

**AZUCAR MINERALS LTD.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2020**

**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 August 12, 2020. 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, 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](http://www.sedar.com)) and/or on the Company's website at [www.azucarminerals.com](http://www.azucarminerals.com).

## **HIGHLIGHTS**

During the quarter, Azucar continued its review of data generated from past drill programs, with a view to helping to refine future drill targets and advance the geologic understanding of the Norte Zone.

On April 1, 2020, the Company announced that the Mexican federal government had mandated that all non-essential businesses, including mining and exploration, temporarily suspend operations due to the COVID-19 virus. This suspension was subsequently extended to May 30, 2020, however on May 14, 2020, the Mexican government added mining activity to the list of essential businesses, allowing such businesses to resume operations as long as they have implemented and registered with the government appropriate protocols for limiting the propagation of COVID-19. The approvals required from the Mexican health authority to resume operations have now been received, and the Company is currently preparing its facilities and implementing the health protocols required to enable a safe return to work for its personnel once field work resumes.

## **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.

## **EI 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***

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 six months ended June 30, 2020, the Company incurred a total of \$Nil (June 30, 2019 - \$69,508) in acquisition costs and \$1,318,781 (June 30, 2019 - \$2,858,555) exploration costs respectively at the El Cobre Project.

## ***Upcoming / Outlook***

Data compilation and targeting to assist future drill programs at El Cobre are continuing, and shareholders will be updated with the results of these efforts once they are completed.

## **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](http://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;
- conflict of interest;
- market volatility for marketable securities and investments; and
- risks related to international labour organization ("ILO") convention 169 compliance.

## **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, 2020, 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:

	Q2 June 2020 Quarter	Q1 Mar 2020 Quarter	Q4 Dec 2019 Quarter	Q3 Sep 2019 Quarter
	\$	\$	\$	\$
Revenue	Nil	Nil	Nil	Nil
Other income (loss)	11,140	(1,663)	51,363	37,603
Net loss	(344,853)	(307,172)	(193,837)	(397,263)
Loss per share – basic	(0.01)	(0.00)	(0.00)	(0.01)
Loss per share – diluted	(0.01)	(0.00)	(0.00)	(0.01)
Total assets	26,157,429	26,562,208	26,727,975	27,500,202
Cash dividends declared	-	-	-	-

	Q2 June 2019 Quarter	Q1 Mar 2019 Quarter	Q4 Dec 2018 Quarter	Q3 Sep 2018 Quarter
	\$	\$	\$	\$
Revenue	Nil	Nil	Nil	Nil
Other income (loss)	60,874	(1,449)	211,526	(169,028)
Net loss	(318,983)	(412,225)	(199,318)	(1,529,662)
Loss per share – basic	(0.00)	(0.01)	(0.00)	(0.02)
Loss per share – diluted	(0.00)	(0.01)	(0.00)	(0.02)
Total assets	27,367,969	27,755,001	28,098,164	28,243,625
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 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

#### Results of Operations for the three months ended June 30, 2020 compared to the three months ended June 30, 2019

For the three months ended June 30, 2020, the Company recorded a net loss of \$344,853 (2019 – \$318,983) or a basic and diluted net loss of \$0.01 per share (2019 – \$0.00). The increase in net loss of \$25,870 was primarily a result of a decrease in other income of \$49,734 during the three months ended June 30, 2019 offset by a decrease in operating expenses of \$23,864 during the three months ended June 30, 2020.

Because the Company is an exploration company, it has no revenues from mining operations. Other income of \$11,140 (2019 - \$60,874) during the three months ended June 30, 2020 consisted of interest income of \$11,535 (2019 - \$81,304) from decrease in interest rate yield and reduced cash balances; and \$395 of foreign exchange loss (2019 - \$20,430) due to the weakness in the Canadian dollar.

The Company incurred operation expenses of \$355,993 during the three months ended June 30, 2020 (2019 - \$379,857) relating to general and administrative expenses. A decrease in expenses of \$23,864 were mainly related to a decrease of shared-based payments to \$21,250 (2019 - \$63,030) due to market pressure in the share price. A decrease in salary and benefits of \$26,409 was the result of replacing the El Cobre project manager with an independent contractor rather than re-hiring another employee. The administrative services fee of \$249,641 increased by \$100,343 compared to 2019 Q2 of \$149,298 due to mainly severances paid to employees as a result of the work stoppage from the COVID-19 pandemic. The administrative services fee was paid to Almaden Minerals Ltd. ("Almaden") during the three months ended June 30, 2020 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, 2020 included share-based payments of \$21,250 (2019 - \$63,030). The share-based payments relate to the grant of stock options thus the expense will vary period to period.

#### Results of Operations for the six months ended June 30, 2020 compared to the six months ended June 30, 2019

For the six months ended June 30, 2020, the Company recorded a net loss of \$652,025 (2019 – \$731,208) or a basic and diluted net loss of \$0.01 per share (2019 – \$0.01). The decrease in net loss of \$79,183 was primarily a result of a \$129,131 decrease in operating expenses from the slow down due to COVID-19 compounded by a decrease in other income of \$49,948 as interest rate on cash declined.

Because the Company is an exploration company, it has no revenues from mining operations. Other income of \$9,477 (2019 - \$59,425) during the three months ended June 30, 2020 consisted of interest income of \$36,376 (2019 - \$107,012) from reduced cash balances and lower interest rate on term deposits, and \$26,899 of foreign exchange loss (2019 - \$47,587) due to the weakness in the Canadian dollar.

The Company incurred operation expenses of \$661,502 during the six months ended June 30, 2020 (2019 - \$790,633) relating to general and administrative expenses. A decrease in expenses of \$129,131 were mainly related to a decrease of shared-based payments to \$21,250 (2019 - \$182,730). A decrease in salary and benefits of \$61,165 was the result of replacing the El Cobre project manager with an independent contractor rather than re-hiring another employee. The administrative services fee of \$489,681 increased by \$190,785 compared to \$298,896 due to the increase drilling activities in Q1 and a sudden work stoppage from COVID-19 resulted in severances paid to certain employees. The administrative services fee was paid to Almaden Minerals Ltd. ("Almaden") during the six months ended June 30, 2020 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, 2020 included share-based payments of \$21,250 (2019 - \$182,730). The share-based payments relate to the grant of stock options thus the expense will vary period to period.

#### **Liquidity and Capital Resources**

At June 30, 2020, the Company had working capital of \$5,519,536, including cash and cash equivalents of \$5,723,031.

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, 2020

Net cash used in operations during the three months ended June 30, 2020 was \$291,397 (2019 - \$274,721), after adjusting for non-cash activities. The majority of the cash used in operations relate to general administration to operate a corporate head office.

Net cash used in investing activities of \$359,519 (2019 - \$1,492,034) during the three months ended June 30, 2020 relates to expenditures on exploration and evaluation assets of \$359,519 (2019 - \$1,492,034) on the El Cobre Project.

Net cash from financing activities during the three months ended June 30, 2020 was \$Nil (2019 - \$18,683).

### Six months ended June 30, 2020

Net cash used in operations during the six months ended June 30, 2020 was \$585,026 (2019 - \$565,569), after adjusting for non-cash activities. The majority of the cash used in operations relate to general administration to operate a corporate head office.

Net cash used in investing activities of \$1,220,047 (2019 - \$2,988,109) during the six months ended June 30, 2020 relates to expenditures on exploration and evaluation assets of \$1,220,047 (2019 - \$2,978,421) on the El Cobre Project.

Net cash from financing activities during the six months ended June 30, 2020 was \$Nil (2019 - \$18,683).

### **Disclosure of Outstanding Share Data**

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

	<b>Number of Common Shares Issued &amp; Outstanding</b>	<b>Share Capital Amount</b>
December 31, 2018	73,679,371	\$23,991,008
December 31, 2019	73,829,025	\$24,043,321
August 12, 2020	73,829,025	\$24,043,321

### **Share issuances during fiscal 2020**

The Company has no share issuances as at June 30, 2020.

The following table summarizes information about warrants outstanding at August 12, 2020:

<b>Expiry date</b>	<b>Exercise Price</b>	<b>December 31, 2019</b>	<b>Issued</b>	<b>Exercised</b>	<b>Expired</b>	<b>August 12, 2020</b>
March 27, 2020	\$ 1.41	1,999,995	-	-	(1,999,995)	-
Warrants outstanding and exercisable		<b>1,999,995</b>	-	-	<b>(1,999,995)</b>	-
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](http://www.sedar.com).

The following table summarizes information about stock options outstanding at August 12, 2020:

<b>Expiry date</b>	<b>Exercise price</b>	<b>December 31, 2019</b>	<b>Granted</b>	<b>Exercised</b>	<b>Expired/ cancelled</b>	<b>August 12, 2020</b>
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	-	-	(300,000)	3,634,200
June 4, 2021	\$ 0.29	553,000	-	-	(50,000)	503,000
July 7, 2021	\$ 0.34	967,800	-	-	-	967,800
February 28, 2022	\$ 0.36	515,000	-	-	-	515,000
May 9, 2022	\$ 0.11	-	425,000	-	-	425,000
Options outstanding and exercisable		<b>6,600,000</b>	<b>425,000</b>	-	<b>(650,000)</b>	<b>6,375,000</b>
Weighted average exercise price		\$ 0.51	\$ 0.11	-	\$ 0.64	\$ 0.47

As of date of this MD&A, there were 73,829,025 common shares issued and outstanding and 80,204,025 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:

<b>Three months ended June 30, 2020</b>	<b>Fees<sup>(1)</sup></b>	<b>Share-based Payments</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Chairman	36,000	-	36,000
President & CEO	50,250	15,000	65,250
CFO	33,750	-	33,750
VP Corporate Development	31,800	-	31,800
Directors	-	-	-
	<b>151,800</b>	<b>15,000</b>	<b>166,800</b>

<b>Six months ended June 30, 2020</b>	<b>Fees<sup>(1)</sup></b>	<b>Share-based Payments</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Chairman	72,000	-	72,000
President & CEO	100,500	15,000	115,500
CFO	67,500	-	67,500
VP Corporate Development	63,600	-	63,600
Directors	-	-	-
	<b>303,600</b>	<b>15,000</b>	<b>318,600</b>

<b>Three months ended June 30, 2019</b>	<b>Fees<sup>(1)</sup></b>	<b>Share-based Payments</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Chairman	24,000	10,230	34,230
President & CEO	33,500	11,000	44,500
CFO	22,500	6,600	29,100
VP Corporate Development	21,200	5,500	26,700
Directors	-	23,100	23,100
	<b>101,200</b>	<b>56,430</b>	<b>157,630</b>

<b>Six months ended June 30, 2019</b>	<b>Fees<sup>(1)</sup></b>	<b>Share-based Payments</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Chairman	48,000	10,230	58,230
President & CEO	67,000	11,000	78,000
CFO	45,000	6,600	51,600
VP Corporate Development	42,400	5,500	47,900
Directors	-	115,800	115,800
	<b>202,400</b>	<b>149,130</b>	<b>351,530</b>

(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.

**(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, 2020, included in trade and other payable is \$83,754 (December 31, 2019 - \$61,873) due to Almaden.

**Other**

At June 30, 2020, the Company accrued \$168,728 (December 31, 2019 - \$Nil) payable to Almadex for drilling services in Mexico included in exploration and evaluation assets.

During the six months ended June 30, 2020, the Company paid Segerstrom Consulting LLC, a company controlled by Lawrence Segerstrom, \$Nil (June 30, 2019 - \$49,470) 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 June 30, 2020, 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	290,920	280,305
<b>Total assets</b>	<b>290,920</b>	<b>280,305</b>
Trade and other payables	865	171,028
<b>Total liabilities</b>	<b>865</b>	<b>171,028</b>
<b>Net assets</b>	<b>290,055</b>	<b>109,277</b>

A 10% change in the US dollar exchange rate relative to the Canadian dollar would change the Company's profit or loss by \$29,000.

A 10% change in the Mexican peso relative to the Canadian dollar would change the Company's profit or loss by \$11,000.

**(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, 2020, 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 \$57,000.

**(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.

## **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.*  
*Mark T. Brown, CPA, CA*  
*William J. Worrall, Q.C.*  
*Grant Hendrickson, P.Geo.*

### **Audit Committee members:**

*Mark T. Brown, CPA, CA*  
*William J. Worrall, Q.C.*  
*Jack McCleary, P.Geo.*

### **Compensation Committee members:**

*Jack McCleary, P.Geo.*  
*William J. Worrall, Q.C.*  
*Mark T. Brown, CPA, CA*

### **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*