AZUCAR MINERALS LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 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 November 20, 2019. 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.

HIGHLIGHTS

Azucar's technical work during this quarter continued to be focused on regional exploration and drilling at the El Cobre Project. Drilling to date indicates the potential for large scale porphyry mineralization in multiple porphyry centres over a 5 kilometre trend. The ongoing exploration drill program is designed to find as yet undiscovered porphyry intrusive centres and to provide the geologic framework for discovery and extension of known mineralization within a very large area of intense alteration.

Azucar is also continuing its technical work at the Norte target, with the objective of producing a resource estimate for this target in the coming months.

In addition to drilling, the Company is conducting induced polarization geophysical surveys, soil surveys, surface mapping and geologic interpretation of all data to help guide the discovery-oriented drilling.

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 March 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.

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 continues to drill at El Cobre with a focus on the Norte, Villa Rica and Porvenir/Encinal areas. Azucar anticipates drilling throughout the course of 2019 as it continues to test currently defined and new targets at El Cobre.

During the nine months ended September 30, 2019, the Company incurred a total of $69,508 (September 30, 2018 - $417,516) in acquisition costs and $4,168,427 (September 30, 2018 - $2,500,568) 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.

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 September 30, 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

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:

	Q3 Sep 2019 Quarter	Q2 June 2019 Quarter	Q1 March 2019 Quarter	Q4 Dec 2018 Quarter
	$	$	$	$
Revenue	Nil	Nil	Nil	Nil
Other income (loss)	37,603	60,874	(1,449)	211,526
Net income (loss)	(397,263)	(318,983)	(412,225)	(199,318)
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	27,500,202	27,367,969	27,755,001	28,098,164
Cash dividends declared	-	-	-	-

	Q3 Sep 2018 Quarter	Q2 June 2018 Quarter	Q1 March 2018 Quarter	Q4 Dec 2017 Quarter
	$	$	$	$
Revenue	Nil	Nil	Nil	Nil
Other income (loss)	(169,028)	6,698,479	380,894	960,418
Net income (loss)	(1,529,662)	5,959,315	36,916	78,501
Income (loss) per share – basic	(0.02)	0.09	0.00	(0.00)
Income (loss) per share – diluted	(0.02)	0.09	0.00	(0.00)
Total assets	28,243,625	28,465,053	21,241,689	14,772,055
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, 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 September 30, 2019 compared to the three months ended September 30, 2018</u>

For the three months ended September 30, 2019, the Company recorded a net loss of $397,263 (2018 – of $1,529,662) or a basic and diluted net loss of $0.01 per share (2018 – $0.02). The decrease in net loss of $1,132,399 was primarily a result of a $973,084 decrease in share-based payments from stock options granted offset by an increase of administrative service fees and salaries and benefits totalling $97,013 due to new hires and increased exploration activities at site.

Because the Company is an exploration company, it has no revenues from mining operations. Other income of $37,603 (2018 – Other loss $169,028) during the three months ended September 30, 2019 consisted of interest income of $33,384 (2018 - $36,333) from cash balances, and $4,219 foreign exchange income (2018 – foreign exchange loss of $15,994). Azucar did not earn drilling equipment rentals fees during the three months ended September 30, 2019, as all the drilling equipment were transferred to Almadex on May 18, 2018 as part of the Plan of Arrangement.

Operation expenses of $434,866 during the three months ended September 30, 2019 (2018 - $1,360,634) were related to general and administrative expenses such as share-based payments of $135,492 (2018 - $1,108,576), professional fees of $45,765 (2018 - $69,324), travel and promotion of $10,052 (2018 - $32,762) and various other expenses incurred by the Company to review business opportunities. An administrative services fee of $169,629 (2018 - $113,087) was paid to Almaden Minerals Ltd. ("Almaden") during the three months ended September 30, 2019 for providing office space, executive management services, marketing support and technical oversight to Azucar.

Significant non-cash items during the three months ended September 30, 2019 included share-based payments of $135,492 (2018 - $1,108,576). The share-based payments relate to the grant of stock options thus the expense will vary period to period.

Results of Operations for the nine months ended September 30, 2019 compared to the nine months ended September 30, 2018

For the nine months ended September 30, 2019, the Company recorded a net loss of $1,128,471 (2018 – net income of $4,466,569) 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 $5,595,040 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 $1,206,159 decrease in share-based payments and $98,636 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 $97,028 (2018 - $6,910,345) during the nine months ended September 30, 2019 consisted of interest income of $140,396 (2018 - $229,016) from cash balances, offset by $43,368 foreign exchange loss (2018 - $27,189). Azucar did not earn drilling equipment rentals fees during the nine months ended September 30, 2019, as all the drilling equipment were transferred to Almadex on May 18, 2018 as part of the Plan of Arrangement.

Operation expenses of $1,225,499 during the nine months ended September 30, 2019 (2018 - $2,443,776) were related to general and administrative expenses such as share-based payments of $318,222 (2018 - $1,524,381), professional fees of $166,554 (2018 - $221,773), travel and promotion of $47,932 (2018 - $45,771) and various other expenses incurred by the Company to review business opportunities. An administrative services fee of $468,525 (2018 - $336,390) was paid to Almaden during the nine months ended September 30, 2019 for providing office space, executive management services, marketing support and technical oversight to Azucar.

Significant non-cash items during the nine months ended September 30, 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 - $1,524,381). 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 September 30, 2019, the Company had working capital of $9,054,569, including cash and cash equivalents of $9,732,889.

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.

<u>Three months ended September 30, 2019</u>

Net cash used in operations during the three months ended September 30, 2019 was $210,769 (2018 - $250,580), 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 $1,010,136 (2018 - $993,609) during the three months ended September 30, 2019 relates to expenditures on exploration and evaluation assets of $984,729 (2018 - $993,609) on the El Cobre Project.

Net cash from financing activities during the three months ended September 30, 2019 was $18,900 (2018 - $87,472) as a result of options exercised.

<u>Nine months ended September 30, 2019</u>

Net cash used in operations during the nine months ended September 30, 2019 was $776,338 (2018 - $632,987), 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 $3,998,245 (2018 - $2,388,556) during the nine months ended September 30, 2019 relates to net proceeds from purchase of property and equipment of $35,095 (2018 - $30,971) and expenditures on exploration and evaluation assets of $3,963,150 (2018 - $2,491,728) on the El Cobre Project.

Net cash from financing activities during the nine months ended September 30, 2019 was $37,583 (2018 - $17,794,927) 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, and May 18, 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, 2017	48,422,869	$15,977,418
December 31, 2018	73,679,371	$23,991,008
November 20, 2019	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 November 20, 2019:

Expiry date	Exercise Price	December 31, 2018	Issued	Exercised	Expired	November 20, 2019
August 27, 2019	* $ 1.41	1,248,000	-	-	(1,248,000)	-
March 27, 2020	* $ 1.41	1,999,995	-	-	-	1,999,995
Warrants outstanding and exercisable		**3,247,995**	**-**	**-**	**(1,248,000)**	**1,999,995**
Weighted average exercise price		$ 1.41	-	-	$ 1.41	$ 1.41

***** 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 table in Note 10(c) to the consolidated financial statements summarizes information about warrants outstanding at December 31, 2018.

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, 2018, which are available on SEDAR at www.sedar.com.

The following table summarizes information about stock options outstanding at November 20, 2019:

Expiry date	Exercise price	December 31, 2018	Granted	Exercised	Expired/ cancelled	November 20, 2019
January 2, 2019	* $ 0.17	30,000	-	-	(30,000)	-
February 27, 2019	* $ 0.95	115,000	-	-	(115,000)	-
May 5, 2019	* $ 0.78	573,000	-	-	(573,000)	-
July 2, 2019	* $ 0.21	90,000	-	(90,000)	-	-
July 2, 2019	* $ 0.97	877,800	-	-	(877,800)	-
April 30, 2020	* $ 0.73	300,000	-	-	-	300,000
December 15, 2020	$ 0.39	330,000	-	-	-	330,000
April 28, 2021	$ 0.60	3,959,200	-	-	(25,000)	3,934,200
June 4, 2021	$ 0.29	-	573,000	-	(20,000)	553,000
July 7, 2021	$ 0.34	-	967,800	-	-	967,800
February 28, 2022	$ 0.36	-	665,000	-	(150,000)	515,000
Options outstanding and exercisable		**6,275,000**	**2,205,800**	**(90,000)**	**(1,790,800)**	**6,600,000**
Weighted average exercise price		$ 0.66	$ 0.33	$ 0.21	$ 0.83	$ 0.51

* 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.

As of date of this MD&A, there were 73,829,025 common shares issued and outstanding and 82,429,020 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 September 30, 2019	Fees(1)	Share-based Payments	Total
	$	$	$
Chairman	24,000	18,480	42,480
President & CEO	33,500	42,000	75,500
CFO	22,500	-	22,500
VP Corporate Development	21,200	-	21,200
Directors	-	24,360	24,360
	101,200	84,840	186,040

Nine months ended September 30, 2019	Fees(1)	Share-based Payments	Total
	$	$	$
Chairman	72,000	28,710	100,710
President & CEO	100,500	53,000	153,500
CFO	67,500	6,600	74,100
VP Corporate Development	63,600	5,500	69,100
Directors	-	140,160	140,160
	303,600	233,970	537,570

Three months ended September 30, 2018	Fees(1)	Share-based Payments	Total
	$	$	$
Chairman	18,000	154,000	172,000
President & CEO	25,125	249,200	274,325
CFO	16,875	86,800	103,675
VP Corporate Development	15,900	72,800	88,700
Directors	-	296,800	296,800
	75,900	859,600	935,500

Nine months ended September 30, 2018	Fees(1)	Share-based Payments(2)	Total
	$	$	$
Chairman	54,000	187,150	241,150
President & CEO	75,375	367,500	442,875
CFO	50,625	98,500	149,125
VP Corporate Development	47,700	111,800	159,500
Directors	-	432,520	432,520
	227,700	1,197,470	1,425,170

(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 September 30, 2019, included in trade and other payable is $76,957 (December 31, 2018 - $170,181) due to Almaden.

Other

At September 30, 2019, the Company accrued $230,041 (December 31, 2018 - $252,069) payable to Almadex for drilling equipment rental services in Mexico included in exploration and evaluation assets.

During the nine months ended September 30, 2019, other income of $Nil (September 2018 - $178,047) was paid by Almaden to the Company for drill equipment rental services in Mexico.

During the nine months ended September 30, 2019, the Company paid Segerstrom Consulting LLC, a company controlled by Lawrence Segerstrom, $49,470 (September 30, 2018 - $77,866) 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 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 September 30, 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	454,230	606,111
Total assets	**454,230**	**606,111**
Trade and other payables	78,789	527,362
Total liabilities	**78,789**	**527,362**
Net assets	**375,441**	**78,749**

A 10% change in the US dollar exchange rate relative to the Canadian dollar would change the Company's profit or loss by $38,000.

A 10% change in the Mexican peso relative to the Canadian dollar would change the Company's profit or loss by $8,000.

(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 September 30, 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 $97,000.

(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.

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.

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