 to \$0.105. The re-pricing of the 1,950,000 stock options which are held by insiders was approved by disinterested shareholders of the Company at its annual general meeting of shareholders in June 2020, in accordance with the policies of the TSX-V.

AZTEC MINERALS CORP.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

Three and Nine Months ended September 30, 2020

(Unaudited – Prepared by Management)

(Stated in Canadian dollars)

9. Share Capital (continued)

(c) Stock option plan: (continued)

In fiscal 2019, the Company granted the following stock options in fiscal 2019:

- stock options for 200,000 common shares with an exercise price of \$0.25 and expiry date of February 19, 2022. The stock options are subject to vesting provisions in which 25% will vest on August 19, 2019 and 25% vest every 6 months thereafter; and
- stock options for 1,000,000 common shares to directors, officers, employees and a consultant with an exercise price of \$0.12 and expiry date of July 3, 2024. The stock options are subject to vesting provisions in which 20% vest on grant date and 20% vest every 6 months thereafter.

In February 2020, the Company re-priced 200,000 stock options from an exercise price of \$0.25 to \$0.12 and 1,950,000 stock options from an exercise price of \$0.35 to \$0.105. The re-pricing of the 1,950,000 stock options which are held by insiders was approved by disinterested shareholders of the Company at its annual general meeting of shareholders in June 2020, in accordance with the policies of the TSX Venture Exchange.

On August 7, 2020, the Company granted stock options for 1,930,000 common shares to directors, officers, employees and a consultant with an exercise price of \$0.40 and expiry date of August 7, 2025. The stock options are subject to vesting provisions in which 20% vest on grant date and 20% vest every 6 months thereafter.

During the nine months ended September 30, 2020, the Company recognized share-based payments of \$196,971 (September 30, 2019 - \$36,249), net of forfeitures, based on the fair value of options that were earned by the provision of services during the period. Share-based payments are segregated between directors and officers, employees and consultants, as applicable, as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Directors and officers	\$ 145,250	\$ 21,008	\$ 159,010	\$ 32,003
Consultants	30,487	4,569	34,804	3,646
Employees	2,764	600	3,157	600
	<u>\$ 178,501</u>	<u>\$ 26,177</u>	<u>\$ 196,971</u>	<u>\$ 36,249</u>

AZTEC MINERALS CORP.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

Three and Nine Months ended September 30, 2020

(Unaudited – Prepared by Management)

(Stated in Canadian dollars)

9. Share Capital (continued)

(c) Stock option plan: (continued)

The weighted average fair value of stock options granted and the weighted average assumptions used to calculate share-based payments for stock option grants are estimated using the Black-Scholes option pricing model as follows:

	September 30,	
	2020	2019
Number of stock options granted	1,930,000	1,200,000
Fair value of stock options granted	\$0.33	\$0.06
Market price of shares on grant date	\$0.42	\$0.09
Pre-vest forfeiture rate	6.16%	6.12%
Risk-free interest rate	0.31%	1.45%
Expected dividend yield	0%	0%
Expected stock price volatility	119.45%	137.07%
Expected option life in years	4.01	3.21

Expected stock price volatility is based on the historical price volatility of companies which are comparable to the profile of the Company.

(d) Warrants:

At September 30, 2020, the Company had outstanding warrants as follows:

Exercise Prices	Expiry Dates	Outstanding at December 31, 2019	Issued	Exercised	Expired	Outstanding at September 30, 2020
\$0.25	October 21, 2020 ⁽¹⁾	2,551,250	-	(85,000)	-	2,466,250
\$0.20	July 2, 2021 ⁽²⁾	3,900,000	-	(900,000)	-	3,000,000
\$0.10	April 3, 2022	-	4,000,000	(1,300,000)	-	2,700,000
\$0.20	June 3, 2021 ⁽³⁾	-	300,000	-	-	300,000
\$0.40	July 9, 2022	-	3,538,082	-	-	3,538,082
\$0.40	July 9, 2022 ⁽⁴⁾	-	212,040	-	-	212,040
\$0.40	July 22, 2022	-	1,591,342	-	-	1,591,342
\$0.40	July 22, 2022 ⁽⁵⁾	-	89,837	-	-	89,837
		6,451,250	9,731,301	(2,285,000)	-	13,897,551

AZTEC MINERALS CORP.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

Three and Nine Months ended September 30, 2020

(Unaudited – Prepared by Management)

(Stated in Canadian dollars)

9. Share Capital (continued)

(d) Warrants: (continued)

- (1) On October 10, 2018, the Company extended the term of the expiry period of the warrants by one year from October 21, 2018 to October 21, 2019. Then on September 23, 2019, the Company extended the term of the expiry period of the warrants by one year from October 21, 2019 to October 21, 2020.
- (2) On July 2, 2019, the Company issued 3,900,000 warrants with an exercise price of \$0.20 and an expiry date of July 2, 2021, and have a total fair value of \$117,000 as determined by the excess private placement price over the market price of the common share on closing date (Note 9(b)(ii)).
- (3) These loan bonus warrants have a fair value of \$66,770 and was recorded as financing charges as applied to profit or loss with a corresponding credit to reserve for share-based payments calculated using the Black-Scholes option pricing model with the following assumptions: volatility 158%, risk-free rate 0.32%, expected life 1 year, and expected dividend yield 0%.
- (4) These finders fee warrants have a fair value of \$50,767 and was recorded as share issuance expense as applied to share capital with a corresponding credit to reserve for share-based payments calculated using the Black-Scholes option pricing model with the following assumptions: volatility 129%, risk-free rate 0.28%, expected life 2 years, and expected dividend yield 0%.
- (5) These finders fee warrants have a fair value of \$22,962 and was recorded as share issuance expense as applied to share capital with a corresponding credit to reserve for share-based payments calculated using the Black-Scholes option pricing model with the following assumptions: volatility 129%, risk-free rate 0.27%, expected life 2 years, and expected dividend yield 0%.

On April 3, 2020, the Company issued 4,000,000 warrants with an exercise price of \$0.10 and expiry date of April 3, 2022 pursuant to a private placement (Note 9(b)(i)).

On June 2, 2020, the Company issued 300,000 loan bonus warrants pursuant to loans received from individuals, two of whom are insiders (Note 8).

In July 2020, the Company issued the following warrants pursuant to a private placement which closed in two tranches (Note 9(b)(i)):

- 3,538,082 warrants with exercise price of \$0.40 and expiry date of July 9, 2022;
- 1,591,341 warrants with exercise price of \$0.40 and expiry date of July 24, 2022;
- 226,440 finders fee warrants exercise price of \$0.40 and expiry date of July 9, 2022; and
- 89,838 finders fee warrants with exercise price of \$0.40 and expiry date of July 24, 2022.

AZTEC MINERALS CORP.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

Three and Nine Months ended September 30, 2020

(Unaudited – Prepared by Management)

(Stated in Canadian dollars)

10. Office and Sundry and Property Investigation

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Office and Sundry:				
Insurance	\$ 5,062	\$ 4,687	\$ 15,187	\$ 14,062
Office and sundry	6,871	2,481	10,170	7,065
Rent	3,771	3,835	8,308	9,796
Software and system support	5,638	4,692	20,960	14,691
Telecommunications	1,599	1,902	5,958	6,684
	<u>\$ 22,941</u>	<u>\$ 17,597</u>	<u>\$ 60,583</u>	<u>\$ 52,298</u>
Project Evaluation:				
Consultants	\$ 5,000	\$ -	\$ 20,000	\$ -
Geology	1,800	800	1,800	800
Salaries	-	(1)	-	14,807
Transportation and travel	747	1	3,817	6,453
	<u>\$ 7,547</u>	<u>\$ 800</u>	<u>\$ 25,617</u>	<u>\$ 22,060</u>

AZTEC MINERALS CORP.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

Three and Nine Months ended September 30, 2020

(Unaudited – Prepared by Management)

(Stated in Canadian dollars)

11. Related Party Transactions

Key management includes directors (executive and non-executive) and senior management. The compensation paid or payable to key management for employee services is disclosed in the table below.

Except as disclosed elsewhere in the condensed consolidated interim financial statements, the Company had the following transactions with related parties:

	Nine months ended September 30,		Net balance receivable (payable)	
	2020	2019	September 30, 2020	December 31, 2019
Key management compensation:				
Executive salaries and remuneration ⁽¹⁾	\$ 175,265	\$ 247,008	\$ -	\$ (22,376)
Severance	-	6,000	-	-
Directors fees	3,938	4,125	(3,938)	(1,125)
Share-based payments	159,010	32,003	-	-
Executive salaries and remuneration ⁽¹⁾	<u>\$ 338,213</u>	<u>\$ 289,136</u>	<u>\$ (3,938)</u>	<u>\$ (23,501)</u>
Net office, sundry, rent and salary allocations recovered from (incurred to) company(ies) sharing certain common director(s) ⁽²⁾	<u>\$ (9,200)</u>	<u>\$ (11,762)</u>	<u>\$ (2,916)</u>	<u>\$ (2,215)</u>

⁽¹⁾ Includes key management compensation which is included in mineral property interests, employee remuneration and property investigation.

⁽²⁾ The companies are AzMet, Canarc Resource Corp. and Endeavour Silver Corp. which share certain common director(s) with the Company.

Note 6(a) provides further details of the acquisition of the Cervantes property from AzMet. Note 8 provides further details of loans from related parties.

The above related party transactions are incurred in the normal course of business.

AZTEC MINERALS CORP.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

Three and Nine Months ended September 30, 2020

(Unaudited – Prepared by Management)

(Stated in Canadian dollars)

12. Segment Disclosures

The Company has one operating segment, being mineral exploration, with assets located in Canada, Mexico and U.S.A, as follows:

	September 30, 2020				December 31, 2019			
	Canada	Mexico	USA	Total	Canada	Mexico	USA	Total
Mineral property interests	\$ -	\$ 2,717,448	\$ 804,383	\$ 3,521,831	\$ -	\$ 2,521,213	\$ 353,381	\$ 2,874,594
Equipment	3,741	-	-	3,741	6,234	-	-	6,234

HEAD OFFICE

#1130 – 609 West Pender Street
Vancouver, BC, Canada, V7Y 1G5

Telephone: (604) 685-9770

DIRECTORS

Bradford Cooke
J. Patricio Varas
Mark Rebagliati
James Schilling
Stewart Lockwood

OFFICERS

Simon Dyakowski ~ Chief Executive Officer and President
Joseph Wilkins ~ Vice President (Exploration) and Chief Geologist
Philip Yee ~ Chief Financial Officer
Stewart Lockwood ~ Secretary

**REGISTRAR AND
TRANSFER AGENT**

Computershare Investor Services Inc.
3rd Floor, 510 Burrard Street
Vancouver, BC, Canada, V6C 3B9

AUDITORS

Smythe LLP
#1700 – 475 Howe Street
Vancouver, BC, Canada, V6C 2B3

SOLICITORS

Maxis Law Corporation
#910 – 800 West Pender Street
Vancouver, BC, Canada, V6C 2V6