AZUCAR MINERALS LTD. (FORMERLY ALMADEX MINERALS LIMITED)

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS – QUARTERLY HIGHLIGHTS

June 30, 2018

INTRODUCTION

This Interim Management's Discussion and Analysis – Quarterly Highlights ("MD&A") for Azucar Minerals Ltd. (formerly Almadex Minerals Limited) ("Azucar" or the "Company") has been prepared based on information known to management as of August 15, 2018. This MD&A is intended to help the reader understand the condensed consolidated interim financial statements of Azucar.

Management is responsible for the preparation and integrity of the condensed consolidated interim 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 condensed consolidated interim 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 condensed consolidated interim 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, 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.

QUARTERLY HIGHLIGHTS

Plan of Arrangement

On May 18, 2018, Azucar announced that it had 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 with Newcrest Canada Holdings Inc., a wholly owned subsidiary of Newcrest Mining Limited ("Newcrest") pursuant to which 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"). Newcrest now holds 19.9% of the issued common shares of Azucar.

The Plan of Arrangement will allow (i) Azucar to focus on the development of its El Cobre gold-copper poryphyry project, which is located in the state of Veracruz, Mexico (the "El Cobre Project"), and (ii) the market to value the El Cobre Project independent of the Spin-out Assets. Additionally, the Plan of Arrangement, combined with the Newcrest Private Placement, allowed the Company to raise funding necessary to advance the El Cobre Project without diluting shareholders' interests in the Spin-out Assets.

El Cobre

Azucar's technical work during this quarter continued to be focused on the El Cobre Project. The Company conducted alteration and lithological studies along with mapping at different target areas at the El Cobre Project.

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. The Company's business activity is the acquisition and exploration of mineral properties in Canada, the United States and Mexico.

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.

As noted above under "Highlights", the Company completed the Plan of Arrangement on May 18, 2018. Azucar's sole mineral asset is now its interest in the El Cobre Project.

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.

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

As announced on June 13, 2018 the Company commenced drilling at the El Cobre Project. Prior to this date, the Company spent time preparing for a drill campaign with surface and soil geologic and alteration focused mapping and sampling, core relogging and drill site preparation work. Drilling is currently underway at the Norte zone and at the very north end of the Villa Rica target which is located south of the Norte zone. At the Norte zone, step out and infill drilling has been planned to define the size and provide appropriate drill density for potential resource definition in the future. The current drilling at Villa Rica is focused on the Naranjo zone, a new area of exposed porphyry alteration and mineralisation located approximately 500 metres north of the previous Villa Rica drilling and about 1.2 kilometres south of the Norte Zone. The Company anticipates drilling with one or more rigs throughout the course of 2018 in order to test all targets currently defined.

During the three months ended June 30, 2018, the Company incurred a total of $365,112 (June 30, 2017 - $424,030) in acquisition cost and $1,263,629 (June 30, 2017 - $1,372,025) exploration costs respectively at the El Cobre Project.

Upcoming / Outlook

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

Other properties

Other properties consist of a portfolio of early stage exploration projects located in Canada, United States and Mexico. During the six months ended June 30, 2018, the Company incurred in acquisition and exploration costs of $102,202 on a care and maintenance basis and recorded a write-down of $102,202 (June 30, 2017 - $71,106) with respect to these properties. These assets were transferred to Almadex pursuant to the Plan of Arrangement which became effective on May 18, 2018.

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. In addition to the risks described herein, readers of this MD&A are encouraged to read the "Risk Factors" contained in the Company's annual management discussion and analysis filed on and available under the Company's SEDAR profile on www.sedar.com. Important risk factors to consider among others are:

- inherent risks within the mining industry;
- mineral resource estimates;
- prices of gold, silver and other metals;
- cash flows and additional funding requirements;
- exchange rate fluctuations;
- environmental;
- laws, regulations and permits,
- political, economic and social environment;
- title to mineral properties;
- possible dilution to present and prospective shareholders;
- material risk of dilution presented by large number of outstanding share purchase options and warrants;
- trading volume;
- volatility of share price;
- competition;
- dependence on management; and
- conflict of interest.

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 June 30, 2018, the Company concluded that impairment indicators existed with respect to certain of its exploration and evaluation assets. An impairment of acquisition and deferred exploration cost incurred of $102,202 for the six months ended June 30, 2018 (June 30, 2017 - $71,106), has been recognized.

Material Financial and Operations Information

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:

	Q2 Jun 2018 Quarter	Q1 Mar 2018 Quarter	Q4 Dec 2017 Quarter	Q3 Sep 2017 Quarter
	$	$	$	$
Total revenue	13,811	178,872	155,431	62,889
Net income (loss)	5,575,601	(230,262)	78,501	(958,974)
Income (loss) per share – basic	0.09	(0.00)	(0.00)	(0.02)
Income (loss) per share – diluted	0.09	(0.00)	(0.00)	(0.02)
Total assets	28,465,053	21,241,689	14,772,055	15,271,458
Cash dividends declared	-	-	-	-

	Q2 Jun 2017 Quarter	Q1 Mar 2017 Quarter	Q4 Dec 2016 Quarter	Q3 Sep 2016 Quarter
	$	$	$	$
Total revenue	59,630	42,091	72,989	128,280
Net income (loss)	(613,883)	(715,085)	(667,037)	1,950,134
Income (loss) per share – basic	(0.01)	(0.02)	(0.01)	0.04
Income (loss) per share – diluted	(0.01)	(0.02)	(0.01)	0.04
Total assets	15,915,180	16,468,130	13,322,562	14,136,885
Cash dividends declared	-	-	-	-

Quarterly variances in total revenue are dependent on the interest income earned from various levels of cash balances and other income from drilling equipment rental services. The main causes of change in net income (loss) include gain on transfer of spin out assets, share-based payments relating to the fair values of stock options granted, operating expenses to review business opportunities, and foreign exchange gain (loss) from foreign exchange rate fluctuations 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 June 30, 2018 compared to the three months ended June 30, 2017</u>

For the three months ended June 30, 2018, the Company recorded a net income of $5,575,601 (2017 – loss of $613,883) or a basic and diluted net income of $0.09 per share (2017 – net loss of $0.01). The Company has no revenues from mining operations as it only conducts exploration work. The revenue of $13,811 (2017- $59,630) during the three months ended June 30, 2018 consisted of interest income of $13,811 (2017 - $9,973) from cash balances. Other income of $Nil (2017 - $49,657) consist of drilling equipment rental services to Almaden. Azucar will not earn drilling equipment rentals fees as all the drilling equipment has been transferred to Almadex as of May 18, 2018 as part of the Plan of Arrangement.

A significant portion of total expenses of $1,005,846 during the three months ended June 30, 2018 (2017 - $732,129) were related to general and administrative expenses such as share-based payments of $415,805 (2017 - $396,440), professional fees of $427,648 (2017 - $136,341), travel and promotion of $2,250 (2017 - $25,640) and various other expenses incurred by the Company to review business opportunities and to plan for the corporate reorganization. An administrative services fee of $113,621 (2017 - $100,178) was paid to Almaden during the three months ended June 30, 2018 for providing office space, executive management services, marketing support and technical oversight to Azucar.

Significant non-cash items during the three months ended June 30, 2018 included the gain on Spin-Out Assets of $6,657,528 (2017 - $Nil), impairment of exploration and evaluation assets of $20,615 (2017 - $20,106), share-based payments of $415,805 (2017 - $396,440) and loss on fair value of contingent shares receivable of $Nil (2017 – $11,700). Impairment of exploration and evaluation assets fluctuates period to period based on management's evaluation of the carrying value of each exploration and evaluation asset interest held at that time. The share-based payments are recognized on the grant of stock options. The contingent shares receivable is based on the fair value of the common shares of Goldgroup Mining Inc. ("Goldgroup") held by the Company as at June 30, 2018.

Results of Operations for the six months ended June 30, 2018 compared to the six months ended June 30, 2017

For the six months ended June 30, 2018, the Company recorded a net income of $5,345,339 (2017 – loss of $1,328,968) or a basic and diluted net income of $0.09 per share (2017 – net loss of $0.03). The Company has no revenues from mining operations as it only conducts exploration work. The revenue of $192,683 (2017- $101,721) during the six months ended June 30, 2018 consisted of interest income of $14,636 (2017 - $12,161) from cash balances. Other income of $178,047 (2017 - $89,560) consist of drilling equipment rental services to Almaden.

A significant portion of total expenses of $1,617,002 during the six months ended June 30, 2018 (2017 - $1,787,503) were related to general and administrative expenses such as share-based payments of $415,805 (2017 - $1,205,514), professional fees of $788,904 (2017 - $165,064), travel and promotion of $13,009 (2017 - $35,870) and various other expenses incurred by the Company to review business opportunities. Professional fees were higher for the six months ended June 30, 2018 compared to June 30, 2017 due to the corporate reorganization on May 18, 2018. An administrative services fee of $223,303 (2017 - $204,672) was paid to Almaden during the six months ended June 30, 2018 for providing office space, executive management services, marketing support and technical oversight to Azucar.

Significant non-cash items during the six months ended June 30, 2018 included the gain on Spin-Out Assets of $6,657,528 (2017 - $Nil), impairment of exploration and evaluation assets of $102,202 (2017 - $71,106), share-based payments of $415,805 (2017 - $1,205,514) and gain on fair value of contingent shares receivable of $7,800 (2017 – loss of $15,600). Impairment of exploration and evaluation assets fluctuates period to period based on management's evaluation of the carrying value of each exploration and evaluation asset interest held at that time. The share-based payments are recognized on the grant of stock options. The contingent shares receivable is based on the fair value of the common shares of Goldgroup Mining Inc. ("Goldgroup") held by the Company as at June 30, 2018.

Liquidity and Capital Resources

At June 30, 2018, the Company had working capital of $17,423,967, including cash and cash equivalents of $17,441,520.

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 June 30, 2018

Net cash used in operations during the three months ended June 30, 2018 was $700,837 (2017 - $283,808), after adjusting for non-cash activities.

Net cash used in investing activities of $939,833 (2017 - $1,379,389) during the three months ended June 30, 2018 relates to property and equipment purchase of $2,730 (2017 - $69,398) as the Company acquired field equipment for its drilling program at the El Cobre Project. Cash used in investing activities relates to expenditures on exploration and evaluation assets of $937,103 (2017 - $1,309,991) mainly on the El Cobre Project.

Net cash from financing activities during the three months ended June 30, 2018 was $12,562,018 (2017 - $53,700), $19,065,768 as a result of a non-brokered private placement closed on May 18, 2018 which was offset by $6,740,554 of Spin-Out Assets from Azucar to Almadex, $194,492 (2017 - $53,700) from stock options exercised and $42,312 (2017 - $Nil) from finders' warrants exercised.

Six months ended June 30, 2018

Net cash used in operations during the six months ended June 30, 2018 was $916,267 (2017 - $570,225), after adjusting for non-cash activities.

Net cash used in investing activities of $1,394,947 (2017 - $2,044,757) during the six months ended June 30, 2018 relates to net proceeds from sale of marketable securities of $30,345 (2017 - $36,613), net proceeds from sale of property and equipment of $103,798 (2017 - $Nil) and property and equipment purchase of $30,971 (2017 - $78,714) as the Company acquired field equipment for its drilling program at the El Cobre Project. Cash used in investing activities relates to expenditures on exploration and evaluation assets of $1,498,119 (2017 - $2,002,656) mainly on the El Cobre Project.

Net cash from financing activities during the six months ended June 30, 2018 was $18,241,315 (2017 - $3,521,425), as a result of a non-brokered private placement closed on March 27, 2018 and May 18, 2018 which was offset by $6,740,554 of Spin-out Assets from Azucar to Almadex, $603,712 (2017 - $289,640) from stock options exercised and $42,312 (2017 - $Nil) from finders' warrants 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, 2016	44,336,369	$12,093,447
December 31, 2017	48,422,869	$15,977,418
August 15, 2018	73,075,537	$24,512,046

Share issuances during fiscal 2018

During the six months ended June 30, 2018, the Company received $603,712 and $42,312 on the exercise of 1,947,500 options and 44,400 finders' warrants.

On March 27, 2018, the Company closed a non-brokered private placement by the issuance of 4,000,000 units at a price of $1.40 per unit for gross proceeds to the Company of $5,600,000. Under the private placement the Company issued 1,999,995 warrants. Each whole warrant allows the holder to purchase one common share of the Company at a price of $2.00 per share until March 27, 2020. Share issue costs included a finders' fee of $166,555 in cash. In connection with the private placement, the Company also incurred $120,294 in other cash share issue costs. These amounts were recorded as reduction to share capital. The proceeds of the private placement were allocated entirely to share capital.

On May 18, 2018, all issued and outstanding common shares of the Company were cancelled, and shareholders were issued one "new" common share of the Company and one common share of Spinco, for each common share of the Company cancelled.

On May 18, 2018, the Company closed the Newcrest Private Placement by issuing to Newcrest 14,391,568 common shares at a price of approximately $1.325 per share for aggregate proceeds of $19,074,425. Upon closing of the Newcrest Private Placement, Newcrest holds 19.9% of the issued and outstanding Azucar shares and has no ownership in Almadex.

On May 18, 2018, the Company issued 4,000,000 common shares to Almadex at a price of approximately $1.09 per share as part of the Plan of Arrangement.

The following table summarizes information about warrants outstanding at August 15, 2018:

Expiry date	**Exercise Price**	**December 31, 2017**	**Issued**	**Exercised**	**Expired**	**August 15, 2018**
August 27, 2019	* $ 1.41	1,248,000	-	-	-	1,248,000
August 27, 2019	* $ 0.95	44,400	-	(44,400)	-	-
March 27, 2020	* $ 1.41	-	1,999,995	-	-	1,999,995
Warrants outstanding and exercisable		**1,292,400**	**1,999,995**	**(44,400)**	**-**	**3,247,995**
Weighted average exercise price		$ 1.40	$ 1.41	$ 0.95	-	$ 1.41

***** On May 18, 2018, pursuant to the Plan of Arrangement, the outstanding warrants were amended to be exercisable for one common share of the Company and one common share of Almadex, at separate exercise prices proportionate to the value of the Spin-out Assets transferred to Almadex. The weighted average exercise price of the warrants for common shares of the Company as at December 31, 2017 changed, from $1.98 to $1.40.

The table in Note 10(c) to the consolidated financial statements summarizes information about warrants outstanding at December 31, 2017.

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 period ended December 31, 2017, which are available on SEDAR at www.sedar.com.

The following table summarizes information about stock options outstanding at August 15, 2018:

Expiry date	Exercise price	December 31, 2017	Granted	Exercised	Expired/ cancelled	August 15, 2018
April 4, 2018	$ 0.40	54,000	-	(54,000)	-	-
May 6, 2018	$ 0.37	39,000	-	(39,000	-	-
May 6, 2018	$ 0.46	72,000	-	(72,000)	-	-
June 8, 2018	$ 0.38	935,000	-	(935,000)	-	-
June 8, 2018	* $ 0.27	292,500	-	(292,500)	-	-
June 18, 2018	* $ 0.24	150,000	-	(150,000)	-	-
August 28, 2018	$ 0.16	405,000	-	(405,000)	-	-
August 28, 2018	* $ 0.11	289,200	-	(199,200)	-	90,000
August 28, 2018	* $ 0.46	151,000	-	(70,000)	-	81,000
December 17, 2018	* $ 0.11	60,000	-	-	-	60,000
December 17, 2018	* $ 0.83	90,000	-	-	-	90,000
January 2, 2019	* $ 0.17	210,000	-	-	-	210,000
February 27, 2019	* $ 0.95	115,000	-	-	-	115,000
May 5, 2019	* $ 0.78	583,000	-	-	(10,000)	573,000
July 2, 2019	* $ 0.21	90,000	-	-	-	90,000
July 2, 2019	* $ 0.97	877,800	-	-	-	877,800
April 30, 2020	* $ 0.73	300,000	-	-	-	300,000
Options outstanding and exercisable		**4,713,500**	**-**	**(2,216,700)**	**(10,000)**	**2,486,800**
Weighted average exercise price		$ 0.52	-	$ 0.30	1.10	$ 0.73

* On May 18, 2018, pursuant to the Plan of Arrangement, outstanding stock options were cancelled and "new" stock options were issued, at an adjusted exercise price to reflect the value of the Spin-out Assets transferred to Almadex. The weighted average exercise price as at December 31, 2017 changed, from $0.70 to $ 0.52.

As of date of this MD&A, there were 73,075,537 common shares issued and outstanding and 78,810,332 common shares outstanding on a diluted basis.

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:

Three months ended June 30, 2018	Fees[1]	Share-based Payments[2]	Total
	$	$	$
Chairman	18,000	33,150	51,150
President & CEO	25,125	118,300	143,425
CFO	16,875	11,700	28,575
VP Corporate Development	15,900	39,000	54,900
Directors	-	135,720	135,720
	75,900	337,870	413,770

Six months ended June 30, 2018	Fees[1]	Share-based Payments[2]	Total
	$	$	$
Chairman	36,000	33,150	69,150
President & CEO	50,250	118,300	168,550
CFO	33,750	11,700	45,450
VP Corporate Development	31,800	39,000	70,800
Directors	-	135,720	135,720
	151,800	337,870	489,670

Three months ended June 30, 2017	Fees[1]	Share-based Payments	Total
	$	$	$
Chairman	18,000	63,240	81,240
President & CEO	22,875	68,000	90,875
CFO	15,263	40,800	56,063
VP Corporate Development	14,437	34,000	48,437
Directors	-	142,800	142,800
	70,575	348,840	419,415

Six months ended June 30, 2017	Fees[1]	Share-based Payments	Total
	$	$	$
Chairman	36,000	172,800	208,800
President & CEO	45,750	242,300	288,050
CFO	30,525	40,800	71,325
VP Corporate Development	28,875	34,000	62,875
Directors	-	367,720	367,720
	141,150	857,620	998,770

(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) For 2018, 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 June 30, 2018, included in trade and other payable is $86,906 (December 31, 2017 - $195,550) due to Almaden.

Other

During the period ended June 30, 2018, other income of $178,047 (June 30, 2017 - $89,560) was paid by Almaden to the Company for drill equipment rental services in Mexico of which of $194,739 (December 31, 2017 - $153,038) is recorded in accounts receivable.

During the period ended June 30, 2018, the Company paid Segerstrom Consulting LLC, a company controlled by Lawrence Segerstrom $37,126 (June 30, 2017 - $48,656) for geological services included in exploration and evaluation assets.

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's reclamation deposits approximate fair value as the expected proceeds on redemption approximate its carrying value. See note (f) for fair value information.

There have been no changes during the six months ended June 30, 2018, as to how the Company classifies its financial assets and liabilities by FVTPL, FVOCI, amortized cost, and other financial liabilities upon adoption of IFRS 9.

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 June 30, 2018, 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	691,672	252,558
Account receivables and prepaid expenses	-	309,993
Total assets	**691,672**	**562,551**
Trade and other payables	27,020	108,777
Total liabilities	**27,020**	**108,777**
Net assets	**664,652**	**453,774**

A 10% change in the US dollar exchange rate relative to the Canadian dollar would change the Company's profit or loss by $66,000.

A 10% change in the Mexican peso relative to the Canadian dollar would change the Company's profit or loss by $45,000.

(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 June 30, 2018, 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 $170,000.

(e) Commodity and equity price risk

(i) Commodity 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 has not hedged any of its potential future gold sales of the quantities held in investments. The Company monitors gold prices to determine the appropriate course of action to be taken by the Company.

A 1% change in the price of gold would affect the fair value of the Company's gold investment by $Nil.

(ii) Equity price risk

Equity price risk is defined as the potential adverse impact on the Company's operations due to movements in individual equity price or general movements in the level of the stock market. The Company closely monitors the individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company.

(f) Classification of Financial instruments

IFRS 13 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table sets forth the Company's financial assets measured at fair value by level within the fair value hierarchy.

	Level 1	Level 2	Level 3	Total
	$	$	$	$
Marketable securities	2,522,173	-	-	2,522,173
Contingent shares receivable	-	31,200	-	31,200

Level 2 inputs used in determining the fair value of contingent shares receivable includes the use of quoted market prices for the underlying shares of the public companies, as well as estimates regarding the likelihood of achieving certain milestones that would trigger the collection of the contingent shares receivable by the Company.

These assets were transferred to Almadex pursuant to the Plan of Arrangement which became effective on May 18, 2018.

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.

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

The Company received $54,112 on the exercise of 269,200 stock options with exercise prices from $0.11 to $0.46.

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.Geol
Larry Segerstrom, MBA, MSc
Mark T. Brown, CPA, CA
William J. Worrall, Q.C.

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

Compensation Committee members:
Jack McCleary, P.Geol
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