



AZTEC MINERALS CORP.

Third Quarter Report

Management Discussion and Analysis

(expressed in Canadian dollars)

Three and Nine Months ended September 30, 2019

AZTEC MINERALS CORP.
(the “Company”)

Third Quarter Report

Management’s Discussion and Analysis
For the Three and Nine Months ended September 30, 2019
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CAUTION – FORWARD LOOKING STATEMENTS

Certain statements contained herein regarding the Company and its operations constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995. All statements that are not historical facts, including without limitation statements regarding future estimates, plans, objectives, assumptions or expectations of future performance, are “forward-looking statements”. We caution you that such “forward looking statements” involve known and unknown risks and uncertainties that could cause actual results and future events to differ materially from those anticipated in such statements. Such risks and uncertainties include fluctuations in precious metal prices, unpredictable results of exploration activities, uncertainties inherent in the estimation of mineral reserves and resources, if any, fluctuations in the costs of goods and services, problems associated with exploration and mining operations, changes in legal, social or political conditions in the jurisdictions where the Company operates, lack of appropriate funding and other risk factors, as discussed in the Company’s filings with Canadian and American Securities regulatory agencies. The Company expressly disclaims any obligation to update any forward-looking statements, other than as may be specifically required by applicable securities laws and regulations.

1.0 Preliminary Information

The following Management’s Discussion and Analysis (“MD&A”) of Aztec Minerals Corp. (the “Company”) should be read in conjunction with the accompanying unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2019 and audited consolidated statements of financial position as at December 31, 2018 and 2017 and the consolidated statements of comprehensive loss, changes in shareholders’ equity and cash flows for the years ended December 31, 2018 and 2017, and a summary of significant accounting policies and other explanatory information, all of which are available at the SEDAR website at www.sedar.com.

Financial information in this MD&A is prepared in accordance with International Accounting Standards 34 *Interim Financial Reporting* based upon the principles of International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), and all dollar amounts are expressed in Canadian dollars unless otherwise indicated.

All information contained in the MD&A is as of November 25, 2019 unless otherwise indicated.

Joseph Wilkins, BSc (Geology), PG, President and Chief Executive Officer of the Company, is the Qualified Person who reviewed and approved any technical information in this MD&A.

1.1 Background

The Company was incorporated on July 6, 2007 under the laws of British Columbia, Canada, pursuant to the *Business Corporations Act* (British Columbia) and had been dormant until 2016. The Company is engaged primarily in the business of evaluating, acquiring and exploring natural resource properties.

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The Company acquires properties by staking initial claims, negotiating for permits from government authorities, negotiating with holders of claims or permits, entering into property option agreements to acquire interests in claims, or purchasing companies with claims or permits. On these properties, the Company explores for minerals on its own or in joint ventures with others. Exploration for metals usually includes surface sampling, airborne and/or ground geophysical surveys and drilling. The Company is not limited to any particular metal or region, but the corporate focus is on precious and base metals in North America.

As the Company is focused on its mineral exploration activities, there is no mineral production, sales or inventory in the conventional sense. The recoverability of amounts capitalized for mineral property interests is dependent upon the existence of reserves in its mineral property interests; the ability of the Company to arrange appropriate financing and receive necessary permitting for the exploration and development of its property interests; confirmation of the Company's interest in certain properties; and upon future profitable production or proceeds from the disposition thereof. Such exploration and development activities normally take years to complete and the amount of resulting income, if any, is difficult to determine with any certainty at this time. Many of the key factors are outside of the Company's control. As the carrying value and amortization of mineral property interests and capital assets are, in part, related to the Company's mineral reserves and resources, if any, the estimation of such reserves and resources is significant to the Company's financial position and results of operations.

1.2 Overall Performance

Option Amendment and Assignment Agreement with Aztec Metals Corp.

On September 30, 2016, the Company entered into the Option Amendment and Assignment Agreement for the Cervantes Property ("Option Assignment Agreement") for the Cervantes property with Aztec Metals Corp., which share common directors with the Company, ("AzMet") and Kootenay Silver Inc. ("Kootenay"), whereby AzMet assigned to the Company all of its rights and interests in the Property Option Agreement dated July 25, 2015 between AzMet and Kootenay (the "Cervantes Option Agreement"). All obligations of AzMet under the Cervantes Option Agreement were transferred to the Company. Pursuant to the Option Assignment Agreement, the Company issued 200,000 of its common shares to Kootenay at a value of \$0.02495 per share at that time. The Company can earn up to a 100% interest in two stages.

The Company can earn a 65% interest in the Cervantes Property by:

- the issuance of 800,000 common shares,
- cash payments totalling US\$120,000, and
- exploration expenditures of US\$1.2 million over the next 3 years.

Upon earning a 65% interest, the Company can earn an additional 35% interest for a total of 100% interest in the Cervantes Property by:

- completing a preliminary economic assessment by July 25, 2020,
- paying an amount equal to the estimated recoverable equivalent gold ounces of contained metal in resources multiplied by US\$5 per equivalent gold ounce which amount shall be payable in combination of cash and/or shares, and
- granting a 2.5% net smelter return ("NSR") to Kootenay which can be reduced to 2% NSR for a cash payment of US\$500,000.

If the Company elected not to earn the additional 35% interest in the Cervantes Property, or failed to fulfill the requirements to earn such 35% interest, then a joint venture will be formed between the Company and Kootenay with the Company acting as the operator.

On March 1, 2019, the Company amended the Option Assignment Agreement. Subject to the Company paying to Kootenay US\$250,000 and issuing 700,000 of its common shares (the "Acquisition Payment") on or before the earlier of: (1) five

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business days following the execution of an option and joint venture agreement in connection with the property by the Company and another mining company; and (2) July 25, 2019, the Option Assignment Agreement was amended as follows:

- the Company will be deemed to have earned its 65% interest;
- extension of the completion date of July 25, 2020 to January 25, 2022 for the preliminary economic assessment;
- reduction of the 2.5% NSR to 2% NSR to Kootenay; and
- increase the NSR and cash purchase price from 0.5% NSR for US\$500,000 to 1% NSR for US\$2.5 million, respectively, which the Company can purchase from Kootenay to reduce the NSR to 1% NSR to Kootenay, at any time after the Company earns a 100% interest in the Cervantes property.

The Company did not make the Acquisition Payment, in which the option agreement was not amended and the original option agreement continued to be in full force and effect.

In July 2019, the Company earned its 65% interest in the Cervantes property whereby the Company issued 500,000 common shares to Kootenay; paid US\$50,000 in cash; and incurred exploration expenditures totalling US\$1.2 million. The Company is proceeding with a joint venture agreement with Kootenay.

In March 2018, the Company participated in a Mexican government land lottery and was awarded two new mineral concessions covering approximately 3,149 hectares adjacent to the Cervantes property which would expand the Cervantes' land position to 3,649 hectares. The new mineral concessions cover six historic mineral prospects and/or gossan zones that represent high priority porphyry-type targets elsewhere in the Cervantes district. The Jacobo and Purisima prospects are situated southwest of the California zone at Cervantes along part of a 7.5 kilometer (km) long, northeast-trending structural corridor; the El Tigre gossan zone lies south of California and Brasil zones along a north-south trending lineament; and the PS, RA and La Verde prospects straddle the California prospect along a northwest trending linear.

By mid April 2018, eleven drill holes have been completed for a total of 1,769 m. Drill results intersected long intervals of porphyry gold (copper, silver) mineralization including shorter intervals of higher grade gold mineralization in the initial results of its Phase 1. Highlights for the initial drilling results include:

- 139.0 m from surface grading 0.71 grams per tonne (gpt) Au, including 2.10 gpt Au over 20.0 m and 2.0 m of 5.52 gpt Au in hole 17CER005 at the California zone;
- 117.0 m from near surface grading 0.63 gpt Au, including 1.18 gpt Au over 43.0 m and 2.0m of 4.05 gpt Au, in hole 17CER003 at the California zone;
- 122.0 m from surface grading 0.60 grams per tonne (gpt) Au, including 0.88 gpt Au over 62.0 m in hole 18CER007 at the California zone, sample range 0.09 to 2.80 gpt Au, all 2.0 m samples;
- 170.0 m from surface grading 0.42 gpt Au, including 0.87 gpt Au over 32.0 m in hole 18CER006 at the California zone, sample range of <0.005 to 2.81 gpt Au, all 2.0 m samples;
- 160.0m of 0.77 gpt Au, 0.125% Cu, and 3.78 gpt Ag from surface in hole 18CER010 including 80.0m of 1.04 gpt Au, 0.113% Cu, and 4.0 gpt Au starting at 4.0m in addition to 78.0m (42.0-118.0m) with 0.78 gpt Au, 0.20% Cu, and 3.8 gpt Ag; and
- 63.5.0m of 0.36 gpt Au, 0.09% Cu, and 2.1 gpt Ag in drill hole 18CER011 including 19.0m of 0.47 gpt Au and 3.7 gpt Ag.

By mid-June of 2018, the final six drill holes intersected long intervals of porphyry-type gold (copper, silver) mineralization and extended the strike length to more than 800 meters at the California prospect; this completed the Phase 1 drill program. Highlights for the final drill holes include:

- A total of 98.5 meters from surface containing 0.41 gpt Au, 0.13% Cu, and 2.2 gpt Ag in drill hole 18CER014, which includes 33.0 meters of 0.60 gpt Au, 0.02% Cu, and 2.2 gpt Ag starting at 16.0 meters;
- An interval of 76.2 meters starting at 16.8 meters with 0.25 gpt Au, 0.15% Cu, and 2.4 gpt Ag, including 22.0 meters of 0.37 gpt Au, 0.38% Cu, and 3.2 gpt Ag starting at 41.0 meters in drill hole 18CER013;

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- Drill hole 18CER015 contains 85.2 meters of 0.48 gpt Au, 0.07% Cu, and 2.0 gpt Ag starting at 1.8 meters. The hole also contains 30.2 meters of 0.66 gpt Au, 0.02% Cu, and 3.0 gpt Ag starting at 1.8 meters; and
- The final hole, 18CER017, was drilled at the same collar as hole 17CER003, but drilled at the opposite direction with a 055 azimuth and minus 65 degree dip to a total depth of 217.0 meters. The hole encountered 116.0 meters of gold mineralization starting at 4.0 meters, detecting 0.35 gpt Au, 0.06% Cu, and 1.6 gpt Ag. A 60.0 meter interval of 0.50 gpt Au, 0.06% Cu, and 2.0 gpt Ag was encountered at 20.0 meters. The bulk of the hole was oxidized and a broad mix of breccias and QFP intrusive rocks.

The program was completed with the drilling of 2,675 meters in 17 core holes, although 3 holes were abandoned early and have relatively insignificant results.

Following the drilling campaign, the Company embarked on a chip-channel sampling program on the drill roads where new exposures produced long continuous intervals of rock exposure. Over the course of 10 days, 359 rock chip-channel samples, including blanks and standards, were collected along several road cuts and the results of which reveal long continuous intervals of consistent gold mineralization. Results include 222.0 meters of 0.47 gpt Au on line B, 84.0 meters of 0.40 gpt Au on line C, and 81.0 meters of 0.52 gpt Au on line E. All samples were collected over 3.0 meter intervals and as continuous as possible using hammer and chisel once the outcrops were cleaned with pick and shovel.

Soil sampling to the northern boundary of the claim block was conducted on 100 meter intervals. Sampling reveals additional low grade gold anomalies to the far northeast and west and are open for expansion. A high of 0.33 gpt Au was detected in addition to encountering large copper anomalies and locally strong molybdenum anomalies.

New targets to the southwest were sampled with dense to widely spaced soil grids. The La Purisima East target was sampled at 25 x 25 meter density to 100 meter spaced samples. Samples collected within a large open cut mine detected high grade gold with values up to 44.3 gpt Au and three other samples over 10.0 gpt Au. A large and lower grade area of gold mineralization is found covering 700m by 700m within brecciated sediments and intrusive breccia rocks.

The nearby Purisima West also detected several gold in soil anomalies, some open ended with a high of 0.61 gpt Au. Further southwest is another target called Jacobo where ridge and spur type 100 m spaced soil sampling detected an abundance of low grade gold anomalies with a high of 0.66 gpt Au. This area of anomalism is open in all directions for additional sampling.

In the fourth quarter of 2018, the Company completed cyanide leach analysis of 5 drill holes from the California porphyry gold-copper prospect. Gold recoveries by cyanide leach analysis include 87% gold and 45% silver recovery over 98.0 meters in hole 18CER007, 84% gold and 54% silver over 106.0 meters in 18CER006, and 84% gold and 49% silver over 93.5 meters in hole 17CER003. Silver recoveries around 50% are considered normal for most oxide gold deposits, as silver has slower leach kinetics compared to gold. Cyanide leach results were obtained from sulphide mineralization, such as 52% gold recovery in hole 18CER015 over 16.0 meters at 71.0-87.0 meters and 73% gold recovery in hole 18CER010 over 40.0 meters at 96.0 to 136.0 meters. Lower cyanide leach gold recoveries were recorded in material where copper sulphide enrichment is abundant, but this type of mineralization represents only around 20% of the overall California zone. Additionally, a helicopter-based airborne magnetic, radiometric, and VLF survey was completed at Cervantes covering the entire 3,649 hectare claim block with 100 meter spaced lines. The preliminary data show an extensive magnetic high under the California target extending and broadening towards the north.

During early December 2018, an airborne magnetic and radiometric survey was completed. The survey covered nearly 430-line kilometers over the property with a line spacing of 100.0 meters and the craft flew at an altitude of roughly 40.0 meters above terrain. The data show multiple and profound magnetic anomalies along a northeast-southwest corridor that correspond to the known targets. New targets were also illuminated.

In early 2019, the Company completed bottle roll gold recoveries from metallurgical test-work on the California porphyry gold-copper drill core from the Cervantes property. Drill core samples were grouped into 4 separate types of mineralization

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(domains), Oxide 1, Oxide 2, Mixed Oxide/Sulfide and Sulfide. Highlights of the bottle roll gold recovery results are as follows:

- 85.1% recovery on 2.0mm material and 94.3% on 75 micron material in sample Oxide 1,
- 87.7% recovery on 2.0mm material and 94.2% on 75 micron material in sample Oxide 2,
- 77.9% recovery on 2.0mm material and 89.0% on 75 micron material in sample Mixed Oxide/Sulphide, and
- 51.2% recovery on 2.0mm material and 78.7% on 75 micron material in sample Sulphide.

In the first quarter of 2019, the interpretation of the recently completed airborne magnetic and radiometric survey data has identified multiple high-quality undrilled porphyry gold-copper targets on the Cervantes property. Eleven target zones were confirmed by the airborne geophysical surveys, as can be seen on the magnetic and radiometric maps of which the four main targets are California, Estrella, California North and Purisima East. The new data has confirmed multiple surrounding targets, new and old, that have excellent magnetic to radiometric anomalies and interpretation suggest several are drill targets, to be confirmed once further work such as detailed mapping, rock and soil sampling, and possible IP geophysics.

In the second quarter of 2019, a Phase 2 3-Dimensional geophysical survey has identified multiple high priority chargeability and resistivity anomalies on trend with the California prospect on the Estrella, Purisima East, and Purisima West targets. The new IP geophysical anomalies are coincident with airborne magnetic and radiometric targets and substantiate Cervantes as a district scale set of mid- to high-level untested porphyry related targets with abundant gold, copper, and molybdenum anomalies.

Further details of the drilling program for the Cervantes project are provided in the Company's news releases:

- News Release dated February 1, 2018 and titled, "*Aztec Minerals Intersects 0.71 gpt Gold over 139 m including 2.1 gpt over 20 m in Initial Drill Results from Cervantes Porphyry Gold Property, Sonora, Mexico*";
- News Release dated February 27, 2018 and titled, "*Aztec Minerals Intersects 0.60 gpt Gold over 122m including 0.88 gpt over 62m in Second Set of Drill Results from Cervantes Property, Sonora, Mexico*";
- News Release dated April 24, 2018 and titled, "*Aztec Minerals Intersects 0.77 grams per tonne Gold over 160.0 meters including 1.04 gpt Gold over 80.0 m at Cervantes Property, Sonora, Mexico*";
- News Release dated June 26, 2018 and titled, "*Aztec Minerals Successfully Concludes Phase 1 Drill Program at Cervantes Property in Sonora, Mexico*";
- News Release dated August 22, 2018 and titled, "*Aztec Minerals Reports 0.47 grams per tonne Gold over 222.0 metres from Rock Sampling along Drill Roads at the California Prospect, Cervantes Property, Sonora, Mexico*";
- News Release dated December 18, 2018 and titled, "*Aztec Minerals Reports High Gold Recoveries By Cyanide Leach Analysis Of Drill Cores From the California Gold Prospect, Cervantes Property, Sonora, Mexico and 430 km Airborne Geophysical Survey Recently Completed Over Entire 3,649 Hectare Cervantes Property*";
- News Release dated March 12, 2019 and titled, "*Aztec Minerals Reports Positive Metallurgical Results from Cervantes Drill Core*"; and
- News Release dated April 16, 2019 and titled, "*Aztec Minerals Interprets Multiple Porphyry Gold-Copper Targets at Cervantes Property in Mexico from Airborne Magnetic and Radiometric Survey Data*".

Joey Wilkins, B.Sc., P.Ge., the CEO of the Company, is the Qualified Person who supervised the field work and the drilling program.

Purchase Option Agreement with Baroyeca Gold & Silver Inc.

On November 30, 2017, as amended on February 28, 2018, the Company entered into a Purchase Option Agreement for the Tombstone property (the "Tombstone Option Agreement") with Baroyeca Gold & Silver Inc. and its two wholly owned U.S. subsidiaries (collectively, "Baroyeca"). The Company can earn a 75% interest by making cash payments of \$100,000, incurring exploration expenditures of \$1 million and issuing 1 million common shares over a three year period starting from March 2018.

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The Tombstone Option Agreement was subject to certain conditions precedent including the approval of the TSX Venture Exchange which approval was received on March 23, 2018.

The Tombstone property includes the historic Contention Mine and surrounding patented claims totalling 404 acres (163.5 hectares) with an additional 24 acres (9.7 hectares) of unpatented claims. The Tombstone Mining District, located 65 miles southeast of Tucson, Arizona, and accessed by State Highway 80, is well known for its high grade, oxidized, carbonate replacement deposits of silver-gold-lead mineralization hosted in veins, mantos, pipes and disseminated orebodies.

In August 2018, the Company implemented its exploration program for the Tombstone property, which includes structural and geological mapping, soil and rock sampling, trenching, and airborne geophysical surveying to prioritize targets for drilling. In September 2018, the Company acquired historic drill and trenching data from the late 1980s to early 1990s. Highlights of the exploration program are as follows:

- High grade silver-gold-lead-zinc-copper mineralization was confirmed in and around the main Contention pit by rock sampling of surface outcrops and prospects, a total of 139 samples, and a second parallel mineralized zone was identified northwest of the Water Tank (Tank is west of the Contention Pit);
- Twelve trenches were cut adjacent to and within the Contention pit using an excavator and sampled over a cumulative length of 758 meters, a total of 340 samples, several spot high grade samples were found but no large, low grade, open pitable mineralization was encountered;
- A detailed airborne magnetic survey was conducted over the property using a drone operated magnetometer, confirming the main Contention mineralization is associated with a magnetic multi-phase dike which towards the south is offset by a northwest trending mineralized fault, other possible northwest trending faults were identified in the northeast part of the property, and a second parallel magnetic high (dike?) was detected southeast of the Contention pit; and
- Structural and geologic mapping were conducted over portions of the property, revealing promising structural environments for CRD mineralization at depth and a strong association between altered dykes and mineralization.

Three additional unpatented lode claims were added to open ground directly adjacent the patented claim block to the southeast, in October, 2018. The new claims were placed in a gap between patented and unpatented claims on open ground.

In early 2019, the Company confirmed the identification of five prospective, buried CRD target areas on the Tombstone property by 3-dimensional modelling of the airborne magnetic survey data. The modelling work was useful in identifying subsurface massive sulphide CRD (Carbonate Replacement Deposits) targets or other styles of sulfide mineralization. The Company previously identified three target areas based on its recent geological mapping and sampling and analysis of historic exploration and mining data. The new 3-dimensional magnetic modelling confirmed and better defined the potential of the three target areas and identified two more. AMT (audio-frequency magneto-tellurics) geophysical survey is being planned over the property to map resistivity and conductivity contrasts in the subsurface sedimentary rocks.

Further details of the exploration program for the Tombstone project are provided in the Company's news releases:

- News Release dated August 27, 2018 and titled, "*Aztec Minerals Reports Phase 1 Exploration Program Now Underway at Tombstone Project, Arizona*";
- News Release dated September 18, 2018 and titled, "*Aztec Minerals Acquires Late 1980's-Early 1990's Drilling and Trenching Data for the Tombstone Project, Arizona*";
- News Release dated November 27, 2018 and titled, "*Aztec Minerals Reports Results of Phase 1 Exploration Program, Tombstone Project, Arizona*"; and
- News Release dated March 27, 2019 and titled, "*Aztec Minerals Confirms Five CRD Target Areas on the Tombstone Property, Arizona by 3-D Modelling of Recent Airborne Magnetic Survey Data*".

Other Matters

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In February 2019, the Company created an advisory committee comprised of Messrs. Marc Prefontaine and David Jones. Mr. Andrew Bowering was appointed to the committee in July 2019.

In February 2019, the Company granted stock options for 200,000 common shares to consultants with an exercise price of \$0.25 and expiry date of February 19, 2022. The stock options are subject to vesting provisions in which 25% will vest on August 19, 2019 and 25% vest every 6 months thereafter.

On July 2, 2019, the Company closed a private placement for 3,900,000 units at \$0.12 per unit for total proceeds of \$468,000. Each unit was comprised of one common share and one full common share purchase warrant. Each warrant is exercisable to acquire one common share at an exercise price of \$0.20 and has an expiry date of July 2, 2021.

On July 3, 2019, the Company granted stock options for 1,000,000 common shares to directors, officers, employees and a consultant with an exercise price of \$0.12 and expiry date of July 3, 2024. The stock options are subject to vesting provisions in which 20% vest on grant date and 20% vest every 6 months thereafter.

On September 23, 2019, the Company extended the term of the expiry period of 2,551,250 warrants with exercise price of \$0.25 by one year from October 21, 2019 to October 21, 2020.

1.3 Selected Annual Information

The consolidated financial statements have been prepared in accordance with IFRS as issued by the IASB.

	Years Ended December 31,		
	2018	2017	2016
Total revenues	\$ -	\$ -	\$ -
Loss before discontinued operations and extraordinary items:			
(i) Total	\$ (1,019,383)	\$ (1,467,940)	\$ (317,139)
(ii) Basic per share	\$ (0.04)	\$ (0.06)	\$ (0.08)
(iii) Diluted per share	\$ (0.04)	\$ (0.06)	\$ (0.08)
Net loss:			
(i) Total	\$ (1,019,383)	\$ (1,467,940)	\$ (317,139)
(ii) Basic per share	\$ (0.04)	\$ (0.06)	\$ (0.08)
(iii) Diluted per share	\$ (0.04)	\$ (0.06)	\$ (0.08)
Total assets	\$ 3,018,409	\$ 3,765,798	\$ 1,037,507
Total long-term liabilities	\$ -	\$ -	\$ -
Dividends per share	\$ -	\$ -	\$ -

1.4 Results of Operations

Third Quarter of Fiscal 2019 – Nine months ended September 30, 2019 compared with September 30, 2018

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The Company incurred a net loss of \$407,700 for the nine months ended September 30, 2019, which is significantly lower than the net loss of \$781,000 for the same comparative period in fiscal 2018, with the former having commensurately lower operating expenses. Net loss was impacted by different functional expense items.

The Company has no sources of operating revenues. Operating losses were incurred for activities of the Company to acquire, explore or maintain its mineral property interest in the Cervantes and Tombstone properties and pursuing mineral projects of merit which efforts culminated in the purchase option agreement for the Tombstone property in late 2017 and closed in March 2018.

The Company continues with its engagement of an external Mexican accounting firm to assist in financial reporting and tax compliance and representation in Mexico and to provide accounting support in which such fees were incurred, given the Cervantes project in located in Mexico and held by its wholly owned Mexican subsidiary. Additional fees were incurred in resolving the collection of the refundability of VAT/IVA with the Mexican tax authorities and repeated tax filings to address ongoing comments and requests related to VAT/IVA filings in 2018. Given the reduced level of expenditures and exploration activities in Mexico as the Company earned its 65% interest in the Cervantes property, accounting fees were reduced in second quarter of 2019 which continued into the third quarter.

Amortization is attributable to the purchase of office furniture and equipment for its shared office facilities. Additional office furniture and equipment were acquired in 2018 which contributed to higher amortization in 2019.

Employee remuneration directly related to mineral exploration projects and corporate development were allocated to those specific activities rather than to operations. The departure of a senior employee in the second quarter of 2018 was replaced by a junior employee which reduced salaries and allowed cost savings as the Company continues to deplete its cash funds for its exploration activities. This savings was offset by lower technical employee allocations to exploration projects which activities subsided in the first quarter of 2019 as its 2018 planned exploration projects ended, but allocations to exploration projects increased in the second quarter of 2019. The Company renegotiated the remuneration payable to a technical senior officer which was reduced by 50% effective May 1, 2019, given the reduced level of exploration activities in the foreseeable future which would further reduce employee remuneration in operations and projects. In the fourth quarter of 2018, technical employee allocation was higher for mineral exploration costs due to the metallurgical test-work for the Cervantes property and airborne geophysical survey and interpretation of historic data for the Tombstone property, resulting in reduced technical employee cost allocation to general and administration.

In the first quarter of 2018, legal services were provided for regulatory compliance review which continued into the second quarter and included modification to the Company's disclosure policies, and corporate disclosures and filings in Canada and USA for those respective corporate entities. Minimal legal services were necessitated for its corporate affairs and regulatory compliance in the third and fourth quarters of 2018 as the Company focused on its exploration programs for the Cervantes and Tombstone projects which continued into the first and second quarters of 2019 resulting in nominal legal fees being incurred mainly for annual corporate filings in the USA for its US subsidiary. Legal fees increased in the third quarter of 2019 from the creation of a tax efficient structure for the joint venture with Kootenay for the Cervantes property in Mexico.

Office and sundry include ancillary office support facilities for the Company's activities, and include insurance, office rent, telecommunications and software and systems support and licensing. Insurance remains comparable given no changes in its directors and officers and commercial liability insurance coverages. Office and sundry and rent are generally more fixed than other functional expense categories, but were lower in the second quarter of 2019. Rent slightly increased in the third quarter of 2019 from the sharing of a larger office facility. The use of shared office facilities has allowed rent and commitments to be nominal. There were no refinements or upgrades to its accounting ERP systems in Canada and Mexico including for its third party cloud server providers to host its accounting system, data and emails. In 2019, the Company licensed software to assist with geological mapping and from technical support for employee turnover issues.

Project evaluation efforts involve due diligence on identifying mineral properties of merit for acquisition purposes. These costs are attributable to geological technical management review and due diligence, site visits to mineral properties in North America,

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reviewing technical information, and addressing any legal issues associated with due diligence. These costs increased in the first quarter of 2019 as the Company was completing its exploration programs from fiscal 2018 and wanted to expand its portfolio of exploration projects. Nominal efforts were done in generating new projects for the second and third quarters of 2019 given the need to preserve limited cash resources. No project evaluation activities were expended in the first quarter of 2018 as the primary focus was on the Phase 1 drilling program for the Cervantes property and on acquiring additional land surrounding the property which increased to 3,649 hectares and the Company had only recently signed the option agreement for the Tombstone property. Project evaluation was active in the second quarter of 2018 and involved technical review and travel for possible opportunities for projects of merit. Only nominal costs were incurred for the remaining two quarters in 2018 due to the active exploration programs for the Cervantes and Tombstone properties. This cost is comprised mostly of technical management review and travel.

Regulatory expenses include ongoing regulatory compliance obligations and transfer agent services and were similar for comparable periods. The increases in the second quarters of each fiscal period were attributable to its annual and special general meetings held in late June.

Shareholder relations were for attendance at conferences to create awareness of the Company and its Cervantes and Tombstone projects. These activities included the participation in various conferences and shareholder events in North America and Europe related to mineral exploration and mining as well as capital markets, and engaging market participants to assist with expanding the public profile of the Company and its projects. These activities continued into the nine months ended September 30, 2018. This expense slightly decreased in the second quarter of 2018 relative to the first quarter of 2018 as the former Vice-President (Investor Relations) reduced his time commitment to the Company. Reduced efforts continued into the third quarter given the stagnancy in the markets for exploration companies and the focus to expend limited funds on exploration activities. A slight increase in expenses in the fourth quarter of 2018 was due to site visits to the Tombstone property by technical interested parties. For the first quarter of 2019 which is lower than the same quarter in 2018, the Company was more selective in its investor relations activities given the stagnancy of the markets and also focused on preserving its cash resources due to market uncertainties at that time. The Vice-President (Investor Relations) was terminated at the end of May 2019 with severance as the Company needed to preserve its cash resources. There were no shareholder relations efforts in the third quarter of 2019.

Share-based payments were recognized for the vesting provisions for stock options granted in 2017 which continue into the quarters of 2018 during the vesting period resulting in the recognition of share-based payments. Forfeitures reduced share based payments in the second quarter of 2018 due to staff departure. No stock options were granted in 2018. Fewer number of stock options being subject to vesting provisions would reduce share-based payments. In February 2019, the Company granted stock options for 200,000 common shares in which 25% will vest on August 19, 2019 and 25% vest every 6 months thereafter. Termination of a senior officer and a consultant in the second quarter of 2019 would increase forfeitures and decrease share based payments. In July 2019, the Company granted stock options for 1,000,000 common shares with an exercise price of \$0.12 and expiry date of July 3, 2024, in which 20% vest on grant date and 20% vest every 6 months thereafter. Given the higher number of stock options being subject to vesting provisions, share based payments were higher in the current quarter than in prior quarters in 2019.

Interest income is realized from the Company's excess cash which is held in interest bearing investment savings account. As cash is expended on working capital needs and exploration programs, quarterly interest will commensurately decrease.

The foreign exchange gain (loss) was from the net effects of transactional foreign currency and jurisdictional translation and revaluation effects from its Mexican and US subsidiaries which operate in Mexican pesos and US dollars, respectively, and from certain U.S. dollar stated accounts during the period. The Company's functional currency is the CAD dollars.

In the fourth quarter of 2018, the Company wrote down a portion of its value added tax receivable in Mexico as there are uncertainties related to its collectability and / or refundability. Also such write-downs are indicative of the added costs of engaging dedicated Mexican tax specialists to assist with their collectability. The write down was higher in 2018 due to higher amount of value added tax receivable from the active Cervantes exploration program resulting in higher expenditures incurred in Mexico.

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As at September 30, 2019, the Company's mineral property interests in the Cervantes Property are comprised of the following:

	September 30, 2019		
	Mexico	USA	Total
	Cervantes	Tombstone	
Acquisition Costs:			
Balance, December 31, 2018	\$ 465,558	\$ 10,000	\$ 475,558
Acquisition	110,265	49,000	159,265
Balance, September 30, 2019	575,823	59,000	634,823
Deferred Exploration Expenditures:			
Balance, December 31, 2018	1,550,192	204,428	1,754,620
Assays	30,108	1,193	31,301
Equipment and systems	546	2,954	3,500
Field, camp, supplies	3,290	16	3,306
General, administrative, legal, sundry	71,035	205	71,240
Geology	38,360	2,754	41,114
Geophysics	129,342	5,000	134,342
Salaries and local labour	72,171	45,687	117,858
Surface taxes	4,193	8,027	12,220
Surveying	656	3,195	3,851
Transportation and travel	21,352	2,195	23,547
Balance, September 30, 2019	1,921,245	275,654	2,196,899
Mineral Property Interests:			
December 31, 2018	\$ 2,015,750	\$ 214,428	\$ 2,230,178
September 30, 2019	\$ 2,497,068	\$ 334,654	\$ 2,831,722

1.5 Summary of Quarterly Results (Unaudited)

The following table provides selected financial information of the Company for each of the last eight quarters ended at the most recently completed quarter, September 30, 2019. All dollar amounts are expressed in Canadian dollars unless otherwise indicated.

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	2019			2018			2017	
	Sept 30	June 30	Mar 31	Dec 31	Sept 30	June 30	Mar 31	Dec 31
Total revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Income (loss) before discontinued operations and extraordinary items:								
(i) Total	\$ (103,284)	\$ (115,835)	\$ (188,596)	\$ (238,351)	\$ (162,293)	\$ (299,278)	\$ (319,461)	\$ (457,505)
(ii) Basic earnings (loss) per share	\$ -	\$ -	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.02)
(iii) Diluted earnings (loss) per share	\$ -	\$ -	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.02)
Net income (loss):								
(i) Total	\$ (103,284)	\$ (115,835)	\$ (188,596)	\$ (238,351)	\$ (162,293)	\$ (299,278)	\$ (319,461)	\$ (457,505)
(ii) Basic earnings (loss) per share	\$ -	\$ -	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.02)
(iii) Diluted earnings (loss) per share	\$ -	\$ -	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.02)
Total assets	\$ 3,125,235	\$ 3,226,657	\$ 2,852,841	\$ 3,018,409	\$ 3,202,893	\$ 3,475,580	\$ 3,565,797	\$ 3,765,798
Total long-term liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Dividends per share	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

1.6 Liquidity

The Company is in the exploration stage and has not yet determined whether its mineral property interests contain reserves. The recoverability of amounts capitalized for mineral property interests is entirely dependent upon the existence of reserves, the ability of the Company to obtain the necessary financing to complete the development and upon future profitable production. The Company knows of no trends, demands, commitments, events or uncertainties that may result in the Company's liquidity either materially increasing or decreasing at the present time or in the foreseeable future except as disclosed in this MD&A and in its regulatory filings. Material increases or decreases in the Company's liquidity are substantially determined by the success or failure of the Company's exploration and development programs and overall market conditions for smaller mineral exploration companies. Since 2016, the Company has endeavored to secure mineral property interests that in due course could be brought into production to provide the Company with cash flow which would be used to undertake work programs on other projects. To that end, the Company has expended its funds on mineral property interests that it believes have the potential to achieve cash flow within a reasonable time frame. As a result, the Company has incurred losses during each of its fiscal years since 2016. This result is typical of smaller exploration companies and will continue unless positive cash flow is achieved.

The following table contains selected financial information of the Company's liquidity:

	September 30, 2019	December 31, 2018
Cash	\$ 171,478	\$ 645,508
Working capital	245,583	697,791

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On July 2, 2019, the Company closed a private placement for 3,900,000 units at \$0.12 per unit for total proceeds of \$468,000. Each unit was comprised of one common share and one full common share purchase warrant. Each warrant is exercisable to acquire one common share at an exercise price of \$0.20 and has an expiry date of July 2, 2021.

Ongoing operating expenses and exploration activities continue to reduce the Company's cash resources and working capital, as the Company has no sources of operating revenues.

The Company may enter into option agreements for mineral properties that involve payments in the form of cash and/or shares of the Company as well as minimum exploration expenditure requirements. Under Item 1.7, further details of contractual obligations are provided as at September 30, 2019. The Company will continue to rely upon equity financing as its principal source of financing its projects.

1.7 Capital Resources

At September 30, 2019, to maintain its interest and/or to fully exercise the options under various property agreements covering its property interests, the Company must incur exploration expenditures on the properties and/or make payments in the form of cash and/or shares to the optionors as follows:

	Cash Payments (CAD\$)	Exploration Expenditures (CAD\$)	Number of Shares
Tombstone Project:			
March 23, 2020	\$ 30,000	\$ 46,781	300,000
March 23, 2021	30,000	650,000	600,000
	<u>\$ 60,000</u>	<u>\$ 696,781</u>	<u>900,000</u>

These amounts may be reduced in the future as the Company determines which properties to continue to explore and which to abandon.

1.8 Off-Balance Sheet Arrangements

Pursuant to the escrow agreement dated April 19, 2017, 4,571,123 shares of the Company are held in escrow (the "Escrowed Shares"). The Escrowed Shares will be released under the following schedule with the listing date of May 4, 2017 (the "Listing Date"):

On the Listing Date	1/10 of the Escrow Shares
6 months after the Listing Date	1/6 of the remaining Escrow Shares
12 months after the Listing Date	1/5 of the remaining Escrow Shares
18 months after the Listing Date	1/4 of the remaining Escrow Shares
24 months after the Listing Date	1/3 of the remaining Escrow Shares
30 months after the Listing Date	1/2 of the remaining Escrow Shares
36 months after the Listing Date	the remaining Escrow Shares

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On September 30, 2019, 1.4 million common shares were held in escrow.

There are no off balance sheet arrangements which could have a material effect on current or future results of operations, or the financial condition of the Company, except for those disclosed in this MD&A or in the Company's public filings.

1.9 Transactions with Related Parties

Key management includes directors (executive and non-executive) and senior management. The compensation paid or payable to key management is disclosed in the table below.

Except as disclosed elsewhere in the MD&A, the Company had the following general and administrative costs with related parties during the nine months ended September 30, 2019:

	Nine months ended September 30,		Net balance receivable (payable)	
	2019	2018	September 30, 2019	December 31, 2018
Key management compensation:				
Executive salaries and remuneration ⁽¹⁾	\$ 247,008	\$ 341,327	\$ -	\$ -
Severance	6,000	-	-	-
Directors fees	4,125	9,188	(4,125)	(10,500)
Share-based payments	32,003	193,664	-	-
	<u>\$ 289,136</u>	<u>\$ 544,179</u>	<u>\$ (4,125)</u>	<u>\$ (10,500)</u>
Net office, sundry, rent and salary allocations recovered from (incurred to) company(ies) sharing certain common director(s) ⁽²⁾	<u>\$ (11,762)</u>	<u>\$ (19,875)</u>	<u>\$ (2,208)</u>	<u>\$ (2,450)</u>

(1) Includes key management compensation which is included in mineral property interests, employee remuneration, shareholder relations and project evaluation.

(2) The companies are AzMet and Canarc Resource Corp. and Endeavour Silver Corp., both of which shares one common director with the Company.

Amounts which are incurred to related parties are in the normal course of business. The Company shares common office facilities, employee and administrative support, and office sundry amongst companies with a common director, and such allocations to the Company are on a full cost recovery basis. Any balances due to related parties are payable on demand.

Item 1.2 provides further details of the acquisition of the Cervantes property from AzMet.

1.10 Third Quarter

Items 1.2, 1.4, 1.5, 1.6 and 1.7 provide further details for the third quarter of fiscal 2019.

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1.11 Proposed Transactions

There are no proposed material asset or business acquisitions or dispositions, other than those in the ordinary course of business and other than those already disclosed in this MD&A, before the board of directors for consideration, and other than those already disclosed in its regulatory and public filings.

1.12 Critical Accounting Estimates and Judgements

The preparation of financial statements in accordance with IFRS requires management to make estimates, assumptions and judgements that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements along with the reported amounts of revenues and expenses during the period. Actual results may differ from these estimates and, as such, estimates and judgements and underlying assumptions are reviewed on an ongoing basis. Revisions are recognized in the period in which the estimates are revised and in any future periods affected.

Significant areas requiring the use of management estimates relate to determining the recoverability of mineral property interests; the determination of accrued liabilities; accrued site remediation; the variables used in the determination of the fair value of stock options granted and compensation warrants or finder's fees warrants issued or modified; and the recoverability of deferred tax assets. While management believes the estimates are reasonable, actual results could differ from those estimates and could impact future financial performance and cash flows.

The Company applies judgment in assessing the functional currency of each entity consolidated in the financial statements.

The Company applies judgment in assessing whether material uncertainties exist that would cast substantial doubt as to whether the Company could continue as a going concern.

Acquisition costs of mineral properties and exploration and development expenditures incurred thereto are capitalized and deferred. The costs related to a property from which there is production will be amortized using the unit-of-production method. Capitalized costs are written down to their estimated recoverable amount if the property is subsequently determined to be uneconomic. The amounts shown for mineral property interests represent costs incurred to date, less recoveries and write-downs, and do not reflect present or future values.

At the end of each reporting period, the Company assesses each of its mineral property interests to determine whether any indication of impairment exists. Judgment is required in determining whether indicators of impairment exist, including factors such as: the period for which the Company has the right to explore; expected renewals of exploration rights; whether substantive expenditures on further exploration and evaluation of resource properties are budgeted or planned; and results of exploration and evaluation activities on the exploration and evaluation assets. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior periods. A reversal of an impairment loss is recognized immediately in profit or loss.

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1.13 Changes in Accounting Policies including Initial Adoption

The Company did not early adopt any recent pronouncements as disclosed in Note 2(f), "*New accounting standards and recent pronouncements*", of the unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2019.

1.14 Financial Instruments and Other Instruments

The Company classifies its financial instruments as follows:

Financial Assets	
Cash	Fair value through profit or loss ("FVTPL")
Receivables	Loans and receivable at amortized cost
Financial Liability	
Accounts payable and accrued liabilities	Other financial liabilities under amortized cost

Management of Financial Risk

The Company is exposed in varying degrees to a variety of financial instrument related risks, including credit risk, liquidity risk, and market risk which includes foreign currency risk, interest rate risk and other price risk. The types of risk exposure and the way in which such exposure is managed are provided as follows.

The fair value hierarchy categorizes financial instruments measured at fair value at one of three levels according to the reliability of the inputs used to estimate fair values. The fair values of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 are valued using inputs other than quoted prices for which all significant inputs are based on observable market data. Level 3 valuations are based on inputs that are not based on observable market data.

The fair values of the Company's receivables and accounts payable and accrued liabilities approximate their carrying values due to the short terms to maturity. Cash is measured at fair values using Level 1 inputs.

(a) Credit risk:

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations.

The Company's credit risk is primarily attributable to its liquid financial assets including cash. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality Canadian financial institutions.

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Management has reviewed the items comprising the accounts receivable balance which may include amounts receivable from certain related parties, and determined that all accounts are collectible.

(b) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due.

The Company ensures that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash and its ability to raise equity financings. As at September 30, 2019, the Company had a working capital of \$245,600 (December 31, 2018 - \$697,800). The Company will require significant additional funding to meet its short-term liabilities and administrative overhead costs, and to maintain its mineral property interests in 2019.

Accounts payable and accrued liabilities are due in less than 90 days.

(c) Market risk:

The significant market risk exposures to which the Company is exposed are foreign currency risk, interest rate risk and other price risk.

(i) Foreign currency risk:

The Company has certain cash and accounts payable stated in United States dollars and Mexican pesos, mineral property interests which are in the USA and Mexico, and a portion of its operations are in Mexico, resulting in expenditures subject to foreign currency fluctuations. Fluctuations in the United States dollar and Mexican peso would impact the losses of the Company and the values of its assets and liabilities as the Company's functional and presentation currencies are the Canadian dollar. The Canadian dollar fluctuates and floats with the United States dollar and Mexican peso.

At September 30, 2019, the Company was exposed to currency risk for its Canadian dollar equivalent of financial assets and liabilities denominated in currencies other than Canadian dollars as follows:

	Stated in Canadian Dollars			
	Held in		Total	
	United States Dollars	Mexican Pesos		
Cash	\$ 16,150	\$ 1,401	\$ 17,551	
Accounts payable and accrued liabilities	(14,098)	(172)	(14,270)	
Net financial assets (liabilities), September 30, 2019	\$ 2,052	\$ 1,229	\$ 3,281	
Cash	\$ 45,688	\$ 5,934	\$ 51,622	
Accounts payable and accrued liabilities	(23,476)	(1,697)	(25,173)	
Net financial assets (liabilities), December 31, 2018	\$ 22,212	\$ 4,237	\$ 26,449	

Based upon the above net exposure as at September 30, 2019 and assuming all other variables remain constant, a 5% (December 31, 2018 – 15%) depreciation or appreciation of the Canadian dollar relative to

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the United States dollar could result in a decrease/increase of approximately \$165 (December 31, 2018 - \$4,000) in the Company's net losses.

The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

(ii) Interest rate risk:

In respect of financial assets, the Company's policy is to invest excess cash at floating rates of interest in cash equivalents, in order to maintain liquidity, while achieving a satisfactory return. Fluctuations in interest rates impact on the value of cash equivalents. Interest rate risk is not significant to the Company as it has no cash equivalents at period-end.

(iii) Other price risk:

Other price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. The Company currently does not have any financial instruments which fluctuate with market prices.

1.15 Other MD&A Requirements

1.15.1 Other MD&A Requirements

Additional information relating to the Company are as follows:

- (a) may be found on SEDAR at www.sedar.com;
- (b) is also provided in the Company's unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2019 and audited consolidated financial statements for the years ended December 31, 2018 and 2017.

1.15.2 Outstanding Share Data

The Company's authorized share capital consists of unlimited number of common shares without par value.

Changes in the Company's share capital for the nine months ended September 30, 2019 are as follows:

	Number of Shares	Amount
Balance at December 31, 2018	28,191,016	\$ 4,838,476
Issued:		
Private placement	3,900,000	351,000
Share issue expenses	-	(13,691)
Property acquisition	600,000	64,000
Balance at September 30, 2019	32,691,016	\$ 5,239,785

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On March 22, 2019, the Company issued 100,000 common shares at a fair value of \$0.19 per share to Baroyeca.

On July 2, 2019, the Company closed a private placement for 3,900,000 units at \$0.12 per unit for total proceeds of \$468,000. Each unit was comprised of one common share and one full common share purchase warrant. Each warrant is exercisable to acquire one common share at an exercise price of \$0.20 and has an expiry date of July 2, 2021. The market price of the Company's common share was \$0.09 on the closing date, resulting in the recognition of a fair value of \$0.03 per warrant.

In July 2019, the Company issued 500,000 common shares to Kootenay at a fair value of \$0.09 per share.

Pursuant to the escrow agreement dated April 19, 2017, 4,571,123 shares of the Company were held in escrow (the "Escrowed Shares"). The Escrowed Shares will be released under the following schedule, with May 4, 2017 as the listing date:

On the Listing Date	1/10 of the Escrow Shares
6 months after the Listing Date	1/6 of the remaining Escrow Shares
12 months after the Listing Date	1/5 of the remaining Escrow Shares
18 months after the Listing Date	1/4 of the remaining Escrow Shares
24 months after the Listing Date	1/3 of the remaining Escrow Shares
30 months after the Listing Date	1/2 of the remaining Escrow Shares
36 months after the Listing Date	the remaining Escrow Shares

On September 30, 2019, 1.4 million common shares were held in escrow.

At November 25, 2019, there were 32,691,016 common shares issued and outstanding of which 685,668 common shares were held in escrow.

In January 20, 2017, the Company adopted a stock option plan that allows it to grant stock options to its directors, officers, employees and consultants, provided that the aggregate number of stock options granted shall not at any time exceed 10% of the total number of issued and outstanding common shares of the Company. The exercise price of each stock option shall be based on the market price of the Company's shares as traded on the TSX Venture Exchange at the time of grant. Stock options have a maximum term of ten years and terminate 30 days following the termination of the optionee's employment, except in the case of death, in which case they terminate one year after the event. Vesting of stock options is made at the discretion of the Board at the time the stock options are granted.

The continuity of stock options for the nine months ended September 30, 2019 is as follows:

	September 30, 2019	
	Number of Shares	Weighted average exercise price
Outstanding balance, beginning of period	2,550,000	\$0.35
Granted	1,200,000	\$0.14
Forfeited	(120,000)	\$0.35
Cancellation	(480,000)	\$0.35
Outstanding balance, end of period	3,150,000	\$0.27

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On February 19, 2019, the Company granted stock options for 200,000 common shares with an exercise price of \$0.25 and expiry date of February 19, 2022. The stock options are subject to vesting provisions in which 25% will vest on August 19, 2019 and 25% vest every 6 months thereafter.

On July 3, 2019, the Company granted stock options for 1,000,000 common shares to directors, officers, employees and a consultant with an exercise price of \$0.12 and expiry date of July 3, 2024. The stock options are subject to vesting provisions in which 20% vest on grant date and 20% vest every 6 months thereafter.

At November 25, 2019, stock options for 3,150,000 common shares remain outstanding of which 2,200,000 stock options are exercisable.

At September 30, 2019, the Company had outstanding warrants as follows:

Exercise Prices	Expiry Dates	Outstanding at December 31, 2018	Issued	Exercised	Expired	Outstanding at September 30, 2019
\$0.25	October 21, 2020 ⁽¹⁾	2,551,250	-	-	-	2,551,250
\$0.50	May 2, 2019	5,750,000	-	-	(5,750,000)	-
\$0.50	May 2, 2019 ⁽²⁾	554,775	-	-	(554,775)	-
\$0.20	July 2, 2021 ⁽³⁾	-	3,900,000	-	-	3,900,000
		8,856,025	3,900,000	-	(6,304,775)	6,451,250

(1) On October 10, 2018, the Company extended the term of the expiry period of the warrants by one year from October 21, 2018 to October 21, 2019. Then on September 23, 2019, the Company extended the term of the expiry period of the warrants by one year from October 21, 2019 to October 21, 2020.

(2) As these warrants are compensation options, a fair value of \$146,455 was originally recorded as share issuance expense as applied to share capital with a corresponding credit to reserve for share-based payments calculated using the Black-Scholes option pricing model with the following assumptions: volatility 178%, risk-free rate 0.67%, expected life 2 years, and expected dividend yield 0%.

(3) On July 2, 2019, the Company issued 3,900,000 warrants with an exercise price of \$0.20 and an expiry date of July 2, 2021, and have a total fair value of \$117,000 as determined by the excess private placement price over the market price of the common share on closing date.

At November 25, 2019, warrants for 6,451,250 common shares remain outstanding.

1.16 Outlook

The Company will continue to depend upon equity financings to continue exploration work on and to advance its mineral property interests, and to meet its administrative overhead costs for the 2019 fiscal year. There are no assurances that capital requirements will be met by this means of financing as inherent risks are attached therein including commodity prices, financial market conditions, and general economic factors. The Company does not expect to realize any operating revenues from its mineral property interests in the foreseeable future.

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1.17 Risk Factors

The following is a brief discussion of those distinctive or special characteristics of the Company's operations and industry that may have a material impact on, or constitute risk factors in respect of, the Company's future financial performance.

Exploration and Development Risks

There is no assurance given by the Company that its exploration and development, if any, programs and properties will result in the discovery, development or production of a commercially viable deposit or ore body.

The business of exploration for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. There is no assurance that the Company's mineral exploration activities will result in any discoveries of bodies of commercial ore. The economics of developing mineral properties are affected by many factors including capital and operating costs, variations of the grades and tonnages of ore mined, fluctuating metal prices, costs of mining and processing equipment and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. Substantial expenditures are required to establish resources or reserves through drilling and other work, to develop metallurgical processes to extract metal from ore, and to develop the mining and processing facilities and infrastructure at any site chosen for mining. No assurance can be given that funds required for exploration and / or development can be obtained on a timely basis. The marketability of any metals or minerals acquired or discovered may be affected by numerous factors which are beyond the Company's control and which cannot be accurately foreseen or predicted, such as market fluctuations, the global marketing conditions for precious and base metals, the proximity and capacity of required processing facilities, mineral markets and required processing equipment, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting minerals and environmental protection. In order to commence exploitation of certain properties presently held under exploration concessions, it is necessary for the Company to apply for exploitation concessions. There can be no guarantee that such concessions will be granted.

Financing Risks

There is no assurance given by the Company that it will be able to secure the financing necessary to explore, develop and produce its mineral properties.

The Company does not presently have sufficient financial resources or operating cash-flow to undertake by itself all of its planned exploration and development programs. The development of the Company's properties may therefore depend on the Company's ability to obtain additional required financing. There is no assurance the Company will be successful in obtaining the required financing on terms acceptable to the Company, or at all, the lack of which could result in the loss or substantial dilution of its interests (as existing or as proposed to be acquired) in its properties as disclosed herein. The Company's ability to continue as a going concern is dependent on the ability of the Company to raise equity capital financings, exploration success, the attainment of profitable operations and the completion of further share issuances to satisfy working capital and operating needs. The Company may need to raise further funds to complete further exploration programs at the Cervantes and Tombstone properties, if such programs are warranted.

Estimates of Mineral Deposits

There is no assurance given by the Company that any estimates of mineral deposits or resources will materialize.

No assurance can be given that any identified mineralization will be developed into a coherent mineralization deposit, or that such deposit will even qualify as a commercially viable and mineable ore body that can be legally and economically exploited. Estimates regarding mineralized deposits can also be affected by many factors such as permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations and work

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interruptions. In addition, the grades and tonnages of ore ultimately mined may differ from that indicated by drilling results and other exploration and development work. There can be no assurance that test work and results conducted and recovered in small-scale laboratory tests will be duplicated in large-scale tests under on-site conditions. Material changes in mineralized tonnages, grades, dilution and stripping ratios or recovery rates may affect the economic viability of projects. The existence of mineralization or mineralized deposits should not be interpreted as assurances of the future delineation of ore reserves or the profitability of any future operations.

Commodity Prices

There is no assurance given by the Company that commodity prices will not change.

The mining industry is competitive and commodity prices fluctuate so that there is no assurance, even if commercial quantities of a mineral resource are discovered, that a profitable market will exist for the sale of same. Factors beyond the control of the Company may affect the marketability of any substances discovered. The prices of precious and base metals fluctuate on a daily basis, have experienced volatile and significant price movements over short periods of time, and are affected by numerous factors beyond the control of the Company, including international economic and political trends, expectations of inflation, currency exchange fluctuations (specifically, the U.S. dollar relative to other currencies), interest rates, central bank transactions, world supply for precious and base metals, international investments, monetary systems, and global or regional consumption patterns (such as the development of gold coin programs), speculative activities and increased production due to improved mining and production methods. The supply of and demand for precious and base metals are affected by various factors, including political events, economic conditions and production costs in major producing regions, and governmental policies with respect to precious metal holdings by a nation or its citizens. The exact effect of these factors cannot be accurately predicted, and the combination of these factors may result in the Company not receiving adequate returns on invested capital or the investments retaining their respective values. There is no assurance that the prices of gold and other precious and base metals will be such that the Company's properties can be mined at a profit.

Competition and Agreements with Other Parties

The Company competes with larger, better capitalized competitors in the mining industry and there is no assurance given by the Company that it can compete for mineral properties, future financings or technical expertise.

The mining industry is intensely competitive in all of its phases, and the Company competes with many companies possessing greater financial resources and technical facilities than itself. Competition in the mining business could adversely affect the Company's ability to acquire suitable producing properties or prospects for mineral exploration in the future.

The Company may, in the future, be unable to meet its share of costs incurred under joint venture or similar agreements to which it is a party and the Company may have its interest in the properties subject to such agreements reduced as a result. Furthermore, if other parties to such agreements do not meet their share of such costs, the Company may be unable to finance the cost required to complete recommended programs.

Title Matters

There is no assurance given by the Company that it owns legal title to its mineral properties.

The acquisition of title to mineral properties is a very detailed and time-consuming process. Title to any of the Company's mining concessions may come under dispute. While the Company has diligently investigated title considerations to its mineral properties, in certain circumstances, the Company has only relied upon representations of property partners, legal opinions, and government agencies. There is no guarantee of title to any of the Company's properties. The properties may be subject to prior unregistered agreements or transfers, and title may be affected by unidentified and undetected defects. Native land claims or claims of aboriginal title may be asserted over areas in which the Company's properties are located, but unlikely given all surrounding surface rights are privately held. Further, the Company does not own certain claims in the Cervantes and

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Tombstone properties and only has a right to earn an interest therein pursuant to the property option agreements, as amended. In the event that the Company does not fulfill its obligations contemplated by the property option agreements, as amended, it will lose its interest in the relevant mineral property.

Surface Rights

The Company has acquired rights to certain parts of the property covered by its mineral tenures, and is in continuing negotiations over other parts. In areas where the Company operates there are local populations or landowners who, in the case of the Cervantes Property, do not live on the property but raise cattle throughout the region. The Company understands that it is necessary, as a practical matter, to negotiate surface access, and the Company is continuing to do so. However, there is a risk that local communities or affected groups may take actions to delay, impede or otherwise terminate the contemplated activities of the Company. There can be no guarantee that the Company will be able to negotiate a satisfactory agreement with any such existing landowners/occupiers for such access, and therefore it may be unable to carry out significant exploration and development activities. In addition, in circumstances where such access is denied, or no agreement can be reached, the Company may need to rely on the assistance of local officials or the courts in such jurisdiction, which assistance may not be provided or, if provided, may not be effective. If the development of a mine on the Cervantes Property becomes justifiable it will be necessary to acquire surface rights for mining, plant, tailings and mine waste disposal. There can be no assurance that the Company will be successful in acquiring any such rights.

Community Groups

There is an ongoing level of public concern relating to the effects of mining on the natural landscape, on communities and on the environment. Certain non-governmental organizations, public interest groups and reporting organizations ("NGOs") who oppose resource development can be vocal critics of the mining industry. In addition, there have been many instances in which local community groups have opposed resource extraction activities, which have resulted in disruption and delays to the relevant operation. While the Company seeks to operate in a socially responsible manner and believes it has good relationships with local communities in Sonora State (Mexico) and Arizona (USA), NGOs or local community organizations could direct adverse publicity and/or disrupt the operations of the Company in respect of one or more of its properties due to political factors, activities of unrelated third parties on lands in which the Company has an interest or the Company's operations specifically. Any such actions and the resulting media coverage could have an adverse effect on the reputation and financial condition of the Company or its relationships with the communities in which it operates, which could have a material adverse effect on the Company's business, financial condition, results of operations, cash flows or prospects.

Conflicts of Interest

There is no assurance given by the Company that its directors and officers will not have conflicts of interest from time to time.

The Company's directors and officers may serve as directors or officers of other public mineral exploration and resource companies or have significant shareholdings in other public resource companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors and management of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. The interests of these companies may differ from time to time. In the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against any resolution involving any such conflict. From time to time several companies may participate in the acquisition, exploration and development of natural resource properties thereby allowing for their participation in larger programs, permitting involvement in a greater number of programs and reducing financial exposure in respect of any one program. It may also occur that a particular company will assign all or a portion of its interest in a particular program to another of these companies due to the financial position of the company making the assignment. In accordance with the laws of the Province of British Columbia, Canada, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company. In determining whether or not the Company will participate in any particular exploration or mining project at any given time, the directors will primarily consider the upside potential for the project to be accretive to shareholders, the degree of risk to which the Company may be exposed and its

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financial position at that time.

Negative Operating Cash Flow

The Company had negative operating cash flow during its most recently completed three and nine month period ended September 30, 2019. In the event that the Company's operating cash flow is not positive in future financial periods it may need to raise additional capital in order to fund operations. There is no guarantee that additional funds will be available on terms acceptable to the Company or at all. In the event that the Company's operating cash flow is negative this may have a material adverse effect on the Company and its stock price.

Uninsured Risks

There is no assurance given by the Company that it is adequately insured against all risks. The Company may become subject to liability for cave-ins, pollution or other hazards against which it cannot insure or against which it has elected not to insure because of high premium costs or other reasons. The payment of such liabilities would reduce the funds available for exploration, development and mining activities.

Environmental and Other Regulatory Requirements

There is no assurance given by the Company that it has met all environmental or regulatory requirements.

The current or future operations of the Company, including exploration and development activities and commencement of production on its properties, require permits from various foreign, federal, state and local governmental authorities and such operations are and will be governed by laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. Companies engaged in the development and operation of mines and related facilities generally experience increased costs, and delays in production and other schedules as a result of the need to comply with applicable laws, regulations and permits. There can be no assurance that approvals and permits required in order for the Company to commence exploration, development or production on its various properties will be obtained. Additional permits and studies, which may include environmental impact studies conducted before permits can be obtained, are necessary prior to operation of the other properties in which the Company has interests and there can be no assurance that the Company will be able to obtain or maintain all necessary permits that may be required to commence exploration, construction, development or operation of mining facilities at these properties on terms which enable operations to be conducted at economically justifiable costs.

Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in exploration, development and mining operations may be required to compensate those suffering loss or damage by reason of such activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. New laws or regulations or amendments to current laws, regulations and permits governing operations and activities of exploration and mining companies, or more stringent implementation of current laws, regulations or permits, could have a material adverse impact on the Company and cause increases in capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties.

Foreign Countries and Regulatory Requirements

The Company's mineral property interests are located in countries outside of Canada, and mineral exploration and mining activities may be affected in varying degrees by political stability, changes in foreign policy, and government regulations relating to the mining industry. Any changes in regulations, foreign policy, or shifts in political attitudes may vary from country to country and are beyond the control of the Company and may adversely affect its business and its ability to operate in foreign jurisdictions. Such changes have, in the past, included nationalization of foreign owned businesses and properties. The

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Company's ability to operate its business may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, income and other taxes and duties, tariffs, trade, expropriation of property, environmental legislation and mine safety. These uncertainties may make it more difficult for the Company to obtain any required production financing for its mineral properties.

Reclamation

Land reclamation requirements for the Company's properties may be burdensome.

There is a risk that monies allotted for land reclamation may not be sufficient to cover all risks, due to changes in the nature of any potential waste rock and/or tailings and/or revisions to government regulations. Therefore additional funds, or reclamation bonds or other forms of financial assurance may be required over the tenure of the Company's properties to cover potential risks. These additional costs may have material adverse impact on the financial condition and results of the Company.

Unknown Environmental Risks for Past Activities

Exploration and mining operations involve a potential risk of releases to soil, surface water and groundwater of metals, chemicals, fuels, liquids having acidic properties and other contaminants. In recent years, regulatory requirements and improved technology have significantly reduced those risks. However, those risks have not been eliminated, and the risk of environmental contamination from present and past exploration or mining activities exists for mining companies. Companies may be liable for environmental contamination and natural resource damages relating to properties that they currently own or operate or at which environmental contamination occurred while or before they owned or operated the properties. However, no assurance can be given that potential liabilities for such contamination or damages caused by past activities at these properties do not exist.

Currency Fluctuation and Foreign Exchange Controls

The Company maintains a portion of its funds in U.S. dollar and Mexican pesos denominated accounts. Certain of the Company's property and related contracts may be denominated in U.S. dollars and Mexican pesos. The Company's operations in countries other than Canada are normally carried out in the currency of that country and make the Company subject to foreign currency fluctuations and such fluctuations may materially affect the Company's financial position and results. In addition future contracts may not be denominated in Canadian dollars and may expose the Company to foreign currency fluctuations and such fluctuations may materially affect the Company's financial position and results. In addition, the Company is or may become subject to foreign exchange restrictions which may severely limit or restrict its ability to repatriate capital or profits from its properties outside of Canada to Canada. Future impositions of such restrictions could have a materially adverse effect on the Company's future profitability or ability to pay dividends.

Dependence on Key Individuals

The Company is dependent on a relatively small number of key personnel, the loss of any one of whom could have an adverse effect on the Company.

The Company does not maintain key-person insurance on the life of any of its personnel. In addition, while certain of the Company's officers and directors have experience in the exploration of mineral producing properties, the Company will remain highly dependent upon contractors and third parties in the performance of its exploration and development activities. There can be no guarantee that such contractors and third parties will be available to carry out such activities on behalf of the Company or be available upon commercially acceptable terms.

Volatility of Common Shares

Volatility in the price of the Company's common shares could cause investor loss.

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The common shares are listed on the TSX Venture Exchange and OTCQB. The market price of a publicly traded stock, especially a junior resource company like the Company, is affected by many variables in addition to those directly related to exploration successes or failures. Such factors include the general condition of the market for junior resource stocks, the strength of the economy generally, the availability and attractiveness of alternative investments, and the breadth of the public market for the stock. The effect of these and other factors on the market price of the common shares on the TSX Venture Exchange and OTCQB suggests that the price of the Company's common shares will continue to be volatile. Therefore, investors could suffer significant losses if the Company's common shares are depressed or illiquid when an investor seeks liquidity and needs to sell the common shares of the Company. There is no guarantee on the future price at which the common shares may trade, and no guarantee that the warrants will ever be in a position of value and may ultimately expire prior to being in-the-money.

Substantial Number of Authorized but Unissued Shares

The Company has an unlimited number of common shares which may be issued by the Board without further action or approval of the Company's shareholders. While the Board is required to fulfil its fiduciary obligations in connection with the issuance of such shares, the shares may be issued in transactions with which not all shareholders agree, and the issuance of such shares will cause dilution to the ownership interests of the Company's shareholders.

Possible Dilution to Current Shareholders based on Outstanding Options and Warrants

At September 30, 2019, the Company has 32,691,016 common shares, 3,150,000 stock options and 6,451,250 warrants outstanding. The resale of outstanding shares from the exercise of dilutive securities could have a depressing effect on the market for the Company's shares. At September 30, 2019, dilutive securities represented approximately 29.4% of the Company's issued shares.