

**AZUCAR MINERALS LTD.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**September 30, 2021**

**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 23, 2021. 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", "consider", "attempt", "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 INAH clearance, detailed archeological investigations and any archeological salvage plan, statements about the completion of data compilation and targeting to assist future drill programs, 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; political risk in Mexico; crime and violence in Mexico; corruption; mineral reserves and resources; reliance on key personnel; community relations; 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**

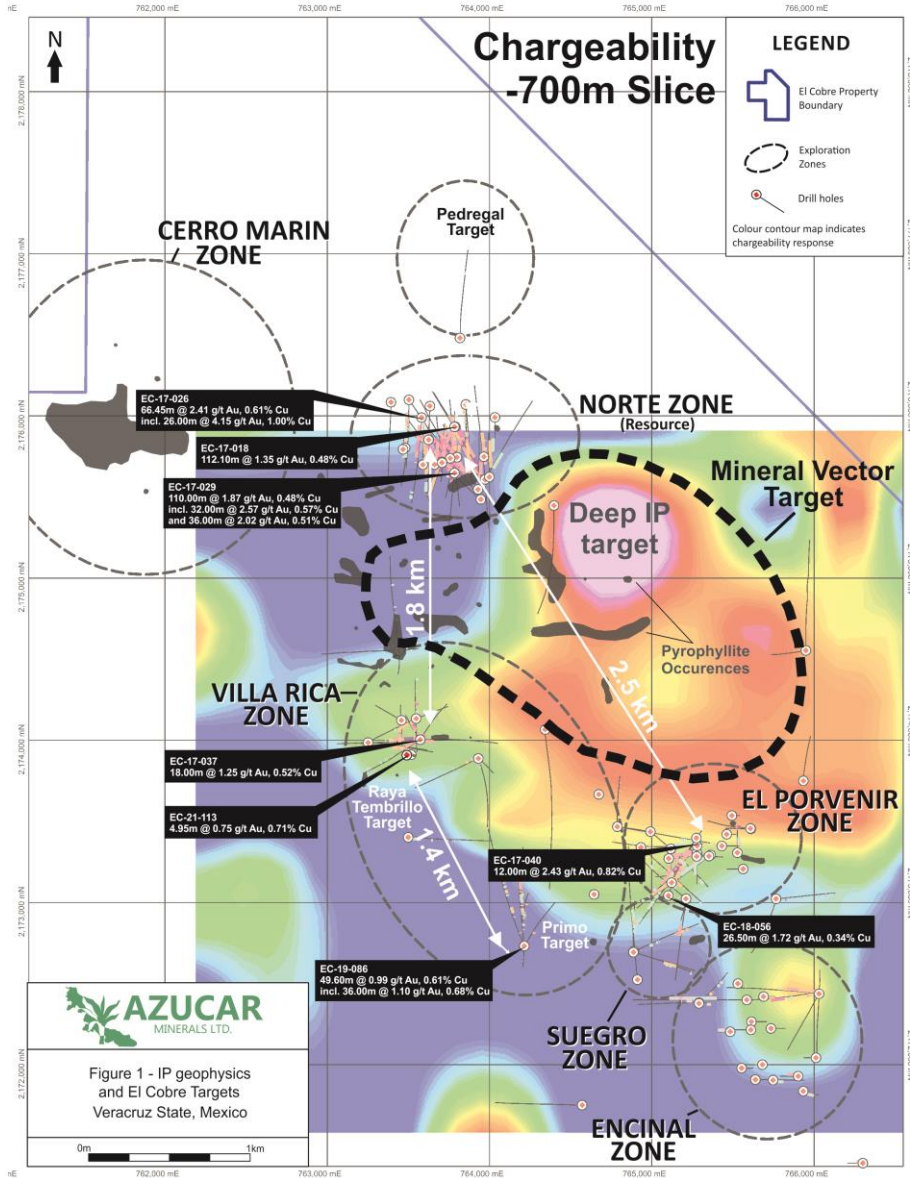
On May 18, 2021, the Company announced that it was re-commencing drilling activities at El Cobre in a focused program, with one drill hole planned at each of the Raya Tembrillo, Encinal, and Pedregal targets.

On August 11, 2021, the Company announced that it had completed two of the planned drill holes, and was reviewing past acquired data in order to plan additional drilling for future programs at El Cobre. The completed drill program included a hole at the Pedregal Target and a hole at the Raya Tembrillo Target within the Villa Rica Zone. A hole planned for the large area of alteration and mineralisation of the Encinal Zone was deferred until more detailed geologic work and review is completed. On November 4, 2021, the Company announced assay results from the two completed holes at El Cobre, with the highlight being hole EC-21-113 which returned a short intercept in the Raya Tembrillo oxide area (see Azucar news release of May 18, 2021) of 4.95 metres averaging 0.75g/t gold and 0.71% copper. Further oxide zone drilling in this area is currently being reviewed.

On November 4, 2021, Azucar announced the results of a recently completed mineral chemistry porphyry vectoring study which has identified a new target area (see Figure 1 below) for a possible central porphyry system to the El Cobre project. Key points regarding this new target area included the following:

- Mineral vectoring study was completed at the CODES Analytical Laboratory of the University of Tasmania and utilized chlorite and epidote samples collected from the El Cobre project earlier this year;
- Published studies show the effectiveness of this method around the world such as at the giant El Teniente Chile, Resolution, Arizona and Batu Hijau, Indonesia porphyry systems;
- Study indicates that the El Cobre district likely contains a fertile medium to large sized porphyry system;
- Most prospective area is located in the centre of the project where there has been little previous exploration drilling;
- This area coincides with a deep IP geophysical anomaly which does not crop out, within an area of moderate magnetic response. The deep IP anomaly is the deep core to the broad near surface anomaly which encompasses all the currently known areas of porphyry mineralisation on the project;
- The area also overlaps with a large area of mapped pyrophyllite, an alteration mineral often observed overlying porphyry copper-gold mineralisation;

- Field work underway to prepare for future drilling campaign.



### Background to Mineral Vectoring Study Results

The mineral vectoring study was completed at the CODES Analytical Laboratory of the University of Tasmania and utilized chlorite and epidote samples collected from the El Cobre project earlier this year. The technique employed uses trace element chemistry of epidote and chlorite to detect the likely location of porphyry copper systems in a large altered area. Published studies show the effectiveness of this method around the world such as at the giant El Teniente Chile, Resolution, Arizona and Batu Hijau, Indonesia porphyry systems.

The results of the El Cobre study indicate that the district likely contains a fertile medium to large sized porphyry system. The vectoring was performed using proximator equations from the Batu Hijau, Ujina, Northparkes and El Teniente porphyry deposits. While the vectoring identified some of the known areas of porphyry mineralisation such as Norte, it provided a clear indication that the

most prospective area is located in the centre of the project where there has been little previous exploration drilling.

This area coincides with the location of a deep IP geophysical anomaly within an area of moderate magnetic response. The deep IP anomaly is the deep core to the broad near surface anomaly which encompasses all the known outcropping porphyry targets on the project. The closest hole to this deep core IP anomaly, which did not test the anomaly, intersected intense quartz pyrite sericite (QSP) phyllic alteration which provides further support to this new target representing a possible porphyry centre.

At the same time, fluid inclusion work and geologic observations indicate that the level of exposure on the project is at the top of the porphyry environment, indicating potential for improved grades and deep porphyry mineralisation as yet undiscovered on the project. These observations include the identification of a large area of pyrophyllite alteration through previous geologic mapping. Pyrophyllite is an alteration mineral that is formed in porphyry systems and often overlies porphyry Cu-Au mineralisation.

Field work has already been initiated in this area in order to identify any surface alteration and mineralisation evidence and to prepare for a future drilling campaign to test this large target area.

Past drilling campaigns have returned significant porphyry copper and gold assays from multiple targets around this new undrilled target area. The previously tested and known porphyry mineralisation, including the Norte deposit on which the Company has developed a resource (see Recent Updates section, below), appear to mantle and surround this new target area in a roughly arcuate zone of high magnetic response. High grade intersections from these targets highlight the potential for significant mineral endowment and for higher grade porphyry mineralisation include the following (see Figure 1 for locations):

#### Norte Zone

Hole	From (m)	To (m)	Interval (m)	Au (g/t)	Cu (%)
EC-17-018	222.40	334.50	112.10	1.35	0.48
EC-17-026	543.45	609.90	66.45	2.41	0.61
Including	543.45	569.45	26.00	4.15	1.00
EC-17-029	204.15	314.15	110.00	1.87	0.48
Including	208.15	240.15	32.00	2.57	0.57
and	264.15	300.15	36.00	2.02	0.51

#### Raya Tembrillo (1.8km South of Norte)

Hole	From (m)	To (m)	Interval (m)	Au (g/t)	Cu (%)
EC-17-037	302.00	320.00	18.00	1.25	0.52

#### Primo Zone (1.4km South of Raya Tembrillo)

Hole	From (m)	To (m)	Interval (m)	Au (g/t)	Cu (%)
EC-19-086	868.40	918.00	49.60	0.99	0.61
Including	878.40	914.40	36.00	1.10	0.68

#### Porvenir Zone (2.5 km SE of Norte, 1.0 km west of Primo)

Hole	From (m)	To (m)	Interval (m)	Au (g/t)	Cu (%)
EC-17-040	243.00	255.00	12.00	2.43	0.82
EC-18-056	381.50	408.00	26.50	1.72	0.34

All work at El Cobre is being conducted in strict compliance with health and safety regulations, and with a constant focus on protecting the health and safety of employees and protecting and supporting local communities.

## **COVID-19 UPDATE**

As announced on April 1, 2020, from the early days of the outbreak of the COVID-19 pandemic, the Company has been proactive in working with its employees and consultants to limit the spread of the virus. Azucar's ongoing activities at El Cobre are being conducted in strict compliance with health and safety regulations, and with a constant focus on protecting the health and safety of its employees and protecting and supporting the communities in which it operates. The Company has implemented protocols to enhance its testing capacity, maintain its transparent communication with employees and limit the spread of the virus.

Azucar will continue to maintain high standards and strive to provide a healthy and safe working environment at El Cobre. The Company will continue to monitor the situation closely to respond promptly as needed.

## **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.

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. Much of the scientific and technical contents in this MD&A are derived from the mineral resource estimate (“MRE”) on the Norte Zone. The independent Qualified Persons responsible for preparing the MRE are set out below under the heading, “QAQC and Reporting relating to the MRE and NI 43-101 Technical Report”.

## EI COBRE PROPERTY

### *Property Description, Ownership, and Infrastructure*

The El Cobre Property is located adjacent to the Gulf of Mexico approximately 75 km northwest of the city of Veracruz in the state 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 Property can be accessed easily from Veracruz via the Veracruz-Alamo Highway (HWY 180) and the Tinajitas-Palma Road. A network of secondary and dirt roads provide access to most of the Property.

The Property consists of nine (9) mineral concessions, covering a combined area of 11,864.4 hectares (ha) and Minera Alondra S.A. de C.V. (“Minera Alondra”), a wholly owned subsidiary of Azucar, holds rights to 100 percent (%) ownership of the Property. El Cobre is subject to Net Smelter Returns (“NSR”) royalty interests, assuming production from the Property exceeds 10,001 tonnes per day of ore, totaling 2.25% which can be reduced to 2.0% through the payment of US \$3.0 million.

### *Recent Updates*

During the quarter, Azucar resumed drilling at the El Cobre Property, with the work focused on the Porvenir target area. The Company completed the planned drilling after year end and future drilling on the project will be based on a geologic review currently underway and the receipt of outstanding assay results. In the meantime, a surface field work program is planned to better define several targets prior to drill testing.

On September 29, 2020, the Company announced an initial mineral resource estimate (“MRE”) for the Norte Zone. Azucar filed on SEDAR a NI 43-101 El Cobre Project Technical Report dated November 13, 2020, which contained details of the MRE.

The Norte Zone is one of five copper-gold porphyry zones identified to date within the El Cobre Project and has been the focus of the majority of exploration work conducted at the El Cobre Project since 2016. Highlights of the MRE are as follows:

- **Indicated Mineral Resource of 1.2Moz AuEq (million ounce gold equivalent) using the base case NSR (net smelter return) cutoff of US\$12/tonne**, comprised of 47.2 million tonnes grading at 0.77 g/t AuEq (0.49 g/t Au, 0.21% Cu and 1.4 g/t Ag);
- **Inferred Mineral Resource of 1.4 Moz AuEq using the base case NSR cutoff of US\$12/tonne**, comprised of 64.2 million tonnes grading at 0.66 g/t AuEq (0.42 g/t Au, 0.18%

Cu and 1.3 g/t Ag);

- **Amenable to an open pit mining method;**
- **Potential for resource expansion at depth within the Norte Zone as well as at other significant porphyry bodies identified across 5km strike length at the Project.**

The MRE and NSR cut-off sensitivities are presented in Table 1 with the base case cutoff at \$US12.00 NSR highlighted. The favorable infrastructure at the El Cobre Project suggests that the threshold for economic mineralization will be low relative to many other deposits. Copper and gold mineralization at the Norte Zone is associated with a multiphase variably potassic-phyllitic altered porphyritic diorite intrusive complex that is cut by late mafic and intermediate dykes and post mineral feldspar porphyry. The Norte Zone is approximately 0.6 km x 0.4 km along an E-W strike. Sulphide mineralization, which extends up to 900 metres depth, consists of disseminated and vein-hosted chalcopyrite and trace bornite (Cu mineralization) exposed in surface outcrops and intersected in drill core.

**Table 1. Indicated and Inferred Mineral Resource and Sensitivity Analysis**

Classification	Cutoff	in situ	In situ Grades					In situ Metal Content			
	(NSR \$US)	(ktonnes)	NSR	Au (gpt)	Cu (%)	Ag (gpt)	AuEqv (gpt)	Au (kOz)	Cu (Mlbs)	Ag (kOz)	AuEq (kOz)
Indicated	7.5	52,828	29.17	0.45	0.20	1.3	0.72	772	230	2,189	1,217
	9	51,134	29.86	0.47	0.20	1.3	0.73	766	228	2,150	1,207
	12	47,211	31.47	0.49	0.21	1.4	0.77	748	221	2,049	1,175
	20	42,923	33.26	0.52	0.22	1.4	0.82	723	211	1,924	1,131
	25	34,711	36.99	0.59	0.24	1.5	0.91	660	187	1,630	1,020
	30	19,092	47.07	0.78	0.29	1.6	1.17	482	123	982	718
	40	10,634	56.97	0.98	0.34	1.7	1.42	336	79	569	487
Classification	Cutoff	in situ	In situ Grades					In situ Metal Content			
	(NSR \$US)	(ktonnes)	NSR	Au (gpt)	Cu (%)	Ag (gpt)	AuEqv (gpt)	Au (kOz)	Cu (Mlbs)	Ag (kOz)	AuEq (kOz)
Inferred	7.5	103,105	20.31	0.30	0.14	1.2	0.49	998	324	3,819	1,630
	9	86,821	22.57	0.34	0.16	1.2	0.55	949	298	3,414	1,531
	12	64,191	26.88	0.42	0.18	1.3	0.66	860	254	2,768	1,354
	20	51,617	30.16	0.48	0.20	1.4	0.74	792	224	2,338	1,226
	25	37,381	35.03	0.57	0.22	1.5	0.86	685	182	1,790	1,036
	30	20,314	43.84	0.74	0.26	1.6	1.09	485	116	1,067	709
	40	10,280	52.93	0.93	0.29	1.8	1.32	307	67	582	435

Notes for Mineral Resource Table:

1. The Mineral Resource Estimate was prepared by Sue Bird M.Sc., P.Eng. of Moose Mountain Technical Services, the QP, in accordance with NI 43-101, and with an effective date of August 3, 2020.
2. Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability.
3. The NSR and AuEq values were calculated using US\$1,500/oz gold, US\$3.00/lb copper and US\$18/oz silver, and using metallurgical recoveries of 88% for gold and copper, and 70% for silver. Smelter terms and offsite costs have been applied as follows: gold payable = 94%, copper payable = 96.5%, silver payable = 90%, gold refining costs = US\$5.00/oz, silver refining costs = US\$0.50/oz, copper treatment and offsite (transportation) costs = US\$0.30/lb. NSR royalty = 2.5%. The final equations for NSR and AuEq are:  

$$NSR = Au * (US\$44.04 * 88\%) + Cu * (US\$2.53 * 88\%) + Ag * (US\$0.49 * 70\%);$$

$$AuEq = Au(g/t) + 1.27 * Cu(\%) + 0.009 * Ag(g/t).$$
4. The MRE has been confined by a "reasonable prospects of eventual economic extraction" pit using 45 degree slopes, with the pit size determined at a gold price of US\$1,950/oz, a copper price of US\$4.50/lb and a silver price of US\$28.50/oz. The mining costs used are US\$2.00/tonne. A process cost of US\$12.00/tonne is used as the cutoff of processed material.
5. The specific gravity of the deposit is estimated to be 2.68
6. Numbers may not add due to rounding.

The Norte Zone MRE is classified in accordance with guidelines established by the Canadian Institute of Mining (CIM) “Estimation of Mineral Resources and Mineral Reserves Best Practice Guidelines” dated November 29, 2019 and CIM “Definition Standards for Mineral Resources and Mineral Reserves” dated May 10, 2014.

There are no other known factors or issues known by the QP that materially affect the MRE other than normal risks faced by mining projects.

The El Cobre Project is subject to the same types of risks that large base metal projects experience at an early stage of development in Mexico. The nature of the risks relating to the Project will change as the Project evolves and more information becomes available. The Company has engaged experienced management and specialized consultants to identify, manage and mitigate those risks.

The El Cobre Project is located in a general region where Pre-Columbian archaeological sites are known. To date exploration programs on the project have been conducted in consultation with Mexico’s Federal Agency for Archeology, INAH, which resulted in the identification of several small areas for further study and classification, including one area lying within the MRE pit outline. As is standard practice in Mexico, areas required for development and mining activity would require a clearance from INAH following the implementation of more detailed archaeological investigations and an archaeological salvage program, if necessary. The Company is committed to working with INAH as part of its future exploration and development plans.

#### **Mineral Resource Estimate Details**

The drillhole database used to calculate the MRE is comprised of 45 exploration diamond drillholes completed between 2008 and 2019 totalling 28,448 metres, containing a total of 27,173.12m of drill core analyzed for gold and copper by fire assay and Inductively Coupled Plasma – Atomic Emission Spectroscopy (“ICP-AES”), with four acid digestion. Sample intervals within the mineralized domains ranged from 0.45m to 3.81m in length, with 98% of the intervals having a length of 3.0 metres or less.

The Norte Zone 3D geological model created by Azucar integrates assay and geological data collected from diamond core drilling; surface geologic mapping; soil geochemical; and geophysical surveys. Based on these data, the Norte Zone is modelled as an east-west elongate 600 metre x 400 metre subvertical zone of porphyry copper-gold mineralization extending to a maximum depth of approximately 900 metres vertically below surface. Mineralization is constrained by 3D geological solids representing host diorite intrusive, and peripheral andesite and dacite tuff volcanic rocks.

Length-weighted averaged composites of 3 metre core length, restricted to each rock type, were calculated and used for exploratory data analysis and resource estimation. Assays were capped by zone and domain based on cumulative probability plots to remove outliers. The modelled variograms from each domain were used for resource estimation.

A block model with a regularized cell size of 20 m by 20 m by 10 m was used to estimate grade for each metal using Ordinary Kriging (OK). The percentage of each block below the overburden surface and within each domain is used for interpolation and the resource calculations. A total of 489 density measurements have been collected at site. Based on this data, the specific gravity (sg) within the sulphide material is consistent with a mean value of 2.68. The final grade estimates are validated visually by comparing each block’s metal estimates to the raw downhole assay data and statistically by comparing the modelled grades to the de-clustered composite grades (NN model), by swath plots and by grade-tonnage curves.



## About the El Cobre Project

To date, Azucar has discovered five copper-gold porphyry zones within the El Cobre Project along an approximately 4-5 km trend, stretching from Norte down to Encinal in the southeast (see Figure 1, Exploration Targets). These zones are defined by distinct Cu-Au soil anomalies, discrete, positive magnetic features, a large IP chargeability anomaly, and drilling. A summary of the various zones is provided below.

**NORTE ZONE:** All five holes drilled in the Norte Zone prior to 2016 intersected porphyry-style mineralisation. Hole 08-CBCN-022, one of the deepest holes drilled at Norte in 2008, returned values of 0.14% Cu with 0.19 g/t Au over 259 m and 08-CBCN-19 intersected 41.15 metres averaging 0.42 g/t gold and 0.27% copper to the end of the hole at 187.45 metres. Drilling at the Norte Zone in 2016 and 2017 resulted in intersections including 114.60 metres grading 1.33 g/t Au and 0.48% Cu (Hole EC-17-018, see press release of April 5, 2017), 80.50 metres grading 1.34 g/t Au and 0.46% Cu (Hole EC-16-012, see press release of October 24, 2016), and 70.45 metres grading 2.32 g/t Au and 0.59% Cu (Hole EC-17-026, see press release of July 25, 2017). Continued drilling through 2018 and 2019 has culminated in the MRE.

**VILLA RICA ZONE:** The Villa Rica Zone is located about 1.8 km south of the Norte zone, and comprises a roughly 2.5 kilometre by 1 kilometre area of hydrothermal alteration defined also by a strong north-northwest trending magnetic-chargeability high and associated copper-gold soil geochemical anomalies. Past mapping and sampling defined several areas of exposed porphyry mineralisation within the Villa Rica zone, including the Raya Tembrillo target and the Naranjo target, both at the north end of the Villa Rica zone. Initial drilling in 2017 on the Raya Tembrillo target intersected two styles of mineralisation; hypogene copper-gold porphyry mineralisation (115.00 metres of 0.57 g/t gold and 0.27% copper, see press release of November 28, 2017) and near surface exotic enriched copper mineralisation with an apparent tabular distribution (94.00 metres of 1.36% copper; see press release of December 13, 2017).

The Primo target area, first announced on October 16, 2019, is also considered to be part of the Villa Rica zone, and is located approximately 1km south of Raya Tembrillo. Primo has been the location of some of the highest copper grades intersected at the Project, such as 200 metres of 0.40 g/t gold and 0.24% copper from 718 metres downhole, which included 86.50 metres of 0.70 g/t gold and 0.42% copper from 831.50 metres (see press release of October 16, 2019).

**EL PORVENIR ZONE:** The El Porvenir zone is located about 2 km east of the Villa Rica zone. Significant copper and gold grades have been intersected at El Porvenir, such as 0.16% Cu and 0.39 g/t Au over 290 m in hole DDH04CB1. Results from minimal drilling in 2017 include hole EC-17-040 which intersected 108.00 metres grading 0.88 g/t Au and 0.29% Cu, (see press release of December 5, 2017) and hole EC-17-044 which intersected 40.25 metres grading 0.50 g/t Au and 0.25% Cu (see press release of February 8, 2018).

**SUEGRO ZONE:** Drilling in 2019 identified this new porphyry centre between the El Porvenir and Encinal Zones. The Suegro Zone is located approximately 250 metres south of the Porvenir Zone, within a large area of alteration associated with more subdued magnetics, and low zinc and manganese in soil. The Suegro mineralisation intersected in the drilling to date is associated with an altered (locally intense phyllic alteration overprinting potassic) intrusive. Intercepts to date include 28.20 m of 0.54 g/t Au and 0.17% Cu (hole EC-19-064; see press release of March 19, 2019).

**ENCINAL ZONE:** The Encinal zone is located approximately 1km south of the El Porvenir zone. Previous drilling at Encinal has intersected a highly altered breccia pipe

containing fragments of stockwork veining and porphyry mineralisation across which 18.28 metres returned 1.42 g/t Au and 0.10% Cu (Hole CB5). The breccia pipe occurs in a large alteration zone, IP chargeability high and magnetics low which has not been tested to depth. On June 19, 2017 Azucar announced that a new area of exposed stockwork quartz veining and gold mineralisation had been identified in the Encinal Zone. On June 29, 2017 Azucar announced the results of initial drilling on this exposed stockwork (Hole EC-17-025) which returned results including 34.47 metres grading 0.73 g/t Au and 0.20% Cu.

### **QAQC and Reporting relating to the MRE and NI 43-101 Technical Report**

The NI 43-101 Technical Report relating to the El Cobre property, titled "NI 43-101 Technical Report Mineral Resource Estimate on the El Cobre Copper-Gold-Silver Property Veracruz State, Mexico" is available under the Company's profile on SEDAR ([www.sedar.com](http://www.sedar.com)). The Technical Report was authored by Kris Raffle, P.Geol. of APEX Geoscience Ltd., and Sue Bird, M.Sc., P.Eng. of Moose Mountain Technical Services both of whom act as independent consultants to the Company, and are Qualified Persons (QPs) as defined by National Instrument 43-101 ("NI 43-101").

The analyses which underpin the MRE were carried out at ALS Chemex Laboratories at Guadalajara, Zacatecas, Mexico; and North Vancouver, Canada using industry standard analytical techniques. For gold, samples were first analysed by fire assay and atomic absorption spectroscopy ("AAS"). Samples that returned values greater than 10 g/t gold using this technique were then re-analysed by fire assay but with a gravimetric finish. For copper, samples were first analysed by Inductively Coupled Plasma – Atomic Emission Spectroscopy ("ICP-AES"), with four acid digestion. Samples that returned values greater than 10000 g/t copper using this technique were then re-analysed by HF-HNO<sub>3</sub>-HClO<sub>4</sub> digestion with HCL leach and ICP-AES finish. Blanks, field duplicates and certified standards were inserted into the sample stream as part of Azucar's quality assurance and control program. The QPs detected no significant QA/QC issues during review of the data. Azucar is not aware of any drilling, sampling, recovery or other factors that could materially affect the accuracy or reliability of the data referred to herein.

### **Other**

During the nine months ended September 30, 2021, the Company incurred a total of \$1,098,400 (September 30, 2020 - \$1,565,106) in 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.
- Impact of COVID-19 Pandemic

### **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, 2021, 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 stated in Canadian dollars in accordance with IFRS:

	Q3 Sep 2021 Quarter	Q2 June 2021 Quarter	Q1 Mar 2021 Quarter	Q4 Dec 2020 Quarter
	\$	\$	\$	\$
Revenue	Nil	Nil	Nil	Nil
Other income (loss)	7,987	2,500	9,010	(746)
Net loss	(203,261)	(423,431)	(232,206)	(392,729)
Loss per share – basic	(0.00)	(0.01)	(0.00)	(0.01)
Loss per share – diluted	(0.00)	(0.01)	(0.00)	(0.01)
Total assets	24,780,474	24,923,745	25,629,894	25,817,477
Cash dividends declared	-	-	-	-

	Q3 Sep 2020 Quarter	Q2 June 2020 Quarter	Q1 Mar 2020 Quarter	Q4 Dec 2019 Quarter
	\$	\$	\$	\$
Revenue	Nil	Nil	Nil	Nil
Other income (loss)	2,765	11,140	(1,663)	51,363
Net loss	(306,589)	(344,853)	(307,172)	(193,837)
Loss per share – basic	(0.00)	(0.01)	(0.00)	(0.01)
Loss per share – diluted	(0.00)	(0.01)	(0.00)	(0.01)
Total assets	25,877,206	26,157,429	26,562,208	26,727,975
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 in the normal course of operations and 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 September 30, 2021 compared to the three months ended September 30, 2020

For the three months ended September 30, 2021, the Company recorded a net loss of \$203,261 (2020 – \$306,589) or a basic and diluted net loss of \$0.00 per share (2020 – \$0.00). The decrease in net loss of \$103,328 was primarily a result of a decrease in operating expenses of \$98,106 offset by an increase in other income of \$5,222 during the three months ended September 30, 2021.

Because the Company is an exploration company, it has no revenues from mining operations. Other income of \$7,987 (2020 - \$2,765) during the three months ended September 30, 2021 consisted of interest income of \$1,536 (2020 - \$6,258) from a decrease in interest rate yield and reduced cash balances; and an increase of \$6,451 in foreign exchange gain (2020 – loss of \$3,493) due to the strength in Canadian dollar during the 2021 Q3.

The Company incurred operation expenses of \$211,248 during the three months ended September 30, 2021 (2020 - \$309,354) relating to general and administrative expenses. A decrease in expenses of \$98,106 were mainly related to a decrease in administrative services fee of \$91,938 paid in 2021 Q3 compared to \$217,222 during the 2021 3<sup>rd</sup> quarter offset by an increase of share-based payments to \$55,690 (2020 - \$Nil) from granting of stock options. The decreased of \$125,284 in administrative service fees was due to the reduced oversight of the drilling activities at El Cobre during 2021 Q3. The administrative services fee was paid to Almaden 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, 2021 included share-based payments of \$55,690 (2020 - \$Nil). 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, 2021 compared to the nine months ended September 30, 2020

For the nine months ended September 30, 2021, the Company recorded a net loss of \$858,898 (2020 – \$958,614) or a basic and diluted net loss of \$0.01 per share (2020 – \$0.01). The decrease in net loss of \$99,716 was primarily a result of a decrease in operating expenses of \$92,461 and

offset by an increase in other income of \$7,255 during the nine months ended September 30, 2021.

Because the Company is an exploration company, it has no revenues from mining operations. Other income of \$19,497 (2020 - \$12,242) during the nine months ended September 30, 2021 consisted of interest income of \$7,080 (2020 - \$42,634) from a decrease in interest rate yield and reduced cash balances; and \$12,417 of foreign exchange gain (2020 – loss of \$30,392) due to the strength in the Canadian dollar during the nine months ended in 2021 compared to the same time in 2020.

The Company incurred operation expenses of \$878,395 during the nine months ended September 30, 2021 (2020 - \$970,856) relating to general and administrative expenses. A decrease in expenses of \$92,461 were mainly related to a decrease in administrative services fee of \$372,536 compared to \$706,903 during same time last year offset by an increase of shared-based payments to \$275,550 (2020 - \$21,250). The decreased of \$334,367 in administrative service fees was due to the reduced oversight of the drilling activities at El Cobre. The administrative services fee was paid to Almaden 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, 2021 included share-based payments of \$275,550 (2020 - \$21,250). 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, 2021, the Company had working capital of \$2,272,901, including cash and cash equivalents of \$2,379,617.

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 September 30, 2021

Net cash used in operations during the three months ended September 30, 2021 was \$164,993 (2020 - \$292,430), 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 \$225,084 (2020 - \$234,530) during the three months ended September 30, 2021 relates to expenditures on exploration and evaluation assets of \$225,084 (2020 - \$234,530) on the El Cobre Project.

Net cash from financing activities during the three months ended September 30, 2021 was \$Nil (2020 - \$Nil).

#### Nine months ended September 30, 2021

Net cash used in operations during the nine months ended September 30, 2021 was \$562,222 (2020 - \$877,456), 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 \$1,483,100 (2020 - \$1,454,577) during the nine months ended September 30, 2021 relates to expenditures on exploration and evaluation assets of \$1,483,100 (2020 - \$1,454,577) on the El Cobre Project.

Net cash from financing activities during the nine months ended September 30, 2021 was \$Nil (2020 - \$Nil).

### 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, 2019	73,829,025	\$24,043,321
December 31, 2020	73,829,025	\$24,043,321
November 23, 2021	73,829,025	\$24,043,321

### Share issuances during fiscal 2021

The Company has no share issuances as at September 30, 2021.

The table in Note 7(c) to the consolidated financial statements summarizes information about warrants outstanding at December 31, 2020.

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 7(d) to the consolidated financial statements for the year ended December 31, 2020, which are available on SEDAR at [www.sedar.com](http://www.sedar.com).

The following table summarizes information about stock options outstanding at November 23, 2021:

Expiry date	Exercise price	December 31, 2020	Granted	Exercised	Expired/ Cancelled	November 23, 2021
April 28, 2021	\$ 0.60	3,584,200	-	-	(3,584,200)	-
June 4, 2021	\$ 0.29	493,000	-	-	(493,000)	-
July 7, 2021	\$ 0.34	967,800	-	-	(967,800)	-
February 28, 2022	\$ 0.36	515,000	-	-	(115,000)	400,000
May 9, 2022	\$ 0.11	425,000	-	-	-	425,000
December 17, 2022	\$ 0.16	465,000	-	-	(85,000)	380,000
May 11, 2023	\$ 0.12	-	3,984,200	-	(440,000)	3,544,200
June 14, 2023	\$ 0.13	-	413,000	-	(30,000)	383,000
July 8, 2023	\$ 0.11	-	793,800	-	-	793,800
February 28, 2024	\$ 0.09	-	400,000	-	-	400,000
Options outstanding and exercisable		<b>6,450,000</b>	<b>5,591,000</b>	<b>-</b>	<b>(5,715,000)</b>	<b>6,326,000</b>
Weighted average exercise price		\$ 0.45	\$ 0.12	-	\$ 0.48	\$ 0.13

As of date of this MD&A, there were 73,829,025 common shares issued and outstanding and 80,155,025 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 September 30, 2021</b>	<b>Fees <sup>(1)</sup></b>	<b>Share-based Payments</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Chairman	14,000	6,600	20,600
President & CEO	20,125	15,000	35,125
CFO	14,208	-	14,208
Executive VP	13,884	-	13,884
Directors	-	20,000	20,000
	<b>62,217</b>	<b>41,600</b>	<b>103,817</b>

<b>Nine months ended September 30, 2021</b>	<b>Fees <sup>(1)</sup></b>	<b>Share-based Payments</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Chairman	59,000	38,750	97,750
President & CEO	84,813	64,500	149,313
CFO	58,271	28,500	86,771
Executive VP	55,508	25,500	81,008
Directors	-	40,000	40,000
	<b>257,592</b>	<b>197,250</b>	<b>454,842</b>

<b>Three months ended September 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	-	50,250
CFO	33,750	-	33,750
VP Corporate Development	31,800	-	31,800
Directors	-	-	-
	<b>151,800</b>	<b>-</b>	<b>151,800</b>

<b>Nine months ended September 30, 2020</b>	<b>Fees<sup>(1)</sup></b>	<b>Share-based Payments</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Chairman	108,000	-	108,000
President & CEO	150,750	15,000	165,750
CFO	101,250	-	101,250
VP Corporate Development	95,400	-	95,400
Directors	-	-	-
	<b>455,400</b>	<b>15,000</b>	<b>470,400</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.

Almaden and the Company are considered related parties through common officers.

At September 30, 2021, included in trade and other payable is \$55,486 (December 31, 2020 - \$81,623) due to Almaden.

**Other**

At September 30, 2021, the Company accrued \$77,594 (December 31, 2020 - \$460,463) payable to Almadex for drilling services in Mexico included in exploration and evaluation assets.

Almadex and the Company are considered related parties through common officers.

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 September 30, 2021, 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	284,094	147,203
<b>Total assets</b>	<b>284,094</b>	<b>147,203</b>
Trade and other payables	10,791	78,278
<b>Total liabilities</b>	<b>10,791</b>	<b>78,278</b>
<b>Net assets</b>	<b>273,303</b>	<b>68,925</b>

A 10% change in the US dollar exchange rate relative to the Canadian dollar would change the Company's profit or loss by \$30,000.

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

**(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, 2021, 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 does not have any significant impact on the Company's net loss.

**(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. 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.

**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.*  
*Grant Hendrickson, P.Geo.*  
*Fuad Sillem, BA*

### **Audit Committee members:**

*Grant Hendrickson, P.Geo.*  
*Fuad Sillem, BA*  
*Douglas McDonald, M.A.Sc, B.Com.*

### **Compensation Committee members:**

*Grant Hendrickson, P.Geo.*  
*Fuad Sillem, BA*  
*Duane Poliquin, P.Eng*

### **Nominating & Corporate Governance Committee members:**

*Grant Hendrickson, P.Geo.*  
*Fuad Sillem, BA*  
*Morgan Poliquin, P.Eng, Ph.D.*

### **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. – Executive Vice President*