AZUCAR MINERALS LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2019

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") for Azucar Minerals Ltd. ("Azucar" or the "Company") has been prepared based on information known to management as of April 27, 2020. This MD&A is intended to help the reader understand the consolidated financial statements of Azucar.

Management is responsible for the preparation and integrity of the consolidated financial statements, including the maintenance of appropriate information systems, procedures and internal controls. Management also ensures that information used internally or disclosed externally, including the consolidated financial statements and MD&A, is complete and reliable.

The Company's board of directors follows recommended corporate-governance guidelines for public companies to ensure transparency and accountability to shareholders. The board's audit committee meets with management regularly to review the consolidated financial statements, including the MD&A, and to discuss other financial, operating and internal-control matters.

All currency amounts are expressed in Canadian dollars unless otherwise noted.

FORWARD-LOOKING STATEMENTS

Information set forth in this MD&A may involve forward-looking statements under applicable securities laws. Forward-looking statements are statements that relate to future, not past, events. In this context, forward-looking statements often address expected future business and financial performance, and often contain words such as "anticipate", "believe", "plan", "estimate", "expect", and "intend", statements that an action or event "may", "might", "could", "should", or "will" be taken or occur, or other similar expressions. All statements, other than statements of historical fact, included herein including, without limitation, statements about the size and timing of future exploration on and the development of the Company's properties, timing of technical reports, statements about the impact of the Plan of Arrangement (as defined below) on Azucar, statements about the Company's belief that the Company's cash resources are sufficient to meet its working capital and mineral exploration requirements for its next fiscal years, and the Company's objectives and expectations regarding its capital resources are forward-looking statements. By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the Company's actual results, performance or achievements, or other future events, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the following risks: the need for additional financing; operational risks associated with mineral exploration; fluctuations in commodity prices; title matters; environmental liability claims and insurance; reliance on key personnel; the volatility of the Company's common share price and volume and other factors beyond the Company's control. Forward-looking statements are made based on management's beliefs, estimates and opinions on the date that statements are made and the Company undertakes no obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change, except as required by applicable securities laws. There can be no assurance that such statements will prove to be accurate, and future events and actual results could differ materially from those anticipated in such statements. Important factors that could cause actual results to differ materially from management's expectations are disclosed in the Company's documents filed from time to time via SEDAR with the Canadian regulatory agencies to whose policies the Company is bound. Investors are cautioned against attributing undue certainty to forward-looking statements.

The users of this information, including but not limited to investors and prospective investors, should read it in conjunction with all other disclosure documents available under the Company's profile on SEDAR (www.sedar.com) and/or on the Company's website at www.azucarminerals.com.

HIGHLIGHTS

Azucar drilled 31,486 metres at El Cobre in 2019, with 12,829 of these drilled in Q4. Drilling is ongoing using one rig until the work stoppage on March 27, 2020 due the COVID-19 pandemic. The Company is reviewing the results to date with the assistance of third-party consultants to help provide targeting for future drilling. The Company is also reviewing the data collected to date over the most advanced target on the project, the Norte Zone in order to advance this target towards the potential definition of a resource.

OVERALL PERFORMANCE

Background

The Company is a mineral exploration and development company listed on the TSX Venture Exchange under the symbol "AMZ" and quoted on the OTCQX market place under the symbol "AXDDF". The Company was incorporated on April 10, 2015 under the laws of the Province of British Columbia.

On May 18, 2018, Azucar closed a statutory plan of arrangement (the "Plan of Arrangement") under which its early stage exploration projects, royalty interests and certain other non-core assets (the "Spin-out Assets") were transferred to Almadex Minerals Ltd. (formerly 1154229 B.C. Ltd.) ("Almadex"). Pursuant to the Plan of Arrangement, Azucar shareholders exchanged their existing Azucar common shares and received one "new" common share of Azucar and one common share of Almadex.

In conjunction with the Plan of Arrangement, the Company entered into a subscription agreement and an Investor Rights Agreement with Newcrest Canada Holdings Inc., a wholly owned subsidiary of Newcrest Mining Limited ("Newcrest"). Pursuant to the subscription agreement on May 18, 2018, Newcrest acquired 14,391,568 common shares of Azucar by way of a non-brokered private placement for aggregate gross proceeds of $19,074,425 (the "Newcrest Private Placement") to own 19.9% of the Company. The Investor Rights Agreement provides, among other things, a standstill and lock-up on customary terms and conditions, participation and top-up rights in favour of Newcrest to maintain its pro-rata interest in Azucar, and the right of Newcrest to designate one nominee to the Board of Directors of Azucar.

On October 17, 2018 and April 12, 2019, Newcrest exercised its top-up rights to acquire a further 222,834 and 59,654 common shares of Azucar at a price of $0.5581 and $0.3274 per share respectively to continue holding 19.9% of the issued common shares of Azucar. At September 30, 2019, Newcrest had the option to purchase an additional 22,372 shares of the Company in order to maintain its 19.9% equity interest. However, given the small number of shares involved, the Company and Newcrest agreed to defer (not waive) Newcrest's top-up right to June 30, 2020.

Azucar's management team has been focused on exploration and discovery in Mexico, the United States and Canada for the past 35 years. Traditionally, management has managed risk by forming joint ventures in which partner companies explore and develop projects in return for the right to earn an interest in them. This approach has exposed shareholders to discovery and capital gains without as much funding and consequent share dilution as would be required through sole development of exploration properties. In some cases, projects were advanced further when they were considered of such merit that the risk/reward ratio favored that approach. In other cases, if a property was optioned out with unsatisfactory results and returned to management but considered by management to still have merit, the property rights were retained in order to demonstrate further potential. This is the fashion in which the El Cobre Project discovery was made by Azucar, as the underlying project was optioned to four different partners prior to Azucar drilling the higher grade areas at the Norte target in 2016.

Company Mission and Focus

Azucar is an exploration company that is focused on exploration of the El Cobre Project in Veracruz, Mexico, in which it holds a 100% interest, subject to net smelter returns ("NSR") royalty interests totalling 2.25% (assuming production from the property exceeds 10,001 tonnes per day of ore), which can be reduced to 2.0% through the payment of US$3.0 million.

Qualified Person

Morgan Poliquin, Ph.D., P.Eng., a qualified person under the meaning of National Instrument 43-101 ("NI 43-101"), and the President, Chief Executive Officer and a director of Azucar, has reviewed and approved the technical content in this MD&A.

Use of the terms "Mineral Resources" and "Mineral Reserves"

All capitalized terms used in this section have the meaning given to them in NI 43-101.

Any reference in this MD&A to Mineral Resources does not mean Mineral Reserve.

A Mineral Reserve is the economically mineable part of a Measured or Indicated Mineral Resource demonstrated by at least a Preliminary Feasibility Study. This Study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A Mineral Reserve includes diluting materials and allowances for losses that may occur when the material is mined.

Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories. An Inferred Mineral Resource has a lower level of confidence than that applied to an Indicated Mineral Resource. An Indicated Mineral Resource has a higher level of confidence than an Inferred Mineral Resource but has a lower level of confidence than a Measured Mineral Resource.

El COBRE PROPERTY

Location and Ownership

Subject to NSR royalty interests, the Company owns 100% of the El Cobre Project, which has a total area of approximately 7,300 hectares and is located adjacent to the Gulf of Mexico, about 75 kilometres northwest of the city of Veracruz, Mexico. Veracruz is a major port city and naval base with an international airport with numerous daily flights to and from Mexico City and other national and international destinations. The nearest supply centre to the Project is Cardel, a town of 20,000, located approximately 30 km south of the claim block, which is accessed via the Pan American Highway located roughly four kilometres by road from the claim boundary. Less than 10 km northeast of the El Cobre Project sits Mexico's only nuclear power plant at Laguna Verde and the project is crossed by the electrical power grid. Water is relatively abundant in small creeks at elevations below 200 metres throughout most of the year.

Recent Updates

The Company currently has one drill operating at El Cobre. Azucar is reviewing the results to date with the assistance of third-party consultants to help provide targeting for future drilling. The

Company is also reviewing the data collected to date over the most advanced target on the project, the Norte Zone, in order to advance this target towards the potential definition of a resource.

During the year ended December 31, 2019, the Company incurred a total of $158,788 (December 30, 2019 - $646,474) in acquisition costs and $5,361,148 (December 31, 2018 - $3,839,057) exploration costs respectively at the El Cobre Project.

Upcoming / Outlook

Data compilation and further drilling is anticipated at El Cobre Project target areas and results will be released as they are received and compiled.

RISK FACTORS

The Company is engaged in exploration for mineral deposits. These activities involve significant risks which, even with careful evaluation, experience and knowledge, may not, in some cases, be eliminated. The Company's success depends on a number of factors, many of which are beyond its control. The primary risk factors affecting the Company include inherent risks in the mining industry, metal price fluctuations and operating in foreign countries and currencies.

Inherent risks within the mining industry

The commercial viability of any mineral deposit depends on many factors, not all of which are within the control of management. Some of the factors that will affect the financial viability of a given mineral deposit include its size, grade and proximity to infrastructure. Government regulation, taxes, royalties, land tenure and use, environmental protection and reclamation and closure obligations could also have a profound impact on the economic viability of a mineral deposit.

Mining activities also involve risks such as unexpected or unusual geological operating conditions, floods, fires, earthquakes, other natural or environmental occurrences and political and social instability. It is not always possible to obtain insurance against all such risks and the Company may decide not to insure against certain risks as a result of high premiums or for other reasons. The Company does not currently maintain insurance against political or environmental risks. Should any uninsured liabilities arise, they could result in increased costs, reductions in profitability, and a decline in the value of the Company's securities.

There is no assurance at this time that the Company's current mineral properties will be economically viable for development and production.

Market volatility for marketable securities and investments

The Company's marketable securities consist of shares of exploration companies which are historically very volatile. The Company's investments consist of gold bullion with fluctuating market prices. There is no assurance that the Company will be able to recover the current fair market value of those shares. The Company also may hold a large number of shares which may be difficult to sell in illiquid markets from time to time.

Industry

The Company is engaged in the exploration and development of mineral properties which is an inherently risky business. There is no assurance that a mineral deposit will ever be discovered, developed and economically produced. Few exploration projects result in the discovery of commercially mineable ore deposits. If market conditions make financings difficult, it may be difficult for the Company to find joint venture partners. The Company may be unsuccessful in identifying and acquiring projects of merit.

Mineral resource estimates

The estimation of reserves and mineralization is a subjective process and the accuracy of any such estimates is a function of the quality of available data and of engineering and geological interpretation and judgment. No assurances can be given that the volume and grade of reserves recovered and rates of production will not be less than anticipated.

Prices of gold, silver and other metals

The price of gold is affected by numerous factors including central bank sales or purchases, producer hedging activities, the relative exchange rate of the U.S. dollar with other major currencies, supply and demand, political, economic conditions and production levels. In addition, the price of gold has been volatile over short periods of time due to speculative activities.

The price of silver is affected by similar factors and, in addition, is affected by having more industrial uses than gold, as well as sometimes being produced as a by-product of mining for other metals with its production thus being more dependent on demand for the main mine product than supply and demand for silver. The prices of other metals and mineral products, such as copper, that the Company may explore for have the same or similar price risk factors.

Cash flows and additional funding requirements

The Company currently has no revenue from operations. In order to continue to advance and develop its mineral properties, the Company will have to raise additional capital. The sources of funds currently available to the Company include equity capital, potential debt capital or the offering of an interest in its projects to another party. The Company currently has sufficient financial resources to undertake all of its currently planned exploration and development programs.

Exchange rate fluctuations

Fluctuations in currency exchange rates, principally the Canadian/U.S. Dollar and the Canadian/Mexican Peso exchange rates, can impact cash flows. The exchange rates have varied substantially over time. Fluctuations in exchange rates may give rise to foreign currency exposure, either favourable or unfavourable, which will impact financial results. The Company does not engage in currency hedging to offset any risk of exchange rates fluctuation.

Environmental

The Company's exploration and development activities are subject to extensive laws and regulations governing environment protection. The Company is also subject to various reclamation-related conditions. Reclamation requirements are designed to minimize long-term effects of mining exploitation and exploration disturbance by requiring the operating company to control possible deleterious effluents and to re-establish to some degree pre-disturbance land forms and vegetation. The Company is subject to such requirements in connection with its activities at El Cobre. Any significant environmental issues that may arise, however, could lead to increased reclamation expenditures and could have a material adverse impact on the Company's financial resources. Additionally, future changes to environmental laws and regulations could affect the extent of reclamation and remediation work required to be performed by the Company.

Although the Company closely follows and believes it is operating in compliance with all applicable environmental regulations, there can be no assurance that all future requirements will be obtainable on reasonable terms. Failure to comply may result in enforcement actions causing operations to cease or be curtailed and may include corrective measures requiring capital expenditures. Intense lobbying over environmental concerns by NGOs opposed to mining has caused some governments to cancel or restrict development of mining projects. Current publicized concern over climate change may lead to carbon taxes, requirements for carbon offset purchases or new regulation. The costs or likelihood of such potential issues to the Company cannot be estimated at this time.

Laws, Regulations, and Permits

The Company's exploration activities are subject to extensive federal, provincial, state and local laws and regulations governing prospecting, development, production, exports, taxes, labour standards, occupational health and safety, mine safety, waste disposal, protection of the environment, protection of historic and archeological sites, protection of endangered and protected species and other matters in all the jurisdictions in which it operates. The Company is required to have a wide variety of permits from governmental and regulatory authorities to carry out its activities. These permits relate to virtually every aspect of the Company's exploration and exploitation activities. Changes in these laws and regulations or changes in their enforcement or interpretation could result in changes in legal requirements or in the terms of the Company's permits that could have a significant adverse impact on the Company's existing or future operations or projects. Obtaining permits can be a complex, time-consuming process. There can be no assurance that the Company will be able to obtain the necessary permits on acceptable terms, in a timely manner or at all. The costs and delays associated with obtaining permits and complying with these permits and applicable laws and regulations could stop or materially delay or restrict the Company from continuing or proceeding with existing or future operations or projects. Any failure to comply with permits and applicable laws and regulations, even if inadvertent, could result in the interruption or closure of operations or material fines, penalties or other liabilities. The Company applies the expertise of its management, advisors, employees and contractors to ensure compliance with current laws and relies on its land men and legal counsel in Canada, Mexico and United States.

In Mexico, the Mining Law (Ley Minera) regulates all mining activities. Article 62 of this law requires full compliance with all the environmental laws and regulations.

Mining activities are regulated by the Ministry of Economy (Secretaría de Economía), through which the Undersecretary of Industry and Commerce (Subsecretaría de Industria y Comercio) coordinates the industrial and commercial sector. As part of the Undersecretary of Industry and Commerce, the General Mining Coordination (Coordinación General de Minería) and the General Mining Department (Dirección General de Minería) both regulate the mining sector in the country. These authorities require that all mining companies comply with all the Environmental and National Protection regulations. The country's federal government works toward sustainable development and environmental protection through the Ministry of Environment and Natural Resources 'Secretariat of Environment and Natural Resources (Spanish: Secretaría del Medio Ambiente y Recursos Naturales, SEMARNAT). Mining companies must obtain Environmental Impact Statement and Risk Assessment Permits (EIS) from SEMARNAT prior to any mining activities, and such activities are subsequently subject to several environmental permits from different offices with SEMARNAT and other governmental bodies, including permits for explosives, change of use of land applications, water usage and extraction, wastewater discharge and tailings disposal. Under the Mexican Mining Law, concessionaires must adhere to federal environmental regulations, and their activities are subject to an environmental review. All mining companies are required to prepare and file an EIS for all extractive operations as well as non-standard exploration work such as tunneling. It is also general practice to obtain an Archeological Release from the National Institute of Archeology and History ("INAH") at the time of the EIS application.

Surface exploration activities generally have a very low environmental impact. If an exploration project conforms to the NOM-120-SEMARNAT-1997 (Norma Oficial Mexicana NOM-120-SEMARNAT, 1997 [1998]), SEMARNAT does not require a permit to conduct low impact surface work such as drilling. In practice, although not required under the NOM-120, many companies submit an “Informe Preventivo”, a report that states the measures that will be used by the company to minimize environmental impacts.

To its knowledge the Company has complied with all regulations in order to conduct its exploration activities. Exploration activities on the El Cobre project are low impact however the Company has filed several Informe Preventivo reports which have all been approved by SEMARNAT in Veracruz State. The Company’s El Cobre project is located in a general region where Pre-Columbian archaeological sites are known. To date exploration programs on the project were conducted in consultation with the Federal Agency for Archeology, INAH, which resulted in the identification of several small areas for further study and classification. The outcome of this future work is unknown however these areas do not impact the Company’s ability to conduct its current exploration activities. The Company will continue to consult with INAH as the project progresses.

Political, economic and social environment

The Company’s mineral properties may be adversely affected by political, economic and social uncertainties which could have a material adverse effect on the Company’s results of operations and financial condition. Areas in which the Company holds or may acquire properties may experience local political unrest and disruption which could potentially affect the Company’s projects or interests. Changes in leadership, social or political disruption or unforeseen circumstances affecting political, economic and social structure could adversely affect the Company’s property interests or restrict its operations. The Company’s mineral exploration activities may be affected by changes in government regulations relating to the mining industry and may include regulations on production, price controls, labour, export controls, income taxes, expropriation of property, environmental legislation and safety factors.

Any shifts in political attitudes or changes in laws that may result in, among other things, significant changes to mining laws or any other national legal body of regulations or policies are beyond the control of the Company and may adversely affect its business. The Company faces the risk that governments may adopt substantially different policies, which might extend to the expropriation of assets or increased government participation in the mining sector. In addition, changes in resource development or investment policies, increases in taxation rates, higher mining fees and royalty payments, revocation or cancellation of mining concession rights or shifts in political attitudes in countries where the Company holds mineral properties may adversely affect the Company’s business.

The Company’s relationship with communities in which it operates is critical to exploration at the El Cobre project. Local communities may be influenced by external entities, groups or organizations opposed to mining activities. In recent years, anti-mining NGO activity in Mexico has increased. These NGOs have taken such actions as road closures, work stoppages and law suits for damages. These actions relate not only to current activities but often in respect to the mining activities by prior owners of mining properties. Such actions by NGOs may have a material adverse effect on the Company’s operations at the El Cobre project and on its financial position, cash flow and results of operations.

Risks related to International Labour Organization ("ILO") Convention 169 Compliance

The Company may, or may in the future, operate in areas presently or previously inhabited or used by indigenous peoples. As a result, the Company's operations are subject to national and international laws, codes, resolutions, conventions, guidelines and other similar rules respecting the rights of indigenous peoples, including the provisions of ILO Convention 169. ILO Convention 169 mandates, among other things, that governments consult with indigenous peoples who may be impacted by mining projects prior to granting rights, permits or approvals in respect of such projects.

ILO Convention 169 has been ratified by Mexico. It is possible however that Mexico may not (i) have implemented procedures to ensure their compliance with ILO Convention 169 or (ii) have complied with the requirements of ILO Convention 169 despite implementing such procedures.

Government compliance with ILO Convention 169 can result in delays and significant additional expenses to the Company arising from the consultation process with indigenous peoples in relation to the Company's exploration, mining or development projects. Moreover, any actual or perceived past contraventions, or potential future actual or perceived contraventions, of ILO Convention 169 by ratifying governments in the countries in which the Company operates create a risk that the permits, rights, approvals, and other governmental authorizations that the Company has relied upon, or may in the future rely upon, to carry out its operations or plans in such countries could be challenged by or on behalf of indigenous peoples in such countries.

Such challenges may result in, without limitation, additional expenses with respect to the Company's operations, the suspension, revocation or amendment of the Company's rights or mining, environmental or export permits, a delay or stoppage of the Company's development, exploration or mining operations, the refusal by governmental authorities to grant new permits or approvals required for the Company's continuing operations until the settlement of such challenges, or the requirement for the responsible government to undertake the requisite consultation process in accordance with ILO Convention 169.

As a result of the inherent uncertainty in respect of such proceedings, the Company is unable to predict what the results of any such challenges would be; however, any ILO Convention 169 proceedings relating to the Company's operations in Mexico may have a material adverse effect on the business, operations, and financial condition of the Company.

As a result of social media and other web-based applications, companies today are at much greater risk of losing control over how they are perceived

Damage to the Company's reputation can be the result of the actual or perceived occurrence of any number of events, and could include any negative publicity, whether true or not. Although the Company places a great emphasis on protecting its image and reputation, it does not ultimately have direct control over how it is perceived by others. Reputation loss may lead to increased challenges in developing and maintaining community relations, decreased investor confidence and act as an impediment to the Company's overall ability to advance its projects, thereby having a material adverse impact on the Company's business, financial condition or results of operations.

The Company may be subject to legal proceedings that arise in the ordinary course of business

Due to the nature of its business, the Company may be subject to regulatory investigations, claims, lawsuits and other proceedings in the ordinary course of its business. The Company's operations are subject to the risk of legal claims by employees, unions, contractors, lenders, suppliers, joint venture partners, shareholders, governmental agencies or others through private actions, class actions, administrative proceedings, regulatory actions or other litigation. Plaintiffs may seek recovery of very large or indeterminate amounts, and the magnitude of the potential loss relating to such lawsuits may remain unknown for substantial periods of time. Defense and settlement costs can be substantial, even with respect to claims that have no merit. The results of these legal proceedings cannot be predicted with certainty due to the uncertainty inherent in litigation, including the effects of discovery of new evidence or advancement of new legal theories, the difficulty of predicting decisions of judges and juries and the possibility that decisions may be reversed on appeal. The litigation process could, as a result, take away from the time and effort of the Company's management and could force the Company to pay substantial legal fees or penalties. There can be no assurances that the resolutions of any such matters will not have a material adverse effect on the Company's business, financial condition and results of operations.

Title to mineral properties

While the Company has investigated title to its mineral properties, this should not be construed as a guarantee of title. The properties may be subject to prior unregistered agreements or transfers and title may be affected by undetected defects.

There is a risk that title to the mining concessions, the surface rights and access rights comprising El Cobre, may be deficient or subject to dispute. The procurement or enforcement of such rights can be costly and time consuming. In areas where there are local populations or land owners, it may be necessary, as a practical matter, to negotiate surface access. Despite having the legal right to access the surface and carry on construction and mining activities, the Company may not be able to negotiate satisfactory agreements with existing landowners/occupiers for such access, and therefore it may be unable to carry out activities as planned. In addition, in circumstances where such access is denied, or no agreement can be reached, the Company may need to rely on the assistance of local officials or the courts in such jurisdictions, which may delay or impact mining activities as planned.

There is also a risk that the Company's exploration, development and mining authorizations and surface rights may be challenged or impugned by third parties. In addition, there is a risk that the Company will not be able to renew some or all its licenses in the future. Inability to renew a license could result in the loss of any project located within that license.

Possible dilution to present and prospective shareholders

The Company's plan of operation, in part, contemplates the financing of its business by the issuance of securities and possibly incurring debt. Any transaction involving the issuance of previously authorized but unissued common shares, or securities convertible into common shares, would result in dilution, possibly substantial, to present and prospective shareholders. The Company has traditionally sought joint venture partners to fund in whole or in part exploration projects. Offering an interest in its projects to partners would dilute the Company's interest in the projects.

Material risk of dilution presented by large number of outstanding share purchase options and warrants

At April 27, 2020, there were 6,600,000 stock options and no warrants outstanding. Directors and officers hold 5,334,000 of the options and 1,266,000 options are held by employees and consultants of the Company.

Trading volume

The relatively low trading volume of the Company's shares reduces the liquidity of an investment in its shares.

Volatility of share price

Market prices for shares of early stage companies are often volatile. Factors such as announcements of mineral discoveries or discouraging exploration results, changes in financial results, and other factors could have a significant effect on share price.

Competition

There is competition from other mining exploration companies with operations similar to Azucar. Many of the companies with which it competes have operations and financial strength greater than the Company.

Dependence on management

The Company depends heavily on the business and technical expertise of its management.

Conflict of interest

Some of the Company's directors and officers are directors and officers of other natural resource or mining-related companies. These associations may give rise from time to time to conflicts of interest. If a conflict arises, the Company may miss the opportunity to participate in certain transactions.

Impairment of Exploration and Evaluation Assets

The Company assesses its exploration and evaluation assets quarterly to determine whether any indication of impairment exists. Common indications of impairment, which is often judgemental, include, but are not limited to, that: the right to explore the assets has expired or will soon expire and is not expected to be renewed, substantive expenditure of further exploration is not planned, or the results are not compelling enough to warrant further exploration by the Company.

At December 31, 2019, the Company concluded that no impairment indicators existed with respect to exploration and evaluation assets and no impairment of exploration and evaluation assets was recognized.

Material Financial and Operations Information

	Year ended December 31, 2019	**Year ended December 31, 2018**	**Year ended December 31, 2017**
	$	**$**	**$**
Total revenues	Nil	Nil	Nil
Other income (loss)	148,391	7,019,669	1,419,016
Net income (loss) for the year	(1,322,308)	4,267,251	(2,209,441)
Net loss per share - basic	(0.02)	0.07	(0.05)
Net loss per share - diluted	(0.02)	0.07	(0.05)
Impairment of exploration and evaluation assets	-	102,202	1,008,726
Share-based payments	318,222	1,573,881	1,406,514
Working capital	7,462,028	14,095,182	4,406,849
Total assets	26,727,975	28,098,164	14,772,055
Cash dividends declared – per share	Nil	Nil	Nil

Summary of Quarterly Results

The following is a summary of the Company's financial results for the Company's eight most recently completed fiscal quarters:

	Q4 Dec 2019 Quarter	Q3 Sep 2019 Quarter	Q2 June 2019 Quarter	Q1 March 2019 Quarter
	$	$	$	$
Revenue	Nil	Nil	Nil	Nil
Other income (loss)	51,363	37,603	60,874	(1,449)
Net income (loss)	(193,837)	(397,263)	(318,983)	(412,225)
Income (loss) per share – basic	(0.01)	(0.00)	(0.01)	(0.00)
Income (loss) per share – diluted	(0.01)	(0.00)	(0.01)	(0.00)
Total assets	26,727,975	27,500,202	27,367,969	27,755,001
Cash dividends declared	-	-	-	-

	Q4 Dec 2018 Quarter	Q3 Sep 2018 Quarter	Q2 June 2018 Quarter	Q1 March 2018 Quarter
	$	$	$	$
Revenue	Nil	Nil	Nil	Nil
Other income (loss)	211,526	(169,028)	6,677,864	299,307
Net income (loss)	(199,318)	(1,529,662)	5,959,315	36,916
Income (loss) per share – basic	0.00	(0.02)	0.09	0.00
Income (loss) per share – diluted	0.00	(0.02)	0.09	0.00
Total assets	28,098,164	28,243,625	28,465,053	21,241,689
Cash dividends declared	-	-	-	-

Quarterly variances in other income (loss) are dependent on the interest income earned from various levels of cash balances. The main causes of change in net income (loss) from quarter to quarter include share-based payments relating to the fair values of stock options granted, and operating expenses to review business opportunities as discussed in Review of Operations and Financial Results section below.

Results of Operations and Financial Results

<u>Results of Operations for the three months ended December 31, 2019 compared to the three months ended December 31, 2018</u>

For the three months ended December 31, 2019, the Company recorded a net loss of $193,837 (2018 – $199,318) or a basic and diluted net loss of $0.00 per share (2018 – $0.01). The decrease in net loss of $5,481 was primarily a result of a $49,500 decrease in share-based payments from stock options granted offset by an increase of travel and promotions of $12,895 due to increase of exploration activities at site.

Because the Company is an exploration company, it has no revenues from mining operations. Other income of $51,363 (2018 –$211,526) during the three months ended December 31, 2019 consisted of interest income of $59,284 (2018 - $141,726) from reduced cash balances, and $7,921 foreign exchange loss (2018 – foreign exchange gain of $69,800) due to the weakness in Canadian dollar.

Operation expenses of $245,200 during the three months ended December 31, 2019 (2018 - $410,844) were related to a decrease of general and administrative expenses of $158,527 (2018 - $195,067), professional fees of $59,697 (2018 - $123,295), travel and promotion of $23,072 (2018 - $10,177) and various other expenses incurred by the Company to review business opportunities. An administrative services fee was paid to Almaden Minerals Ltd. (“Almaden”) during the three months ended December 31, 2019 for providing office space, executive management services, marketing support and technical oversight to Azucar.

Significant non-cash items during the three months ended December 31, 2019 included share-based payments of $Nil (2018 - $49,500). The share-based payments relate to the grant of stock options thus the expense will vary period to period. In 2019 Q4, no stock options were granted.

<u>Results of Operations for the year ended December 31, 2019 compared to the year ended December 31, 2018</u>

For the year ended December 31, 2019, the Company recorded a net loss of $1,322,308 (2018 – net income of $4,267,251) or a basic and diluted net loss of $0.02 per share (2018 – net income of $0.07 per share). The increase in net loss of $5,589,559 was primarily a result of a $6,146,095 gain on transfer of spin-out assets during 2018 and $439,098 realized gain on spin-out of marketable securities and investments, offset by $1,255,659 decrease in share-based payments and $80,175 increase in salaries and benefits due to a new hire.

Because the Company is an exploration company, it has no revenues from mining operations. Other income of $148,391 (2018 - $7,019,669) during the year ended December 31, 2019 consisted of interest income of $199,680 (2018 - $370,742) from cash balances, offset by $51,289 foreign exchange loss (2018 – foreign exchange gain $42,611). Azucar did not earn drilling equipment rentals fees during the year ended December 31, 2019, as all the drilling equipment were transferred to Almadex on May 18, 2018 as part of the Plan of Arrangement.

Operation expenses of $1,470,699 during the year ended December 31, 2019 (2018 - $2,752,418) were related to general and administrative expenses such as share-based payments of $318,222 (2018 - $1,573,881), professional fees of $226,251 (2018 - $345,068), travel and promotion of $71,004 (2018 - $55,948) and various other expenses incurred by the Company to review business opportunities. An administrative services fee of $627,052 (2018 - $531,457) was paid to Almaden during the year ended December 31, 2019 for providing office space, executive management services, marketing support and technical oversight to Azucar.

Significant non-cash items during the year ended December 31, 2019 included the gain on transfer of spin-out assets of $Nil (2018 - $6,146,095), impairment of exploration and evaluation assets of $Nil (2018 - $102,202), share-based payments of $318,222 (2018 - $1,573,881) and gain on fair value of contingent shares receivable of $Nil (2018 - $7,800). The gain on spin-out assets relates to the difference between the fair value and the carrying value of the net assets distributed. Impairment of exploration and evaluation assets dramatically declined as all exploration and evaluation assets except for El Cobre were transferred to Almadex. The share-based payments relate to the grant of stock options thus the expense will vary period to period.

Liquidity and Capital Resources

At December 31, 2019, the Company had working capital of $7,462,028, including cash and cash equivalents of $7,528,104.

Management believes that the Company’s cash resources are sufficient to meet its working capital and mineral exploration requirements for its next fiscal year, as these expenditures are considered discretionary by management. The Company has no material commitments for the next fiscal year. Management has a proven track record to be able to raise money even in a very challenging financial marketplace.

Three months ended December 31, 2019

Net cash used in operations during the three months ended December 31, 2019 was $237,304 (2018 - $106,090), after adjusting for non-cash activities. Majority of the cash used in operations relate to general administration to operate a corporate head office.

Net cash used in investing activities of $1,967,481 (2018 - $1,862,828) during the three months ended December 31, 2019 relates to expenditures on exploration and evaluation assets of $1,848,086 (2018 - $1,860,740) on the El Cobre Project.

Net cash from financing activities during the three months ended December 31, 2019 was $Nil (2018 - $154,104) as a result of options exercised and a non-brokered private placement.

Year ended December 31, 2019

Net cash used in operations during the year ended December 31, 2019 was $1,013,642 (2018 - $739,077), after adjusting for non-cash activities. Majority of the cash used in operations relate to general administration to operate a corporate head office.

Net cash used in investing activities of $5,965,726 (2018 - $4,251,384) during the year ended December 31, 2019 relates to net proceeds from purchase of property and equipment of $154,490 (2018 - $33,059) and expenditures on exploration and evaluation assets of $5,811,236 (2018 - $4,352,468) on the El Cobre Project.

Net cash from financing activities during the year ended December 31, 2019 was $37,583 (2018 - $17,948,931) as a result of Newcrest exercising its top-up rights and options exercised. In 2018, financing activities relate to a non-brokered private placement which closed on March 27, 2018, May 18, 2018 and October 17, 2018, as well as options exercised.

Disclosure of Outstanding Share Data

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

	Number of Common Shares Issued & Outstanding	**Share Capital Amount**
December 31, 2018	73,679,371	$23,991,008
December 31, 2019	73,829,025	$24,043,321
April 27, 2020	73,829,025	$24,043,321

Share issuances during fiscal 2019

On April 12, 2019, Newcrest exercised its top-up rights pursuant to the May 18, 2018 Investor Rights 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%. The Company also incurred $848 in other cash share issuance costs.

On July 2, 2019, the Company received $18,900 on the exercise of 90,000 stock options with exercise prices of $0.21.

The following table summarizes information about warrants outstanding at April 27, 2020:

Expiry date	Exercise Price	December 31, 2019	Issued	Exercised	Expired	April 27, 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	-

The table in Note 10(c) to the consolidated financial statements summarizes information about warrants outstanding at December 31, 2019.

The Company grants directors, officers, employees and contractors options to purchase common shares under its Stock Option Plan. This plan and its terms are detailed in Note 10(d) to the consolidated financial statements for the year ended December 31, 2019, which are available on SEDAR at www.sedar.com.

During the year ended December 31, 2019 and to the date of this MD&A, the Company granted the following stock options:

Number of Stock Options Granted	Price Per Share	Expiry Date
573,000	$0.29	June 4, 2021
967,800	$0.34	July 7, 2021
665,000	$0.36	February 28, 2022

The following table summarizes information about stock options outstanding at April 27, 2020:

Expiry date	Exercise price	December 31, 2019	Granted	Exercised	Expired/ cancelled	April 27, 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	-	-	-	3,934,200
June 4, 2021	$ 0.29	553,000	-	-	-	553,000
July 7, 2021	$ 0.34	967,800	-	-	-	967,800
February 28, 2022	$ 0.36	515,000	-	-	-	515,000
Options outstanding and exercisable		**6,600,000**	**-**	**-**	**-**	**6,600,000**
Weighted average exercise price		$ 0.51	-	-	-	$ 0.51

As of date of this MD&A, there were 73,829,025 common shares issued and outstanding and 80,429,025 common shares outstanding on a diluted basis.

Environmental Provisions and Potential Environmental Contingency

The Company's mining and exploration activities are subject to various federal, provincial and state laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment and believes its operations are in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations. The Company estimates that future reclamation and site restoration costs based on the Company's exploration activities to date are not significant however the ultimate amount of reclamation and other future site restoration costs to be incurred in the future is uncertain.

Off-Balance Sheet Arrangements

None.

Contractual Commitments

None.

Proposed Transactions

None.

Transactions with Related Parties

(a) Compensation of key management personnel

Key management personnel include those persons having the authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The aggregate value of compensation to key management personnel was as follows:

Year ended December 31, 2019	Fees [(1)]	Share-based Payments	Total
	$	$	$
Chairman	96,000	28,710	124,710
President & CEO	134,000	53,000	187,000
CFO	90,000	6,600	96,600
VP Corporate Development	84,800	5,500	90,300
Directors	-	140,160	140,160
	404,800	233,970	638,770

Year ended December 31, 2018	Fees [(1)]	Share-based Payments[(2)]	Total
	$	$	$
Chairman	72,000	187,150	259,150
President & CEO	140,250	399,000	539,250
CFO	84,150	103,000	187,150
VP Corporate Development	80,925	125,300	206,225
Directors	-	432,520	432,520
	377,325	1,246,970	1,624,295

(1) Fees are paid to Almaden for services provided by key management pursuant to the Administrative Services Agreement between Azucar and Almaden, as further described below.

(2) Includes share-based payments relate to incremental fair value of stock options repriced as a result of the Plan of Arrangement.

(b) Other related party transactions

Administrative Services Agreement

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

At December 31, 2019, included in trade and other payable is $61,873 (December 31, 2018 - $170,181) due to Almaden.

Other

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

During the year ended December 31, 2019, other income of $Nil (December 2018 - $178,047) was paid by Almaden to the Company for drill equipment rental services in Mexico.

During the year ended December 31, 2019, the Company paid Segerstrom Consulting LLC, a company controlled by Lawrence Segerstrom, $49,470 (December 31, 2018 - $106,518) for geological services included in exploration and evaluation assets.

Amounts owing to related parties are unsecured, non-interest bearing and due on demand.

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 December 31, 2019, the Company was 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	122,725	192,976
Total assets	**122,725**	**192,976**
Trade and other payables	92,197	10,438
Total liabilities	**92,197**	**10,438**
Net assets	**30,528**	**182,538**

A 10% change in the US dollar exchange rate relative to the Canadian dollar would change the Company's profit or loss by $3,000.

A 10% change in the Mexican peso relative to the Canadian dollar would change the Company's profit or loss by $18,000.

(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, 2019, the Company's maximum exposure to credit risk is the carrying value of its cash and cash equivalents, and accounts receivable.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure.

Trade and other payables are due within twelve months of the statement of financial position date.

(d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to varying interest rates on cash and cash equivalents. The Company has no interest-bearing debt.

A 1% change in the interest rate would change the Company's net loss by $75,000.

(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.

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 through its current operating period. There have been no changes to the Company`s capital management approach during the period. The Company is not subject to externally imposed capital requirements.

Subsequent Events

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business over the medium and long term.

On April 1, 2020, the Company announced that the Mexican federal government has mandated that all non-essential businesses, including mining and exploration, temporarily suspend operations until April 30, 2020 due to the COVID-19 virus. The Mexican government has since extended this suspension to May 30, 2020, subject to certain exemptions. In mid March, Azucar has been working to raise awareness of COVID-19 amongst its workforce. On March 27, 2020, Azucar terminated its field activities and asked all remaining employees to take paid leave at home until April 30th, pending further information from Mexican government health authorities.

Information on the Board of Directors and Management

Directors:
Duane Poliquin, P.Eng
Morgan Poliquin, P.Eng, Ph.D.
Douglas McDonald, M.A.Sc, B.Com.
Jack McCleary, P.Geo.
Larry Segerstrom, MBA, MSc.
Mark T. Brown, CPA, CA
William J. Worrall, Q.C.
Grant Hendrickson, P.Geo.

Audit Committee members:
Mark T. Brown, CPA, CA
Douglas McDonald, M.A.Sc, B.Com.
Jack McCleary, P.Geo.

Compensation Committee members:
Jack McCleary, P.Geo.
Duane Poliquin, P.Eng.
William J. Worrall, Q.C.

Nominating & Corporate Governance Committee members:
Mark T. Brown, CPA, CA
Morgan Poliquin, P.Eng, Ph.D.
William J. Worrall, Q.C.

Management:
Duane Poliquin, P.Eng – Chairman
Morgan Poliquin, Ph.D., P.Eng – Chief Executive Officer, President
Korm Trieu, CPA, CA – Chief Financial Officer, Corporate Secretary
Douglas McDonald, M.A.Sc, B.Com. – Vice President, Corporate Development