A copy of this preliminary Prospectus has been filed with the securities regulatory authorities in the provinces of Quebec, British Columbia, Ontario and Alberta, but has not yet become final. Information contained in this preliminary Prospectus may not be complete and may have to be amended. This preliminary Prospectus does not constitute a public offering of securities.

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

PRELIMINARY PROSPECTUS

Non-offering Prospectus **May 25, 2017**

AUXICO RESOURCES CANADA INC.

No securities are being offered pursuant to this Prospectus.

This non-offering preliminary prospectus (the "**Prospectus**") is being filed by Auxico Resources Canada Inc. (the "**Company**", "**Auxico**" "**we**", "**us**", "**our**") with the securities regulatory authority in the provinces of Quebec, Ontario, British Columbia and Alberta (the "**Qualifying Jurisdictions**") in connection with its application for the listing of the common shares of the Company on the Canadian Securities Exchange ("**CSE**"), notwithstanding that no sale of securities is contemplated herein. Since no securities are being offered, no proceeds will be raised and all expenses in connection with the preparation and filing of this Prospectus will be paid by the Company from its working capital.

The Company is hereby qualifying for distribution in the Qualifying Jurisdictions all of its currently issued and outstanding common shares.

There is no market through which the Company's securities may be sold and shareholders may not be able to resell securities of the Company owned by them. This may affect the pricing of the Company's securities in the secondary market, the transparency and availability of trading prices, the liquidity of the securities and the extent of issuer regulation. You should carefully review and evaluate certain risk factors before making any investment decision with respect to the securities of the Company. See "Risk Factors". Listing will be subject to the Company fulfilling all of the listing requirements of the CSE.

The Company is incorporated under the *Canada Business Corporations Act* and is in the business of the acquisition, exploration and development of mineral properties. See "Description of the Business". AN INVESTMENT IN NATURAL RESOURCE ISSUERS INVOLVES A SIGNIFICANT DEGREE OF RISK. AN INVESTMENT IN THESE SECURITIES SHOULD ONLY BE MADE BY PERSONS WHO CAN AFFORD THE TOTAL LOSS OF THEIR INVESTMENT. SEE "RISK FACTORS".

No underwriters or selling agents have been involved in the preparation of this Prospectus or performed any review or independent due diligence of the contents of the Prospectus. No person is authorized by the Company to provide any information or make any representations other than those contained in this Prospectus.

As at the date of this Prospectus the Company does not have any of its securities listed or quoted, has not applied to list or quote any of its securities, and does not intend to apply to list or quote any of its securities, on the Toronto Stock Exchange, Aequitas NEO Exchange Inc., a U.S. marketplace, or a marketplace outside of Canada and the United States of American (other than the Alternative Investment Market of the London Stock Exchange or the PLUS markets operated by PLUS Markets Group plc).

Unless otherwise noted, all currency amounts in this Prospectus are stated in Canadian dollars.

AUXICO RESOURCES CANADA INC.
230, Notre-Dame Street West, Montreal
Quebec H2Y 1T3, Canada

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APPENDIX 1	Auxico Resources Canada Inc. audited consolidated financial statements for the year ended September 30, 2016 and unaudited condensed interim consolidated financial statements for the six months period ended March 31, 2017
APPENDIX 2	Auxico Resources Canada Inc. MD&A for the year ended September 30, 2016
APPENDIX 3	Audit Committee Charter

IMPORTANT INFORMATION ABOUT THIS PROSPECTUS

No person has been authorized to provide any information or to make any representation not contained in this Prospectus, and, if provided or made, such information or representation should not be relied upon. You should assume that the information contained in this Prospectus is accurate only as of the date of this Prospectus. No securities are being offered pursuant to this Prospectus.

Capitalized terms, except as otherwise defined herein, are defined in the section entitled “Glossary of Terms”.

Except as otherwise indicated or the context otherwise requires in this Prospectus, references to “the Company”, “we”, “us” and “our” refer to the Company.

NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Prospectus includes statements that express our opinions, expectations, beliefs, plans, objectives, assumptions or projections regarding future events or future results, and therefore are, or may be deemed to be, “forward-looking statements”. These forward-looking statements can generally be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “anticipates”, “expects”, “seeks”, “projects”, “intends”, “plans”, “may”, “will” or “should”, or their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Prospectus and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which we operate. These statements reflect management’s current beliefs with respect to future events and are based on information currently available to management. Forward-looking statements involve significant known and unknown risks, uncertainties and assumptions. Many factors could cause the Company’s actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including, without limitation, those listed in the “Risk Factors” section of this Prospectus. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results, performance or achievements could vary materially from those expressed or implied by the forward-looking statements contained in this Prospectus. Such risks include, but are not limited to:

- risks and uncertainties relating to the interpretation of drill results, the geology, grade and continuity of mineral deposits and conclusions of economic evaluations;
- the possibility that future exploration, development or mining results will not be consistent with the Company’s expectations;
- dependence on the Zamora Silver-Gold Property in Mexico;
- exploration, development and production risks;
- volatility in the market prices for gold, other precious metals and other natural resources;
- lack of assurances regarding obtaining and renewing licenses and permits;
- liabilities inherent in exploration and development operations;
- title matters, surface rights and access rights;
- changes in economic conditions or regulatory environments of Mexico;
- additional funding requirements;
- fluctuations in currency and interest rates;
- competition for, among other things, capital acquisitions of resources, undeveloped lands and skilled personnel;
- risks relating to global financial and economic conditions;
- alteration of tax regimes and treatments;
- changes in mining legislation affecting operations;
- risks relating to environmental regulation and liabilities;
- limited operating history;
- potential claims and legal proceedings;
- operating hazards, risks and insurance; and
- other factors discussed under “*Risk Factors*”.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Those factors should not be construed as exhaustive and should be read with the other cautionary statements in this Prospectus.

These factors should be considered carefully and prospective investors should not place undue reliance on the forward-looking statements. Although we base our forward-looking statements on assumptions that we believe were reasonable when made, which include, but are not limited to, assumptions with respect to the Company's future growth potential, results of operations, future prospects and opportunities, execution of the Company's business strategy, access to adequate services and supplies, access to capital and debt markets and associated costs of funds, availability of a qualified workforce, there being no material variations in the current tax and regulatory environments, future levels of indebtedness and current economic conditions remaining unchanged, we caution you that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity, and the development of the industry in which we operate may differ materially from the forward-looking statements contained in this Prospectus. In addition, even if our results of operations, financial condition and liquidity, and the development of the industry in which we operate are consistent with the forward-looking statements contained in this Prospectus, those results or developments may not be indicative of results or developments in subsequent periods. Actual results may vary from such forward-looking information for a variety of reasons, including but not limited to risks and uncertainties disclosed in this Prospectus. Investors are cautioned against placing undue reliance on forward-looking statements.

Any forward-looking statements which we make in this Prospectus speak only as of the date of such statement, and we do not undertake, except as required by applicable law, any obligation to update such statements or to publicly announce the results of any revisions to any such statements to reflect future events or developments. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless expressed as such, and should only be viewed as historical data. All of the forward-looking statements made in this Prospectus are qualified by these cautionary statements.

GLOSSARY OF TERMS

In this Prospectus, the following terms have the meanings set forth below, unless otherwise indicated. Words importing the singular include the plural and vice versa and words importing any gender include all genders.

"**$**" means Canadian dollars, unless otherwise noted.

"**Audit Committee**" means the Audit Committee of the Company.

"**Assignment Agreement**" means the assignment agreement entered between the Company and with Filipe Jesus Ortega Garcia, Alejandrina Luviano Castillo, Miguel de Jesus Ortega Garcia, and Auxico Resources S.A. de C.V. (Auxico Mexico) dated July 17, 2013 regarding the 100% interest acquired by Auxico Mexico in the Zamora Silver-Gold Property;

"**Auxico Mexico**" means the wholly owned subsidiary of Auxico incorporated under the laws of Mexico.

"**CBCA**" means the *Canada Business Corporations Act.*

"**Board**" means the board of directors of the Company.

"**CEO**" means chief executive officer.

"**CFO**" means chief financial officer.

"**Company**" or "**Auxico**" means Auxico Resources Canada Inc.

"**Company's Financial Statements**" means the audited financial statements of the Company for the year ended September 30, 2016 and the unaudited condensed interim consolidated financial statements for the six months period ended March 31, 2017, attached to this Prospectus as Appendix 1.

"**Consulting Agreement**" means the consulting agreement concluded between the Company and Manitex Capital Inc. dated January 19, 2017;

"**Exchange**" or "**CSE**" means the Canadian Securities Exchange.

"**Escrow Agent**" means the Transfer Agent, in its capacity as escrow agent for the Shares held in escrow under the Escrow Agreement to be entered into prior to Listing.

"**Escrow Agreement**" means the escrow agreement to be entered into among the Escrow Agent, the Company, and the Principals, pursuant to which 9,760,000 Shares are held in escrow pursuant to NI 46-201.

"**Final Non-Offering Prospectus**" means the (final) non-offering prospectus of the Company, prepared in accordance with NI 41-101, in connection with the Listing, to be filed with the Principal Regulator.

"**Gold Loan Agreement**" means the agreement concluded between the Company, Auxico Mexico and the Borboletta Foundation;

"**Listing**" means the proposed listing of the Shares on the CSE for trading.

"**Listing Date**" means the date of the Listing.

"**MD&A**" means management's discussion and analysis.

"**Manitex Financing**" means the subscription by Manitex Capital Inc. for 2,000,000 common shares of Auxico at a price of $0.25 per common share for gross proceeds of $500,000.

"**NEO**" or "**Named Executive Officer**" means each of the following individuals:

(a) the Company's CEO;

(b) the Company's CFO;

(c) each of the three most highly compensated executive officers of the Company, including any of its subsidiaries, or the three most highly compensated individuals acting in a similar capacity, other than the CEO and CFO, at the end of the most recently completed financial year whose total compensation was, individually, more than $150,000, as determined in accordance with subsection 1.3(6) of Form 51-102F6 *Statement of Executive Compensation*, for that financial year; and

(d) each individual who would be a NEO under paragraph (c) but for the fact that the individual was neither an executive officer of the Company or its subsidiaries, nor acting in a similar capacity, at that financial year.

"**NI 41-101**" means National Instrument 41-101 – *General Prospectus Requirements*, of the Canadian Securities Administrators.

"**NI 43-101**" means National Instrument 43-101 – *Standards of Disclosure for Mineral Projects*, of the Canadian Securities Administrators.

"**NI 45-106**" means National Instrument 45-106 – *Prospectus Exemptions*, of the Canadian Securities Administrators.

"**NI 52-110**" means National Instrument 52-110 – *Audit Committees*, of the Canadian Securities Administrators.

"NP 46-201" means National Policy 46-201 – *Escrow for Initial Public Offerings*, of the Canadian Securities Administrators.

"**Preliminary Non-Offering Prospectus**" means this (preliminary) non-offering prospectus of the Company dated May 19, 2017, prepared in accordance with NI 41-101, in connection with the Listing, to be filed with the Principal Regulator.

"**Principals**" means:

(a) a person of the Company who acted as a promoter of the Company within two years before the date of this Prospectus;

(b) a director or senior officer of the Company or any of its material operating subsidiaries at the time of this Prospectus;

(c) a person or company that holds securities carrying more than 20% of the voting rights attached to the Company's outstanding securities immediately before and immediately after the Listing; or

(d) a person or company that: (i) holds securities carrying more than 10% of the voting rights attached to the Company's outstanding securities immediately before and immediately after the Listing; and (ii) has elected or appointed, or has the right to elect or appoint, one or more directors or senior officers of the Company or any of its material operating subsidiaries.

"**Principal Regulator**" means the *Autorité des Marchés Financiers*.

"**Prospectus**" means, collectively, the Preliminary Non-Offering Prospectus and the Final Non-Offering Prospectus (including any supplementary material thereto).

"**SEDAR**" means the System for Electronic Document Analysis and Retrieval (www.sedar.com).

"**Settlement Agreement**" means the settlement agreement entered between the Company and Maria Nayvalt on April •, 2017 regarding the settlement of the Gold Loan Agreement.

"**Shares**" means the common shares of the Company, having no par value.

"**Stock Option Plan**" means the Company's stock option plan dated February 10, 2017, providing for the granting of stock options to the Company's directors, officers, employees, consultants, and advisors.

"**Technical Report**" means the technical report titled "N.I. 43-101 Technical Report on the Zamora Silver-Gold Project" prepared in accordance with the requirements of NI 43-101 by Joel Scodnick, B.Sc., P.Geo., of Sierra Geological Consulting Inc., 106 Eclipse Street, Sudbury, ON P3B 0E6, addressed to the Company in respect of the Zamora Silver-Gold Property, dated March 25, 2016 and amended on January 2, 2017.

"**Technology License Agreement**" means the technology license agreement entered between the Company and CMVR Company and its amendment dated May 25th, 2016 regarding a strategic supply alliance with CMVR Company to produce nano silver powders for CMVR's clients in the defence aerospace, electronics, automotive and medical industries.;

"**Transfer Agent**" means the Company's transfer agent and registrar Computershare Investor Services Inc. at its office at 1500 boulevard Robert-Bourassa, 7th Floor, Montréal, Québec H3A 3S8 ;

"**Zamora Silver-Gold Property**" or "**Property**" means the five individual lots measuring a total of 3,376.6265 hectares or 8,343.6441 acres, located 85 km southeast of the city of Culiacan and some 9 km northeast of the village of El Espinal in the state of Sinaloa, Mexico as more particularly described in the Technical Report, the majority of which is reproduced in and forms part of this Prospectus, a complete copy of which is available on SEDAR, together with the surface rights, mineral rights, personal property and permits associated therewith.

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SUMMARY OF PROSPECTUS

The following is a summary of the principal features of this Prospectus and should be read together with the more detailed information and financial data and statements contained elsewhere in this Prospectus.

The Company

The Company was incorporated on April 16, 2014 pursuant to the CBCA under the name "Auxico Resources Canada Inc.". The Company's head office and registered and records office is located at 230 Notre Dame Street West, Montreal QC H2Y 1T3, Canada.

The Company has a wholly owned subsidiary, Auxico Mexico, S.A. de C.V. ("Auxico Mexico"), which was incorporated pursuant to the laws of Mexico on June 16, 2011.

The Company has entered into the Gold Loan Agreement with Auxico Mexico and the Borboletta Foundation regarding the loan of $300,000 by the Borboletta Foundation to Auxico Mexico in order to provide Auxico Mexico with working capital and to develop the Zamora Silver-Gold Property.

The Company has entered into the Assignment Agreement dated July 17, 2013 with Filipe Jesus Ortega Garcia, Alejandrina Luviano Castillo, Miguel de Jesus Ortega Garcia, and Auxico Mexico which entitles Auxico Mexico, a wholly owned subsidiary of Auxico, a 100% undivided interest in the Zamora Silver-Gold Property subject to a 2% Net Smelter Return Royalty (NSRR). A 1% NSRR may be purchased by Auxico at any time for US$500,000.

The Company has entered into the Technology License Agreement with CMVR Company and its amendment dated May 25th, 2016 regarding a strategic supply alliance with CMVR Company to produce nano silver powders for CMVR's clients in the defence aerospace, electronics, automotive and medical industries.

The Escrow Agreement, that will be entered among the Company, the Escrow Agent and the Principals.

The Company had on June 30, 2016 entered into an amalgamation agreement with Telferscot Resources Inc., an Issuer listed on the CSE, for a possible reverse take-over or similar type of transaction, the contemplated transaction was terminated in December 2016, for more details, please refer to section entitled *Legal Proceedings* of this preliminary prospectus.

The Company has entered into a Consulting Agreement dated January 19, 2017 with Manitex Capital Inc. regarding the providing of consulting and advisory services in connection with a potential going-public transaction.

The Company intends to be listed on the *Canada Securities Exchange* (the "CSE") by complying with the rules and policies of the CSE regarding qualification for listing.

See "*Description of the Business*".

Business of the Company

The Company is engaged in the acquisition, exploration and development of mineral properties in Mexico. Its current focus is to conduct the proposed exploration program on the Zamora Silver-Gold Property as more particularly set out in the Technical Report. See "*Description of the Business*".

Management, Directors, and Officers

Mark Billings, *President*
Pierre Gauthier, *Chairman and CEO*
Jacques Arsenault, *CFO and Director*
Robin Conners, *Director*
Rick Whittaker, *Director*
Marc Fillion, *Board Member*
Bernard He, *Director*
Michel Lebeuf Jr., *Corporate Secretary*

Listing

The Company intends to apply for conditional approval to list the Shares on the CSE concurrent with filing the Prospectus with the Principal Regulator.

Funds Available and Use of Available Funds

As at March 31, 2017, the Company had working capital of approximately $1,091,062. The Company estimates that it will require the following funds to conduct its plan of operations over the next twelve months:

Use of Available Funds	Amount
To pay the estimated cost of the recommended Phase 1 exploration program and budget on the Zamora Silver-Gold Property as outlined in the Technical Report	$500,000
Prospectus and CSE Listing costs	$50,000
Operating expenses for 12 months (1)	$552,000
Unallocated working capital	$(10,938)
Total	$1,091,062

(1) Estimated operating expenses for the next 12 months include: $120,000 for president – management fees; $60,000 for CEO – Management Fees, $30,000 for CFO – Management Fees; $36,000 for business development; $60,000 for geological consulting fees; $30,000 for office and miscellaneous; $36,000 for legal fees; $36,000 for rent; and $84,000 for claim and maintenance fees

The Company intends to fund its business using the proceeds from prior private placement financings (hereinafter described). The Company intends to spend the funds available to it as stated in this Prospectus. However, there may be circumstances where, for sound business reasons, a reallocation of the funds may be necessary. The amounts set forth above may increase if we are required to carry out due diligence investigations in regards to any prospective investment or business opportunity or if the costs of the Prospectus or Listing, or negotiating an applicable transaction, are greater than anticipated.

See "*Funds Available and Use of Available Funds*".

Risk Factors

An investment in the Shares of the Company should be considered highly speculative and involves a substantial degree of risk, and investors may incur a loss on their investment. The risks, uncertainties and other factors, many of which are beyond the control of the Company, that could influence actual results include, but are not limited to: limited operating history; exchange approval; dependence on the Zamora Silver-Gold Property; exploration, development and production risks; mineral resources and reserves; obtaining and renewing licenses and permits; no assurances that a commercially viable ore body will ever be discovered or, if discovered, ever put into production; title matters, surface rights and access rights; additional funding requirements; dilution; environmental risks; limited operating history; lack of operating cash flow; regulatory requirements; mineral prices; infrastructure; risks associated with acquisitions; executive employee recruitment and retention; adverse general economic conditions; claims and legal proceedings; force majeure; uncertainty of use of proceeds; competition; conflicts of interest; dividends; litigation; reporting issuer status; and operating hazards, risks and insurance. See "*Risk Factors*" for additional for a discussion of the foregoing risks and additional risk factors.

Summary of Financial Information

The following selected financial information is subject to the detailed information contained in the Company's Financial Statements and notes thereto appearing elsewhere in the Prospectus. The selected financial information is derived from the Company's Financial Statements. The Company has established September 30 as its financial year end. The following financial data is prepared in accordance with International Financial Reporting Standards ("**IFRS**"). See "*Selected Financial*

Information and Management's Discussion and Analysis". The Company's Financial Statements are attached to this Prospectus as Appendix 1.

	Six month period ended March 31, 2017 (unaudited)	Three month period ended December 31, 2016 (unaudited)	Financial year ended September 30, 2016 (audited)
Total revenues	Nil	Nil	Nil
Business Development	$63,313	$16,176	$9,989
Exploration expenditures	$124,783	$1,510	$124,515
Filing fees	Nil	Nil	Nil
Office and miscellaneous	$4,461	$1,436	$1,059
Professional fees	$52,615	$71,774	$74,251
Share-based compensation	Nil	Nil	Nil
Loss and comprehensive loss	($377,131)	($189,402)	($318,276)
Basic and diluted loss per Share	($0.015)	($0.007)	($0.014)
Total assets	$1,937,217	$1,307,378	$679,740
Long-term financial liabilities	Nil	Nil	Nil
Cash dividends per share	Nil	Nil	Nil

CORPORATE STRUCTURE

Name, Address and Company

The Company was incorporated on April 16, 2014 pursuant to the CBCA under the name "Auxico Resources Canada Inc.". The Company's head office and registered and records office is located at 230 Notre Dame Street West, Montreal QC H2Y 1T3, Canada.

The Company has a wholly owned subsidiary, Auxico Mexico, S.A. de C.V. ("Auxico Mexico"), which was incorporated pursuant to the laws of Mexico on June 16, 2011.

GENERAL DEVELOPMENT OF THE BUSINESS

Business of the Company

The Company is engaged in the acquisition, exploration and development of mineral properties in Mexico. Its current focus is to conduct the proposed exploration program on the Zamora Silver-Gold Property as more particularly set out in the Technical Report, along with continuing to identify and potentially acquire additional property interests and conduct exploration and evaluation of to assess their potential. See "*Description of the Business*".

Pursuant to an Assignment Agreement signed on July 17, 2013 with Filipe Jesus Ortega Garcia, Alejandrina Luviano Castillo, Miguel de Jesus Ortega Garcia, and Auxico Mexico, Auxico Mexico has a 100% undivided interest in the Zamora Property subject to a 2% Net Smelter Return Royalty (NSRR). A 1% NSRR may be purchased by Auxico Mexico at any time for USD $500,000.

For a full description of the Zamora Silver-Gold Property please see "*Description of the Business*" wherein the majority of the Technical Report is reproduced.

The Company has entered into a Consulting Agreement dated January 19, 2017 with Manitex Capital Inc. regarding the providing of consulting and advisory services in connection with a potential going-public transaction.

The Company has entered into the Gold Loan Agreement with Auxico Mexico and the Borboletta Foundation regarding the loan of $300,000 by the Borboletta Foundation to Auxico Mexico in order to provide Auxico Mexico with working capital and to develop the Zamora Silver-Gold Property.

The Company has entered into the Gold Loan Settlement Agreement dated April 7, 2017, pursuant to which terms and conditions, Auxico will settle the Gold Loan Agreement it had entered with the Borboletta Foundation by a payment in cash and the issuance of shares, the whole being subject to the Company's listing on a recognized stock exchange.

The Company has entered into the Technology License Agreement with CMVR Company and its amendment dated May 25th, 2016 regarding a strategic supply alliance with CMVR Company to produce nano silver powders for CMVR's clients in the defence aerospace, electronics, automotive and medical industries.

The Escrow Agreement, that will be entered among the Company, the Escrow Agent and the Principals.

The Company had on June 30, 2016 entered into an amalgamation agreement with Telferscot Resources Inc., an Issuer listed on the CSE, for a possible reverse take-over or similar type of transaction, the contemplated transaction was terminated in December 2016.

Listing on the CSE

Concurrently to the filing of the Prospectus, the Company intends to be listed on the CSE or any other recognized Canadian stock exchange, such Listing being subject to Auxico fulfilling all the listing requirements of the Exchange.

Three Year History

The Company was incorporated on April 16, 2014 pursuant to the CBCA under the name "Auxico Resources Canada Inc.". The Company's head office and registered and records office is located at 230 Notre Dame Street West, Montreal QC H2Y 1T3, Canada.

The Company has a wholly owned subsidiary, Auxico Mexico, S.A. de C.V. ("Auxico Mexico"), which was incorporated pursuant to the laws of Mexico on June 16, 2011.

On April 16, 2014, upon incorporation of Auxico, Auxico Mexico became a wholly-owned subsidiary of Auxico. Gencap Inc. ("Gencap"), the shareholder of Auxico Mexico, exchanged its shares of Auxico Mexico in return for 10,000,000 common shares of Auxico. Auxico Mexico has title of the mining concessions that comprise the Zamora Silver-Gold Property in Sinaloa, Mexico. The value of this share exchange was $4,087.

Auxico concluded a supply alliance with CVMR Corp. ("**CVMR**") to produce nano silver powders for CVMR's clients in the defence, aerospace, electronics, automotive and medical industries. Auxico also has an agreement to lease port facilities at Coatzacoalcos, Mexico, which will enable Auxico to ship directly to CVMR in Toronto. The agreement provides for a 50-50 split on the additional revenue generated by selling silver powder instead of silver metal.

The Company had on June 30, 2016 entered into an amalgamation agreement with Telferscot Resources Inc., an Issuer listed on the CSE, for a possible reverse take-over or similar type of transaction. The contemplated transaction was terminated in December 2016.

See "*Description of the Business*".

As of the date of this Prospectus, the Company does not have any reportable segments pertaining to its operations. As of the date of this Prospectus, there was no bankruptcy, receivership or similar proceedings against the Company or any voluntary bankruptcy, receivership or similar proceedings by the Company or its predecessors since its inception.

Financings

On May 1, 2014, the Company completed a non-brokered private placement, raising gross proceeds of $200,000 by issuing 10,000,000 Shares at a price of $0.02 per Share. There were no warrants issued in this private placement.

On May 1, 2014, in connection with the non-brokered private placement mentioned above, the Company paid a finder's fee of 1,500,000 Shares. The value of these shares issued as a finder's fee was $30,000, or $0.02 per Share.

On May 31, 2016, the Company closed a non-brokered private placement by issuing 2,400,000 Shares at a price of $0.25 per Share for gross proceeds of $600,000. There were no warrants issued in this private placement. Issuance costs of $40,000 were incurred for this private placement.

On December 31, 2016, the Company completed a first tranche of a non-brokered private placement, raising gross proceeds of $627,500 by issuing 2,510,000 common shares of the Company's capital at a price of $0.25 per common share. There were no warrants issued in this private placement.

On February 17, 2017, the Company completed a second tranche of a non-brokered private placement, raising gross proceeds of $825,000 by issuing 3,300,000 common shares of the Company's capital at a price of $0.25 per common share of which 2,000,000 common shares will be issued after the six months period ended March 31, 2017.

The Company has received a subscription agreement of an amount of $500,000 regarding the subscription by Manitex Capital Inc. ("Manitex") for 2,000,000 common shares of Auxico issued at a price of $0.25 per common share. The share certificate representing the 2,000,000 shares issued to Manitex and the cheque from Manitex representing the subscription amount of $500,000 are both being held in escrow by Dunton Rainville LLP, pursuant to the terms and conditions of the Manitex Escrow Agreement.

On March 30, 2017, the Company completed a non-brokered private placement, raising net proceeds of $275,000 by issuing 1,100,000 common shares of the Company's capital at a price of $0.25 per common share of which 400,000 common shares will be issued after the six months period ended March 31, 2017.

Issuance costs of $109,247 were incurred for these private placements in the six months periods ended March 31, 2017.

On April 24, 2017, the Company completed a non-brokered private placement, raising gross proceeds of $100,000 by issuing 400 000 common shares of the capital of the Company at a price of $0.25 per common share.

As of March 31, 2017, there were 28,410,000 issued and fully paid common shares of Auxico and 2,400,000 common shares to be issued. As of the date of this Prospectus, there were 31,210,000 common shares issued and fully paid of Auxico.

Trends

There are no current trends in the Company's business that are likely to impact on the Company's performance.

NARRATIVE DESCRIPTION OF THE BUSINESS

Stated Business Objective

The principal business carried on and intended to be carried on by the Company is the acquisition, exploration and development of natural resource properties. The Company intends on expending its working capital and net proceeds raised from its completed financings (see "*General Development of the Business – Financing*") to pay the balance of the estimated costs in connection with the Listing, to carry out exploration work on the Zamora Silver-Gold Property, to pay for administrative costs for the next twelve months and for general working capital. The Company may decide to acquire other properties in addition to the Zamora Silver-Gold Property described below. The Company may decide to acquire other properties other than the Zamora Silver-Gold Property.

The Zamora Silver-Gold Property - Current Technical Report

The following represents information summarized from the Technical Report on the Zamora Gold Property authored by Joel Scodnick, B.Sc., P.Geo (the "**Author**"), of Sierra Geological Consulting Inc., who is a Qualified Person (as defined in NI 43-101) dated March 25, 2016 and amended on January 2, 2017, prepared in accordance with the requirements of NI 43-101. All Figures 1 through 12, inclusive, and Tables 1 through 2 from the Technical Report are reproduced in and form part of this Prospectus; a complete copy of the Technical Report is available for review, in color, on SEDAR at the following website: www.sedar.com.

Property Description, Location and Access

The Zamora prospect is located 85 km southeast of the city of Culiacan and some 9 km northeast of the village of El Espinal, from which the property is easily accessible year round via gravel roads. Historical underground workings date back to the 1800's, where an undetermined amount of ore was mined following the main vein structures. La cam china and Los Olotes can be accessed by taking a secondary gravel road north for about 15 km from El Espinal which goes through the Los Mecates ranch. There is another secondary gravel road which connects from the Los Mecates ranch with highway no. 15, near the Las Tinas ranch.

The northern part of the claims can also be accessed from taking highway no. 15 east just past El Espinal and then taking highway no.1 which leads north towards the mining town of Cosala. The turnoff to Campanillas is at Ibonia which least northeastwards to the portal. The drive from the city of Culiacan to the portal at Campanillas takes about 2 1/2 hours.

Auxico Resources Inc.	Project Name Zamora Silver-Gold Property 43-101 Technical Report	Date of Issue February, 2016

Table 1 below shows the various mines and/or prospects described in this report and are listed from north to south.

Table 1: Zamora Silver-Gold Property claim details

No.	Mine/Prospect	Best Sample (2014)	Best Historic Sample	Comments	Description
1	La Franca	1.72 kg/t Ag, 12.96 g/t Au	2.08 kg/t Ag, 7.0 g/t Au	Not part of Auxico's Claims	Mine
2	Campanillas	14.56 kg/t Ag, 15.53 g/t Au	970 g/t Ag, 3.0 g/t Au	625m southwest of La Franca	Mine
3	El Triunfo	286 g/t Ag, 2.54 g/t Au	970 g/t Ag, 8.4 g/t Au		Mine
4	Periguete	5 g/t Ag, 0.01 g/t Au	NA	Did not locate the shaft, extensive propylitic alteration	Shaft not exposed
5	El Nazareno	9.65 g/t Ag, 0.03 g/t Au	193.3 g/t Ag, nil Au		Mine
6	Las Jarillas	15.59 g/t Ag, 0.07 g/t Au	231.5 g/t Ag, 1.4 g/t Au	N-S structure, intense Silicification	Mine
7	Tahuanita	Not sampled	NA	Intense shearing, gossaned	Showing
8	Chico Pico	429.09 g/t Ag, 0.12 g/t Au	NA	Vuggy Quartz, breccia	Prospect Pit
9	Aguamas	Not explored	NA	None	none
10	La India	Not sampled	NA	Adit	Adit

11	Obotel – 17m level	Not sampled	799 g/t Ag, 4.6 g/t Au	Collapsed pit? N-S Vein	Pit
12	Los Olotes-Surface	46.42 g/t Ag, 0.24 g/t Au	NA	Adit/Decline, caved in after 5 m	Mine
	Los Olotes - 17m level	NA	3.15 kg/t Ag, 13.4 g/t Au (Weighted Ave. East Vein 123.21 g/t Ag, 0.58 g/t Au) *(Weighted Ave. West Vein 152.08 g/t Ag, 0.88 g/t Au)* *(Weighted Ave. Zamora Vein 475 g/t Ag, 3.36 g/t Au)*	Zamora Vein Los Olotes Vein Los Olotes Vein Zamora Vein	17m level – Mine
	Los Olotes – 23m level	NA	6.57 kg/t Ag, 44.0 g/t Au *(Weighted Ave. 797 g/t Ag, 6.14 g/t Au)*	Zamora Vein	23m level - Mine
13	La Camichina – 17m level	Not sampled	5.1 kg/t Ag, 23.5 g/t Au *(Weighted Ave. 609.2 g/t Ag, 3.1 g/t Au)*	Zamora Vein Vertical Shaft	17m level - Mine
14	Rosa Maria	Not explored	NA	None	None
15	Trincan	Not explored	NA	None	None
16	Juntas	Not explored	NA	None	None

The Property is comprised of five individual lots measuring a total of 3,376.6265 Hectares or 8,343.6441 Acres. A legal description of the lots is shown in Table 2 below and can also be found in Appendix 1 of the Technical Report. All of the taxes for Zamora have been paid to December 31, 2016 and the tax reports can be found in Appendix 10 of the Technical Report: Tax Reports. A Title Opinion is provided in Appendix 9 of the Technical Report: Title Opinion, and was prepared and signed off by Auxico's lawyer Abraham Urias, of Urias Romero Y Associados S.C., located in Mazatlan, Mexico.

Lot Name	Concession Number	Area (He)	Taxes Owing (Pesos/USD)
Campanillas	224618	105.6427	0
Chio	227400	92.1787	0
Gaby	277399	80.0000	0
San Filipe	224654	100.0000	0
Zamora	225182	2998.8051	0
Total		3376.6265	0

Table 2: Legal Description of the Zamora Silver-Gold Property claims

The Los Olotes workings at Zamora, according to the work performed by the Consejo de Recursos Minerales (CRM, Mexican Mineral Resource Board) now referred to as the Servicio Geologico Mexicano (SRM, Geological Services of Mexico) , was supervised by Mr. Martinez in 1982 and according to the information provided in his report and verified by the author contains a historical, non-compliant NI 43-101 resource of 34,645 tons of 12.87 g/t Gold and 1.52 kg/t Silver (Report on Exploration Work Carried out in the Zamora Silver Mine District, 1982). The author has not been able to verify the historical resource and access to the underground workings at Los Olotes due to the portal to Los Olotes having collapsed and the vertical shaft at La Camichina being flooded at approximately 25m below the surface.

The remaining infrastructures at La Camichina and Los Olotes were partially restored in the early 1980's by the CRM in order to evaluate the mineral potential of the Zamora structure. This structure, or what is referred to as the Zamora Vein runs through La Camichina and Los Olotes. The CRM conducted this work in order to promote the property and attract investors or mining companies with the intention of restoring the mine workings and bringing it back into commercial production. During this campaign, the main shaft was restored, over 100 metres of drifts were developed and over 250 metres of crosscuts and drifts were restored and/or cleaned up. In all, the Zamora prospect is host to over 400 metres of mapped underground workings; additional drifts are known to exist but, to this date, have not been mapped or documented.

The two major ore bodies are defined as “La Camichina” which was intensely mined and is characterized by the Zamora Vein, and the “Los Olotes” zone which is formed by the intersection of two vein structures and represents the main exploration and development focus due to its high-grade ore pockets. Los Olotes appears to be oriented more north-south (NS) than the Zamora Vein which is northeast-southwest (NE-SW). It is believed that this ore still exists at Los Olotes and was not mined out. The two vein structures are separated by a crosscut which runs from La Camichina to Los Olotes, approximately 115 metres apart see Figure 1).

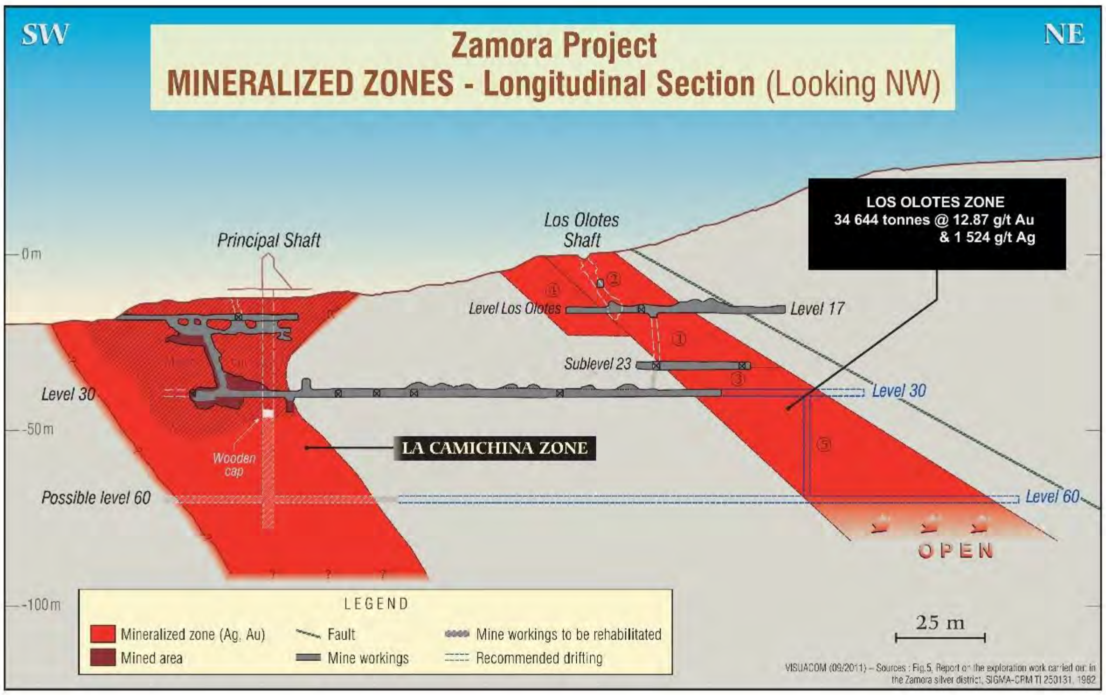

Figure 1: Cross Section Through La Camichina & Los Olotes

The area between la Camichina and Los Olotes is represented by low grade material according to historical records. Figure 2 which represents the 17m level at Los Olotes shows the degree of sampling that was initiated by the CRM as well as the high-grade nature of the silver and gold mineralization. It should also be noted, according to Mr. Martinez (personal communication) that only the vein material was channel sampled, not the hanging wall or foot wall, which later on in the report describes the volcanic breccia and stockwork zones adjacent to all of the quartz veins identified on the property during the 2014 campaign. It is in this material where most of the higher grade samples were discovered. Samples were channeled every meter along the drift. Figure 3 represents the 23m level at Los Olotes and shows some very high-grade silver and gold values. Figure 4 shows the La Camichina 17m level which has reported values of up to 5.1 kg/t Ag and 23.5 g/t Au over 0.80m.

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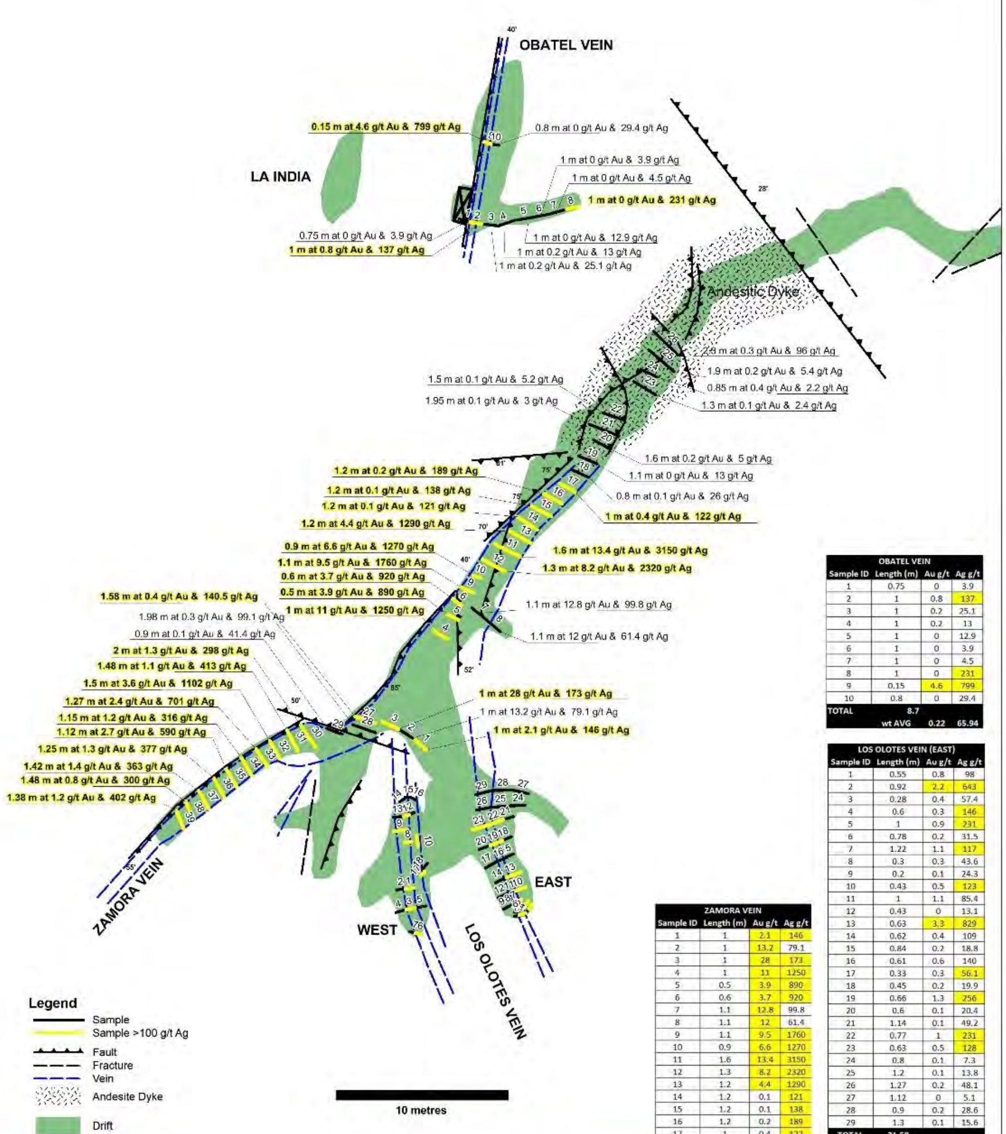
ZAMORA SILVER-GOLD PROJECT
LEVEL LOS OLOTES (LEVEL 17)

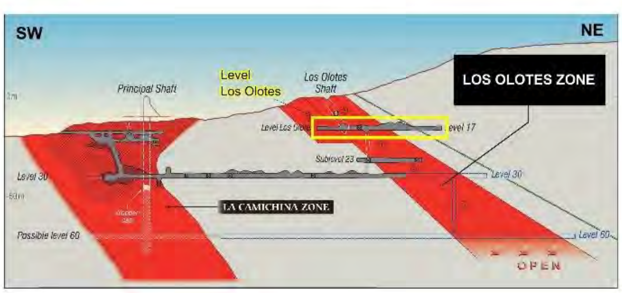


OBATEL VEIN			
Sample ID	Length (m)	Au g/t	Ag g/t
1	0.75	0	3.9
2	1	0.8	137
3	1	0.2	25.1
4	1	0.2	13
5	1	0	12.9
6	1	0	3.9
7	1	0	4.5
8	1	0	231
9	0.15	4.6	799
10	0.8	0	29.4
TOTAL	8.7		
	wt AVG	0.22	65.94

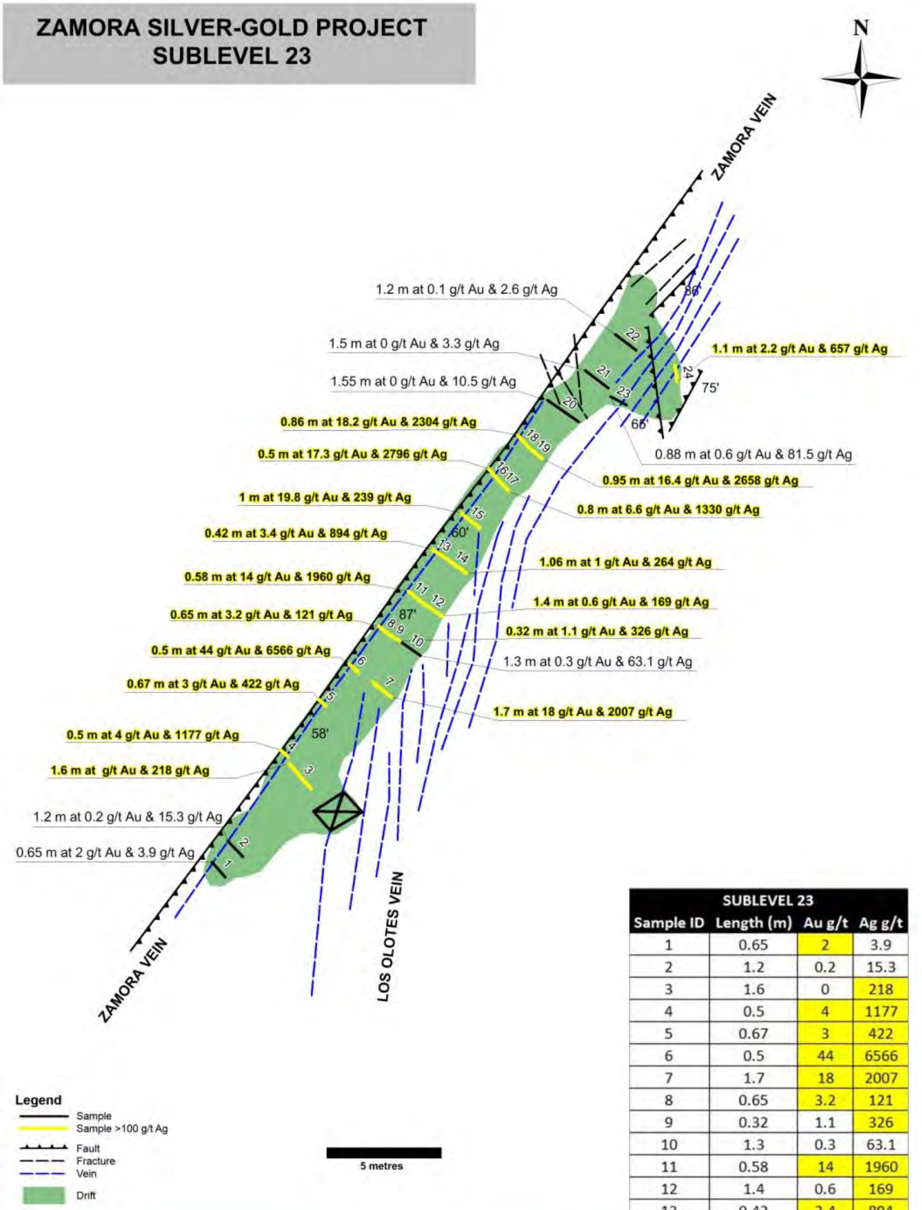
LOS OLOTES VEIN (EAST)			
Sample ID	Length (m)	Au g/t	Ag g/t
1	0.55	0.8	98
2	0.92	2.2	643
3	0.28	0.4	57.4
4	0.6	0.3	146
5	1	0.9	231
6	0.78	0.2	31.5
7	1.22	1.1	117
8	0.3	0.3	43.6
9	0.2	0.1	24.3
10	0.43	0.5	123
11	1	1.1	85.4
12	0.43	0	13.1
13	0.63	3.3	829
14	0.62	0.4	109
15	0.84	0.2	18.8
16	0.61	0.6	140
17	0.33	0.3	56.1
18	0.45	0.2	19.9
19	0.66	1.3	256
20	0.6	0.1	20.4
21	1.14	0.1	49.2
22	0.77	1	231
23	0.63	0.5	128
24	0.8	0.1	7.3
25	1.2	0.1	13.8
26	1.27	0.2	48.1
27	1.12	0	5.1
28	0.9	0.2	28.6
29	1.3	0.1	15.6
TOTAL	21.58		
	wt AVG	0.58	123.21

ZAMORA VEIN			
Sample ID	Length (m)	Au g/t	Ag g/t
1	1	2.1	146
2	1	13.2	79.1
3	1	28	173
4	1	11	1250
5	0.5	3.9	890
6	0.6	3.7	920
7	1.1	12.8	99.8
8	1.1	12	61.4
9	1.1	9.5	1760
10	0.9	6.6	1270
11	1.6	13.4	3150
12	1.3	8.2	2320
13	1.2	4.4	1290
14	1.2	0.1	121
15	1.2	0.1	138
16	1.2	0.2	189
17	1	0.4	122
18	0.8	0.1	26
19	1.1	0	13
20	1.6	0.2	5
21	1.95	0.1	3
22	1.5	0.1	5.2
23	1.3	0.1	2.4
24	0.85	0.4	2.2
25	1.9	0.2	5.4
26	2.3	0.3	96
27	1.58	0.4	140.5
28	1.98	0.3	99.1
29	0.9	0.1	41.4
30	2	1.3	298
31	1.48	1.1	413
32	1.5	3.6	1102
33	1.27	2.4	701
34	1.15	1.2	316
35	1.12	2.7	590
36	1.25	1.3	377
37	1.42	1.4	363
38	1.48	0.8	300
39	1.38	1.2	402
TOTAL	49.81		
	wt AVG	3.36	475.28

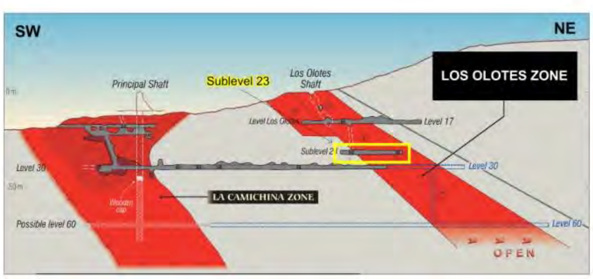
LOS OLOTES VEIN (WEST)			
Sample ID	Length (m)	Au g/t	Ag g/t
1	0.44	4.9	399
2	0.66	0.1	23.8
3	0.34	2.4	434
4	0.85	0	47.9
5	0.2	0.2	83.9
6	0.2	2	196
7	0.49	0	56.8
8	0.45	0.4	149
9	1.25	0.5	242
10	0.57	5.1	146
11	0.27	0.3	833
12	0.38	0.5	74.6
13	0.74	0.3	26.1
14	0.2	0.2	19.9
15	0.6	0.2	69.4
16	0.7	0.1	20.1
17	0.38	0.3	109
18	0.7	0.4	204
TOTAL	9.42		
	wt AVG	0.88	152.08

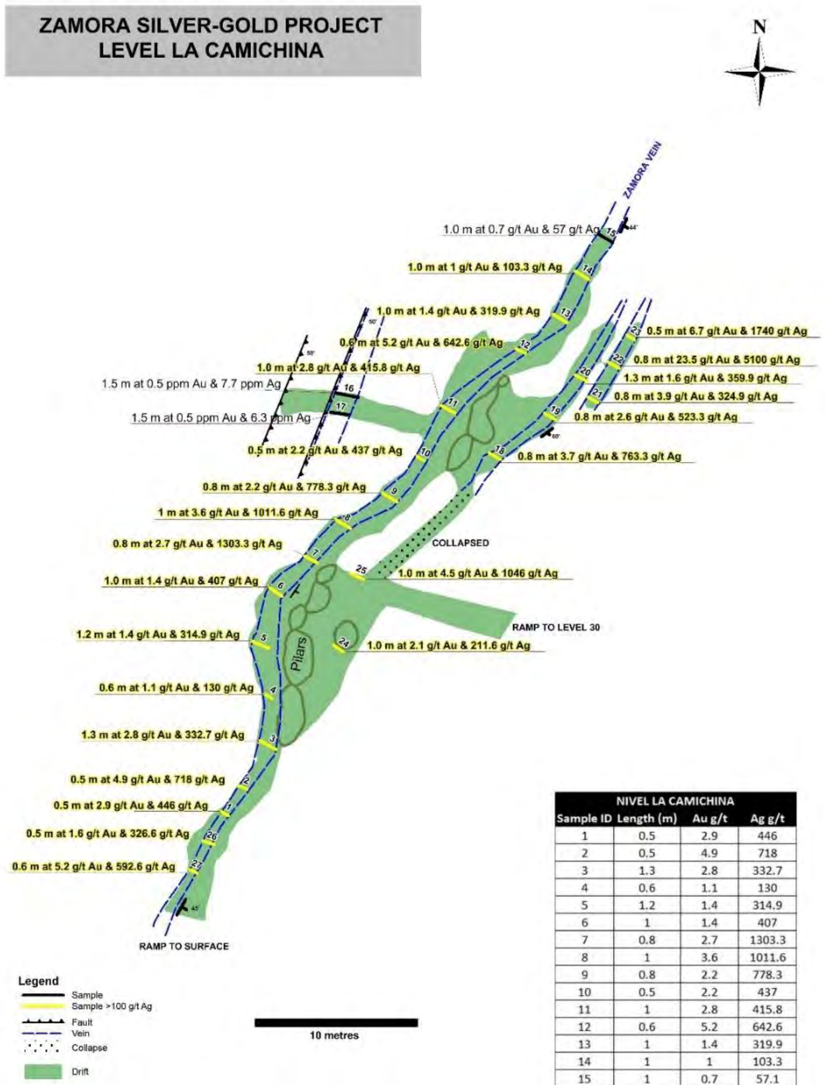


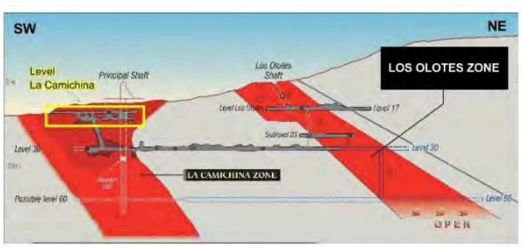
ZAMORA SILVER-GOLD PROJECT
SUBLEVEL 23



SUBLEVEL 23			
Sample ID	Length (m)	Au g/t	Ag g/t
1	0.65	2	3.9
2	1.2	0.2	15.3
3	1.6	0	218
4	0.5	4	1177
5	0.67	3	422
6	0.5	44	6566
7	1.7	18	2007
8	0.65	3.2	121
9	0.32	1.1	326
10	1.3	0.3	63.1
11	0.58	14	1960
12	1.4	0.6	169
13	0.42	3.4	894
14	1.06	1	264
15	1	19.8	239
16	0.5	17.3	2796
17	0.8	6.6	1330
18	0.86	18.2	2304
19	0.95	16.4	2658
20	1.55	0	10.5
21	1.5	0	3.3
22	1.2	0.1	2.6
23	0.88	0.6	81.5
24	1.1	2.2	657
TOTAL	22.89		
	wt AVG	6.14	797.55

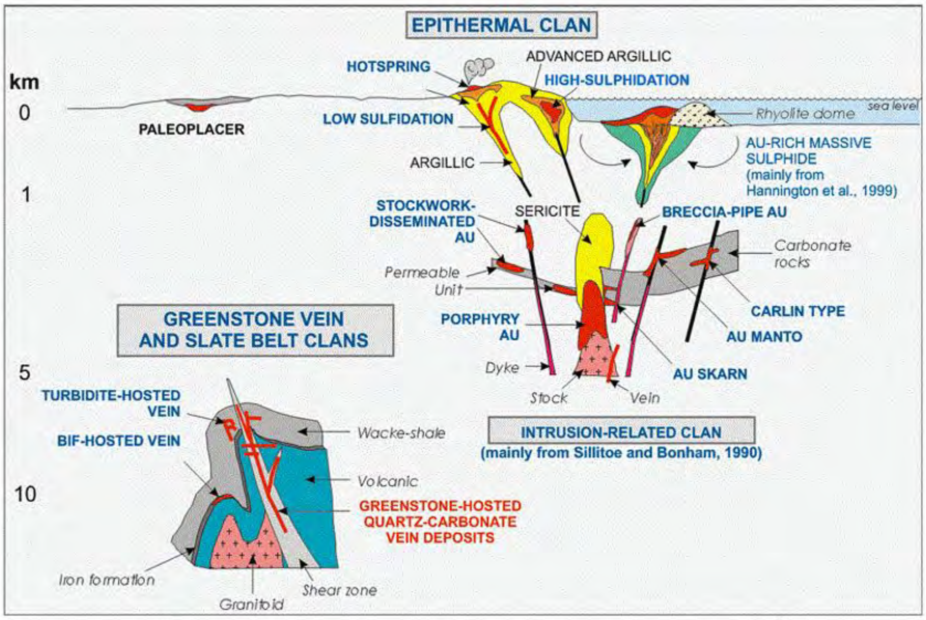






NIVEL LA CAMICHINA			
Sample ID	Length (m)	Au g/t	Ag g/t
1	0.5	2.9	446
2	0.5	4.9	718
3	1.3	2.8	332.7
4	0.6	1.1	130
5	1.2	1.4	314.9
6	1	1.4	407
7	0.8	2.7	1303.3
8	1	3.6	1011.6
9	0.8	2.2	778.3
10	0.5	2.2	437
11	1	2.8	415.8
12	0.6	5.2	642.6
13	1	1.4	319.9
14	1	1	103.3
15	1	0.7	57.1
16	1.5	0.5	7.7
17	1.5	0.5	6.3
18	0.8	3.7	763.3
19	0.8	2.6	523.3
20	1.3	1.6	359.9
21	0.8	3.9	324.9
22	0.8	23.5	5100
23	0.5	6.7	1740
24	1	2.1	211.6
25	1	4.5	1046
26	0.5	1.6	326.6
27	0.6	5.2	592.6
Total	23.9		
	wt AVG	3.1	609.2

The sampling campaign of 2014 in different areas of the property validated the high-grade nature for the occurrence of some rather high silver and gold values which can be expected to occur at Los Olotes, and this confirms the chances of establishing a high-grade resource in that particular mine. The sixteen mines/prospects occur over a distance of 10 km x 5 km and the exploration program of 2014 has identified what is believed to be a low-sulphidation epithermal system for most of the property which displays intense hydrothermal alteration patterns in every one of the historic mines visited, and sampled. At the Chico Pico prospect however, vuggy quartz displaying sponge-like features indicating highly acidic hydrothermal solutions would indicate a high-sulphidation epithermal system. The different Epithermal types of deposits are provided below in Figure 5: Geological Models.



Auxico Resources Inc.	Project Name Zamora Silver-Gold Property 43-101 Technical Report	Date of Issue February, 2016

The Zamora Project contains fifteen historical mines and/or prospects, not including the La Franca mine, and there has never been a concentrating plant on this property; the ore was so rich that it was direct shipping ore. During the 2014 exploration campaign the author had the opportunity to sample eight out of the sixteen historical mines and/or prospects. This exploration program confirmed the high-grade of the nature of the stockwork zone on the property where one sample from the stockpile at Campanillas returned the following assays from two independent laboratories, SGS (sample number B00127713)and Dundee Sustainable Technologies (DST, sample number B00127713):

Sample Number	Silver Assay	Gold Assay	Laboratory
B00127713	14.56 kg/t	15.53 g/t	SGS
B00127713	14.40 kg/t	19.50 g/t	DST

History and Exploration

There are no detailed reports available for any exploration, development, or production on any of the mines located on the Zamora Silver Property, however, there are several assumptions that can be ascertained to the degree of mining. The most important of the mines is La Camichina and although there is not a very big waste pile in the immediate area of the vertical shaft, it appears, according to a report written in 1982 by Antonio B. Flores Martinez, Ing. for the CRM, that La Camichina was sunk down to about 100m below the surface and a fair amount of ore was extracted down to at least the -60m level. La Camichina was abandoned for reasons that are unknown until today.

There are no references to any technical work of the previous miners, the knowledge gained of La Camichina has been provided through restoration and exploration. In 1977, the first reconnaissance work was initiated, and they were mining high-grade ore and sending it directly to the smelter, which is believed to have been in Cosala. The lower grade material was shipped to the La Minita processing facility close by. La Minita is still in operation today.

The Campanillas Mine located in the northern part of the property, and according to local miners from the town of Rincon de Ibonia who worked in the mine when it was in operation, they claim that the workings go down to the third level. Again, as in the case of La Camichina the stockpile outside the portal did not contain much material so limited production appears to have been done.
All of the other mines appear to have limited development only on one level, except La Franca which does not belong to Auxico. La Franca is mentioned here as a high-grade sample was selected from inside the old workings near the end of a

stope which is only approximately 80m from the boundary with the Campanillas Lot. This sample was taken from the wallrock which was represented by a Volcanic Breccia and Stockwork, and heavily mineralized with silver sulphides. A 42kg sample was selected from the La Franca Mine at the end of the drift in a stoped area. One sample was collected from two areas and blended together which were from an area which was previously sampled within a silicified breccia which returned 1.72 kg/t Ag and 12.96 g/t Au. This more recent sample was from the same silicified breccia and a quartz vein with silver sulphides approximately 10m from the original sample. The results of this sampling returned 0.460 kg/t Ag and 2.9 g/t Au. This stope is located about 80m from Auxico's Campanillas Lot.

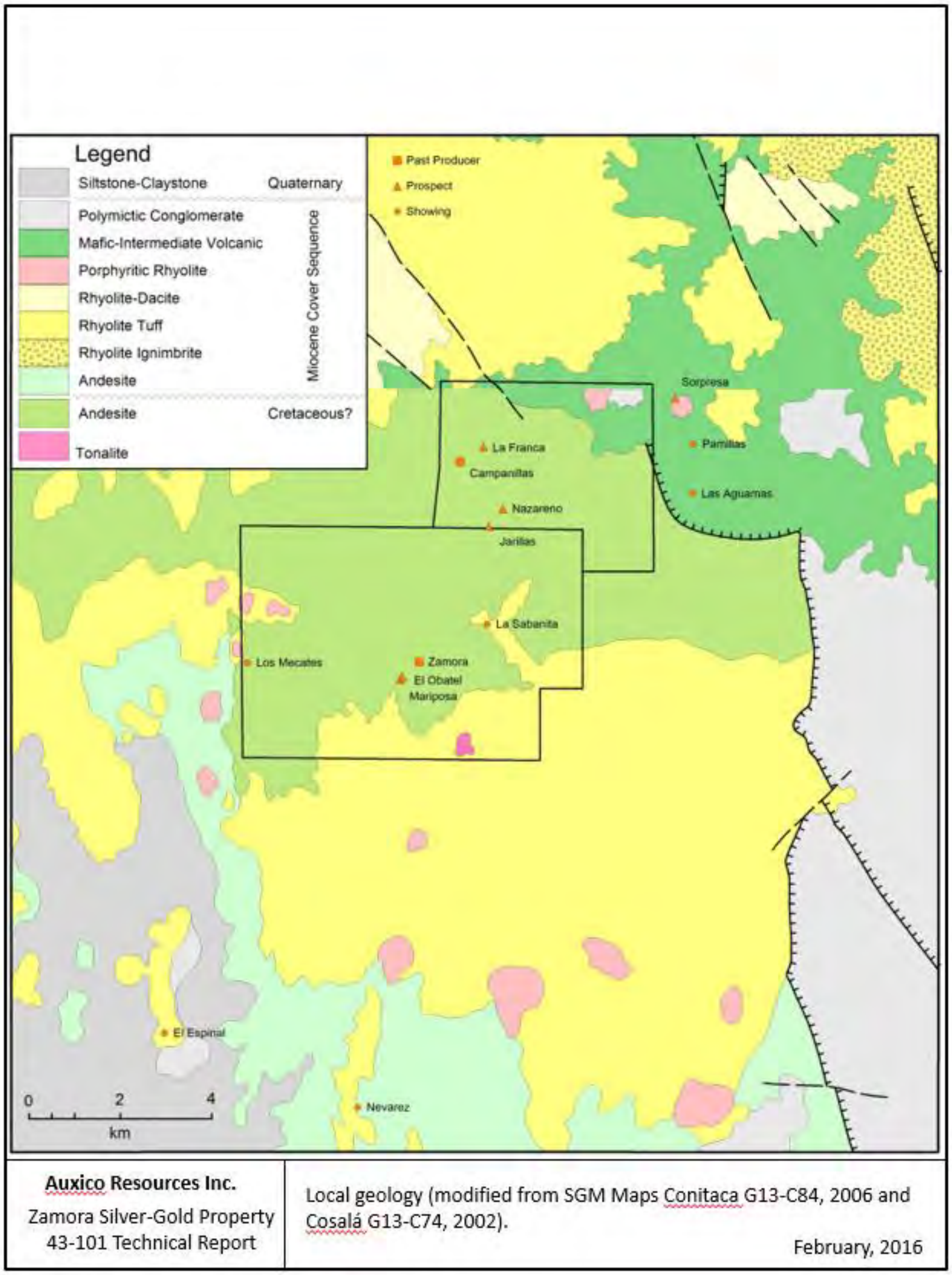
Geological Setting, Mineralization, and Deposit Types

The basement of the area is represented by tuffaceous breccia consisting of subangular to angular fragments of andesite up to 10 centimetres in diameter. It is dark grey and a matrix of volcanics ashes and glass can be observed under the microscope. The host rock is affected by generally NE trending andesite dykes that are locally associated to the mineralized structures. This tuffaceous breccia unit, possibly of lower tertiary age, occupies the central portion of the studied area, as a window in the middle of the basin (Figure 7: Local Geology).

Based on the work completed to date, 16 historic mines and/or prospects including newly discovered areas demonstrate that a intense hydrothermal system trending in a N-S direction intersecting pervasive NE-SW structures is present within the claim boundaries and cover an area of interest of approximately 8 square kilometers, however the N45oE structure appears to be a marker horizon for a breccia unit that always hosts the quartz veins that were mined in the past. This has never been demonstrated before and work done in the past only showed the presence of mostly NE-SW vein systems, but no mention of the apparent importance of this breccia unit. At Campanillas the best sample thus far returned 14.4 kg/t Ag and 15 g/t Au providing evidence for the presence of very high-grade ore shoots within the system. Based on the field work which demonstrates that 90-95% of the mineralized zones line up it could easily be demonstrated that a potential exists for hundreds of millions of tons of ore, possibly more if it testing the area between Los Olotes and Campanillas can prove that there is a continuous orebody. That's a strike length of almost 7km deposit of low to medium-grade with sections of high-grade ore is likely which could make this opportunity a world class mine. the 1982 work done on Los Olotes by the CRM at Zamora which was supervised by Auxico's Mexican consultant Antonio Bonifacio Flores Martinez (Camichina and Los Olotes) demonstrates a possible resource of around 36,000 tons of high-grade silver grading 1.52 kg/t and 12.87 g/t Au located from surface to the 120m level. Access to this zone would be via a ramp or utilizing the existing La Camichina vertical shaft and 115m crosscut.

The Zamora Silver and Gold deposit consists of an epithermal hydrothermal vein system controlled by NE and NS trending structures. Mineralization is characterised by silver (proustite, pyrargyrite), gold and various amounts of sphalerite, pyrite and pyrrhotite, all of which is hosted within a silicified tuffaceous breccia overlain by tuffs, rhyolitic flows and a volcanic conglomerate. Some of the surface samples collected contain Cinnabar, a mineral containing mercury.

Figure 3: Local Geology Map



Drilling

There is no record of any drilling done on the Property.

Sustainability and Environment

Mexico has balanced environmental policies and well-tested mineral tenure laws. The country's federal government works toward sustainable development and environmental protection through the Ministry of Environment and Natural Resources (SEMARNAT). SEMARNAT aims toward the following targets:

• Conservation of ecosystems and their biodiversity

• Prevention and control of pollution
• Management of water resources
• Actions towards climatic change

In Mexico, mining companies must follow the environmental regulations laid out by the Mexican Secretariat of Labour (STPS) and SEMARNAT. SEMARNAT has aligned its policies to internationally accepted standards, so that mining operations have a diminished effect on environments. The industry is committed to developing sustainable projects that prioritize the safety of mine workers and protection of the environment. Under the Mexican Mining Law, concessionaires must adhere to federal environmental regulations, and their activities are subject to an environmental review. All mining companies are required to prepare and file an environmental impact statement for all extractive operations as well as for non-standard exploration work. This environmental impact statement must be approved by regulatory authorities. With environmental issues taking centre stage in the mining sector, SEMARNAT is introducing environment-friendly policies for the industry. Major mining companies in Mexico have started to invest in auxiliary areas of environmental responsibility, such as reforestation projects, environmental audits and certification, and residual management systems, among others.

Foreign Ownership and Taxation

For the mining sector, restrictions on foreign ownership of Mexican companies have been removed. Mining-specific royalties and taxes were revoked in the 1990s to attract international investment in the mining industry. Current law merely requires mining companies to be incorporated under the laws of Mexico, include exploration or exploitation of minerals under their corporate purpose and establish their corporate domicile within the Mexican Republic. The country retains ownership of all mineral resources, and the government grants concessions to private mining companies for exploration and extraction. In terms of taxation, mining companies in Mexico are treated much the same as companies in other sectors. Corporate income tax is levied at a rate of 30 percent. Unlike other Latin American jurisdictions, Mexico does not currently have any specific mining taxes. There have been proposals of discussion for a new mining tax in Mexico; however, finalization of these rules are in progress at this point in time.

Surface Rights

A small part of the Property is occupied by ranchers, mainly for cattle. To date, no issues have been reported and no restrictions have been made for accessing the Property.

Water Rights

There are currently no restrictions to the use of water within the limits of the Property.

Royalties

The Property is subject to a 2% Net Smelter Return Royalty (NSRR). A 1% NSRR may be purchased by Auxico at any time for US$500,000.

Agreements

Pursuant to an Assignment Agreement signed on July 17, 2013 with Filipe Jesus Ortega Garcia, Alejandrina Luviano Castillo, Miguel de Jesus Ortega Garcia, and Auxico Resources S.A. de C.V. (Auxico Mexico), Auxico Mexico has a 100% undivided interest in the Zamora Silver-Gold Property (Appendix 4: Assignment Agreement of the Zamora Technical Report) subject to a 2% Net Smelter Return Royalty (NSRR). A 1% NSRR may be purchased by Auxico Mexico at any time for US$500,000.

Auxico Resources S.A. de C.V. is a company duly incorporated and validly existing pursuant to the laws of the United Mexican States, having its corporate domicile at Avenida Carlos Canseco No. 6052 Plaza Nautica, Oficina 215, Marina Mazatlan, Mazatlan, Sinaloa, C.P. 82103, herein represented by Pierre Rene Gauthier acting as its legal representative holding general powers of attorney for acts of administration and domain.

<u>Permits</u>

No permits have been issued for the Zamora Silver-Gold Property.

Environmental

The author of the Technical Report has not seen anything on the Zamora Silver-Gold Property which would pose any environmental threat or concern and no permits have been issued.

Exploration potential

- Zamora-Camichina

It is widely accepted that the La Camichina shaft was sunk down to approximately 100m below the surface, however in 1982 when the CRM dewatered La Camichina they only went down to the -30m level where a wooden cap was encountered. The cap was removed and a plumb bob was dropped down another 70m or so according to Mr. Martinez. The CRM did not descend or dewater any of the lower areas of the mine since the mandate was to access and evaluate the mineral potential of Los Olotes (personal communication with Mr. Martinez). Based on the premise that silver and gold ore were extracted from La Camichina down to the -100m level and the fact that detailed sampling of Los Olotes which is only 115m along strike from the La Camichina vertical shaft, it can be established that there is a reasonable chance that the Los Olotes mineralized zone continues to at least the same depth as La Camichina which could substantially increase the historic resource calculated by Mr. Martinez.

- Los Olotes

The report written by Mr. Martinez as well as detailed sampling maps that are an interim part of that same report, as well as personal communication with Mr. Martinez demonstrate the high-grade nature of silver and gold mineralization in the Los Olotes Mine where the author has verified all the information available at the time of this report.

- La India

Prospect pit located very close to Los Olotes. Caved in Periguete. A site visit to Periguete failed to locate the historic mine, however, farming in the area appears to be the cause of this. A pit was excavated to retain water for cattle. It is believed that the old workings may be buried underneath or alongside of this pit. Outcrops in the immediate area display intense Propylitic alteration and stockwork quart veins.

- Campanillas

A considerable amount of work performed by the author in order to gain access to the main level and get an understanding of the vein system, breccia, and structural features represented in Campanillas. The most prominent feature is the fact that the hanging wall and footwall alongside of the main Campanillas vein is hosted by a breccia or stockwork. The stockwork veins are significant in number and can literally be followed from one end of the development drift to the other and transect the main Campanillas vein at right angles. This breccia or stockwork is typical of every historic minesite visited on the property and it is in this structure where higher grade silver has been encountered, and which can add significant tonnage depending on the thickness of this unit, which so far is unknown since it has never been drilled or explored.

- Chico Pico

A day visit to Chico Pico revealed quartz fragments and boulders scattered throughout the entire mountain that the author traversed. Vuggy quartz was found near the top of the mountain close to the prospect pit which revealed some high-grade silver mineralization previously discussed. This is a very important area that requires a considerable amount of work as it could represent a large tonnage area based on field observations. One sample returned 429.09 g/t Ag hosted within a strong north-south structure, which appears to be an intensely silicified Andesite with abundant quartz, and represents an area of high sulphidation.

- Tahuanita

Tahuanita was found just east of the property boundaries but it appears to be associated with Chico Pico and is close by. This area shows a high-degree of shearing, veining, and intense silica alteration associated with gossans.

- La Franca

Although La Franca does not belong to Auxico, one sample in the stope represented by breccia and stockwork returned 1.72 kg/t Ag and 12.96 g/t Au. This sample was collected in a stope which appears to be no more than about 80m from the property boundary with Campanillas. During a one-day field mapping exercise the author was able to trace on surface numerous historic workings between Campanillas and La Franca which imlplies that it is one zone or one continuous vein system with a minimum strike length of 625m, and open along strike in both directions.

- El Triunfo

The best sample selected at the minesite was 286 g/t Ag and 2.54 g/t Au. North-south structures predominate.

- Nazareno

Low-grade values were retuned but the north-south structure is present within the mine workings.

Sampling method and approach

Sampling programs, in and around the various historic mines and/or prospect pits included rock chips. All of the sampling conducted by sierra GEOLOGICAL CONSULTANTS INC. was carried out by the author, Antonio Martinez, and local support workers.

Metallurgical samples

Rock samples collected for metallurgy were carefully selected, prepared and sent off to Dundee Sustainable Technologies at Thetford Mines, Quebec.

Analytical laboratories

SGS in Durango, Mexico and Dundee Sustainable Technologies laboratories were used for analyzing all of the rock samples.

Assaying Sample preparation

Samples were delivered via FEDEX to SGS in Durango and via FEDEX to Dundee Sustainable Technologies at Thetford Mines, Quebec. At Dundee the entire sample was crushed using jaw and cone crushers. All samples were put into 5ml plastic bags with zip ties or 5 gallon plastic containers and then sealed with gorilla tape for security. Sample tags were placed inside the containers and marked on the outside of the container with a permanent marker. The information of all the samples are then entered into a database which can be accessed for future reference.

SGS Mineral Services from Durango then prepared the samples by:

- Crushing
- Grinding
- Froth flotation
- Separation by size, gravity, heavy media
- Magnetic separation
- Solvent extraction – electrowinning

The samples were weighed, dried (up to 3.0 kg) crushed to 75% passing a 2mm screen. A 250 g split was taken from this material and pulverized to 85% passing 75 microns. A 30 g or 50 g sample was then selected for Fire Assay with an Inductively Coupled Plasma – Atomic Emission Spectrometry (ICP-AES) finish. The rejects are all currently stored at the SGS facility in Durango, Mexico as well as the pulps.

Quality Assurance/Quality Control Programs (QA/QC)

Because of the limited campaign, no standards or blanks were used, however, as part of the QA/QC program the author send some samples to DST and the results were in line with the assays from SGS.

Databases

The grab sample and channel sample database for the Zamora Silver Property consists of samples from most of the historic mines located within the limits of the claims as well as from La Franca which lies within the Campanillas Lot and which does not belong to Auxico. Database samples describe values for gold and silver, and in the case of DST display results from some other elements including and not limited to Arsenic. Samples with less than detectable gold and silver values are recorded in the database at the detection limit.

Sample security

All of the samples were put into 6 ml poly bags and zip tied, and were then put into 5 gallon plastic containers. The lids for the containers were wrapped with tuck tape and taken to the authors place of residence in Culiacan in a secure location. They were then delivered to FEDEX in Culiacan and shipped off to SGS in Durango for analyses.

Sample storage

All of the pulps and rejects are stored at SGS laboratory in Durango, Mexico. There are no more pulps or rejects stored at Dundee Sustainable Technologies Lab in Thetford Mines, Quebec, they have been discarded.

Data verification

The author of this report checked the assay entry on all of the samples against the original assay certificates and found no transcription errors.

MINERAL PROCESSING AND METALLURGICAL TESTING

Metallurgical Testwork

Some of the samples were sent to Dundee Sustainable Technologies (DST) at Thetford Mines, Quebec for metallurgical testing using halide technology. The material was divided in two identical parts and one of these was crushed, dried at 45^{o}C, then ground to 80% -200 mesh for analytical and flotation purposes. The second part was put aside for a potential different particle size, if a gravity concentration is required. The representative ground sample was digested in aqua regia and analyzed by ICP for metals, fire assay for Ag and Au, and for sulfur and sulfide. Flotation tests were then done with this material, in order to verify and calculate the gold and silver recovery in the concentrate.

Process description

DST has developed a novel process which uses chlorination in order to extract precious metals from refractory minerals. The Company’s process operates in a closed loop circuit, which implies that no liquid effluents are generated, eliminating the need for costly tailings ponds. The chemistry and process design allows precious metal deposits containing base metals to be treated viably. The tailings from the process are inert from toxic substances, sulphide depleted and not acid generating, and as a result, meet environmental norms. The efficiency of the process has demonstrated high gold recoveries within a fraction of the time needed for cyanidation to obtain similar results.

The efficiency of the process, coupled with its operating conditions, plant size, construction material allow for competitive operating and capital costs as confirmed by technical and economic validation done by recognized engineering firms.

DST has completed the construction of its Demonstration plant. The plant is located in Thetford Mines and following a commissioning and demonstration period, the plant will process material on a commercial basis. The plant has a capacity of 15 Tonnes per day of mineral concentrate, and the ability to extract gold and silver utilizing DST’s chlorination technology.

Since the foundation of the company in 1997, the technology has evolved from laboratory experiment to optimization at the pilot scale. The demonstration plant will now demonstrate the technology at an industrial scale for further commercialization. The support from shareholders, institutions and other partners has made this development possible and allowed the Company’s cyanide free process to be ready for commercialization at the national and international level.

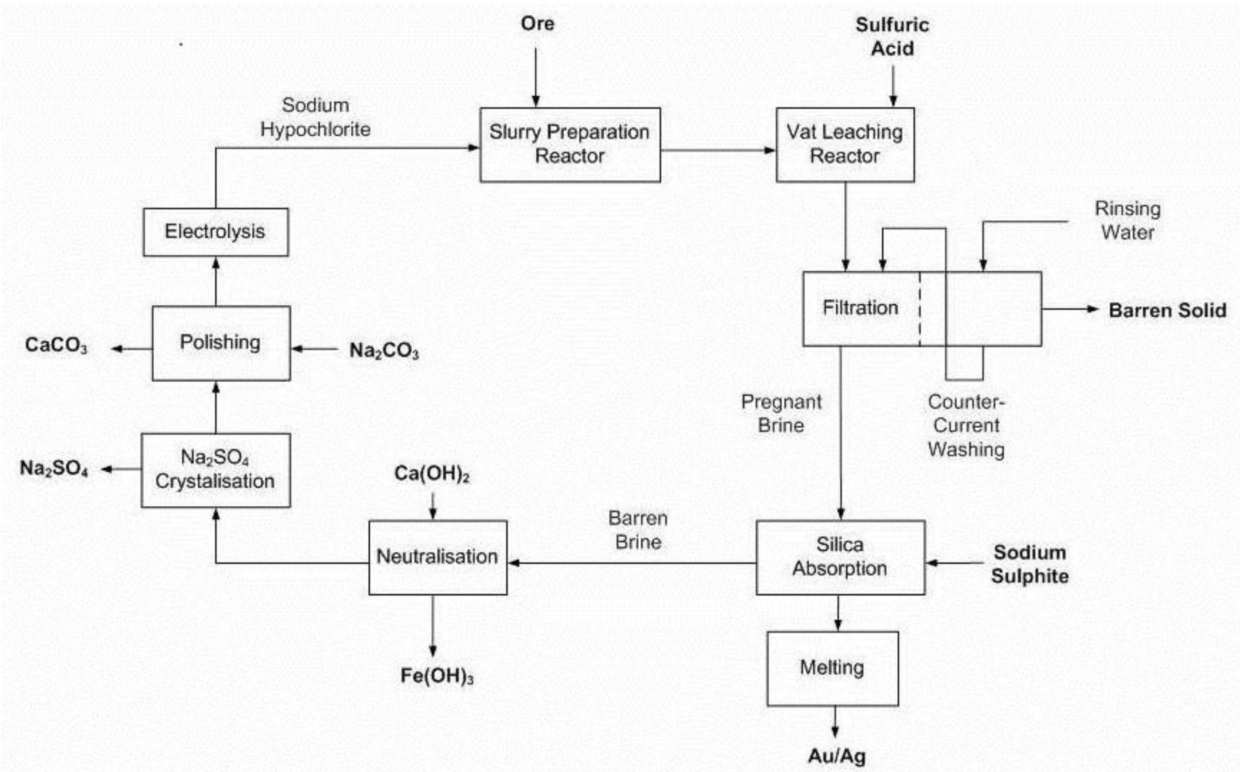


Figure •: Chlorination Circuit Overview

CVMR, Mining and Metal Refining

CVMR Company (CVMR®) is a privately held multinational organization with its head office and R & D Centre in Toronto, Canada. It is engaged in:

Mining and metal refining, using its own proprietary vapour metallurgy processes and its own mineral resources;

Manufacturing of high value metal powders, nano-powders, net shapes and super alloys, using CVMR's proprietary processes;

Providing feed materials for 2D, 3D and 4D Printing (Additive Manufacturing);

manufacturing graphite films on nickel substrates, using cold-wall chemical vapour deposition (CVD) from a mixture of hydrogen and methane;

manufacturing of graphene, refining of graphite and creation of materials coated or imbedded with nano metal powders;

providing a range of technologically innovative solutions to the mining, refining and metal powder manufacturing industries.

Credentials & Experience

CVMR®'s technologies enable it to refine metals directly from raw ore, tailings, concentrates, scrap metals, and contaminated metals, in order to manufacture metal powders, including nano-powders, coatings, net shapes of various kinds, mostly in nickel and iron, cobalt, PGE, tantalum, molybdenum, titanium and vanadium. Specifically, CVMR can refine laterite ores rapidly and at a lower operational cost than other prevailing refining methods, and produces high value products that are used directly by a variety of industries.

Over the past 30 years, CVMR® has developed a series of unique processes and technologies for refining of Transition Metals from which it manufactures various metal products. CVMR®'s technologies are based on proven methods some of which were invented some 100 years ago.

The proprietary vapour metallurgy process used by CVMR® refines various metals by chemically vaporizing them close to atmospheric pressure and relatively low temperatures. It simultaneously manufactures various metal powders and metal parts, as part of the same process, for the end user markets. The process does not melt the metals as is done in the usual smelting processes. CVMR®'s plants are pollution free and completely neutral to the environment. They create no air, water or soil pollution of any kind. CVMR®'s plants are hermetically sealed and all gases used in the process of vaporizing the metals are recycled.

All CVMR®'s refining/manufacturing plants are built on a modular basis, enabling a substantial degree of flexibility, allowing a plant to be built and to grow in size gradually, in different phases. Each phase is self sufficient and pays off its own capital cost in less than three years and continues to operate as a module within the larger, fully integrated operation for the entire life of the plant, estimated to be well over 35 years. Each module is capable of processing different ores, concentrates or metal scraps and hence manufacturing various metal products, for diverse markets. CVMR®'s refining/manufacturing process is capable of producing pure metal products with very high degree of purity. Moreover, it produces products for final consumption without a need for further enhancement, e.g. various metal powders for use in batteries, 3D Printing, aerospace and automotive parts manufacturing, nano-powders, net shapes, medical instruments, computer parts, electronic parts, moulds and tools, super alloys, sophisticated net shapes for use in the defence and space industries, etc.

All such output, inevitably attracts highly valued sophisticated industries with high paying industrial jobs as secondary industries that CVMR®'s products can feed into, enhancing any host country's economy far beyond the value added to the mined and recycled metals. CVMR®'s products have had a very strong, dependable export market for high value metal powders and net shapes, in the past 25 years. All indicators point to an even stronger international market with substantial potential for growth.

On February 25th, 2016 Auxico Resources Canada Inc. entered into an Amended Technology License Agreement with CVMR Company which is provided in Appendix 12 of the Technical Report. Auxico will pay to CVMR 50% of EBITDA from the transformation of concentrates into metal powders, specifically copper, silver, and gold. This Royalty will apply to all properties held by Auxico that will use the Licensed Technology in Mexico.

In addition to the Royalty, Auxico shall pay a one-time fee of USD 7 million at twelve months after the initial production of metal powders by Auxico for the use of the Licensed Technology at a minimum rate of 5 tonnes per day for 250 days a year. Please refer to Appendix 12 for all of the details in the Amended Technology License Agreement.

Arsenic Sequestration by Vitrification

The occurrence of arsenic bearing minerals is increasing in base and precious metal deposits. Materials with elevated arsenic contents are difficult to process without the associated environmental risks. Due to limited alternatives, the arsenic is volatilized or left in tailings exposed to lixiviation. Very few facilities in the world are capable of treating material containing high levels of arsenic. DST has developed in its portfolio of technologies a patented process for the capture and stabilisation of the arsenic from mining and processing operations.

DST's approach is to form a very stable glass and vitrify the arsenic content. The cost of sequestrating the arsenic using the vitrification technology is in the order of ten times lower than conventional approaches and produces a stable, insoluble glass residue.

Mineral Resource And Mineral Reserve

There are no NI 43-101 compliant mineral resources on the Property.

Mineral reserves

There are no NI 43-101 compliant mineral reserves on the Property.

Capital and Operating Costs

A budget of USD 500,000 is required to verify the historical resource at Los Olotes, dewater La Camichina to gain access to Los Olotes, to lay the foundation for a 35,000 ton bulk sample using a mobile gravity plant with a five-cell flotation circuit, producing both a gravity concentrate and flotation concentrate. A 1,500m diamond drilling program will be initiated to drill off the historical resource at Los Olotes, as well as gaining access to the resource via the La Camichina shaft and crosscut. The plan is construct a set of ladders down the shaft, which appears to be in considerably good condition. The ladders will extend down to the 30m level. The headframe will will undergo some work, and will be used mainly to set up a safety harness system to be attached to the workers descending down the ladders to the 30m level. The water will be pumped out in order to be able to gain access to the crosscut which leads to Los Olotes. A detailed mapping and sampling program will be undertaken at Los Olotes, and along with the drilling campaign, it is the objective to put together a Measured and Indicated Resource for a bulk sampling program in the next phase of work.

The author of the Technical Report recommends pursuing serious negotiations with the owner of La Franca for immediate acquisition. Back in 2014 discussions regarding the acquisition for La Franca were ongoing in Mexico.

Budget Phase 1: Ore Verification – Los Olotes

Description	Cost	Comments
1,500m Diamond Drilling Program at Los Olotes	300,000	All-in cost of USD 200/m
Environmental Water Permit	25,000	Dewater La Camichina
Sampling and Mapping Los Olotes Metallurgical Test Work	75,000	On the 17m, 23m, 30m & possibly the 60m level
Ventilation & Electrical, Clean up, Headframe Restoration	100,000	Restoration of the La Camichina Headframe for this part of the program
Total	500,000	

Use of Proceeds

This is a non-offering prospectus. The Company is not raising any funds in conjunction with this Prospectus. Accordingly, there are no proceeds to the Company in connection with the filing of this Prospectus.

Funds Available and Use of Available Funds

As at March 31, 2017, the Company had working capital of approximately $1,091,062. The Company estimates that it will require the following funds to conduct its plan of operations over the next twelve months:

Use of Available Funds	Amount
To pay the estimated cost of the recommended Phase 1 exploration program and budget on the Zamora Silver-Gold Property as outlined in the Technical Report	$500,000
Prospectus and CSE Listing costs	$50,000
Operating expenses for 12 months (1)	$552,000
Unallocated working capital	($10,938)
Total	$1,091,062

(1) Estimated operating expenses for the next 12 months include: $120,000 for president – management fees; $60,000 for CEO – Management Fees, $30,000 for CFO – Management Fees; $36,000 for business development;
$60,000 for geological consulting fees; $30,000 for office and miscellaneous; $36,000 for legal fees; $36,000 for rent; and $84,000 for claim and maintenance fees.

The Company intends to fund its business using the proceeds from prior private placement financings (hereinafter described). The Company intends to spend the funds available to it as stated in this Prospectus. However, there may be circumstances where, for sound business reasons, a reallocation of the funds may be necessary. The amounts set forth above may increase if the Company is required to carry out due diligence investigations in regards to any prospective investment or business opportunity or if the costs of the Prospectus or Listing, or negotiating an applicable transaction, are greater than anticipated.

Business Objectives and Milestones

The principal business carried on and intended to be carried on by the Company is the acquisition, exploration and development of mineral resource properties.

The Company's business objectives in using the available funds are to:

(i) obtain a listing of Shares on the Exchange;

(ii) conduct the Phase 1 exploration program on the Zamora Silver-Gold Property recommended in the Technical Report;

After obtaining a listing of Shares on the Exchange, the Phase 1 exploration program is expected to commence in • (NTD: Please advise).

Other Sources of Funding

The Company currently does not have any immediate sources of additional funding.

SELECTED FINANCIAL INFORMATION AND MANAGEMENT'S DISCUSSION AND ANALYSIS

The following table sets out Auxico's selected financial information as at and for the periods indicated. Such information is derived from the financial statements of the Issuer attached as Schedule "A".

The information below should be read in conjunction with Auxico's management's discussion and analysis and unaudited consolidated financial statements and related notes and other financial information.

Auxico Information	Six months period ended March 31, 2017 (unaudited)	Three months period ended December 31, 2016 (unaudited)	Year Ended September 30, 2016	Year Ended September 30, 2015
Revenue	Nil	Nil	Nil	Nil
Expenses	$377,131	$189,402	$326,441	$10,126
Net loss	($377,131)	($189,402)	($318,276)	($18,603)
Loss per share	(0.015)	(0.007)	(0.014)	($0.001)
Total assets	$1,937,217	$1,307,378	$679,740	$495,904
Total long-term financial liabilities	Nil	Nil	Nil	Nil
Cash dividends	Nil	Nil	Nil	Nil

Dividends

The payment of dividends, if any, in the future, rests within the sole discretion of the Board. The payment of dividends will depend upon the Company's earnings, its capital requirements and its financial condition, as well as other relevant factors. The Company has not declared any cash dividends since its inception and the Company intends to retain its earnings to finance growth and expand its operations and does not anticipate paying any dividends on its Shares and other classes of shares in the foreseeable future.

There are no restrictions in the Company's constating documents that prevent the Company from declaring dividends. The CBCA, however, prohibits the Company from declaring a dividend where, after giving effect to the distribution of the dividend the Company would not be able to pay its debts as they become due in the usual course of business, or the Company's total assets would be less than the sum of its total liabilities plus the amount that would be needed to satisfy the rights of shareholders who have preferential rights superior to those receiving the distribution.

Management's Discussion and Analysis

This discussion concerns the Company's Financial Statements, which are included in this Prospectus and should be referred to when reading this discussion. The Company's Financial Statements summarize the financial impact of the Company's financings, investments and operations, which Financial Statements were prepared in accordance with IFRS. The Company's MD&A is attached to this Prospectus as Appendix 2.

Certain information included in the Company's MD&A is forward-looking and based upon assumptions and anticipated results that are subject to uncertainties. Should one or more of these uncertainties materialize or should the underlying assumptions prove incorrect, actual results may vary significantly from those expected. See "*Note Regarding Forward-Looking Statements*" for further detail.

DESCRIPTION OF SHARE CAPITAL

Authorized Capital

The Company has authorized an unlimited number of common shares without par value and an unlimited number of preferred shares without par value. As of the date of this Prospectus and after giving effect to the Manitex Financing, there were 31,210,000 issued and outstanding fully paid common shares.

As of the date of this prospectus, there are no preferred shares issued and outstanding in the share capital of the Company.

Common Shares

Holders of the Shares are entitled to receive notice of, and to attend and vote at, all meetings of the shareholders of the Company, and each Share confers the right to one vote, provided that the shareholder is a holder on the applicable record date declared by the Board. The holders of the Shares, subject to the prior rights, if any, of any other class of shares of the Company, are entitled to receive such dividends in any financial year as the Board may determine. In the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, the holders of the Shares are entitled to receive, subject to the prior rights, if any, of the holders of any other class of shares of the Company, the remaining property and assets of the Company.

Additional Common Shares

In accordance with the Manitex Financing, the Company intends to issue to Manitex an additional number of 2,000,000 common shares, which is equal to 7.57% of the then total issued and outstanding Shares.

Moreover, in accordance with the Gold Loan Settlement Agreement, the Company intends to issue Maria Nayvalt an additional number of 1,000,000 Shares, which is equal to 3.78% of the then total issued and outstanding Shares.

Stock Options

The Stock Option Plan was approved by the Board and adopted by the Company on February 10, 2017. The purpose of the Stock Option Plan is to assist the Company in attracting, retaining and motivating directors, officers, employees, consultants, and advisors (together "service providers") of the Company and of its affiliates and to closely align the personal interests of such service providers with the interests of the Company and its shareholders.

The Stock Option Plan provides that, subject to the requirements of the Exchange, the aggregate number of securities reserved for issuance will be 10% of the number of Shares issued and outstanding from time to time.

The Stock Option Plan will be administered by the Board, which will have full and final authority with respect to the granting of all options thereunder.

Options may be granted under the Stock Option Plan to such service providers of the Company and its affiliates, if any, as the Board may from time to time determine. The exercise prices shall be determined by the Board, but shall, in no event, be less than the closing market price of the Shares on the Exchange, less the maximum discount permitted under the Exchange policies, if such is permitted. The Stock Option Plan provides that the number of Shares issuable on the exercise of options granted to all persons together with all of the Company's other previously granted options may not exceed 10% of the issued and outstanding Shares. In addition, the number of Shares which may be reserved for issuance to any one individual upon exercise of all stock options held by such individual may not exceed 5% of the issued Shares on a yearly basis. Subject to earlier termination and in the event of dismissal for cause, termination other than for cause or in the event of death, all options granted under the Stock Option Plan will expire on the date of expiry set by the Board at the time of grant, which may not be later than ten years from the date that such options are granted. Options granted under the Stock Option Plan are not transferable or assignable other than by testamentary instrument or pursuant to the laws of succession.

As at the date hereof, the Company has the following issued and outstanding stock options:

Name	**Number of Options**	**Expriy Date**	**Exercise Price**
Pierre Gauthier	500,000	February 9, 2022	$0.25
Mark Billings	500,000	February 9, 2022	$0.25
Marc Filion	175,000	February 9, 2022	$0.25
Rick Whittaker	175,000	February 9, 2022	$0.25
Salvador Brouwer	150,000	February 9, 2022	$0.25
Robin Conners	150,000	February 9, 2022	$0.25
Joseph Lau	150,000	February 9, 2022	$0.25
Jacques Arsenault	175,000	February 9, 2022	$0.25
Jun He	150,000	February 9, 2022	$0.25
Daniel Chaussé	200,000	February 9, 2022	$0.25
Pilar Acosta	150,000	February 9, 2022	$0.25
Total options outstanding	**2,475,000**		

CONSOLIDATED CAPITALIZATION

Since March 31, 2017, the Company has not effected any material changes with respect to its share capital.

This is a non-offering prospectus. The Company is not raising any funds in conjunction with this Prospectus. Accordingly, there are no proceeds to the Company in connection with the filing of this Prospectus.

The following table sets out the capitalization of the Company as at the dates specified below:

Description	**Authorized Amount**	**Authorized at the date of this Prospectus**	**Outstanding as at September 30, 2016 (Audited)**	**Outstanding at the date of this Prospectus (Unaudited)**
Common Shares	Unlimited	Unlimited	23,900,000	31,210,000
Preferred Shares	Unlimited	Unlimited	Nil	Nil
Long Term Debt	Nil	Nil	Nil	Nil

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PRIOR SALES

Prior Sales

The following table summarizes all sales/issuances of securities of the Company since inception:

Issue	Price per Security/Exercise Price	Number and Type of Securities
May 1st, 2014	$0.02	10,000,000 common shares
May 1st, 2014	$0.02	1,500,000 common shares
May 31, 2016	$0.25	2,400,000 common shares
December 31 2016	$0.25	2,510,000 common shares
February 17, 2017	$0.25	1,300,000 common shares
Manitex Financing [1]	$0.25	2,000,000 common shares
March 30, 2017	$0.25	1,100,000 common shares
April 24, 2017	$0.25	400,000 common shares

[1] Conditional to the receipt of the visa from the AMF approving the Company's Prospectus;

Trading Price and Volume

The Shares do not trade on any stock exchange.

ESCROWED SECURITIES

Escrowed Securities

Under the applicable policies and notices of the Canadian Securities Administrators, securities held by Principals are required to be held in escrow in accordance with the national escrow regime applicable to initial public distributions. Equity securities, including Shares, owned or controlled by the Principals of the Company are subject to the escrow requirements. In connection with the proposed Listing, the Company expects to enter into the Escrow Agreement in accordance with NP 46-201 as described herein.

Pursuant to the Escrow Agreement entered into among the Escrow Agent, the Company, and the Principals, 9,760,000 Shares (the "**Escrowed Securities**") are held in escrow with the Escrow Agent. The Escrow Agreement provides that 10% of the Escrowed Securities will be released from escrow upon the Listing Date and that an additional 15% will be released therefrom every 6 month interval thereafter, over a period of 36 months.

The Company is an "emerging issuer" as defined in the applicable policies and notices of the Canadian Securities Administrators. If the Company achieves "established issuer" status during the term of the Escrow Agreement, it will "graduate" resulting in a catch-up release and an accelerated release of any securities remaining in escrow under the 18 month schedule applicable to established issuers as if the Company had originally been classified as an established issuer.

Pursuant to the terms of the Escrow Agreement, the Escrowed Securities may not be transferred or otherwise dealt with during the term of the Escrow Agreement unless the transfers or dealings within the escrow are:

(i) transfers to continuing or, upon their appointment, incoming directors and senior officers of the Company or of a material operating subsidiary, with approval of the Board;

(ii) transfers to an RRSP or similar trustee plan provided that the only beneficiaries are the transferor or the transferor's spouse or children or parents;

(iii) transfers upon bankruptcy to the trustee in bankruptcy;

(iv) pledges to a financial institution as collateral for a loan, provided that upon a realization the securities remain subject to escrow; and

(v) tenders of Escrowed Securities to a take-over bid are permitted provided that, if the tenderer is a Principal of the successor Company upon completion of the take-over bid, securities received in exchange for tendered Escrowed Securities are substituted in escrow on the basis of the successor Company's escrow classification.

The following table sets forth details of the Escrowed Securities that, as of the date of this Prospectus, will be subject to the Escrow Agreement:

Name	Designation of Security	Quantity	% Shares at the date of Prospectus
Gencap Inc.[1]	Common shares	3,760,000	12,04%
Mark Billings	Common Shares	500,000	1.60%
Bernard He	Common shares	500,000	1.60%
Suzanne Shewchuk	Common shares	2,500,000	8.01%
Robert Shewchuk	Common shares	2,500,000	8.01%

[1] Gencap Inc. is a company owned 100% by Mr. Pierre Gauthier

NI 46-201 provides that all shares of a company owned or controlled by Principals will be escrowed at the time of the Company's initial public offering, unless the shares held by the Principal or issuable to the Principal upon conversion of convertible securities held by the Principal collectively represent less than 1% of the total issued and outstanding shares of the Company after giving effect to the initial public offering.

An issuer will be classified for the purposes of escrow as either an "exempt issuer", an "established issuer" or an "emerging issuer" as those terms are defined in NI 46-201.

Uniform terms of automatic timed release escrow apply to Principals of exchange listed issuers, differing only according to the classification of the issuer. The Company anticipates that it will be classified by the CSE as an "emerging issuer". As such, the Company anticipates that the following automatic timed releases will apply to the securities held by the Principals listed in the table above:

Date of Automatic Timed Release	Amount of Escrowed Securities Released
On the Listing Date	1/10 of the Escrowed Securities
6 months after the Listing Date	1/6 of the remaining Escrowed Securities
12 months after the Listing Date	1/5 of the remaining Escrowed Securities
18 months after the Listing Date	1/4 of the remaining Escrowed Securities
24 months after the Listing Date	1/3 of the remaining Escrowed Securities
30 months after the Listing Date	1/2 of the remaining Escrowed Securities
36 months after the Listing Date	the remaining Escrowed Securities

Assuming there are no changes to the escrowed securities initially deposited and no additional escrowed securities are deposited, automatic timed release escrow applicable to the Company will result in a 10% release on the Listing Date, with the remaining escrowed securities being released every six months thereafter in accordance with the table above.

Pursuant to the terms of the Escrow Agreement, Gencap Inc. and Mark Billings have agreed to deposit their Shares in escrow with the Escrow Agent. Pursuant to the Escrow Agreement, 485,000 Shares will be released from escrow on the Listing Date.

PRINCIPAL SHAREHOLDERS

Other than as disclosed below, to the knowledge of the directors and officers of the Company, as of the date of this Prospectus, no person beneficially owns or exercises control or direction over, directly or indirectly, Shares carrying more than 10% of the votes attached to the Shares.

Name	Number of Shares as at the date of this Prospectus	Legal and beneficial ownership as at the date of this Prospectus
Gencap	3,760,000.00	16.47%
682501 Alberta Ltd. (NBCN Inc ITF)	2,500,000.00	9.46%
Suzanne Shewchuk	2,500,000.00	9.46%
Robert Shewchuk	2,500,000.00	9.46%

DIRECTORS AND EXECUTIVE OFFICERS

Name, Occupation and Security Holdings

Name and Province of Residence and Position with the Company	Director/ Officer Since	Principal Occupation for the Past Five Years	Shares Beneficially Owned Directly or Indirectly (at the date of this Prospectus) (1)
Pierre Gauthier, Quebec, CEO and Chairman of the Board	CEO of Auxico since April 16, 2014.	President Dundee Sustainable Technologies until 2014.	3,760,000
Mark Billings, Quebec, President	President of Auxico since April 19, 2016	CEO of Canamex Resources, 2014 to 2016; CFO, Senior VP of Argex Titanium, 2009 to 2014 and director of Kintavar Exploration Inc. (KTR : TSX-V) from March 2017 to present.	500,000
Marc Filion, Quebec, Chairman	April 19, 2016 to Present	Director SAMA Resources, present. Director and CFO of ADF Group until 2015	Nil
Rick Whittaker, Ontario, Director	June 10, 2016 to Present	Present CEO and Director AirShare Inc. CTO and Founding Vice President of Fund for Sustainable Development Technology Canada until 2015.	Nil
Jacques Arsenault, Quebec, CFO	February 10, 2017	CFO Manganese X Energy Corp. (formerly Sunset Cove Mining Inc.) (January 2016 – Present); CFO Caldena Resources Inc. (December 2008 – January 2012)	Nil
Robin Conners, Quebec, Director,	June 30, 2016 to Present	CEO and President until 2014 of 360 VOX Corporation and Leisure Canada.	Nil

Bernard He, Ontario, Director	February 2017 to Present	Director of Homeland Uranium from July 2012 to July 2015	500,000

Background – Directors and Executive Officers

The following is a brief description of each of the directors and executive officers of the Company, including their names, ages, positions and responsibilities with the Company, relevant educational background, principal occupations or employment during the five years preceding the date of this Prospectus, experience in the Company's industry and the amount of time intended to be devoted to the affairs of the Company:

Pierre Gauthier, Chairman of the Board and Chief Executive Officer

Mr. Gauthier holds a Bachelor of Commerce from the University of Ottawa and a M.B.A. from Concordia University. Founder, President and CEO of Dundee Sustainable Technologies Inc. until December 2014. In the last 20 Years he has been involved in raising over $500 million dollars of financing in various projects.

Mark Billings, President

Mr. Billings has an MBA from the Harvard Business School and he is a Chartered Financial Analyst. He has been an investment banker, having raised hundreds of millions of dollars for small-cap companies, including several junior mining companies. Mr. Billings also founded and managed companies in the junior resource sector, in addition to being CEO, CFO or a director of a number of publicly traded resource companies in Canada and abroad.

Jacques Arsenault, Chief Financial Officer

Jacques Arsenault is an experienced executive and consultant for more than 20 years specialized in the development, restructuring, acquisition, merger and sale of companies and assets in both the public and private arenas. He has also founded and runs his own successful business, Arsenault Business Staging Group, a consultancy which focuses on two main areas, strengthening a company so that when it is sold the owners will receive the highest possible value and restructuring companies so that they become a model of efficiency with an improved bottom line and strategic position, returning increased value to their shareholders. Over the course of his career he has worked as financial controller for notable corporations including Videotron, AES Data. Culinar and Uni-Select, as well as being the Vice-President Finance and Administration at Quebec success story Piscines Trevi.

Rick Whittaker, Director

During his 20 year career in technology investment, Mr. Whittaker has been consistently recognized as a motivational leader, guiding teams of up to 300 people through rapid change. Mr. Whittaker led initiatives in product development, and managed several advanced technology investment programs. He holds several patents on these technologies, which are in production today. Mr. Whittaker has applied his experience in clean technology development and investment to help traditional industries in the energy, mining, manufacturing, transportation, agriculture and forestry sectors become more sustainable. Most recently, Mr. Whittaker was the founding Vice President and Chief Technology Officer of Canada's largest clean technology fund where he helped grow the organization from $100M to over $1B in funds under management, leveraged by an additional $1.9B in private sector capital. Mr. Whittaker attracted over $430M of matching funding from the defence industry as part of their offset and growth strategies. Mr. Whittaker understands the very real challenges of an entrepreneur: in addition to managing a portfolio of over 200 companies, Mr. Whittaker has personally launched, built and transitioned four of his own start-up companies. Mr. Whittaker has a Bachelor's degree in Applied Sciences from the University of Waterloo with an option in Management Science. He has received the Governor General's Award for Academic Excellence.

Marc Filion, Board Member

Dr. Filion holds a PhD (Economic Geology and Geostatic) from Royal School of Mines, Imperial College, London, U. . (1973) and a M.B.A from cole des Hautes tudes Commerciales, Montr al. He has more than thirty five years of experience in the development and management of capital intensive world-class industrial projects in joint venture with international business partners.

Robin Conners, Director

Mr. Conners brings 30+ years of experience in corporate strategy, project development, operations and financing. He has held senior management positions in various sectors from Transportation, Agriculture and Manufacturing/Retailing to Real Estate. He graduated from the University of British Columbia where he studied History and Economics, and he pursued graduate studies at UBC and Simon Fraser University in a joint Master's Program in Canadian Studies. Mr. Conners has extensive experience in venture financing, primarily focused on real estate and technology based market opportunities. He concluded the first North American property transactions with The Resolution Capital Corporation of Japan. As Vice President of Commercial Development with Intrawest Corporation, Robin coordinated projects in Canada, the United States, and Europe. Working with the St. Joe Company, he held positions as VP Business Development and VP Strategic Planning, overseeing $2.5 billion in development projects. As President & CEO of Wilton Properties in Cuba, Mr. Conners oversaw both Real Estate, Agricultural and Mining & Resource based projects. Additionally, Mr. Conners was the founding partner and CEO of 360 VOX, a specialized real estate company focused on large-scale mixed-use projects. Mr. Connors is currently President and CEO of 360 Pacific Capital focusing on large scale infrastructure financings globally.

Bernard Jun He, Director

Mr. Jun HE is an entrepreneur with over 20 years of operational and investing experience. Mr. Jun HE has successfully completed a number of multijurisdictional joint venture transactions and has effectively conducted business in China, Hong ong, North America, Africa, and Europe. The foundation of Mr. Jun HE's businesses are manufacturing and international trade. In 2002, Mr. He began to invest in mineral exploration and mining in West Africa - Burkina Faso, Mali, Guinea, Ivory Coast, Niger. Mr. Jun HE controls a gold tailings mine, the Tounte Project located in Burkina Faso. He was also instrumental in assembling a 250 sq km highly prospective gold property in Burkina Faso. Recently Mr. Jun HE has spent a significant amount of time in Niger establishing operations focusing on the exploration of uranium properties. Mr. Jun HE starts to work on Central and South America in the past few years. Mr. He holds an MBA from Universite de Nice Business School in France as well as a Diplome d'Etudes Approfondies from IAE Paris. Mr. Jun HE is well connected in the GTA area, he is the member of numbers of China/Canada business associations. He has been elected the 2014 best Asia Pacific Business Award. He also spent lots of time to the local community and charity work. He speaks four languages – English, French, Mandarin and Cantonese.

Michel Lebeuf Jr., Corporate Secretary

Michel Lebeuf Jr., Lawyer, Partner of Dunton Rainville LLP, Mr. Lebeuf has an expertise in securities, particularly in the areas of natural resources, institutional and corporate financing, and public and private mergers and acquisitions. Mr. Lebeuf represents public companies, securities brokers, buyers, sellers, bankers, and financial advisors. He provides strategic advice on access to public capital markets, securities, and structured products. Over the past years, Michel Lebeuf has worked for many mining projects in Africa (Democratic Republic of Congo, Ethiopia, Angola and ROC) and his services are regularly used by mining developers, mining companies, and investment banking companies eager to develop mining projects in these countries. He also specializes in transactions such as "reverse takeovers " or RTO's on various stock exchanges among which in particular the CSE and the TSX venture. Mr. Lebeuf also has extensive experience in corporate reorganizations, public and private transfers, and institutional funding.

Cease Trade Orders or Bankruptcies

To the Company's knowledge, no existing or proposed director, officer, promoter or other member of management of the Company is, or within the ten years prior to the date hereof has been, a director, officer, promoter or other member of management of any other Company that, while that person was acting in the capacity of a director, officer, promoter or other member of management of that Company, was the subject of a cease trade order or similar order or an order that denied the Company access to any statutory exemptions for a period of more than 30 consecutive days, was declared bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or has been subject to or appointed to hold the assets of that director, officer or promoter.

Mark Billings and Jacques Arsenault, respectively directors and CFO of the Company, are presently directors of Manganese X Energy Corp. (formerly Sunset Cove Mining Inc. (TSX-V: SSM) ("Sunset Cove")), which was issued a cease trade order ("CTO") by the British Columbia Securities Commission ("BCSC") on August 6, 2015 as a result of Sunset Cove's incapacity to file its annual audited financial statements, management's discussion and analysis and CEO and CFO certificates by the filing deadline of July 30, 2015, as prescribed by National Instrument 51-102 – Continuous Disclosure Obligations, due to a lack of funding to pay for the costs associated with the audit. This CTO was lifted by the BCSC on June 1, 2016 as Sunset Cove has met all of its continuous disclosure requirements.

Penalties or Sanctions

To the Company's knowledge, no existing or proposed director, officer, promoter or other member of management of the Company has been subject to any penalties or sanctions imposed by a court or securities regulatory authority relating to trading in securities, promotion, formation or management of a publicly traded company, or involving fraud or theft.

Personal Bankruptcies

To the Company's knowledge no existing or proposed director, officer, promoter or other member of management of the Company has, during the ten years prior to the date hereof, been declared bankrupt or made a voluntary assignment into bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or has been subject to or instituted any proceedings, arrangement, or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold his or her assets.

Conflicts of Interest

The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interests, which they may have in any project or opportunity of the Company. If a conflict of interest arises at a meeting of the Board, any director in a conflict will disclose his interest and abstain from voting on such matter.

To the Company's knowledge, and other than as disclosed herein, there are no known existing or potential conflicts of interest among the Company, its promoters, directors and officers or other members of management of the Company or of any proposed promoter, director, officer or other member of management as a result of their outside business interests except that certain of the directors and officers serve as directors and officers of other companies, and therefore it is possible that a conflict may arise between their duties to the Company and their duties as a director or officer of such other companies.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

This Compensation Discussion and Analysis provides information about the Company's executive compensation objectives and processes and discusses compensation decisions relating to its named executive officers ("**Named Executive Officers**") listed in the Summary Compensation Table that follows. During its fiscal year ended September 30, 2016 and the six month period ended March 31, 2017, the following individuals were Named Executive Officers (as determined by applicable securities legislation) of the Company:

• Pierre Gauthier, Chief Executive Officer

The Company does not employ or retain any other individuals who would qualify as a "Named Executive Officer" because no other executive officer or employee of the Company receives total compensation (including without limitation salary and bonus) in excess of $150,000.

The Compensation Committee is responsible for the compensation program for the Company's Named Executive Officers.

Compensation Objectives and Principles

Historically, the Company is a mineral exploration company with property interests located in Mexico. The Company has no revenues from operations and often operates with limited financial resources. As a result, to ensure that funds are available to complete scheduled programs, the Compensation Committee has to consider not only the financial situation of the Company at the time of the determination of executive compensation, but also the estimated financial condition of the Company in the future.

Since the preservation of cash is an important goal of the Company, an important element of the compensation awarded to the Named Executive Officers is the granting of stock options, which do not require cash disbursement by the Company. The granting of stock options also helps to align the interests of the Named Executive Officers with the interests of the

Company. The other two elements of the compensation the Company awards to its Named Executive Officers are: (i) base cash consulting fees; and (ii) cash bonus payments for achievement of stated milestones or benchmarks. The Company does not provide its Named Executive Officers with perquisites or personal benefits that are not otherwise available to all of our employees.

Compensation Processes and Goals

The deliberations with respect to compensation are conducted in a special session from which management is absent. These deliberations are intended to advance the key objectives of the compensation program for the Company's Named Executive Officers. At the request of the Board of Directors, the Named Executive Officers may, from time to time, provide advice to the Board of Directors with respect to the compensation program for the Company's Named Executive Officers.

The Company relies on its Compensation Committee, through discussion without any formal objectives, targets, criteria or analysis, in determining the compensation of its Named Executive Officers. The Compensation Committee is responsible for determining all forms of compensation, including the provision of long-term incentives through the granting of stock options to the Named Executive Officers of the Company, and to others, including without limitation to the Company's directors, to ensure such arrangements reflect the responsibilities and risks associated with each such officer's position. The Compensation Committee incorporates the following goals when it makes its compensation decisions with respect to the Company's Named Executive Officers: (i) the recruiting and retaining of executives who are critical both to the success of the Company and to the enhancement of Shareholder value; (ii) the provision of fair and competitive compensation; (iii) the balancing of the interests of management with the interests of the Company's Shareholders; (iv) the rewarding of performance, both on an individual basis and with respect to the operations of the Company as a whole; and (v) the preservation of available financial resources. The Board of Directors does not currently consider the implications of the risks associated with the Company's compensation policies and practices as a result of the limited options available to the Company.

The Implementation of the Company's Compensation Policies

Consulting Fees

For the financial year ended September 30, 2016 and the six months period ended March 31, 2017, the Corporation did not pay any amount to its Chief Executive Officer.

Stock Options

For the financial year ended September 30, 2016 and the six months period ended March 31, 2017, the Corporation did not have any stock option plan.

Summary Compensation Table

The following table contains information about the compensation paid to, earned by and payable to, the Company's Chief Executive Officer, Pierre Gauthier for the years ended September 30, 2016 and the six months period ended March 31, 2017. The Company does not have any other "Named Executive Officers" given that no other executive officer received total salary and bonus in excess of $150,000. Specific aspects of compensation payable to the Named Executive Officers of the Company are dealt with in further detail in subsequent tables.

Summary Compensation Table

Name and Principal Position	Year/ Period	Salary ($)	Share-Based Awards ($)	Option-Based Awards ($)(1)	Non-Equity Incentive Plan Compensation		Pension Value ($)	All Other Compen-sation ($)	Total Compen-sation ($)
					Annual Incentive Plans	Long-Term Incentive Plans			
Pierre Gauthier CEO	March 31, 2017 2016	Nil Nil	Nil Nil	Nil Nil	Nil Nil	Nil Nil	Nil Nil	Nil Nil	Nil Nil
Jacques Arsenault, CFO (2)	-	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

(1) Based on values derived from using Black Scholes option pricing methodology.
(2) Mr. Jacques Arsenault was named as the Company's CFO on February 2017

Outstanding Share-Based and Option-Based Awards Granted to Named Executive Officers as of September 30, 2016 and as of March 31, 2017

The following table summarizes all share-based and option-based awards granted by the Company to its Named Executive Officers, which are outstanding as of September 30, 2016 and as of March 31, 2017.

	Option-Based Awards			Share-Based Awards		
Name	**Number of Securities Underlying Unexercised Options (#)**	**Option Exercise Price ($)**	**Option Expiration Date**	**Value of Unexercised In-The-Money Options ($)**	**Number of Shares or Units of Shares that have not Vested (#)**	**Market or Payout Value of Share-Based Awards that have not Vested ($)**
Pierre Gauthier	Nil	N.A.	N.A.	Nil	Nil	Nil
Jacques Arsenault, CFO (1)	Nil	N.A.	N.A.	Nil	Nil	Nil

(1) Mr. Jacques Arsenault was named as the Company's CFO on February 2017

Value Vested or Earned by Named Executive Officers During the Year Ended September 30, 2016 and the six months period ended March 31, 2017 Under Option-Based Awards, Share-Based Awards and Non-Equity Incentive Plan Compensation

The following table summarizes the value vested or earned during the year by Named Executive Officers in respect of option-based awards, share-based awards and non-equity incentive plan compensation during the year ended September 30, 2016 and the six months period ended March 31, 2017.

Name	Option-Based Awards - Value Vested During the Year / Period ($)[1]	Share-Based Awards - Value Vested During the Year /Period ($)	Non-Equity Incentive Plan Compensation - Value Earned During the year / Period ($)
Pierre Gauthier	Nil Nil	Nil Nil	Nil 500,000
Jacques Arsenault, CFO [2]	Nil Nil	Nil Nil	Nil 175,000

(1) Based on values derived from using Black Scholes option pricing methodology
(2) Mr. Jacques Arsenault was named as the Company's CFO on February 2017

Pension Plan Benefits

The Company does not have a pension plan that provides for payments or benefits to NEOs at, following, or in connection with retirement.

Termination and Change of Control Benefits

The Company has no compensatory plan or arrangement with respect to the Named Executive Officers that results or will result from the resignation, retirement or any other termination of employment of any such officer's employment with the Company, from a change of control of the Company or a change in the responsibilities of a Named Executive Officer following a change in control.

DIRECTOR COMPENSATION

Compensation of Directors

During the year ended September 30, 2016, and for the six months period ended March 31, 2017, the following were directors of the Company:

Mark Billings, *President*
Pierre Gauthier, *Chairman and CEO*
Robin Conners, *Director*
Rick Whittaker, *Director*
Salvador Brower, *Director*
Joseph Lau Wan Pui, *Director*
Marc Fillion, *Director*

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION

During the year ended September 30, 2016, and for the six months period ended March 31, 2017, there were no shares authorized for issuance under equity compensation.

Narrative Discussion

The Company does not have any arrangements, standard or otherwise, pursuant to which directors are compensated by the Company for their services in their capacity as directors, or for committee participation, involvement in special assignments or for services as consultants or experts. The Board intends to compensate directors primarily through the grant of stock options and reimbursement of expenses incurred by such persons acting as directors of the Company.

Incentive Plan-Compensation for Directors

The Plan allows the Company to issue stock options up to a maximum of 10% of the issued and outstanding shares of the Company at the date of grant. The exercise price payable for each option is determined by the Board of Directors at the date of grant, and may not be less than the closing market price during the trading day immediately preceding the date of the grant of the options on the Exchange, for a minimum amount of $0.10 per option.

Incentive Plan Awards – Value Vested or Earned During the Year

The vesting period and expiry date are determined by the Board of Directors for each vesting.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

Aggregate Indebtedness

The Company's related parties include an entity with significant influence, companies owned by a Director as well as key management personnel.

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

All balances of advances receivables and advances payable are measured at fair value and occurred in the normal course of business.

	Year/period	Purchase from related parties ($)	Amounts owed by related parties ($)	Amounts owed to related parties ($)
Entity with significant influence over the Company				
Gencap Inc.	2016	86,000	-	
	March 31, 2017	30,000	-	
Key management personnel and Director				
Gestion Marengo Inc.	2016	60,000	-	11,498
	March 31, 2017	60,000		
Other related party				
Hitlab Inc.	2016	23,416	-	
	March 31, 2017	20,350		

	Year /Period	Interest received (paid) $	Amounts owed by related parties ($)	Amounts owed to related parties ($)
Advances from/ to related parties				
Entity with significant influence over the Company				
Gencap Inc.	2016	2,108	-	
	March 31, 2017	-		
Other related party				
Company owned by a Director				
Seed Capital Inc.	2016	(8,950)		42,215
	March 31, 2017	-		-

The advance to an entity with significant influence is unsecured, payable on demand and bears interest at 10% per annum.

The due to a company owned by a Director is unsecured, payable on demand and bears interest at 10% per annum.

AUDIT COMMITTEE

Audit Committee

The Audit Committee's role is to act in an objective, independent capacity as a liaison between the auditors, management and the Board and to ensure the auditors have a facility to consider and discuss governance and audit issues with parties not directly responsible for operations. NI 52-110, NI 41-101 and Form 52-110F2 require the Company to disclose certain information relating to the Company's Audit Committee and its relationship with the Company's independent auditors.

Audit Committee Charter

Pursuant to NI 52-110, the Company's Audit Committee is required to have a charter. The full text of the Company's Audit Committee Charter is attached as Appendix 3 to this Prospectus.

Composition of Audit Committee

Mark Billings	Not Independent (1)	Financially literate (2)
Marc Filion	Independent (1)	Financially literate (2)
Rick Whittaker	Independent (1)	Financially literate (2)

Notes:

(1) A member of an audit committee is independent if the member has no direct or indirect material relationship with the Company, which could, in the view of the Board, reasonably interfere with the exercise of a member's independent judgment.

(2) An individual is financially literate if he has the ability to read and understand a set of financial statements that present a breadth of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

Mr. Mark Billings, the Company's President, is not "independent" as defined in NI 52-110 as he is an executive officer of the Company. Mr. Marc Filion and Rick Whittaker are independent.

The Company, as a 'venture issuer', is exempt from the Audit Committee composition requirements in NI 52-110 which require all Audit Committee members to be independent.

All of the Audit Committee members are "financially literate", as defined in NI 52-110, as all of the Audit Committee members have the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

Relevant Education and Experience

Each member of the Company's Audit Committee has adequate education and experience that is relevant to their performance as an Audit Committee member and, in particular, the requisite education and experience that have provided the member with:

(a) an understanding of the accounting principles used by the Company to prepare its financial statements and the ability to assess the general application of those principles in connection with estimates, accruals and reserves;

(b) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements or experience actively supervising individuals engaged in such activities; and

(c) an understanding of internal controls and procedures for financial reporting.

See “Directors and Executive Officers – Name, Occupation and Security Holdings – Background”

Audit Committee Oversight

At no time since the beginning of the fiscal year ended September 30, 2016 was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board.

Reliance on Certain Exemptions

At no time since the beginning of the fiscal year ended September 30, 2016 has the Company relied on the exemption provided in section 2.4 of NI 52-110 (De Minimis Non-Audit Services) or an exemption from NI 52-110, in whole or in part, granted under Part 8 (Exemptions). It is not anticipated that the Company will rely on any of the above exemptions.

Pre-Approval Policies and Procedures

The Audit Committee has not adopted specific policies and procedures for the engagement of non-audit services but all such services will be subject to the prior approval of the Audit committee. It is not anticipated that the Company will adopt specific policies and procedures.

External Auditor Service Fees

The aggregate fees billed by the external auditors to the Company for the fiscal year ended September 30, 2016 are:

Year / Period	**Audit Fees**	**Audit-Related Fees (1)**	**Tax Fees (2)**	**All Other Fees (3)**
2016	$Nil	$Nil	$Nil	$Nil
March 31, 2017	$Nil	$Nil	$Nil	$Nil

(1) Fees charged for assurance and related services that are reasonably related to the performance of an audit, and not included under Audit Fees.
(2) Fees charged for tax compliance, tax advice and tax planning services.
(3) Fees for services other than disclosed in any other column.

Exemption

The Company is relying on the exemption provided by section 6.1 of NI 52-110 which provides that the Company, as a venture issuer, is not required to comply with Part 3 (Composition of the Audit Committee) and Part 5 (Reporting Obligations) of NI 52-110.

Corporate Governance Practices

Corporate governance relates to the activities of the Board, the members of which are elected by and are accountable to the shareholders, and takes into account the role of the individual members of management who are appointed by the Board and who are charged with the day-to-day management of the Company. The Board is committed to sound corporate governance practices, which are both in the interest of the Company’s shareholders and contribute to effective and efficient decision making. National Policy 58-201 - *Corporate Governance Guidelines* provides non-prescriptive guidelines on corporate governance practices for reporting issuers such as the Company. The Board is of the view that the Company’s general approach to corporate governance, summarized below, is appropriate and substantially consistent with objectives reflected in the guidelines for improved corporate governance in Canada adopted by the Canadian Securities Administrators (the “**National Guidelines**”).

Board of Directors

The Board is currently composed of seven (7) directors.

The National Guidelines suggest that the board of directors of every listed company should be constituted with a majority of individuals who qualify as “unrelated” directors. An “unrelated” director is a director who is independent of management and is free from any interest and any business or other relationship which could or could reasonably be perceived to materially interfere with the director's ability to act with a view to the best interests of the Company, other than interests and relationships arising from shareholding. In addition, where a company has a significant shareholder, the National Guidelines suggest that the board of directors should include a number of directors who do not have interests in either the company or the significant shareholder.

Mr. Marc Filion, Mr. Jacques Arsenault, Mr. Rick Whittaker and Mr. Robin Conners are considered by the Board to be "unrelated" within the meaning of the Guidelines. In assessing the Guidelines and making the foregoing determinations, the circumstances of each director have been examined in relation to a number of factors.

As an executive officer of the Company, Mr. Pierre Gautier and Mark Billings, as President of the Company, are not considered independent pursuant NI 52-110.

Other Reporting Issuer Experience

The following table sets out the proposed directors, officers and promoters of the Company that are, or have been within the last five years, directors, officers or promoters of other reporting issuers:

Name	Name and Jurisdiction of Other Reporting Issuers	Name of Exchange or Market	Position	From	To
Mark Billings	Canamex Resources Corp. (British Columbia)	TSX-V	Director, Chairman & CEO	February 2009	Present
	St-Georges Platinum & Base Metals Ltd. (Quebec)	CSE	Director, Chairman & CFO	December 2009	Present
	Fancamp Exploration Ltd. (British Columbia)	TSX-V	Director	August 2014	Present
	Knowlton Capital Inc. (Quebec)	NEX	Director	August 2014	Present
	Manganese X Energy Corp. (British Columbia)	TSX-V	Director	February 2015	Present
	Orex Exploration Inc. (Quebec)	TSX-V	Director, Chairman, President, CEO & CFO	October 2007	May 2015
	Argex Titanium Inc. (Quebec)	TSX	Director, President, CEO, CFO & Senior Vice President (Corporate Development)	July 2008	June 2014
	Iconic Minerals Ltd. (British Columbia)	TSX-V	Director	July 2009	February 2014
	Zephyr Minerals Ltd. (Nova-Scotia)	TSX-V	Director	April 2011	January 2014
	TransAmerican Energy Inc. (British Columbia)	TSX-V	Director	March 2010	January 2014
	LiteWave Corp. (Nevada)	OTCBB	Director & CFO	January 2009	October 2012
	Caldera Resources Inc. (Quebec)	TSX-V	Director	December 2008	August 2012
	Jiminex Inc.	TSX-V	Director	May 2010	July 2012

	(Ontario)				
	Kintavar Exploration Inc.	TSX-V	Director	March 2017	Present
Marc Filion	ADF Group (Quebec)	TSX	Director & CFO	March 2007	May 2015
	SAMA Resources (British Columbia)	TSX-V	Director	May 2015	Present
	Sama Graphite (Quebec)	TSX-V	Director	December 2016	Present
	Abcourt Mines (Quebec)	TSX-V	Director	March 20006	Present
Robin Conners	360 Vox Corporation (Ontario)	TSX-V	CEO-President	September 2009	September 2014
Jacques Arsenault	Vanadium One Energy Corp. (Ontario)	TSX-V	CFO	October 2016	Present
	Manganese X Energy Corp. (formerly Sunset Cove Mining Inc.) (British Columbia)	TSX-V	CFO	October 2016	Present
	Caldera Resources Inc. (Quebec)	TSX-V	CFO	December 2008	December 2012
Bernard He	Homeland Uranium Inc. (now Western Uranium Corporation), (Ontario)	TSX-V	Director	July 2012	July 2015

RISK FACTORS

The following are certain factors relating to the business of the, which factors investors should carefully consider when making an investment decision concerning the Shares. These risks and uncertainties are not the only ones facing the Company. Additional risks and uncertainties not presently known to the Company, or that the Company currently deems immaterial, may also impair the operations of the Company. If any such risks actually occur, the financial condition, liquidity and results of operations of the Company could be materially adversely affected and the ability of the Company to implement its growth plans could be adversely affected.

Prospects for companies in the mineral exploration industry generally may be regarded as uncertain given the nature of the industry and, accordingly, investments in mineral exploration companies should be regarded as highly speculative. Mineral exploration involves a significant degree of risk. An investor should carefully consider the risks and uncertainties described below. The risks and uncertainties described below are not an exhaustive list. Additional risks and uncertainties not presently known to the Company or that are considered to be immaterial may also adversely affect the Company's business. If any one or more of the following risks occur, the Company's business, financial condition and results of operations could be seriously harmed. Further, if the Company fails to meet the expectations of the public market in any given period, the market price of the Shares could decline. An investment in the Shares should only be made by persons who can afford a significant or total loss of their investment.

The risks discussed below also include forward-looking statements and actual results may differ substantially from those discussed in these forward-looking statements. See "*Note Regarding Forward Looking Statements*" in this Prospectus.

Dependence on the Zamora Silver-Gold Property

The Company is an exploration stage company and as such does not anticipate receiving revenue from its mineral properties for some time. The Company will be solely focused on the exploration and development of the Zamora Silver-Gold Property. Unless the Company acquires additional property interests, any adverse developments affecting the Zamora Gold Property could have a material adverse effect upon the Company and would materially and adversely affect any profitability, financial performance and results of operations of the Company.

Mineral exploration and development involves a high degree of risk and few properties that are explored are ultimately developed into producing mines. There is no assurance that the Company's mineral exploration and development programs at the Zamora Silver-Gold Property will result in the definition of bodies of commercial mineralization. There is also no assurance that even if commercial quantities of mineralization are discovered that Zamora Silver-Gold Property will be brought into commercial production. Failure to do so will have a material adverse impact on the Company's operations and potential future profitability. The discovery of bodies of commercial mineralization is dependent upon a number of factors, not the least of which is the technical skill of the exploration personnel involved. The commercial viability of a mineral deposit once discovered is also dependent upon a number of factors, some of which are the particular attributes of the deposit (such as size, grade and proximity to infrastructure), metal prices and government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. Most of the above factors are beyond the Company's control.

Exploration, Development and Production Risks

The exploration for and development of minerals involves significant risks, which even a combination of careful evaluation, experience and knowledge may not eliminate. Few properties that are explored are ultimately developed into producing mines. There can be no guarantee that the estimates of quantities and qualities of minerals disclosed will be economically recoverable. With all mining operations there is uncertainty and, therefore, risk associated with operating parameters and costs resulting from the scaling up of extraction methods tested in pilot conditions. Mineral exploration is speculative in nature and there can be no assurance that any minerals discovered will result in an increase in the Company's resource base.

The Company's operations will be subject to all of the hazards and risks normally encountered in the exploration, development and production of minerals. These include unusual and unexpected geological formations, rock falls, seismic activity, flooding and other conditions involved in the extraction of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. In addition, operations are subject to hazards that may result in environmental pollution, and consequent liability that could have a material adverse impact on the business, operations and financial performance of the Company.

Substantial expenditures are required to establish ore reserves through drilling, to develop metallurgical processes to extract the metal from the ore and, in the case of new properties, to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that funds required for development can be obtained on a timely basis. The economics of developing gold and other mineral properties is affected by many factors including the cost of operations, variations in the grade of ore mined, fluctuations in metal markets, costs of processing equipment and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. The remoteness and restrictions on access of properties in which the Company has an interest will have an adverse effect on profitability as a result of higher infrastructure costs. There are also physical risks to the exploration personnel working in the terrain in which the Company's properties will be located, often in poor climate conditions.

The long-term commercial success of the Company depends on its ability to explore, develop and commercially produce minerals from its properties and to locate and acquire additional properties worthy of exploration and development for minerals. No assurance can be given that the Company will be able to locate satisfactory properties for acquisition or participation. Moreover, if such acquisitions or participations are identified, the Company may determine that current markets, terms of acquisition and participation or pricing conditions make such acquisitions or participation uneconomic.

Mineral Resources and Reserves

Mineralization estimates for the Company's properties may require adjustments or downward revisions based upon further exploration or development work or actual production experience. In addition, the grade of ore ultimately mined, if any, may differ from that indicated by drilling results. There can be no assurance that minerals recovered in small-scale tests will be duplicated in large-scale tests under on-site conditions or in production scale.

Unless otherwise indicated, mineralization figures presented in this Prospectus are based upon estimates made by the Company, personnel and independent geologists. These estimates are imprecise and depend upon geological interpretation and statistical inferences drawn from drilling and sampling analysis which may prove to be unreliable. There can be no assurance that these estimates will be accurate; resource or other mineralization figures will be accurate; or such mineralization could be mined or processed profitably.

Insufficient Resources or Reserves

Substantial additional expenditures will be required to establish either resources or reserves on mineral properties and to develop processes to extract the minerals. No assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that the funds required for development can be obtained on a timely basis or at all.

Maintaining Interests in Mineral Properties

The Company's continuing right to maintain its interest in the Zamora Gold Property will be dependent upon compliance with applicable laws.

Obtaining and Renewing Licenses and Permits

In the ordinary course of business, the Company will be required to obtain and renew governmental licenses or permits for exploration, development, construction and commencement of mining at the Zamora Silver-Gold Property. Obtaining or renewing the necessary governmental licenses or permits is a complex and time consuming process involving public hearings and costly undertakings on the part of the Company. The duration and success of the Company's efforts to obtain and renew licenses or permits are contingent upon many variables not within the Company's control, including the interpretation of applicable requirements implemented by the licensing authority. The Company may not be able to obtain or renew licenses or permits that are necessary to its operations, including, without limitation, an exploitation license, or the cost to obtain or renew licenses or permits may exceed what the Company believes they can recover from the Zamora Silver Gold Property. Any unexpected delays or costs associated with the licensing or permitting process could delay the development or impede the operation of a mine, which could adversely impact the Company's operations and profitability.

No Assurances

There is no assurance that economic mineral deposits will ever be discovered, or if discovered, subsequently put into production. Most exploration activities do not result in the discovery of commercially mineable deposits. The Company's future growth and profitability will depend, in part, on its ability to identify and expand its mineral reserves through additional exploration of the Zamora Gold Property and on the costs and results of continued exploration and development programs. Mining exploration is highly speculative in nature, involves many risks and frequently is not productive. Most exploration projects do not result in the discovery of commercially mineable ore deposits and no assurance can be given that any anticipated level of recovery of mineral reserves will be realized or that any identified mineral deposit will ever qualify as a commercially mineable (or viable) ore body which can be legally and economically exploited. There can be no assurance that the Company's exploration efforts at the Zamora Gold Property will be successful.

Title Matters, Surface Rights and Access Rights

The Zamora Silver Gold Property may be subject to prior unregistered agreements of transfer, and title may be affected by undetected defects. Until any such competing interests have been determined, there can be no assurance as to the validity of title of the Zamora Silver-Gold Property and any other mining or property interests derived from or in replacement or conversion of or in connection with the claims comprising the Zamora Silver-Gold Property or the size of the area to which such claims and interests pertain. The Company cannot guarantee that title to its mineral properties will not be challenged. Title insurance is generally not available for mineral properties and the Company's ability to ensure that it has obtained secure claim to individual mineral properties or mining concessions may be severely constrained.

Additional Funding Requirements

The exploration and development of the Zamora Silver-Gold Property will require substantial additional capital. When such additional capital is required, the Company will need to pursue various financing transactions or arrangements, including joint venturing of projects, debt financing, equity financing or other means. Additional financing may not be available when needed or, if available, the terms of such financing might not be favorable to the Company and might involve substantial dilution to existing shareholders. The Company may not be successful in locating suitable financing transactions in the time period required or at all. A failure to raise capital when needed would have a material adverse effect on the Company's business, financial condition and results of operations. Any future issuance of securities to raise required capital will likely be dilutive to existing shareholders. In addition, debt and other debt financing may involve a pledge of assets and may be senior to interests of equity holders. The Company may incur substantial costs in pursuing future capital requirements, including investment banking fees, legal fees, accounting fees, securities law compliance fees, printing and distribution expenses and other costs. The ability to obtain needed financing may be impaired by such factors as the capital markets, the Company's status as a new enterprise with a limited history, the location of the Zamora Silver-Gold Property, the price of commodities and/or the loss of key management personnel. Further, if the price of gold, copper and other metals on the commodities markets decreases, then potential revenues from the Zamora Silver-Gold Property will likely decrease and such decreased revenues may increase the requirements for capital. Failure to obtain sufficient financing will result in a delay or indefinite postponement of development or production at the Zamora Silver Gold Property.

Dilution

Shares, including rights, warrants, special warrants, subscription receipts and other securities to purchase, to convert into or to exchange into Shares, may be created, issued, sold and delivered on such terms and conditions and at such times as the Board may determine. In addition, the Company may issue additional Shares from time to time pursuant to Share purchase warrants and the options to purchase Shares issued from time to time by the Board. The issuance of these Shares could result in dilution to holders of Shares.

Environmental Risks

All phases of the Company's operations with respect to the Zamora Silver-Gold Property will be subject to environmental regulation. Environmental legislation involves strict standards and may entail increased scrutiny, fines and penalties for non-compliance, stringent environmental assessments of proposed projects and a high degree of responsibility for companies and their officers, directors and employees. Changes in environmental regulation, if any, may adversely impact the Company's operations and future potential profitability. In addition, environmental hazards may exist on the Zamora Silver-Gold Property that are currently unknown. The Company may be liable for losses associated with such hazards, or may be forced to undertake extensive remedial cleanup action or to pay for governmental remedial cleanup actions, even in cases where such hazards have been caused by previous or existing owners or operators of the properties, or by the past or present owners of adjacent properties or by natural conditions. The costs of such cleanup actions may have a material adverse impact on the Company's operations and future potential profitability.

Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions thereunder, 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 mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations and, in particular, environmental laws.

The Company may be subject to reclamation requirements designed to minimize long-term effects of mining exploitation and exploration disturbance by requiring the operating company to control possible deleterious effluents and to re-establish to some degree pre-disturbance landforms and vegetation. Any significant environmental issues that may arise, however, could lead to increased reclamation expenditures and could have a material adverse impact on the Company's financial resources.

Limited Operating History and Early Stage Property

The Company is an early stage company and the Zamora Silver-Gold Property is an exploration stage property. As such, the Company will be subject to all of the business risks and uncertainties associated with any new business enterprise, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources and lack of revenues. The current state of the Zamora Silver-Gold Property requires significant additional expenditures before any cash flow may be generated. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of its success must be considered in light of its early stage of operations.

The Zamora Silver-Gold Property is in the early exploration stage and is without resources or reserves. The proposed programs on the Zamora Gold Property are an exploratory search for a mineral deposit. Development of the Property will only follow upon obtaining satisfactory results. Exploration for and the development of minerals involve a high degree of risk and few properties, which are explored, are ultimately developed into producing properties. There is no assurance that the Company's exploration and development activities will result in any discoveries of commercial bodies of ore. The long-term success of the Company's operations will be in large part directly related to the cost and success of its exploration programs, which may be affected by a number of factors.

Lack of Operating Cash Flow

The Company currently has no source of operating cash flow and is expected to continue to do so for the foreseeable future. The Company's failure to achieve profitability and positive operating cash flows could have a material adverse effect on its financial condition and results of operations. If the Company sustains losses over an extended period of time, it may be unable to continue our business. Further exploration and development of the Zamora Gold Property will require the commitment of substantial financial resources. It may be several years before the Company will generate any revenues from operations, if at all. There can be no assurance that the Company will realize revenue or achieve profitability.

Regulatory Requirements

Even if the Zamora Silver-Gold Property is proven to host economic reserves of precious or non-precious metals, factors such as governmental expropriation or regulation may prevent or restrict mining of any such deposits. Exploration and mining activities may be affected in varying degrees by government policies and regulations relating to the mining industry. Any changes in regulations or shifts in political conditions are beyond the control of the Company and may adversely affect its business. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, expropriation of the Zamora Silver-Gold Property, environmental legislation and mine safety.

Volatility of Mineral Prices

The Company's revenues, if any, are expected to be in large part derived from the extraction and sale of precious and base minerals and metals. Factors beyond the control of the Company may affect the marketability of metals discovered, if any. Metal prices have fluctuated widely, particularly in recent years. Consequently, the economic viability of any of the Company's exploration projects cannot be accurately predicted and may be adversely affected by fluctuations in mineral prices. In addition, currency fluctuations may affect the cash flow which the Company may realize from its operations, since most mineral commodities are sold in a world market in United States dollars.

Infrastructure

Exploration, development and processing activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important elements of infrastructure, which affect access, capital and operating costs. The lack of availability on acceptable terms or the delay in the availability of any one or more of these items could prevent or delay exploration or development of the Zamora Gold Property. If adequate infrastructure is not available in a timely manner, there can be no assurance that the exploration or development of the Zamora Gold Property will be commenced or completed on a timely basis, if at all. Furthermore, unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of necessary infrastructure could adversely affect our operations.

Acquiring Additional Properties

Significant and increasing competition exists for mineral acquisition opportunities throughout the world. As a result of this competition, some of which is with large, better established mining companies with substantial capabilities and greater financial and technical resources, the Company may be unable to acquire rights to exploit additional attractive mining properties on terms it considers acceptable.

Risks Associated with Acquisitions

If appropriate opportunities present themselves, the Company may acquire other mineral claims and/or companies. The Company currently has no understandings, commitments or agreements with respect to any other material acquisition and no other material acquisition is currently being pursued. There can be no assurance that the Company will be able to identify, negotiate or finance future acquisitions successfully, or to integrate such acquisitions with its current business. The process of integrating an acquired company or mineral claims into the Company may result in unforeseen operating difficulties and expenditures and may absorb significant management attention that would otherwise be available for ongoing development of the Company's business. Future acquisitions could result in potentially dilutive issuances of equity securities, the incurrence of debt, contingent liabilities and/or amortization expenses related to goodwill and other intangible assets, which could materially adversely affect the Company's business, results of operations and financial condition.

Executive Employee Recruitment and Retention

The success of the Company will be dependent upon the performance of its management and key employees. The loss of any key executive or manager of the Company may have an adverse effect on the future of the Company's business. The number of persons skilled in acquisition, exploration and development of mining properties is limited and competition for such persons is intense. As the Company's business activity grows, it will require additional key financial, administrative, geologic and mining personnel as well as additional operations staff. There is no assurance that it will be successful in attracting, training and retaining qualified personnel as competition for persons with these skill sets increases. If the Company is not successful in attracting, training and retaining qualified personnel, the efficiency of its operations could be impaired, which could have an adverse impact on its future cash flows, earnings, results of operations and financial condition.

Adverse General Economic Conditions

The unprecedented events in global financial markets in the past several years have had a profound impact on the global economy. Many industries, including the mineral exploration sector, were impacted by these market conditions. Some of the key impacts of the financial market turmoil included contraction in credit markets resulting in a widening of credit risk, devaluations, high volatility in global equity, commodity, foreign exchange and precious metal markets and a lack of market liquidity. A similar slowdown in the financial markets or other economic conditions, including but not limited to, inflation, fuel and energy costs, lack of available credit, the state of the financial markets, interest rates and tax rates, may adversely affect the Company's operations. Specifically, a global credit/liquidity crisis could impact the cost and availability of financing and our overall liquidity, the volatility of mineral prices would impact the Company's prospects, volatile energy, commodity and consumables prices and currency exchange rates would impact costs and the devaluation and volatility of global stock markets would impact the valuation of its equity and other securities. These factors could have a material adverse effect on the Company's financial condition and results of operations.

In recent years, the securities markets in Canada, as well as in other countries around the world, have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price that have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. It may be anticipated that any quoted market for the Shares will be subject to market trends and conditions generally, notwithstanding any potential success of the Company in developing assets, adding additional resources, establishing feasibility of deposits or creating revenues, cash flows or earnings. The value of securities will be affected by market volatility. An active public market for the Shares might not develop or be sustained. If an active public market for the Shares does not develop or continue, the liquidity of a shareholder's investment may be limited and the price of the Shares may decline.

The Properties are all located in Mexico. Accordingly, the market value of the Zamora Silver-Gold Property is particularly sensitive to changes in the economic conditions and regulatory environments of Mexico. Adverse changes in the economic condition or regulatory environment of Mexico may have a material adverse effect on theCompany's business, cash flows, financial condition and results of operations.

Claims and Legal Proceedings

The Company may be subject to claims or legal proceedings covering a wide range of matters that arise in the ordinary course of business activities, including relating to former employees. These matters may give rise to legal uncertainties or have unfavourable results. The Company may carry liability insurance coverage and mitigate risks that can be reasonably estimated; however, there is a risk that insurance may not be adequate to cover all possible risks arising from the Company's operations. In addition, the Company may be involved in disputes with other parties in the future that may result in litigation or unfavourable resolution which could materially adversely impact the Company's financial position, cash flow, results of operations, and reputation, regardless of the specific outcome.

Force Majeure

The Company's projects now or in the future may be adversely affected by risks outside the control of the Company, including the price of gold on world markets, labour unrest, civil disorder, war, subversive activities or sabotage, fires, floods, explosions or other catastrophes, epidemics or quarantine restrictions.

Uncertainty of Use of Proceeds

Although the Company has set out its intended use of proceeds in this Prospectus, these intended uses are estimates only and subject to change. While management does not contemplate any material variation, management does retain broad discretion in the application of such proceeds. The failure by the Company to apply these funds effectively could have a material adverse effect on the Company's business, including the Company's ability to achieve its stated business objectives.

Competition

All aspects of the Company's business will be subject to competition from other parties. Many of the Company's competitors for the acquisition, exploration, production and development of mineral properties, and for capital to finance such activities, will include companies that have greater financial and personnel resources available to them than the Company. Competition could adversely affect the Company's ability to acquire suitable properties or prospects in the future.

Conflicts of Interest

Certain of the directors and officers of the Company will be engaged in, and will continue to engage in, other business activities on their own behalf and on behalf of other companies (including mineral resource companies) and, as a result of these and other activities, such directors and officers of the Company may become subject to conflicts of interest. The CBCA provides that in the event that a director has a material interest in a contract or proposed contract or agreement that is material to the issuer, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement, subject to and in accordance with the CBCA. To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the CBCA. To the proposed management of the Company's knowledge, as at the date hereof there are no existing or potential material conflicts of interest between the Company and a proposed director or officer of the Company except as otherwise disclosed herein.

Dividends

To date, the Company has not paid any dividends on their outstanding shares. Any decision to pay dividends on the shares of the Company will be made by the Board on the basis of the Company's earnings, financial requirements and other conditions.

Litigation

The Company and/or its directors and officers may be subject to a variety of civil or other legal proceedings, with or without merit. From time to time in the ordinary course of its business, the Company may become involved in various legal proceedings, including commercial, employment and other litigation and claims, as well as governmental and other regulatory investigations and proceedings. Such matters can be time-consuming, divert management's attention and resources and cause the Company to incur significant expenses. Furthermore, because litigation is inherently unpredictable, the results of any such actions may have a material adverse effect on the Company's business, operating results or financial condition.

Reporting Issuer Status

As a reporting issuer, the Company will be subject to reporting requirements under applicable securities law and stock exchange policies. Compliance with these requirements will increase legal and financial compliance costs, make some activities more difficult, time consuming or costly, and increase demand on existing systems and resources. Among other things, the Company will be required to file annual, quarterly and current reports with respect to its business and results of operations and maintain effective disclosure controls and procedures and internal controls over financial reporting. In order to maintain and, if required, improve disclosure controls and procedures and internal controls over financial reporting to meet this standard, significant resources and management oversight may be required. As a result, management's attention may be diverted from other business concerns, which could harm the Company's business and results of operations. The Company may need to hire additional employees to comply with these requirements in the future, which would increase its costs and expenses.

Management of the Company expects that being a reporting issuer will make it more expensive to maintain director and officer liability insurance. This factor could also make it more difficult for the Company to retain qualified directors and executive officers.

Operating Hazards, Risks and Insurance

The ownership, exploration, operation and development of a mine or mineral property involves many risks which even a combination of experience, knowledge and careful evaluation may not be able to overcome. These risks include environmental hazards, industrial accidents, explosions and third-party accidents, the encountering of unusual or unexpected geological formations, ground falls and cave-ins, mechanical failure, unforeseen metallurgical difficulties, power interruptions, flooding, earthquakes and periodic interruptions due to inclement or hazardous weather conditions. These occurrences could result in environmental damage and liabilities, work stoppages, delayed production and resultant losses, increased production costs, damage to, or destruction of, mineral properties or production facilities and resultant losses, personal injury or death and resultant losses, asset write downs, monetary losses, claims for compensation of loss of life and/or damages by third parties in connection with accidents (for loss of life and/or damages and related pain and suffering) that occur on Company property, and punitive awards in connection with those claims and other liabilities.

It is not always possible to fully insure against such risks, and the Company may decide not to take out insurance against such risks as a result of high premiums or other reasons. Should such liabilities arise they could reduce or eliminate any future profitability and result in an increase in costs and a decline in value of our securities. Liabilities that the Company incurs may exceed the policy limits of insurance coverage or may not be covered by insurance, in which event the Company could incur significant costs that could adversely impact its business, operations, potential profitability or value. Despite efforts to attract and retain qualified personnel, as well as the retention of qualified consultants, to manage the Company's interests, even when those efforts are successful, people are fallible and human error could result in significant uninsured losses. These could include loss or forfeiture of mineral interests or other assets for non-payment of fees or taxes, significant tax liabilities in connection with any tax planning effort the Company might undertake and legal claims for errors or mistakes by personnel.

Absence of Public Trading Market

Currently, there is no public market for the Shares and there can be no assurance that an active market for the Shares will develop or be sustained after the Listing Date. If an active public market for the Shares does not develop, the liquidity of an investor's investment may be limited and the share price may decline below the price paid for the Shares by such investor.

LEGAL PROCEEDINGS

Legal Proceedings

Neither the Company nor any of its property was previously a party to, or the subject of, any legal proceeding nor is the Company currently party to any material legal proceeding or contemplating any legal proceedings which are material to its business. From time to time, however, the Company may be subject to various claims and legal actions arising in the ordinary course of business. Management of the Company is not currently aware of any legal proceedings contemplated against the Company.

Prior to the filing of the present Prospectus, the Company was to complete a reverse take-over with a CSE listed Company, Telferscot Resources Inc. ("Telferscot"). Under its letter of intent (the "Telferscot LOI"), a breakup fee of $150,000 (the "Breakup Fee") was to be paid to Telferscot under certain circumstances. Further to the termination of the Telferscot LOI, Telferscot has requested payment of the Breakup Fee. Auxico is presently reviewing together with its counsel its legal options.

The Company was served on March 8, 2017 with a legal proceeding from Telferscot Resources Inc. filed in the Superior Court of Quebec alleging that based on the Amendment to the Amalgamation Agreement signed June 30, 2016 and terminated January 5, 2017, a number of conditions would have not been met, and thus, the break-up fee is due and owing by the Company. The parties have agreed on and filed a case protocole. The exposure consists in the amount claimed in capital, interest and legal costs, which are limited to courts cost and fees and various disbursements but do not include counsel legal fees. The parties will also explore the possibility of an out of court settlement, as provided by the Quebec Code of civil procedure.

Regulatory Actions

From inception to the date of this Prospectus, management knows of no:

(i) penalties or sanctions imposed against the Company by a court relating to provincial and territorial securities legislation or by a securities regulatory authority;

(ii) other penalties or sanctions imposed by a court or regulatory body against the Company necessary for the Prospectus to contain full, true and plain disclosure of all material facts relating to the securities being distributed; and

(iii) settlement agreements the Company entered into before a court relating to provincial and territorial securities legislation or with a securities regulatory authority.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as set forth in this Prospectus, the Company is not aware of any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, of any director or executive officer, any person or company who owns of record, or is known by the Company to own beneficially, directly or indirectly, more than 10% of the Shares of the Company or any associate or affiliate of the foregoing persons or companies in any transaction or in any proposed transaction that has materially affected or is reasonably expected to materially affect the Company.

AUDITORS, TRANSFER AGENT AND REGISTRAR

Auditors

The auditors of the Company are Guimond Lavallée Inc., Chartered Professional Accountants Company, located at 7055, Boulevard Taschereau, Suite 500, Brossard, Quebec, J4Z 1A7.

As of the date of this Prospectus, it is proposed that the Company's auditors will continue to be Guimond Lavallée Inc., Chartered Professional Accountants Company.

Transfer Agent and Registrar

The Company's registrar and transfer agent of the Shares is Computershare Investor Services Inc. at its office at 1500 boulevard Robert-Bourassa, 7th Floor, Montréal, Québec H3A 3S8.

MATERIAL CONTRACTS

Except for contracts made in the ordinary course of business and those mentioned above, the following are the only material contracts entered into by the Company since inception which are currently in effect and considered to be material:

1. The Consulting Agreement dated January 19, 2017 between the Company and Manitex Capital Inc.;

2. The Manitex Escrow Agreement dated January 19, 2017 between the Company, Manitex Capital Inc. and Dunton Rainville LLP, counsel of the Company acting as escrow agent;

3. The Gold Loan Agreement between the Company, Auxico Mexico and Borboletta Foundation and the Gold Loan Settlement Agreement dated April 7, 2017 regarding the replacement of the Gold Loan by a payment in cash and the issuance of common shares of the Company;

4. The Assignment Agreement dated July 17, 2013;

5. The Technology License Agreement and its amendment dated May 25th, 2016 between the Company and CMVR Company;

6. The Escrow Agreement, to be entered among the Company, the Escrow Agent and the Principals;

EXPERTS

Names of Experts

The following are persons or companies whose profession or business gives authority to a statement made in this Prospectus as having prepared or certified a part of that document, report, or valuation described in this Prospectus:

• Guimond Lavallée Inc., Chartered Professional Accountants Company are the auditors of the Company, who prepared the audit report on the Company's consolidated Financial Statements as of September 30, 2016 included in and forming part of this Prospectus; and

• Joel Scodnik, P. Geo, a Qualified Person (as defined in NI 43-101), authored the Technical Report in accordance with the requirements of NI 43-101, the majority of which is reproduced in and forms part of this Prospectus and is available in its full form on the Company's profile on SEDAR. Joel Scodnik does not have any direct or indirect interest in the Company or the Zamora Silver-Gold Property, nor will any such interest materialize before or after Listing, and there are no circumstances that, when reasonably interpreted, could be thought to have interfered with the judgment of Joel Scodnik regarding the preparation of the Technical Report.

Interests of Experts

No person whose profession or business gives authority to a statement made by such person and who is named in this Prospectus has received or will receive a direct or indirect interest in the Company's property or any associate or affiliate of the Company.

Guimond Lavallée Inc., Chartered Professional Accountants Company has confirmed that it is independent of the Company in accordance with the Code of Professional Conduct of the Chartered Professional Accountants of Quebec.

As at the date hereof, none of the aforementioned persons beneficially owns, directly or indirectly, securities of the Company or its associates and affiliates. In addition, none of the aforementioned persons nor any director, officer or employee of any of the aforementioned persons, is or is expected to be elected, appointed or employed as, a director, senior officer or employee of the Company or of an associate or affiliate of the Company, or as a promoter of the Company or an associate or affiliate of the Company.

OTHER MATERIAL FACTS

To management's knowledge, there are no other material facts relating to the Company that are not otherwise disclosed in this Prospectus or are necessary for the Prospectus to contain full, true and plain disclosure of all material facts relating to the Company.

Financial Statement Disclosure

The following financial statements and MD&A are included herein:

APPENDIX 1	Auxico Resources Canada Inc. audited consolidated financial statements for the year ended September 30, 2016 and unaudited condensed interim consolidated financial statements for the six months period ended March 31, 2017
APPENDIX 2	Auxico Resources Canada Inc. MD&A for the year ended September 30, 2016

Other Appendices

APPENDIX 3	Audit Committee Charter

APPENDIX 1 – AUXICO RESOURCES CANADA INC. AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2016 AND UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED MARCH 31, 2017

[See attached]

AUXICO RESOURCES CANADA INC.

ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2016 AND 2015

AUXICO RESOURCES CANADA INC.

ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2016, and 2015

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MANAGEMENT'S RESPONSIBILITY

To the Shareholders of Auxico Resources Canada Inc.,

Management is responsible for the preparation and presentation of the accompanying annual consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the annual consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of annual consolidated financial statements.

The Audit Committee is composed of Directors who are neither management nor employees of the Company. The Committee is responsible for overseeing management in the performance of its financial reporting responsibilities. The Audit Committee has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Audit Committee is also responsible for recommending the appointment of the Corporation's external auditors.

Guimond Lavallée Inc., Chartered Professional Accountants Corporation, has been appointed to audit the annual consolidated financial statements and their report follows. The external auditors have full and free access to, and meet periodically and separately with, the Board, the Audit Committee and management to discuss their audit findings.

March 8, 2017

/s/ Mark Billings
President

INDEPENDENT AUDITORS' REPORT

To the shareholders of AUXICO RESOURCES CANADA INC.,

We have audited the accompanying annual consolidated financial statements of AUXICO RESOURCES CANADA INC., which comprise the consolidated statement of financial position as at September 30, 2016 and 2015, and the consolidated statement of loss and comprehensive loss, the consolidated statement of changes in equity and the consolidated statement of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Annual Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these annual consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these annual consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the annual consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the annual consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the annual consolidated financial statements present fairly, in all material respects, the consolidated financial position of AUXICO RESOURCES CANADA INC. as at September 30, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 2 in the annual consolidated financial statements which indicates that AUXICO RESOURCES CANADA INC. is still in exploration stage relating to its other property and, as such, no revenue has been yet generated from its operating activities. Accordingly, the Company depends on its ability to fund its working capital, complete the development of its explorations, and eventually to generate positive cash flows from operations. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty that may cast significant doubt about AUXICO RESOURCES CANADA INC.'s ability to continue as a going concern.

Guimond Lavallée Inc. [1]

Chartered Professional Accountants Corporation

Brossard (Quebec)
March 8, 2017

[1] CPA auditor, CA permit No. A128130

Auxico Resources Canada Inc.
Consolidated Statements of Financial Position
As at September 30, 2016 and 2015
(Expressed in Canadian Dollars)

As at,	**September 30, 2016**	September 30, 2015
	$	$
ASSETS		
Current assets		
Cash & cash equivalents	7,542	1,062
Sales tax receivable	38,926	-
Prepaid expenses	30,019	-
Advance to a shareholder without interest	1,000	1,000
Advance to an entity with significant influence (note 14)	-	15,666
	77,487	17,728
Non-current assets		
Mining property acquisition costs (note 6)	181,400	181,400
Exploration and evaluation expenses (note 6)	420,853	296,338
Deferred tax assets (note 13)	-	438
TOTAL ASSETS	679,740	495,904
LIABILITIES		
Current liabilities		
Accounts payable and accruals	80,066	68,566
Income taxes payable	1,004	-
Due to a company owned by a Director (note 14)	42,215	103,000
	123,285	171,566
Non-current liabilities		
Deferred tax liabilities (note 13)	12,822	22,429
Total Liabilities	136,107	193,995
SHAREHOLDERS' EQUITY		
Share capital (note 7)	794,087	234,087
(Deficit) Retained earnings	(250,454)	67,822
Total shareholders' equity	543,633	301,909
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	679,740	495,904

Going Concern (note 2), Commitments and Contingencies (note 15) and Subsequent Events (note 16)

Approved on behalf of the Board:

Signed "Pierre Gauthier", Director

Signed "Mark Billings", Director

The accompanying notes form an integral part of the annual consolidated financial statements.

Auxico Resources Canada Inc.
Consolidated Statements of Loss and Comprehensive Loss
For the years ended September 30, 2016 and 2015
(Expressed in Canadian Dollars)

For the years ended September 30,	**2016**	2015
	$	$
Expenses		
Professional fees	74,251	-
Management fees	146,000	-
Legal fees	42,477	-
Travel expenses	7,888	277
Office expenses	1,059	-
Rent	23,416	-
Interest and penalties	16,110	-
Advertising	2,101	-
Taxes and permits	710	-
Interest and bank fees	2,410	1,240
Interest on loans	6,843	8,600
Losses on foreign exchange	3,176	9
	326,441	10,126
Loss before income taxes	(326,441)	(10,126)
Income taxes		
Current income tax expense (note 13)	(1,004)	-
Deferred income tax recovery (expense) (note 13)	9,169	(8,477)
	8,165	(8,477)
Net loss and comprehensive loss for the years	(318,276)	(18,603)
Loss per share - basic & diluted (note 8)	(0.014)	(0.001)
Weighted average number of shares outstanding	22,306,557	21,500,000

The accompanying notes form an integral part of the annual consolidated financial statements.

Auxico Resources Canada Inc.
Consolidated Statements of Changes in Equity
For the years ended September 30, 2016 and 2015
(Expressed in Canadian Dollars)

	SHARE CAPITAL			
	Number of common shares	**Common shares $**	**(DEFICIT) RETAINED EARNINGS $**	**TOTAL EQUITY $**
Balance, as at October 1, 2014 (unaudited)	21,500,000	234,087	86,425	320,512
Net loss for the year	-	-	(18,603)	(18,603)
Balance, as at September 30, 2015	21,500,000	234,087	67,822	301,909
Shares issued in private placement	2,400,000	600,000	-	600,000
Transaction costs	-	(40,000)	-	(40,000)
Net loss for the year	-	-	(318,276)	(318,276)
Balance, as at September 30, 2016	23,900,000	794,087	(250,454)	543,633

The accompanying notes form an integral part of the annual consolidated financial statements.

Auxico Resources Canada Inc.
Consolidated Statements of Cash Flows
For the years ended September 30, 2016 and 2015
(Expressed in Canadian Dollars)

For the years ended September 30,	**2016** **$**	**2015** **$**
Cash used in operating activities		
Net loss	(318,276)	(18,603)
Adjustment for:		
Deferred income tax (recovery) expenses	(9,169)	8,477
Changes in non-cash working capital items:		
Sales tax receivable	(38,926)	-
Prepaid expenses	(30,019)	25,205
Accounts payable and accruals	11,500	57,105
Income taxes payable	1,004	-
	(383,886)	72,184
Cash used in investing activities		
Exploration and evaluation expenses	(124,515)	(74,030)
	(124,515)	(74,030)
Cash flows from financing activities		
Advance to an entity with significant influence	15,666	1,534
Due to a company owned by a Director	(60,785)	-
Proceeds from the issue of equity	600,000	-
Share issuance cost paid	(40,000)	-
	514,881	1,534
Increase (Decrease) in cash and cash equivalents	6,480	(312)
Cash and cash equivalents, beginning of the years	1,062	1,374
Cash and cash equivalents, end of the years	7,542	1,062
Supplemental information		
Interest paid	9,253	9,840

The accompanying notes form an integral part of the annual consolidated financial statements.

1. GENERAL INFORMATION AND NATURE OF OPERATIONS

Auxico Resources Canada Inc. ("Auxico" or the "Company") was incorporated under the Canada Business Corporations Act on April 16, 2014. Auxico has a wholly-owned subsidiary, Auxico Resources S.A. de C.V., which was incorporated under the laws of Mexico on June 16, 2011. Auxico is a mineral exploration company with silver-gold properties in the state of Sinaloa, Mexico.

The Company's head office and primary place of business is located at 230 Notre-Dame Street West, Montréal, Québec, H2Y 1T3, Canada.

2. GOING CONCERN DISCLOSURE

The business of mining exploration involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of exploration properties and the Company's continued existence are dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability to raise alternative financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values. Although the Company has taken steps to verify the title to the properties on which it is conducting exploration and has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements, aboriginal claims and non-compliance with regulatory requirements.

Several adverse conditions and events cast substantial doubt upon the validity of this assumption. Auxico is not currently generating any revenue from its operations and for the twelve-month period ended September 30, 2016, the Company recorded a net comprehensive loss of $318,276 (September 30, 2015 - $18,603) and deficit of $250,454 (retained earnings of $67,822 as at September 30, 2015). Its ability to continue as a going concern is uncertain and is dependent upon its ability to fund its working capital, complete the development of its explorations, and eventually to generate positive cash flows from operations. Management plans to explore all alternatives possible, including joint ventures, debt and equity financings, and merger opportunities. Management of the Company is exploring ways in which to become a publicly traded company. This will allow the Company to raise capital (note 16).

These annual consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

3. BASIS OF PREPARATION

Statement of compliance
These annual consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These annual consolidated financial statements were approved and authorized for issuance by the Board of Directors on March 8, 2017.

Basis of measurement
The annual consolidated financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified for specific financial instruments carried at fair value where applicable.

3. BASIS OF PREPARATION (continued)

Basis of consolidation

These annual consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Auxico Resources S.A. de C.V. ("Auxico Mexico"). Auxico Mexico was incorporated under the laws of Mexico. Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation.

Functional and presentation currency

These annual consolidated financial statements are presented in Canadian dollars which is the Company's functional and presentation currency.

4. SIGNIFICANT ACCOUNTING POLICIES

Loss per share

Basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of common shares outstanding during the period. The Company applies the treasury stock method in calculating diluted loss per share. Diluted loss per share excludes all dilutive potential common shares if their effect is anti-dilutive.

Cash and cash equivalents

The Company considers deposits with banks or highly liquid short-term interest bearing securities that are readily convertible to known amounts of cash and those that have maturities of 90 days or less when acquired to be cash equivalents.

Share issue costs

Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred share issue costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. The Company charges share issue costs to share capital when the related shares are issued. Deferred share issue costs related to financing transactions that are not completed are charged to expenses.

Share-based payments

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of loss and comprehensive loss.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model.

Significant accounting judgements, estimates and assumptions

The preparation of the Company's annual consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the annual consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from those estimates.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgements, estimates and assumptions (continued)

The areas which require management to make significant estimates and assumptions in determining carrying values include, but are not limited to:

a) Exploration and Evaluation Expenditures
The application of the Company's accounting policy for exploration and evaluation expenditure requires judgement in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the profit or loss in the period the new information becomes available.

b) Impairment
The carrying value of non-financial assets is reviewed each reporting period upon the occurrence of events or changes in circumstances indicating that the carrying value of assets may not be recoverable and when criteria of assets held for sale are met to determine whether there is any indication of impairment. If the carrying amount of an asset exceeds its recoverable amount, the asset is impaired and an impairment loss is recognized in the consolidated statement of loss and comprehensive loss. The assessment of fair values, including those of the cash generating units (the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflow from other assets or groups of assets) ("CGUs") for purposes of testing goodwill, require the use of estimates and assumptions for recoverable production, long-term commodity prices, discount rates, foreign exchange rates, future capital requirements and operating performance. Changes in any of the assumptions or estimates used in determining the fair value of goodwill or other assets could impact the impairment analysis.

c) Title to Mineral Properties
Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

d) Deferred Income Taxes
Judgement is required to determine which types of arrangements are considered to be a tax on income in contrast to an operating cost. Judgement is also required in determining whether deferred tax liabilities are recognized in the consolidated statement of financial position. Deferred tax assets, including those potentially arising from unutilized tax losses, require management to assess the likelihood that the Company will generate sufficient taxable income in future periods, in order to recognize deferred tax assets. Assumptions about the generation of future taxable income depend on management's estimates of future operations and cash flows. These estimates of future taxable income are based on forecast cash flows from operations (which are impacted by production and sales volumes, commodity prices, reserves, operating costs, closure and rehabilitation costs, capital expenditure, and other capital management transactions) and judgement about the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize deferred tax assets or offset these against any deferred tax liabilities recorded at the reporting date could be impacted.

e) Going Concern
The assessment of the Company's ability to raise sufficient funds to finance its exploration and administrative expenses involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of comprehensive income in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income in the statement of comprehensive income to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

Exploration and evaluation expenditures

Amounts reported in exploration and evaluation expenditures include the costs of acquiring licenses, and costs associated with exploration and evaluation activity. Exploration and evaluation expenditures are capitalized and are classified as intangible assets. Costs incurred before the Company has obtained the legal rights to explore an area are expensed.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to the mineral resource property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the transferee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash or other consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess consideration accounted for as a gain on disposal.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss. The Company has not recorded any fair value through profit or loss financial assets.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period. These are classified as non-current assets. Loan and receivable comprise cash and cash equivalents, advance to a shareholder without interest and advance to an entity with significant influence.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within twelve months after the end of the reporting period. The Company has not recorded any held-to-maturity investments.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses. The Company has not recorded any available-for-sale financial assets

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost. Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the group commits to purchase the asset. The Company has the following non-derivative financial liabilities: accounts payable and accruals and due to a company owned by a Director.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. The Company does not currently have any derivative financial assets and liabilities.

The Company is required to classify fair value measurements using a hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy is as follows:

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

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and

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

Impairment of assets

The carrying amounts of the Company's assets (which include exploration and evaluation assets) are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of comprehensive loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years. Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes

a) Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically valuates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

b) Deferred income tax

Deferred income taxes are recorded using the asset and liability method of tax allocation. Under this method, deferred income tax assets and liabilities are determined based on temporary differences at the reporting date between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

5. CHANGES IN ACCOUNTING POLICIES

Future accounting changes

IFRS 7 Financial Instruments

IFRS 7, Financial Instruments: Disclosures, clarifies that the additional disclosure required by the amendments to IFRS 7, Disclosure – offsetting financial assets and financial liabilities' is not specifically required for all interim periods, unless required by IAS 34. The amendment is effective January 1, 2016 with early adoption permitted. The Company has not yet adopted this standard and management has not yet determined the impact of this standard.

5. CHANGES IN ACCOUNTING POLICIES (continued)

Future accounting changes (continued)

IFRS 9 Financial Instruments
In July 2014, the IASB published IFRS 9 to replace IAS 39 Financial Instruments: Recognition and Measurement (IAS 39). The improvements introduced by IFRS 9 include a logical model for financial asset classification and measurement, a single, forward-looking 'expected loss' impairment model based on expected credit losses, and a substantially-reformed approach to hedge accounting. This standard applies to fiscal years beginning on or after January 1, 2018; early adoption is permitted. The Company has not yet determined the effect of the adoption of this standard on its annual consolidated financial statements.

IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures
The amendments to IFRS 10 "Consolidated Financial Statements" (IFRS 10) and IAS 28 "Investments in associates and joint ventures" (IAS 28) deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognized in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. The amendments are effective for annual periods beginning on or after January 1, 2016. The Company has not yet determined the effect of the adoption of this standard on its annual consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers
In May 2014, the IASB published IFRS 15 Revenue from Contracts with Customers, which replaces IAS 18 Revenue, IAS 11 Construction Contracts and some revenue related interpretations. IFRS 15 establishes a new control-based revenue recognition model, changes the basis for deciding when revenue is recognized at a point in time or over time, provides new and more detailed guidance on specific topics and expands and improves disclosures about revenue. IFRS 15 is effective for reporting periods beginning on or after January 1, 2018. Earlier application is permitted. The Company has not yet determined the effect of the adoption of this standard on its annual consolidated financial statements.

IFRS 16 Leases
In January 2016, the IASB issued IFRS 16, "Leases". IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer (lessee) and the supplier (lessor). IFRS 16 will cancel and replace the previous leases Standard, IAS 17, "Leases", and related interpretations. IFRS 16 will be effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 is also applied. The Company has not yet determined the effect of the adoption of this standard on its annual consolidated financial statements.

IAS 1 Presentation of Financial Statements
In December 2014, the IASB issued amendments to IAS 1, clarifying guidance on the concepts of materiality and aggregation of items in the financial statements, the use and presentation of subtotals in the statements of net income or loss and comprehensive income or loss, and providing additional flexibility in the structure and disclosures of the financial statements to enhance understandability. The amendments are effective for annual periods beginning on or after January 1, 2016. Early adoption is permitted. These amendments will not require any significant change to current practice, but should facilitate improved financial statement disclosures. The Company intends to adopt these amendments in its consolidated financial statements for the annual period beginning on October 1, 2016. The Company has not yet determined the effect of the adoption of this standard on its annual consolidated financial statements.

5. CHANGES IN ACCOUNTING POLICIES (continued)

Future accounting changes (continued)

IAS 7 Statement of cash flows

On January 29, 2016, the IASB published an amendment to IAS-7 "Statement of Cash Flows". The amendment "Disclosure Initiative" clarifies that changes in liabilities arising from financing activities, including cash and non-cash changes, shall be disclosed in the Statement of Cash Flows. The provisions of this amendment will apply to financial statements beginning on or after January 1, 2017. Early adoption is permitted. The Company has not yet determined the effect of the adoption of this standard on its annual consolidated financial statements.

IAS 12 Income taxes

On January 19, 2016, the IASB issued amendments to IAS 12 Income Taxes. The amendments, Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12), clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments are effective for annual periods beginning on or after January 1, 2017. Earlier application is permitted. The Company has not yet determined the effect of the adoption of this standard on its consolidated financial statements.

6. MINING PROPERTY AND EXPLORATION AND EVALUATION EXPENSES

Auxico, through its wholly-owned Mexican subsidiary, Auxico Resources S.A. de C.V., has a 100% interest in the Zamora Silver-Gold Property ("Zamora Property"), which is located 85 km southeast of the city of Culiacan in the state of Sinaloa, Mexico. The Zamora Property is comprised of five individual lots measuring a total of 3,376 hectares; these lots are labelled Zamora, Campanillas, San Felipe, Chio and Gaby. According to historical records, the Zamora Property is characterized by 15 historical mines / prospects. Historically, the ore was shipped directly to a processing plant at La Minita, approximately 25 km from Zamora. There has been little historical exploration work conducted on the Zamora Property.

(Expressed in Canadian Dollars)

6. MINING PROPERTY AND EXPLORATION AND EVALUATION EXPENSES (continued)

Capitalized exploration and evaluation assets can be detailed as follows:

	Mining property acquisitions costs	Exploration and evaluation expenses	Total
	$	$	$
Balance, as at October 1, 2014 (unaudited)	181,400	222,308	403,708
Additions	-	74,030	74,030
Balance, as at September 30, 2015	181,400	296,338	477,738
Additions	**-**	**124,515**	**124,515**
Balance, as at September 30, 2016	**181,400**	**420,853**	**602,253**

Exploration and evaluation expenses by nature can be detailed as follows:

	2016	2015
	$	$
Mineral rights maintenance	83,417	41,228
Geological	40,966	32,484
Labs expenses	132	318
	124,515	74,030
Balance, beginning of the year	296,338	222 308
Balance, end of the year	**420,853**	**296,338**

7. SHARE CAPITAL

Authorized share capital

The Company has authorized an unlimited number of common shares without par value and an unlimited number of preferred shares without par value. On September 30, 2016, there were 23,900,000 issued and fully paid common shares.

Shares issued

On May 31, 2016, the Company completed a non-brokered private placement, raising gross proceeds of $600,000 by issuing 2,400,000 common shares of the Company's capital at a price of $0.25 per common share.

Issuance costs of $40,000 were incurred for private placement closed in the year ended September 30, 2016.

Warrants

The Company has no warrants issued and outstanding.

Stock options

The Company has not adopted a stock option plan and therefore has not issued any stock options.

8. EARNINGS PER SHARE ("EPS")

(a) Basic EPS

Basic EPS is computed by dividing net loss for a period by the weighted average number of common shares outstanding during that period.

(b) Diluted EPS

Diluted EPS is computed by dividing net loss for a period by the diluted number of common shares. Diluted common shares includes the effects of instruments, such as share options, which could cause the number of common shares outstanding to increase.

The Company reported net losses for the periods ended September 30, 2016 and 2015; the Company has accordingly presented basic and diluted EPS, which are the same, on a single line in the statements of loss and comprehensive loss.

There has been a transaction involving ordinary shares between the reporting date and the date of authorization of these annual consolidated financial statements. Refer to Note 16 for more information.

(Expressed in Canadian Dollars)

9. SEGMENTATION INFORMATION

The Company operates in one reportable operating segment, being the acquisition and exploration of mineral property interests and in two geographical segments, Canada and Mexico. The total assets and the capital assets identifiable with these geographic areas are as follows:

	For the years ended September 30	
	2016	2015
	$	$
Canada	188,899	75,854
Mexico	490,841	420,050
Total assets	679,740	495,904
Canada	127,663	78,505
Mexico	8,444	115,490
Total liabilities	136,107	193,995
Canada	61,236	(2,651)
Mexico	482,397	304,560
Net equity	543,633	301,909
Canada	295,113	13,188
Mexico	23,163	5,415
Net loss	318,276	18,603

10. CAPITAL MANAGEMENT

The Company considers its capital structure to include net residual equity of all assets, less liabilities. The Company currently manages its capital structure and makes adjustments to it, based on cash resources expected to be available to the Company, in order to support the planned exploration and development of mineral property interests. Management has not established a quantitative capital structure. Capital needs are reviewed on a regular basis by management relative to the stage of development of the business entity.

(Expressed in Canadian Dollars)

10. CAPITAL MANAGEMENT (continued)

The Company currently is dependent on externally provided equity financing to fund its future exploration activities. In order to carry out planned exploration and development and fund administrative costs, the Company will allocate its existing capital and plans to raise additional amounts as needed through equity and related party advances if available.

The Company and its subsidiary are not subject to any capital requirements imposed by a lending institution or regulatory body. Management reviews its capital management approach on an ongoing basis and believes that this approach is reasonable, given the relative size of the Company, the current state of the markets and exploration industry. There were no changes in the Company's approach to capital management during the years.

The Company's capital items are the following:

	For the years ended September 30	
	2016	**2015**
	$	**$**
Cash & cash equivalents	7,542	1,062
Advance to a shareholder without interest	1,000	1,000
Advance to an entity with significant influence	-	15,666
Due to a company owned by a Director	42,215	103,000
Share capital	794,087	234,087

11. FINANCIAL INSTRUMENTS

As at September 30, 2016, the Company's financial instruments include cash and cash equivalents, advance to a shareholder without interest, advance to an entity with significant influence, accounts payable and accruals and due to a company owned by a director, for which there are no differences in the carrying values and fair values, due to their short-term nature. The types of risk exposures are detailed in Note 12.

12. FINANCIAL RISK FACTORS

The Company's activities expose it to a variety of financial risks: market risk (including currency risk and cash flows and fair value interest rate risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of the financial market and seeks to minimize potential adverse effects on the Company's financial performance. The Company does not use derivative financial instruments to hedge these risks.

Market risk

Foreign exchange risk: Foreign exchange risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. A portion of the Company's financial assets is denominated in United States dollars and in Mexican Pesos. Consequently, certain financial assets are exposed to exchange fluctuations. Most of the Company's operations are conducted in Canadian dollars.. The Company does not hold derivative financial instruments to manage the fluctuation of exchange rate risk. The financial assets denominated in United States dollars and in Mexican Pesos, translated into Canadian dollars at the closing rate, which expose the Company to exchange risk are:

	For the years ended September 30	
	2016	**2015**
	$	**$**
Cash & cash equivalents in United States dollars	27	587
Cash & cash equivalents in Mexican Pesos	5,010	-
Net exposure	**5,037**	**587**

A 10% change in the exchange rate would not have a significant impact.

Cash flows and fair value interest rate risk: the Company is exposed to fair value interest rate risk arising from assets and liabilities negotiated at a fixed rate such as are cash and cash equivalents, advance to a shareholder without interest, advance to an entity with significant influence and the due to a company owned by a Director.

However, as these financial instruments mature in a short time, the impact is unlikely to be significant.

Commodity price risk: while the value of the Company's core mineral resource is related to the price of precious metals, the Company currently does not have any operating mines and hence does not have any hedging or other commodity based risks in respect of its operational activities. Precious metal prices have historically fluctuated widely and are affected by numerous factors outside of the Company's control, including, but not limited to, industrial and retail demand, central bank lending, forward sales by producers and speculators, levels of worldwide production, short-term changes in supply and demand because of speculative hedging activities, and certain other factors. Adverse movements in the prices of precious metals may also negatively impact the Company's ability to raise capital and meet its financial commitments.

Credit risk

Credit risk arises from cash with banks and financial institutions. The Company reduces this risk by dealing with creditworthy financial institutions. Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is subject to concentrations of credit risk through cash and cash equivalents.

12. FINANCIAL RISK FACTORS (continued)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuance. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments. At September 30, 2016 the Company has a working capital deficiency of $45,798 and does not have sufficient funds to meet its current and foreseeable financial requirements which are due within less than thirty (30) days. Therefore, liquidity risk for the Company is considered high.

The following are the contractual maturities of the financial liabilities amounts:

	Less than 1 year $	1 to 5 years $	> 5 years $
Accounts payable and accruals	80,066	-	-
Due to a company owned by a Director	42,215	-	-
Total contractual liabilities	122,281	-	-

(Expressed in Canadian Dollars)

13. INCOME TAXES

Effective income tax expenses (recovery) differs from income tax expense (recovery) computed based on the combined federal and provincial income tax rate of 26.9% (2015 – 26.9%) as a result of the following:

	For the years ended September 30	
	2016	**2015**
	$	**$**
Loss before income taxes	(326,441)	(10,126)
Tax recovery using the Company's domestic tax rate	(87,813)	(2,724)
Loss in foreign jurisdiction subject to a different tax rate	(673)	(107)
Inflation adjustment in foreign jurisdiction subject to a different tax rate	1,384	1,973
Deduction from losses carry forward in foreign jurisdiction	(380)	(1,973)
Change in recognized deductible temporary difference	(2,882)	(8,823)
Non-deductible expenses	4,359	1,039
Tax benefits not recognized	87,009	10,615
Total current income tax	1,004	-

The income tax effect of temporary differences that give rise to future tax assets and liabilities is as follows:

	For the years ended September 30	
	2016	**2015**
	$	**$**
Deferred tax assets		
Non-capital losses	-	438
Deferred tax liabilities		
Exploration and evaluation assets	(12,822)	(22,429)
Net deferred tax liabilities	(12,822)	(21,991)

(Expressed in Canadian Dollars)

13. INCOME TAXES (continued)

The non-capital losses expire as follows:

	Federal $	Quebec $	Mexico $
2034	7,167	7,167	-
2035	13,998	13,998	-
2036	323,455	323,455	-
	344,620	344,620	-

Movement in deferred tax balances during the year:

	Balance October 1, 2014 $	Recognized in profit or loss $	Balance September 30, 2015 $	Recognized in profit or loss $	Balance September 30, 2016 $
	(unaudited)				
Exploration and evaluation assets	(15,902)	(6,527)	(22,429)	9,607	(12,822)
Non-capital losses	2,388	(1,950)	438	(438)	-
	(13,514)	(8,477)	(21,991)	9,169	(12,822)

Unrecognized deferred tax assets:

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize benefits therefrom.

	For the years ended September 30	
	2016 $	2015 $
Non-capital losses	(87,009)	(14,989)

(Expressed in Canadian Dollars)

14. RELATED PARTY TRANSACTIONS

The Company's related parties include an entity with significant influence, companies owned by a Director as well as key management personnel.

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

All balances of advances receivables and advances payable are measured at fair value and occurred in the normal course of business.

	Year	Purchase from related parties $	Amounts owed by related parties $	Amounts owed to related parties $
Entity with significant influence over the Company				
Gencap Inc.	2016	86,000	-	-
	2015	-	-	-
Key management personnel and Director				
Gestion Marengo Management Inc.	2016	60,000	-	11,498
	2015	-	-	-
Other related party				
Hitlab Inc.	2016	23,416	-	-
	2015	-	-	-

	Year	Interest received (paid) $	Amounts owed by related parties $	Amounts owed to related parties $
Advances from/to related parties				
Entity with significant influence over the Company				
Gencap Inc.	2016	2,108	-	-
	2015	1,700	15,666	-
Other related party				
Company owned by a Director				
Seed Capital Inc.	2016	(8,950)	-	42,215
	2015	(10,300)	-	103,000

The advance to an entity with significant influence is unsecured, payable on demand and bears interest at 10% per annum.

The due to a company owned by a Director is unsecured, payable on demand and bears interest at 10% per annum.

15. COMMITMENTS AND CONTINGENCIES

Net Smelter Return Royalty ("NSRR")

The Company has a 100% undivided interest in the Zamora Property, pursuant to an assignment agreement signed on July 17, 2013 involving two vendors and Auxico Mexico. As per the terms of this agreement, the Zamora Property is subject to a 2% NSRR from proceeds of first-hand sale of products proceed from the mining concessions on commencement of commercial production. Half of this NSRR can be purchased by the Company at any time for US $500,000.

Farm-out Agreement

Pursuant to the Farm-out Agreement signed on June 13, 2013, the consideration received of US $300,000 is repayable on a quarterly basis starting sixty days after the start of the production of gold from the Zamora Property. The quarterly payments shall be equal to 7.5% of the net profits (after taxes) for each tranche of $100,000 lent by the Lender (75% for a consideration of US $1,000,000) until full repayment of the consideration.

After the consideration is fully repaid, the Lender will be entitled to receive, on a quarterly basis, an amount equal to 5% of the net profits (after taxes) for each tranche of $100,000 lent by the Lender (50% for a consideration of US $1,000,000) until an amount equal to three times the amount of the consideration is received by the Lender. After, the Lender will be entitled to receive, on a quarterly basis, an amount equal to 2.5% of the net profits (after taxes) for each tranche of $100,000 lent (25% for a consideration of US $1,000,000) thereafter for the life of the mine.

16. SUBSEQUENT EVENTS

On October 17, 2016, the Company signed a Memorandum of Understanding ("MOU") with the Lender involved in the Farm-out Agreement mentioned in Note 15 above. Under the terms of the MOU, the Company has the option, but not the obligation, to cancel the Farm-out Agreement by paying to the Lender a total of US$400,000 in cash and by issuing a total of 1,000,000 common shares of the Company, upon or after the Company's listing on a registered Canadian stock exchange. The Company can exercise this option within 12 months of the signing of the MOU, or until October 16, 2017.

The Amalgamation Agreement with Telferscot Resources Inc. ("Telferscot"), signed June 30, 2016, has been terminated on January 5, 2017. The agreement provided for a maximum break-up fee of $100,000 in cash, payable to Telferscot.

On February 17, 2017, the Company completed a non-brokered private placement, raising gross proceeds of $1,452,500 by issuing 5,810,000 common shares of the capital of the Company at a price of $0.25 per common share.

On February 20, 2017, the Board of Directors of the Company adopted an incentive stock option plan (the "Plan"), for the benefit of employees, consultants, officers and directors. The Plan allows the Company to issue stock options up to a maximum of 10% of the issued and outstanding shares of the Company at the date of grant. The exercise price payable for each option is determined by the Board of Directors at the date of grant, and may not be less than the closing market price during the trading day immediately preceding the date of the grant of the options on the Exchange, for a minimum amount of $0.10 per option. The vesting period and expiry date are determined by the Board of Directors for each vesting.

At the same time, the Board of Directors issued 2,475,000 stock options to consultants, officers and directors of the Company. These stock options have a strike price of $0.25, no vesting period and expire in 5 years. The value of these options has not been determined yet.

AUXICO RESOURCES CANADA INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

THREE AND SIX MONTHS PERIODS ENDED MARCH 31, 2017

UNAUDITED, EXPRESSED IN CANADIAN DOLLARS

AUXICO RESOURCES CANADA INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

THREE AND SIX MONTHS PERIODS ENDED MARCH 31, 2017

UNAUDITED, EXPRESSED IN CANADIAN DOLLARS

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Auxico Resources Canada Inc.
Condensed Interim Consolidated Statements of Financial Position
March 31, 2017 and September 30, 2016
(Unaudited, expressed in Canadian Dollars)

	March 31, 2017 (unaudited) $	September 30, 2016 (audited) $
ASSETS		
Current assets		
Cash & cash equivalents	**591,062**	7,542
Restricted cash	**500,000**	-
Sales taxes receivables	**66,514**	38,926
Prepaid expenses	**51,605**	30,019
Advance to shareholder without interest and repayment terms (note 13)	**1,000**	1,000
	1,210,181	77,487
Non-current assets		
Mining property acquisition costs (note 5)	**181,400**	181,400
Exploration and evaluation expenses (note 5)	**545,636**	420,853
Total assets	**1,937,217**	679,740
LIABILITIES		
Current liabilities		
Accounts payable and accruals	**47,080**	80,066
Provision (note 6)	**100,000**	-
Income taxes payable	**-**	1,004
Due to a company owned by a Director (note 13)	**-**	42,215
	147,080	123,285
Non-current liabilities		
Deferred income tax liabilities	**5,382**	12,822
Total Liabilities	**152,462**	136,107
SHAREHOLDERS' EQUITY		
Share capital (note 7)	**1,812,340**	794,087
Shares to be issued (note 7)	**600,000**	-
Deficit	**(627,585)**	(250,454)
Total shareholders' equity	**1,784,755**	543,633
Total liabilities & shareholders' equity	**1,937,217**	679,740

Going Concern (note 2), Commitments and Contingencies (note 14) and Subsequent Events (note 15)

Approved on behalf of the Board:

Signed "Pierre Gauthier", Director

Signed "Mark Billings", Director

The accompanying notes form an integral part of the condensed interim consolidated financial statements.

Auxico Resources Canada Inc.
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
For the three and six months periods ended March 31, 2017
(Unaudited, expressed in Canadian Dollars)

	Three months ended		Six months ended	
	March 31, 2017 (unaudited) $	March 31, 2016 (unaudited) $	**March 31, 2017 (unaudited) $**	March 31, 2016 (unaudited) $
Revenues	-	-	-	-
Expenses				
Professional fees	**43,591**	-	**52,615**	-
Management fees	**42,754**	30,000	**90,000**	60,000
Legal fees	**29,421**	-	**38,547**	-
Travel expenses	**36,667**	-	**52,843**	-
Office expenses	**3,025**	-	**4,461**	-
Advertising	**10,470**	-	**10,470**	-
Rent	**(3,391)**	2,950	**20,350**	2,950
Research and development expenses	**5,085**	-	**5,085**	-
Interest and bank fees	**2,323**	401	**3,703**	734
Loss on settlement (note 6)	**100,000**	-	**100,000**	-
Gain on foreign exchange	**(1,001)**	-	**(943)**	-
	268,944	33,351	**377,131**	63,684
Net loss and comprehensive loss	**(268,944)**	(33,351)	**(377,131)**	(63,684)
Loss per share - basic & diluted (note 8)	**(0.010)**	(0.002)	**(0.015)**	(0.003)
Weighted average number of shares outstanding	**25,908,791**	21,500,000	**25,908,791**	21,500,000

The accompanying notes form an integral part of the condensed interim consolidated financial statements.

Auxico Resources Canada Inc.
Condensed Interim Consolidated Statements of Changes in Equity
For the six months periods ended March 31, 2017
(Unaudited, expressed in Canadian Dollars)

	SHARE CAPITAL		RETAINED EARNINGS (DEFICIT)	TOTAL EQUITY
	#	$	$	$
Balance, as at September 30, 2015 (audited)	**21,500,000**	**234,087**	**67,822**	**301,909**
Shares issued for cash	2,400,000	600,000	-	600,000
Issuance costs	-	(40,000)	-	(40,000)
Net loss and comprehensive loss for the year	-	-	(318,276)	(318,276)
Balance, as at September 30, 2016 (audited)	**23,900,000**	**794,087**	**(250,454)**	**543,633**
Shares issued in private placement	4,510,000	1,127,500	-	1,127,500
Shares to be issued in private placement	2,400,000	600,000	-	600,000
Issuance costs	-	(109,847)	-	(109,847)
Net loss and comprehensive loss for the period	-	-	(377,131)	(377,131)
Balance, as at March 31, 2017 (unaudited)	**30,810,000**	**2,412,340**	**(627,585)**	**1,784,755**

The accompanying notes form an integral part of the condensed interim consolidated financial statements.

Auxico Resources Canada Inc.
Condensed Interim Consolidated Statements of Cash Flows
For the six months periods ended March 31, 2017
(Unaudited, expressed in Canadian Dollars)

	March 31, 2017 6 months (unaudited) $	March 31, 2016 6 months (unaudited) $
Operating activities		
Net loss and comprehensive loss	**(377,131)**	(63,684)
Changes in non-cash working capital items:		
Receivables	**(27,588)**	-
Prepaid expenses	**(21,586)**	(634)
Accounts payable and accruals	**(32,986)**	119,447
Provision	**100,000**	-
Income taxes payable	**(1,004)**	10,000
Deferred income tax payable	**(7,440)**	-
Cash flows used in operating activities	**(367,735)**	65,129
Investing activities		
Exploration and evaluation expenses	**(124,783)**	(66,496)
Cash flows used in investing activities	**(124,783)**	(66,496)
Financing activities		
Due to a company owned by a Director	**(42,215)**	-
Proceeds from the issue of equity	**1,627,500**	-
Proceeds from shares to be issued	**100,000**	-
Issuance costs	**(109,247)**	-
Cash flows used in financing activities	**1,576,038**	-
Increase (decrease) in cash and cash equivalents	**1,083,520**	(1,368)
Cash and cash equivalents, beginning of the period	**7,542**	1,062
Cash and cash equivalents, end of the period	**1,091,062**	(306)
Cash & cash equivalents	**591,062**	(306)
Restricted cash	**500,000**	-
Cash and cash equivalents, end of the period	**1,091,062**	(306)
Supplemental information		
Interest paid	**3,703**	734

The accompanying notes form an integral part of the condensed interim consolidated financial statements.

1. GENERAL INFORMATION AND NATURE OF OPERATIONS

Auxico Resources Canada Inc. (“Auxico” or the “Company”) was incorporated under the Canada Business Corporations Act on April 16, 2014. Auxico has a wholly-owned subsidiary, Auxico Resources S.A. de C.V., which was incorporated under the laws of Mexico on June 16, 2011. Auxico is a mineral exploration company with silver-gold properties in the state of Sinaloa, Mexico.

The Company’s head office and primary place of business is located at 230 Notre-Dame Street West, Montréal, Québec, H2Y 1T3, Canada.

2. GOING CONCERN DISCLOSURE

The business of mining exploration involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of exploration properties and the Company's continued existence are dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability to raise alternative financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values. Although the Company has taken steps to verify the title to the properties on which it is conducting exploration and has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements, aboriginal claims and non-compliance with regulatory requirements.

Several adverse conditions and events cast substantial doubt upon the validity of this assumption. Auxico is not currently generating any revenue from its operations and for the six-month period ended March 31, 2017, the Company recorded a net loss and comprehensive loss of $377,131 (March 31, 2016 - $734) and deficit of $627,585 (retained earnings of $250,454 as at September 30, 2016). Its ability to continue as a going concern is uncertain and is dependent upon its ability to fund its working capital, complete the development of its explorations, and eventually to generate positive cash flows from operations. Management plans to explore all alternatives possible, including joint ventures, debt and equity financings, and merger opportunities. Management of the Company is exploring ways in which to become a publicly traded company. This will allow the Company to raise capital.

These condensed interim consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

3. BASIS OF PREPARATION

Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The management in accordance with IAS 34, Interim Financial Reporting, effective as of March 31, 2017, has prepared these condensed interim consolidated financial statements of the Company. Readers should refer to the September 30, 2016 annual audited consolidated financial statements for the accounting policies used in the preparation of these condensed interim consolidated financial statements.

In the opinion of management, all adjustments considered necessary for fair presentation have been included in these consolidated interim financial statements. Operating results for the three and six months periods ended March 31, 2017 may not be indicative of the results that may be expected for the year ending September 30, 2017.

These condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors on May 19, 2017.

3. BASIS OF PREPARATION (continued)

Basis of measurement
The condensed interim consolidated financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified for specific financial instruments carried at fair value where applicable.

Basis of consolidation
These condensed interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Auxico Resources S.A. de C.V. ("Auxico Mexico"). Auxico Mexico was incorporated under the laws of Mexico. Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation.

Functional and presentation currency
These condensed interim consolidated financial statements are presented in Canadian dollars which is the Company's functional and presentation currency.

4. CHANGES IN ACCOUNTING POLICIES

Future accounting changes

IFRS 9 Financial Instruments
In July 2014, the IASB published IFRS 9 to replace IAS 39 Financial Instruments: Recognition and Measurement (IAS 39). The improvements introduced by IFRS 9 include a logical model for financial asset classification and measurement, a single, forward-looking 'expected loss' impairment model based on expected credit losses, and a substantially-reformed approach to hedge accounting. This standard applies to fiscal years beginning on or after January 1, 2018; early adoption is permitted. The Company has not yet determined the effect of the adoption of this standard on its annual consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers
In May 2014, the IASB published IFRS 15 Revenue from Contracts with Customers, which replaces IAS 18 Revenue, IAS 11 Construction Contracts and some revenue related interpretations. IFRS 15 establishes a new control-based revenue recognition model, changes the basis for deciding when revenue is recognized at a point in time or over time, provides new and more detailed guidance on specific topics and expands and improves disclosures about revenue. IFRS 15 is effective for reporting periods beginning on or after January 1, 2018. Earlier application is permitted. The Company has not yet determined the effect of the adoption of this standard on its annual consolidated financial statements.

IFRS 16 Leases
In January 2016, the IASB issued IFRS 16, "Leases". IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer (lessee) and the supplier (lessor). IFRS 16 will cancel and replace the previous leases Standard, IAS 17, "Leases", and related interpretations. IFRS 16 will be effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 is also applied. The Company has not yet determined the effect of the adoption of this standard on its annual consolidated financial statements.

IAS 7 Statement of cash flows
On January 29, 2016, the IASB published an amendment to IAS-7 "Statement of Cash Flows". The amendment "Disclosure Initiative" clarifies that changes in liabilities arising from financing activities, including cash and non-cash changes, shall be disclosed in the Statement of Cash Flows. The provisions of this amendment will apply to financial statements beginning on or after January 1, 2017. Early adoption is permitted. The Company has not yet determined the effect of the adoption of this standard on its annual consolidated financial statements.

(Unaudited, expressed in Canadian Dollars)

4. CHANGES IN ACCOUNTING POLICIES (continued)

Future accounting changes (continued)

IAS 12 Income taxes

On January 19, 2016, the IASB issued amendments to IAS 12 Income Taxes. The amendments, Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12), clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments are effective for annual periods beginning on or after January 1, 2017. Earlier application is permitted. The Company has not yet determined the effect of the adoption of this standard on its consolidated financial statements.

5. MINING PROPERTY AND EXPLORATION AND EVALUATION EXPENSES

Auxico, through its wholly-owned Mexican subsidiary, Auxico Resources S.A. de C.V., has a 100% interest in the Zamora Silver-Gold Property ("Zamora Property"), which is located 85 km southeast of the city of Culiacan in the state of Sinaloa, Mexico. The Zamora Property is comprised of five individual lots measuring a total of 3,376 hectares; these lots are labelled Zamora, Campanillas, San Felipe, Chio and Gaby. According to historical records, the Zamora Property is characterized by 15 historical mines / prospects. Historically, the ore was shipped directly to a processing plant at La Minita, approximately 25 km from Zamora. There has been little historical exploration work conducted on the Zamora Property.

Capitalized exploration and evaluation assets can be detailed as follows:

	Mining property acquisition costs $	**Exploration and evaluation expenses $**	**Total $**
Balance, as at September 30, 2015 (audited)	181,400	296,338	477,738
Additions	-	124,515	124,515
Balance, as at September 30, 2016 (audited)	181,400	420,853	602,253
Additions	-	124,783	124,783
Balance, as at March 31, 2017 (unaudited)	**181,400**	**545,636**	**727,036**

Exploration and evaluation expenses by nature can be detailed as follows:

	March 31, 2017 (unaudited) $	September 30, 2016 (audited) $
Mineral rights maintenance	36,353	83,417
Geological	88,430	40,966
Labs expenses	-	132
	124,783	124,515
Balance, beginning of the period	420,853	296,338
Balance, end of the period	**545,636**	**420,853**

(Unaudited, expressed in Canadian Dollars)

6. PROVISION

	March 31, 2017 (unaudited) $	September 30, 2016 (audited) $
Balance, beginning of the period	-	-
Provision	100,000	-
Balance, end of the period	**100,000**	-

The Company was served on March 8, 2017 with a legal proceeding from Telferscot Resources Inc. filed in the Superior Court of Quebec alleging that based on the Amendment to the Amalgamation Agreement signed June 30, 2016 and terminated January 5, 2017, a number of conditions would have not been met, and thus, the break-up fee is due and owing by the Company. The parties have agreed on and filed a case protocole. The exposure consists in the amount claimed in capital, interest and legal costs, which are limited to courts cost and fees and various disbursements but do not include counsel legal fees. The parties will also explore the possibility of an out of court settlement, as provided by the Quebec Code of civil procedure.

7. SHARE CAPITAL

Authorized share capital

The Company has authorized an unlimited number of common shares without par value and an unlimited number of preferred shares without par value. On March 31, 2017, there were 28,410,000 issued and fully paid common shares and 2,400,000 common shares to be issued.

Shares issued

1) On May 31, 2016, the Company completed a non-brokered private placement, raising gross proceeds of $600,000 by issuing 2,400,000 common shares of the Company's capital at a price of $0.25 per common share. Issuance costs of $40,000 were incurred for private placement closed in the year ended September 30, 2016.

2) On December 31, 2016, the Company completed a first tranche of a non-brokered private placement, raising gross proceeds of $627,500 by issuing 2,510,000 common shares of the Company's capital at a price of $0.25 per common share.

3) On February 17, 2017, the Company completed a second tranche of a non-brokered private placement, raising gross proceeds of $825,000 by issuing 3,300,000 common shares of the Company's capital at a price of $0.25 per common share of which 2,000,000 common shares will be issued after the six months period ended March 31, 2017.

4) On March 30, 2017, the Company completed a non-brokered private placement, raising net proceeds of $275,000 by issuing 1,100,000 common shares of the Company's capital at a price of $0.25 per common share of which 400,000 common shares will be issued after the six months period ended March 31, 2017.

Issuance costs of $109,247 were incurred for these private placements in the six months periods ended March 31, 2017.

Warrants

The Company has no warrants issued and outstanding.

7. SHARE CAPITAL (continued)

Stock options

On February 20, 2017, the Board of Directors of the Company adopted an incentive stock option plan (the "Plan"), for the benefit of employees, consultants, officers and directors. The Plan allows the Company to issue stock options up to a maximum of 10% of the issued and outstanding shares of the Company at the date of grant. The exercise price payable for each option is determined by the Board of Directors at the date of grant, and may not be less than the closing market price during the trading day immediately preceding the date of the grant of the options on the Exchange, for a minimum amount of $0.10 per option. The vesting period and expiry date are determined by the Board of Directors for each vesting.

At the same time, the Board of Directors issued 2,475,000 stock options to consultants, officers and directors of the Company. These stock options have a strike price of $0.25, no vesting period and expire in 5 years. The value of these options has not been determined yet.

8. EARNINGS PER SHARE ("EPS")

(a) Basic EPS
Basic EPS is computed by dividing net loss for a period by the weighted average number of common shares outstanding during that period.

(b) Diluted EPS
Diluted EPS is computed by dividing net loss for a period by the diluted number of common shares. Diluted common shares includes the effects of instruments, such as share options, which could cause the number of common shares outstanding to increase.

The Company reported net losses for the three and six months periods ended March 31, 2017. The Company has accordingly presented basic and diluted EPS, which are the same, on a single line in the statements of loss and comprehensive loss.

(Unaudited, expressed in Canadian Dollars)

9. SEGMENTATION INFORMATION

The Company operates in one reportable operating segment, being the acquisition and exploration of mineral property interests and in two geographical segments, Canada and Mexico. The total assets and the capital assets identifiable with these geographic areas are as follows:

	March 31, 2017 (unaudited) $	March 31, 2016 (unaudited) $	September 30, 2016 (audited) $
Canada	**1,385,414**	141,615	188,899
Mexico	**551,803**	420,051	490,841
Total assets	**1,937,217**	561,667	679,740
Canada	**143,703**	145,002	127,663
Mexico	**8,759**	115,490	8,444
Total liabilities	**152,462**	260,491	136,107
Canada	**1,717,232**	206,492	61,236
Mexico	**67,523**	94,683	482,397
Total shareholder's equity	**1,784,755**	301,175	543,633
Canada	**373,136**	63,684	295,113
Mexico	**3,995**	-	23,163
Net loss and comprehensive loss	**377,131**	63,684	318,276

10. CAPITAL MANAGEMENT

The Company considers its capital structure to include net residual equity of all assets, less liabilities. The Company currently manages its capital structure and makes adjustments to it, based on cash resources expected to be available to the Company, in order to support the planned exploration and development of mineral property interests. Management has not established a quantitative capital structure. Capital needs are reviewed on a regular basis by management relative to the stage of development of the business entity. The Company currently is dependent on externally provided equity financing to fund its future exploration activities. In order to carry out planned exploration and development and fund administrative costs, the Company will allocate its existing capital and plans to raise additional amounts as needed through equity and related party advances if available.

The Company and its subsidiary are not subject to any capital requirements imposed by a lending institution or regulatory body. Management reviews its capital management approach on an ongoing basis and believes that this approach is reasonable, given the relative size of the Company, the current state of the markets and exploration industry. There were no changes in the Company's approach to capital management during the years. The Company's capital items are the following:

	March 31, 2017 (unaudited) $	September 30, 2016 (audited) $
Cash & cash equivalents	**591,062**	7,542
Restricted cash	**500,000**	-
Advance to a shareholder without interest	**1,000**	1,000
Due to a company owned by a Director	**-**	42,215
Share capital	**2,412,340**	794,087

11. FINANCIAL INSTRUMENTS

As at March 31, 2017, the Company's financial instruments include cash and cash equivalents, restricted cash, advance to a shareholder without interest and repayment terms, accounts payable and accruals, provision and due to a company owned by a Director, for which there are no differences in the carrying values and fair values, due to their short-term nature. The types of risk exposures are detailed in Note 12.

12. FINANCIAL RISK FACTORS

The Company's activities expose it to a variety of financial risks: market risk (including currency risk and cash flows and fair value interest rate risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of the financial market and seeks to minimize potential adverse effects on the Company's financial performance. The Company does not use derivative financial instruments to hedge these risks.

Market risk
Foreign exchange risk: Foreign exchange risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. A portion of the Company's financial assets is denominated in United States dollars and in Mexican Pesos. Consequently, certain financial assets are exposed to exchange fluctuations. Most of the Company's operations are conducted in Canadian dollars. The Company does not hold derivative financial instruments to manage the fluctuation of exchange rate risk. The financial assets denominated in United States dollars and in Mexican Pesos, translated into Canadian dollars at the closing rate, which expose the Company to exchange risk are:

	March 31, 2017 (unaudited) $	September 30, 2016 (audited) $
Cash & cash equivalents in United States dollars	**76,435**	27
Cash & cash equivalents in Mexican Pesos	**180**	5,010

A 10% change in the exchange rate would not have a significant impact.

Cash flows and fair value interest rate risk: the Company is exposed to fair value interest rate risk arising from assets and liabilities negotiated at a fixed rate such as are cash and cash equivalents, advance to a shareholder without interest, advance to an entity with significant influence and the due to a company owned by a Director.

However, as these financial instruments mature in a short time, the impact is unlikely to be significant.

Commodity price risk: while the value of the Company's core mineral resource is related to the price of precious metals, the Company currently does not have any operating mines and hence does not have any hedging or other commodity based risks in respect of its operational activities. Precious metal prices have historically fluctuated widely and are affected by numerous factors outside of the Company's control, including, but not limited to, industrial and retail demand, central bank lending, forward sales by producers and speculators, levels of worldwide production, short-term changes in supply and demand because of speculative hedging activities, and certain other factors. Adverse movements in the prices of precious metals may also negatively impact the Company's ability to raise capital and meet its financial commitments.

Credit risk
Credit risk arises from cash with banks and financial institutions. The Company reduces this risk by dealing with creditworthy financial institutions. Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is subject to concentrations of credit risk through cash and cash equivalents.

(Unaudited, expressed in Canadian Dollars)

12. FINANCIAL RISK FACTORS (continued)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuance. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments. At March 31, 2017 the Company has a working capital of $1,063,101 (September 30, 2016 - $45,798 deficiency) from which $500,000 in trust (restricted cash) at the Company's corporate lawyers for the closing of a private placement conditional to the Initial Public Offer by the Company. The liquidity risk for the Company is considered high.

The following are the contractual maturities of the financial liabilities amounts:

	Less than 1 year $	**1 to 5 years $**	**> 5 years $**
Accounts payable and accruals	47,080	-	-
Provision	100,000	-	-

13. RELATED PARTY TRANSACTIONS

The Company's related parties include an entity with significant influence, companies owned by a Director as well as key management personnel. Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

All balances of advances receivables and advances payable are measured at fair value and occurred in the normal course of business.

For the six-months period ended March 31,	**2017 $**	2016 $
Interest received from an entity with significant influence over the Company	**-**	1,054
Interest paid to an company owned by a Director	**-**	(4,475)
Management fees charged by a director	**30,000**	-
Management fees charged by an officer	**60,000**	-
	90,000	(3,421)

For the three-months period ended March 31,	**2017 $**	2016 $
Interest received from an entity with significant influence over the Company	**-**	527
Interest paid to an company owned by a Director	**-**	(2,238)
Management fees charged by a director	**12,754**	-
Management fees charged by an officer	**30,000**	-
	42,754	(1,711)

(Unaudited, expressed in Canadian Dollars)

13. RELATED PARTY TRANSACTIONS (continued)

Amounts payable to related parties included in the non-current liabilities and in the accounts payable and accrued liabilities were as follows:

	March 31, 2017 (unaudited)	September 30, 2016 (audited)
	$	$
Advance to shareholder without interest	1,000	1,000
Company owned by a director	-	(42,215)
	1,000	(41,215)

14. COMMITMENTS AND CONTINGENCIES

Net Smelter Return Royalty ("NSRR")

The Company has a 100% undivided interest in the Zamora Property, pursuant to an assignment agreement signed on July 17, 2013 involving two vendors and Auxico Mexico. As per the terms of this agreement, the Zamora Property is subject to a 2% NSRR from proceeds of first-hand sale of products proceed from the mining concessions on commencement of commercial production. Half of this NSRR can be purchased by the Company at any time for US $500,000.

Farm-out Agreement

Pursuant to the Farm-out Agreement signed on June 13, 2013, the consideration received of US $300,000 is repayable on a quarterly basis starting sixty days after the start of the production of gold from the Zamora Property. The quarterly payments shall be equal to 7.5% of the net profits (after taxes) for each tranche of $100,000 lent by the Lender (75% for a consideration of US $1,000,000) until full repayment of the consideration.

After the consideration is fully repaid, the Lender will be entitled to receive, on a quarterly basis, an amount equal to 5% of the net profits (after taxes) for each tranche of $100,000 lent by the Lender (50% for a consideration of US $1,000,000) until an amount equal to three times the amount of the consideration is received by the Lender. After, the Lender will be entitled to receive, on a quarterly basis, an amount equal to 2.5% of the net profits (after taxes) for each tranche of $100,000 lent (25% for a consideration of US $1,000,000) thereafter for the life of the mine.

On October 17, 2016, the Company signed a Memorandum of Understanding ("MOU") with the Lender involved in the Farm-out Agreement mentioned above. Under the terms of the MOU, the Company has the option, but not the obligation, to cancel the Farm-out Agreement by paying to the Lender a total of US$400,000 in cash and by issuing a total of 1,000,000 common shares of the Company, upon or after the Company's listing on a registered Canadian stock exchange. The Company can exercise this option within 12 months of the signing of the MOU, or until October 16, 2017.

15. SUBSEQUENT EVENTS

On April 7, 2017, in accordance with the Memorandum of Understanding ("MOU") signed on October 16, 2016 (note 14), the agreement was signed and provides that the Company will pay to the Lender a total of US$400,000 in cash on or before October 16, 2017 and will issue a total of 1,000,000 common shares of the Company at a price of $0.25 per share for a total consideration of $250,000 on or before October 16, 2017.

On April 24, 2017, the Company completed a non-brokered private placement, raising gross proceeds of $100,000 by issuing 400 000 common shares of the capital of the Company at a price of $0.25 per common share.

APPENDIX 2 – AUXICO RESOURCES CANADA INC. MD&A FOR THE YEAR ENDED SEPTEMBER 30, 2016
[see attached]

AUXICO RESOURCES CANADA INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2016

OVERVIEW

This following management's discussion and analysis of the financial condition and results of operations ("MD&A") covers the operations of Auxico Resources Canada Inc. ("Auxico" or the "Company") for the year ended September 30, 2016. All currency amounts referred to herein are in Canadian dollars unless otherwise stated. The MD&A should be read in conjunction with the Company's audited consolidated financial statements for the year ended September 30, 2016. The accompanying audited consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). The financial statements and this MD&A are intended to provide investors with a reasonable basis for assessing the financial performance of the Company.

Additional information related to the Company is available for viewing on the Company's website at www.auxicoresources.com.

This MD&A is dated March 8, 2017.

FORWARD LOOKING INFORMATION

This MD&A includes certain forward-looking statements or information. All statements other than statements of historical fact included in this MD&A are forward-looking statements that involve various risks and uncertainties. Forward-looking statements in this MD&A include: statements with respect to drilling, bulk sampling and geological work at the Company's Zamora Property in Sinaloa, Mexico; the potential mineralization and geological merits of the Zamora Property; and other future plans, objectives or expectations of the Company. There can be no assurance that such statements will prove to be accurate. Actual results and future events could differ materially from those anticipated in such statements. Important factors that could cause actual results to differ materially from the Company's plans or expectations include the risk that actual results of planned exploration activities will not be consistent with the Company's expectations; the geology, grade and continuity of any mineral deposits and the risk of unexpected variations in mineral resources, grade and/or recovery rates; fluctuating metals prices; possibility of accidents, equipment breakdowns and delays during exploration; exploration cost overruns or unanticipated costs and expenses; uncertainties involved in the interpretation of drilling results and geological tests; availability of capital and financing required to continue the Company's future exploration programs and preparation of geological reports and studies; delays in the preparation of geological reports and studies; the metallurgical characteristics of mineralization contained within the Zamora Property are yet to be fully determined; general economic, market or business conditions; competition and loss of key employees; regulatory changes and restrictions including in relation to required permits for exploration activities (including drilling permits) and environmental liability; timeliness of government or regulatory approvals; and other risks detailed herein and from time to time in the filings made by the Company with securities regulators. In connection with the forward-looking information contained in this MD&A, the Company has made numerous assumptions. Auxico expressly disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except as otherwise required by applicable securities legislation.

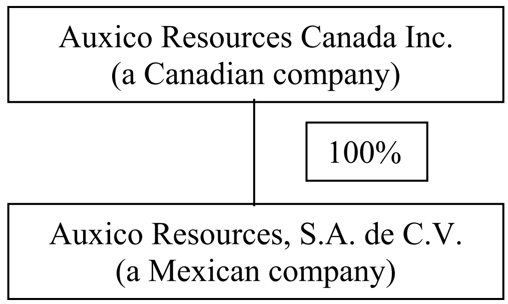
COMPANY DESCRIPTION

The Company was incorporated under the Canada Business Corporations Act on April 16, 2014. The Company has a wholly-owned subsidiary, Auxico Resources S.A. de C.V. ("Auxico Mexico"), which was incorporated under the laws of Mexico on June 16, 2011. The Company has an office at 230 Notre-Dame Street West, Montreal, Quebec, H2Y 1T3, Canada. Auxico is a mineral exploration company with silver-gold properties in the state of Sinaloa, Mexico; the Company owns 100% of the Zamora silver-gold property in Mexico ("Zamora Property").

On August 31, 2011, Auxico Mexico entered into an agreement with two vendors to acquire a 50% interest in the mining concessions that comprise the Zamora Property.

On July 17, 2013, Auxico Mexico entered into an agreement with two vendors to acquire the remaining 50% interest in the mining concessions that comprise the Zamora Property.

Upon incorporation of Auxico on April 16, 2014, the shareholders of Auxico Mexico exchanged their shares of Auxico Mexico for shares of Auxico and Auxico Mexico thereby became a wholly-owned subsidiary of Auxico. The following outlines the corporate structure of the Company:



OVERVIEW OF THE ZAMORA SILVER-GOLD PROPERTY IN SINALOA, MEXICO

Auxico has a 100% interest in the Zamora Silver-Gold Property ("Zamora Property"), which is located 85 km southeast of the city of Culiacan and some 9 km northeast of the village of El Espinal in the state of Sinaloa, Mexico. The property is easily accessible year round via gravel roads. Historical underground workings date back to the 1800's, during which an undetermined amount of ore was mined following the main vein structures. La Camichina and Los Olotes can be accessed by taking a secondary gravel road north for about 15 km from El Espinal, which goes through the Los Mecates ranch. There is another secondary gravel road, which connects from the Los Mecates ranch with highway No. 15, near the Las Tinas ranch, as per the figure below.

The northern part of the claims can also be accessed from taking highway No. 15 east just past El Espinal and then taking highway No.1 which leads north towards the mining town of Cosala. The turnoff to Campanillas is at Ibonia, which least northeastwards to the portal. The drive from the city of Culiacan to the portal at Campanillas takes about 2 ½ hours.

Auxico Resources Inc.	Project Name Zamora Silver-Gold Property 43-101 Technical Report	Date of Issue February, 2016

The Zamora Property is comprised of five individual lots measuring a total of 3,376.6265 hectares or 8,343.6441 acres. A description of the lots is shown in the table below.

Lot Name	**Concession Number**	**Area (He)**	**Taxes Owing (Pesos/USD)**
Campanillas	**224618**	**105.6427**	**0**
Chio	**227400**	**92.1787**	**0**
Gaby	**277399**	**80.0000**	**0**
San Filipe	**224654**	**100.0000**	**0**
Zamora	**225182**	**2998.8051**	**0**
Total		**3376.6265**	**0**

The Zamora Property, according to historical records, is characterized by 15 mines / prospects, all of which have varying degrees of exploration, development and production. There has never been a concentrating plant on this property; the ore was so rich that it was direct shipping ore to the La Minita plant located approximately 25 km from Zamora.

The table below shows the various mines / prospects on the Zamora Property, listed from north to south. This table also provides information on the best samples generated from the 2014 exploration campaign and compared to the best historic samples.

No.	Mine/Prospect	Best Sample (2014)	Best Historic Sample	Comments	Description
1	La Franca	1.72 kg/t Ag, 12.96 g/t Au	2.08 kg/t Ag, 7.0 g/t Au	Not part of Auxico's Claims	Mine
2	Campanillas	14.56 kg/t Ag, 15.53 g/t Au	970 g/t Ag, 3.0 g/t Au	625m southwest of La Franca	Mine
3	El Triunfo	286 g/t Ag, 2.54 g/t Au	970 g/t Ag, 8.4 g/t Au		Mine
4	Periguete	5 g/t Ag, 0.01 g/t Au	NA	Did not locate the shaft, extensive propylitic alteration	Shaft not exposed
5	El Nazareno	9.65 g/t Ag, 0.03 g/t Au	193.3 g/t Ag, nil Au		Mine
6	Las Jarillas	15.59 g/t Ag, 0.07 g/t Au	231.5 g/t Ag, 1.4 g/t Au	N-S structure, intense Silicification	Mine
7	Tahuanita	Not sampled	NA	Intense shearing, gossaned	Showing
8	Chico Pico	429.09 g/t Ag, 0.12 g/t Au	NA	Vuggy Quartz, breccia	Prospect Pit
9	Aguamas	Not explored	NA	None	none
10	La India	Not sampled	NA	Adit	Adit
11	Obotel – 17m level	Not sampled	799 g/t Ag, 4.6 g/t Au	Collapsed pit? N-S Vein	Pit
12	Los Olotes-Surface	46.42 g/t Ag, 0.24 g/t Au	NA	Adit/Decline, caved in after 5 m	Mine
	Los Olotes - 17m level	NA	3.15 kg/t Ag, 13.4 g/t Au (Weighted Ave. East Vein 123.21 g/t Ag, 0.58 g/t Au) *(Weighted Ave. West Vein* *152.08 g/t Ag, 0.88 g/t Au)* *(Weighted Ave. Zamora Vein 475 g/t Ag, 3.36 g/t Au)*	Zamora Vein Los Olotes Vein Los Olotes Vein Zamora Vein	17m level – Mine
	Los Olotes – 23m level	NA	6.57 kg/t Ag, 44.0 g/t Au *(Weighted Ave. 797 g/t Ag, 6.14 g/t Au)*	Zamora Vein	23m level - Mine
13	La Camachina – 17m level	Not sampled	5.1 kg/t Ag, 23.5 g/t Au *(Weighted Ave. 609.2 g/t Ag, 3.1 g/t Au)*	Zamora Vein Vertical Shaft	17m level - Mine
14	Rosa Maria	Not explored	NA	None	None
15	Trincan	Not explored	NA	None	None
16	Juntas	Not explored	NA	None	None

(Note: La Franca was visited and sampled by the author of the technical report even though it does not belong to Auxico Resources Canada Inc. La Franca lies within the Campanillas claim and contains a high-grade sample of silver and gold and is presented for information only.)

History and Exploration

There are no detailed reports available for any exploration, development, or production on any of the mines located on the Zamora Property. At the La Camichina Mine, it appears, according to a report written in 1982 by Antonio B. Flores Martinez, Ing. for the Consejo de Recursos Minerales (CRM, or Mexican Mineral Resource Board, which is now referred to as the Servicio Geologico Mexicano, or SRM), that La Camichina was sunk down to about 100 metres below the surface and a fair amount of ore was extracted down to at least the -60-metre level. La Camichina was abandoned for unknown reasons.

There are no references to any technical work of the previous miners. The knowledge gained of La Camichina has been provided through restoration and exploration. In 1977, the first reconnaissance work was initiated, and they were mining high-grade ore and sending it directly to the smelter, which is believed to have been in Cosala. The lower grade material was shipped to the La Minita processing facility close by. La Minita is still in operation today.

The Campanillas Mine is located in the northern part of the Property. According to local miners from the town of Rincon de Ibonia, who worked in the mine when it was in operation, they claim that the workings go down to the third level. Again, as in the case of La Camichina the stockpile outside the portal did not contain much material, so limited production appears to have been done. All of the other mines appear to have limited development only on one level, except La Franca which does not belong to Auxico.

Local Resources and Infrastructure

The Zamora Property has a well-developed infrastructure and a workforce from the local and neighbouring communities, which are familiar with mining operations. Culiacan, which is the state capital, is the largest population centre nearby, with approximately 860,000 inhabitants. Culiacan is connected by a four-lane freeway or a two-lane highway that passes through the town of El Espinal. Culiacan is 87 km northwest of the Property. A secondary road heading north through Los Mecates from El Espinal can be used to access the Property. Mazatlan, another major city, has a deep water port. Both of these major cities have international airports with daily flights to numerous cities throughout the United States and Canada, and major cities throughout Mexico.

1982 Campaign

The Los Olotes workings at Zamora, according to the work performed by the CRM, were supervised by Mr. Martinez in 1982 and contain an historical, non-compliant resource of 34,645 tonnes of 12.87 g/t gold and 1.52 kg/t silver, from close to surface down to the 120-metre level (Report on Exploration Work Carried out in the Zamora Silver Mine District, 1982).

The remaining infrastructure at La Camichina and Los Olotes was partially restored in 1981 and 1982 by the CRM in order to evaluate the mineral potential of the Zamora structure. This structure, or what is referred to as the Zamora Vein runs through La Camichina and Los Olotes. The CRM conducted this work in order to promote the property and attract investors or mining companies with the intention of restoring the mine workings and bringing it back into commercial production. During this campaign, the main shaft was restored, over 100 metres of drifts were excavated and over 250 metres of crosscuts and drifts were restored and/or cleaned up. In all, the Zamora Property is host to over 400 metres of mapped underground workings; additional drifts are known to exist but, to this date, have not been mapped or documented.

The two major ore bodies are defined as “La Camichina”, which was intensely mined and is characterized by the Zamora Vein, and the “Los Olotes” zone, which is formed by the intersection of two vein structures and represents the main exploration and development focus due to its high grade ore pockets. Los Olotes appears to be oriented more north-south (NS) than the Zamora Vein, which is northeast-southwest (NE-SW). It is believed that this ore still exists at Los Olotes and was not mined. The two are separated by a crosscut that runs from La Camichina to Los Olotes, approximately 115 metres apart.

2014 Campaign

During the 2014 exploration campaign, Mr. Joel Scodnick, P.Geo., the author of the Company's technical report, along with Antonio B. Flores Martinez, Eng., had the opportunity to sample 8 out of the 16 historical mines / prospects (including La Franca). This exploration program confirmed the high-grade nature of the stockwork zone of the Property, where silver samples as high as 14.4 kg/t were returned. This particular sample of 14.4 kg/t silver was randomly selected from a stockpile just outside the portal at the Campanillas Mine.

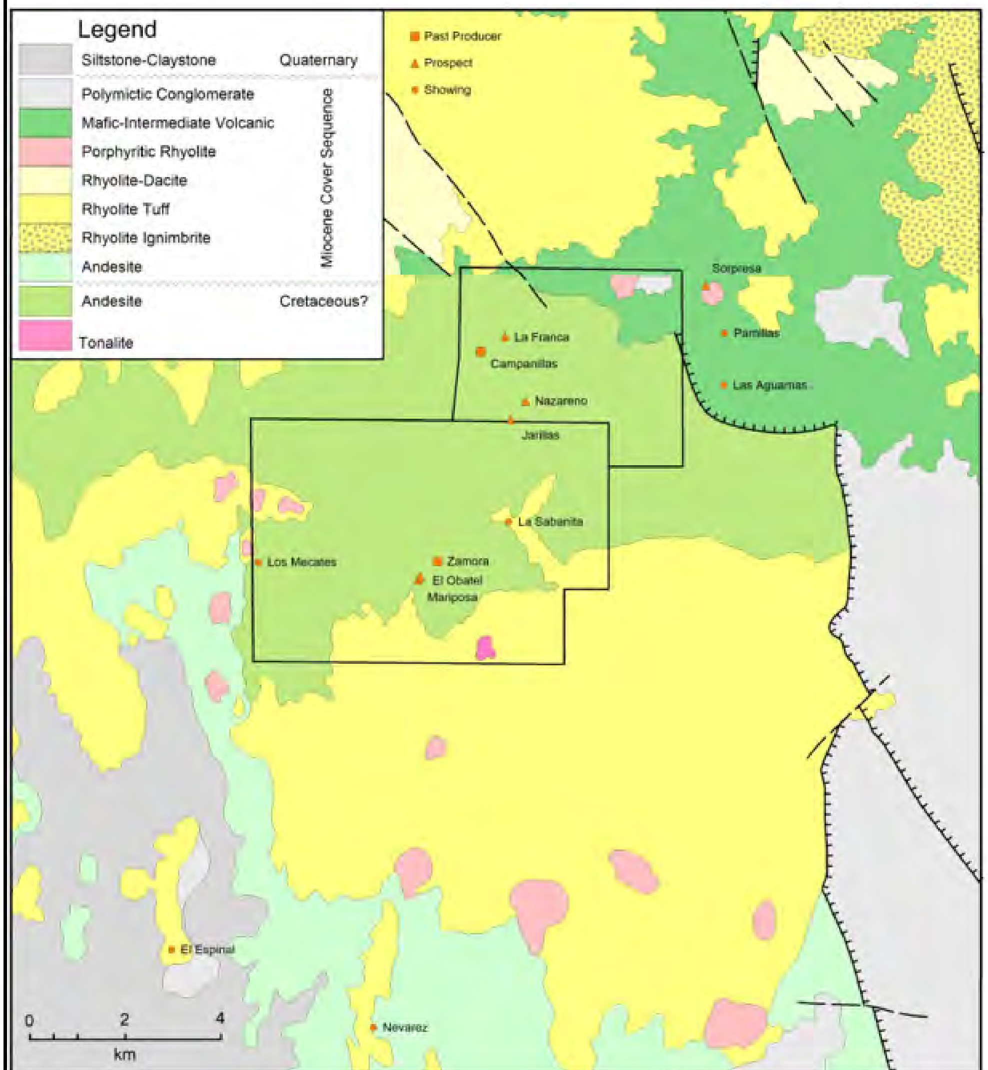
It also should be noted, according to Mr. Martinez, that only the vein material was channel sampled, not the hanging wall or foot wall. Volcanic breccia and stockwork zones adjacent to all the quartz veins were found on the Property during the 2014 campaign. Most of the higher grade samples were discovered in this material. Samples were channeled every metre along the drift.

The sampling campaign of 2014 throughout the Property validated the high-grade nature of the overall silver and gold value that can be expected to occur at Los Olotes and confirms the chances of establishing a high-grade resource of that particular mine. The 16 mines/prospects (including La Franca) occur over a distance of 10 km x 5 km and the exploration program of 2014 has identified what is believed to be a low-sulphidation epithermal system for most of the Property, which displays intense hydrothermal alteration patterns in every one of the historic mines visited and sampled. At the Chico Pico prospect, however, Vuggy quartz displaying sponge-like features indicating highly acidic hydrothermal solutions would indicate a high-sulphidation epithermal system.

Mining District Potential

Based on the work completed to date, the 15 historic mines, prospects, or showings (including newly discovered areas displaying mineralization, quartz veins, and alteration) demonstrate that a massive hydrothermal system trending in a N-S direction intersecting NE-SW structures are present within the claim boundaries and cover an area of interest of at least 8 km^2. This has never been demonstrated before and work done in the past only showed the presence of mostly NE-SW vein systems. At the Campanillas Mine, the best sample to date returned 14.4 kg/t Ag and 19.5 g/t Au, providing evidence for the presence of very high-grade ore shoots within the system. Based on the field evidence, which demonstrates that 90-95% of the mineralized zones line up, it could be demonstrated that a potential exists for the discovery of a deposit with considerable dimensions (possibly hundreds of millions of tonnes of ore). If the area between Los Olotes and Campanillas can prove its continuity, then the tonnage potential could increase exponentially. The distance between Los Olotes and Campanillas represents a strike length of almost 7 km, which could potentially include low to medium-grade ore with sections of high-grade ore.

Also, at Los Olotes, the 1982 work done by the CRM at Zamora, which was supervised by Auxico's Mexican consultant Antonio Bonifacio Flores Martinez (Camichina and Los Olotes), demonstrates a possible non-complaint resource of around 36,000 tonnes of high-grade silver grading 1.52 kg/t (~$800/t ore) and 12.87 g/t Au (~$480/t ore) located from surface to the 120-metre level. Access to Los Olotes would either be via a ramp or the existing infrastructure at La Camichina, including the vertical shaft, descending to the 30-metre level, then finally accessing Los Olotes via the existing crosscut which goes for about 115 metres.



Auxico Resources Inc.
Zamora Silver-Gold Property
43-101 Technical Report

Local geology (modified from SGM Maps Conitaca G13-C84, 2006 and Cosalá G13-C74, 2002).

February, 2016

Net Smelter Return Royalty ("NSRR")

As indicated previously, Auxico has a 100% undivided interest in the Zamora Property, pursuant to an assignment agreement signed on July 17, 2013 involving two vendors and Auxico Mexico, the Company's wholly-owned Mexican subsidiary. As per the terms of this agreement, the Zamora Property is subject to a 2% NSRR; half of this NSRR can be purchased by Auxico at any time for US$500,000.

Foreign Ownership and Taxation

For the mining sector, restrictions on foreign ownership of Mexican companies have been removed. Mining-specific royalties and taxes were revoked in the 1990s to attract international investment in the mining industry. Current law merely requires mining companies to be incorporated under the laws of Mexico, include exploration or exploitation of minerals under their corporate purpose and establish their corporate domicile within the

Mexican Republic. The country retains ownership of all mineral resources, and the government grants concessions to private mining companies for exploration and extraction. In terms of taxation, mining companies in Mexico are treated much the same as companies in other sectors. Corporate income tax is levied at a rate of 30 percent. Unlike other Latin American jurisdictions, Mexico does not currently have any specific mining taxes. There have been proposals of discussion for a new mining tax in Mexico; however, finalization of these rules are in progress at this point in time.

Recommendations and Budget

According to the Technical Report dated March 25, 2016 (with an amended date of January 2, 2017), a budget of US$500,000 is recommended to: verify the historical resource at Los Olotes; dewater La Camichina in order to gain access to Los Olotes; and lay the foundation for a 35,000 tonne bulk sample using a mobile gravity plant with a five-cell flotation circuit, producing both a gravity concentrate and flotation concentrate. A 1,500 m diamond drilling program will be initiated to drill off the historical resource at Los Olotes, as well as gaining access to the resource via the La Camichina shaft and crosscut. The plan is to construct a set of ladders down the shaft, which appears to be in considerably good condition. The ladders will extend down to the 30 m level. The headframe will undergo some work and will be used mainly to set up a safety harness system to be attached to the workers descending down the ladders to the 30 m level. The water will be pumped out in order to be able to gain access to the crosscut that leads to Los Olotes. A detailed mapping and sampling program will be undertaken a Los Olotes, and along with the drilling campaign, it is the objective to put together a measured and indicated resource for a bulk sampling program in the next phase of work.

The technical report also recommends that Auxico re-grade the roads to gain better access to Campanillas and Los Olotes; sampling, drilling, dewatering Los Olotes; and constructing a ladder at Camichina to access the Los Olotes level at -30 metres. If the ore zone at Los Olotes can be accessed and the ore verified by sampling and drilling from underground and possibly from surface, then this could become a very important source of ore for production of previously demonstrated high-grade silver and gold averaging, respectively, 1.52 kg/t Ag and 12.87 g/t Au. From surface to -120 metres, it is estimated from the historical resource that there could be in the order of 36,644 tonnes of this high-grade material at Los Olotes.

Based on the previous results from the Consejo de Recursos Minerales on the work conducted underground on Los Olotes and observations made at Campanillas and La Franca, it would be safe to say that mining underground at these mines could yield grades in excess of 1 kg/t Ag and up to 5 g/t Au. With additional exploration work, the author of the Company's technical report is confident that a new "district-size" mining camp may emerge, and if the theory holds according to what has been observed in the field and underground, then a deposit of significant tonnage could be achieved. The intensity of hydrothermal activity and the presence of extensive alteration zones provide evidence of a very large epithermal deposit, mostly low-sulphidation except in the case of Chico Pico where high-sulphidation seems to be the case. An extensive plumbing system allowing for fluid migration carrying auriferous and argentiferous metals appears to be the case, and to date only very limited exploration having been carried out, a lot of credible information has been obtained.

Budget
Phase 1: Ore Verification – Los Olotes

The following proposed budget was recommended in the Technical Report (in US$):

Description	**Cost**	**Comments**
1,500 m Diamond Drilling Program at Los Olotes	300,000	All-in cost of US$200/m
Environmental Water Permit	25,000	Dewater La Camichina
Sampling and Mapping Los Olotes *Metallurgical Test Work*	75,000	On the 17 m, 23 m, 30m & possibly the 60 m level
Ventilation & Electrical, Clean Up *Headframe Restoration*	100,000	Restoration of the La Camichina Headframe for this part of the program
Total	**500,000**	

Additional Information

The Technical Report, as well as additional information on Auxico and the Zamora Property, can be accessed on the Company's website (www.auxicoresources.com).

Qualified Person

The technical content of this MD&A has been reviewed and approved by Joel Scodnick, P.Geo., a Qualified Person as defined by Canadian Securities Administration National Instrument 43-101 "Standards of Disclosure for Mineral Projects" ("NI 43-101"). The report titled "Technical Report on the Zamora Silver-Gold Property, Sinaloa, Mexico", with an effective date of March 25, 2016 (as amended on January 2, 2017), was prepared by Joel Scodnick.

Mr. Scodnick planned and carried out all of the exploration work and sampling on the Zamora Property in 2014 as an independent consultant for Auxico Resources Canada Inc., as defined by NI 43-101.

OVERVIEW OF THE YEAR ENDED SEPTEMBER 30, 2016

Based on the sampling program conducted in 2014 and the upward movements in the prices of silver and gold in 2016, the management and board of Auxico decided that the best way to move forward the Zamora Property would be to take the Company public, so that it could access more easily the debt and equity markets. Earlier this year, the Auxico team undertook several initiatives to prepare the Company as a public entity. As at the date of this MD&A, the management and board of Auxico are still exploring the best means by which the Company can become a publicly traded entity.

On March 25, 2016, the Company completed a technical report ("Technical Report") on the Zamora Silver-Gold Property. The Technical Report, titled "Technical Report on the Zamora Silver-Gold Property, Sinaloa, Mexico", was authored by Joel Scodnick, P.Geo., a Qualified Person as defined by Canadian Securities Administration National Instrument 43-101, "Standards of Disclosure for Mineral Projects". The Technical Report can be accessed on the Company's website: www.auxicoresources.com. Highlights of the Technical Report were presently previously in this MD&A.

On May 30, 2016, the Company completed a non-brokered private placement, raising gross proceeds of $600,000 by issuing 2,400,000 common shares of the capital of the Company at a price of $0.25 per common share. Upon closing of this private placement, the Company had 23,900,000 common shares issued and outstanding.

During the year ended June 30, 2016, a number of people were added to the board of directors and the management team of Auxico. As of the date of this MD&A, the board and management team of Auxico is comprised of:

<u>Pierre Gauthier, Chairman of the Board, Chief Executive Officer</u>
Pierre Gauthier holds a Bachelor of Commerce from the University of Ottawa and an MBA from Concordia University. He was the founder, President and CEO of Dundee Sustainable Technologies until December 2014. In the last 20 years, Mr. Gauthier has been involved in raising over $500 million in financing for various projects.

<u>Mark Billings, President & Director</u>
Mark Billings has an MBA from the Harvard Business School and is a Chartered Financial Analyst. He has been an investment banker, having raised hundreds of millions of dollars for small-cap companies. Mr. Billings also founded and managed companies in the junior resource sector.

<u>Robin Conners, Director</u>
Robin Conners has over 30 years of experience in corporate strategy, project development, operations and financing. He has extensive experience in venture financing, primarily in real estate and technology. He serves as Vice-President of Commercial Development with Intrawest Corporation.

<u>Marc Filion, Director</u>
Marc Filion holds a Ph.D. from the Royal School of Mines, Imperial College, London, UK and an MBA from the École des Hautes Études Commerciales of Montreal. Dr. Filion is also a professional geological engineer, having graduated from the École polytechnique in Montreal. He has more than 35 years of experience in the development and management of capital intensive projects.

<u>Jun He, Director</u>
Jun He is an entrepreneur with over 20 years of operational ad investing experience in China, Hong Kong, North America, Africa and Europe. In 2002, he began to invest in mineral exploration and mining projects in West Africa. Mr. He holds an MBA from the Université de Nice Business School in France as well as a Diplôme d'études approfondies from IAE in Paris.

<u>Rick Whittaker, Director</u>
Rick Whittaker was the founding Vice-President and Chief Technology Officer of Canada's largest clean technology fund, where he helped grow the organization from $100 million to over $1 billion under management. He has a Bachelor of Applied Sciences from the University of Waterloo, with an option in Management Science.

<u>Jacques Arsenault, Chief Financial Officer</u>
Jacques Arsenault has a Bachelor's degree in accounting from the Université du Québec à Montréal, as well as an MBA from the University of Sherbrooke. He has over 25 years' experience as an accountant and consultant in the reorganization, acquisition, merger and sale of companies.

<u>Joel Scodnick, Geologist and Qualified Person</u>
Joel Scodnick, P.Geo., is the President and CEO of Sierra Geological Consultants Inc. He has 35 years of international experience in mineral exploration, project acquisition, mining development and financing. Mr. Scodnick has worked or lived in 28 countries and is fluent in English, French and Spanish.

On February 10, 2017, both Salvador Brouwer and Joseph Lau resigned from the Board of Directors of Auxico but remain involved as consultants to the Company.

FINANCIAL POSITION AND LIQUIDITY

The Company prepared its consolidated financial statements in accordance with the International Financial Reporting Standards (''IFRS''). The Company's consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the Company. For more detailed information, please refer to the

Company's financial statements for the years then ended. The financial position of Auxico at September 30, 2016, 2015 and 2014 (audited) is presented below:

As at September 30	**2016** **$**	**2015** **$**	**2014** **$**
Cash and cash equivalents	**7,542**	1,062	1,374
Other current assets	**69,945**	16,666	43,405
Exploration and evaluation assets	**602,253**	477,738	403,708
Total assets	**679,740**	495,904	450,875
Current liabilities	**123,285**	171,566	114,461
Total liabilities	**136,107**	193,995	130,363
Shareholders' equity	**543,633**	301,909	320,512
Total liabilities and shareholders' equity	**679,740**	495,904	450,875

Cash and cash equivalents at September 30, 2016 were $7,542 compared to $1,062 at September 30, 2015. As of September 30, 2016, Auxico had a working capital deficit of $45,798 compared to a working capital deficit of $153,838 at September 30, 2015.

Other current assets (excluding cash) at September 30, 2016 were $69,945 compared to $16,666 at September 30, 2015. Other current assets at September 30, 2016 include sales tax receivable of $38,926 (2015 - $Nil), prepaid expenses of $30,019 (2015 – $Nil), an advance to a shareholder without interest of $1,000 (2015 – $1,000), and an advance to an entity with significant influence of $Nil (2015 – $15,666).

The Company was recently incorporated and acquired its 100% interest in the Zamora Property in 2014. Funds raised to date have been used primarily to purchase the Company's interest in the Zamora Property and to conduct a geological campaign in 2014. Expenses incurred in the year ended September 30, 2016 were as a result of the management's plans to prepare the Company for a public listing so that the Company may have greater access to the equity and debt markets and therefore advance its business plan. As at September 30, 2016, cash remained low and the Company's ability to continue to operate is dependent on its ability to raise funds in the capital markets.

Under IFRS, the Company has chosen to capitalize all mining properties and exploration costs and assess the resulting asset for impairment on a periodic basis. Subsequent to the point of technical and economic feasibility, all costs must be evaluated against the capitalization criteria for property, plant and equipment and intangible assets. As at September 30, 2016, cumulative mining property acquisition costs and exploration and evaluation expenses incurred amounted to $602,253 (2015 – $477,738). The details on the exploration and evaluation assets are presented below.

As at	September 30 2016 $	September 30 2015 $
Mining property acquisition costs		
Balance, beginning of period	**181,400**	181,400
Additions during the period	**-**	-
	181,400	181,400
Exploration and evaluation expenses		
Balance, beginning of the period	**296,338**	222,308
Costs incurred during the period:		
Mineral rights maintenance	**83,417**	41,228
Geological	**40,966**	32,484
Lab expenses	**132**	318
	420,853	296,338
Total - Zamora Property	**602,253**	477,738

Current liabilities were $123,285 at September 30, 2016, compared to $171,566 at September 30, 2015. Included in the current liabilities are the accounts payable and accruals for an amount of $80,066 (2015 – $68,566), income taxes payable of $1,004 (2015 – $Nil) and due to a company owned by a Director of $42,215 (2015 – $103,000). The due to a company owned by a Director is unsecured, payable on demand and bears interest at 10% per annum.

Shareholders' equity was $543,633 at September 30, 2016, compared to $301,909 at September 30, 2015. The difference is explained by the $600,000 private placement of common shares that the Company completed in May 2016, as described above. The details of the shareholders' equity are presented below:

As at	September 30 2016 $	September 30 2015 $
Share capital	**794,087**	234,087
(Deficit) Retained earnings	**(250,454)**	67,822
Total Shareholders' equity	**543,633**	495,904

Cash flows

Cash used in operating activities for the 12-month period ended September 30, 2016 was $383,886, compared to cash flows from operating activities of $72,184 for the 12-month period ended September 30, 2015. The net loss for the period was $318,276 in 2016 compared to $18,603 in 2015 for the same 12 months.

Cash used in investing activities for the 12-month period ended September 30, 2016 was $124,515, compared to $74,030 for the 12-month period ended September 30, 2015. All cash used in investing activities was associated with exploration and evaluation expenses at the Company's Zamora Property.

Cash flows from financing activities for the 12-month period ended September 30, 2016 were $514,881, compared to $1,534 for the 12-month period ended September 30, 2015. In May 2016, the Company issued 2,400,000 common shares at a price of $0.25 for gross proceeds of $600,000 from the issuance of shares.

For the year ended September 30,	2016	2015
	$	**$**
Cash flows from operating activities		
Net loss	**(318,276)**	(18,603)
Deferred income tax expense	**(9,169)**	(8,477)
Changes in non-cash working capital items	**(56,441)**	83,310
	(383,886)	72,184
Cash used in investing activities		
Exploration and evaluation expenses	**(124,515)**	(74,030)
	(124,515)	(74,030)
Cash flows from financing activities		
Advance to an entity with significant influence	**15,666**	1,534
Due to a company owned by a director	**(60,785)**	-
Proceeds from the issue of equity	**600,000**	-
Share issuance cost paid	**(40,000)**	-
	514,881	1,534
(Decrease) in cash and cash equivalents	**6,480**	(312)
Cash and cash equivalents, beginning of the year	1,062	1,374
Cash and cash equivalents, end of the year	7,542	1,062

CAPITAL RESOURCES

Authorized share capital

The Company has authorized an unlimited number of common shares without par value and an unlimited number of preferred shares without par value. At September 30, 2016, there were 23,900,000 issued and fully paid common shares.

Shares issued

On May 31, 2016, the Company completed a non-brokered private placement, raising gross proceeds of $600,000 by issuing 2,400,000 common shares of the capital of the Company at a price of $0.25 per common share.

On April 16, 2014, upon incorporation of the Company, Auxico Mexico became a wholly-owned subsidiary of the Company. Gencap Inc. (“Gencap”), the shareholder of Auxico Mexico, exchanged its shares of Auxico Mexico in return for 10,000,000 common shares of the Company. Auxico Mexico has title to the mining concessions that comprise the Zamora Property in Sinaloa, Mexico. The value of this share exchange was $4,087.

On May 1, 2014, the Company completed a non-brokered private placement, raising gross proceeds of $200,000 by issuing 10,000,000 common shares of the capital of the Company at a price of $0.02 per common share.

On May 1, 2014, in connection with the non-brokered private placement mentioned above, the Company paid a finder's fee of 1,500,000 common shares of the Company. The value of these shares issued as a finder's fee was $30,000, or $0.02 per common share.

Warrants

The Company has no warrants issued and outstanding.

Stock options

During the year ended September 30, 2016, the Company had not adopted a stock option plan and therefore had not issued any stock options as at year end.

Capital disclosure

The Company manages its capital structure and makes adjustments to it based on the funds available to the Company, in order to support its exploration activities. The Board of Directors of the Company does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to acquire and sustain exploration projects. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended September 30, 2016. The Company is not subject to externally imposed capital requirements.

RESULTS OF OPERATIONS

For the year ended September 30, 2016, the Company recorded a net loss and comprehensive loss of $318,276 (2015 – $18,603). The principal reason for this difference is that the Company incurred additional professional, management and legal fees in the 12-month period ended September 30, 2016 in order to prepare the Company for its listing as a public entity. The Company has currently no mining operations to generate sales and revenues. Details for the year ended September 30, 2016 and 2015 are presented below:

For the years ended September 30	2016	2015	Variance
	$	$	$
Expenses			
Professional fees	**74,251**	-	74,251
Management fees	**146,000**	-	146,000
Legal fees	**42,477**	-	42,477
Travel expenses	**7,888**	277	7,611
Office expenses	**1,059**	-	1,059
Rent	**23,416**	-	23,416
Interest and penalties	**16,110**	-	16,110
Advertising	**2,101**	-	2,101
Taxes and permits	**710**	-	710
Interest and bank fees	**2,410**	1,240	1,170
Interest on loans	**6,843**	8,600	(1,757)
Losses on foreign exchange	**3,176**	9	3,167
	326,441	10,126	316,315
Loss before income taxes	**(326,441)**	(10,126)	(316,315)
Income taxes			
Current income tax expense	**(1,004)**	-	(1,004)
Deferred income tax recovery	**9,169**	(8,477)	17,646
Net loss and comprehensive loss for the period	**(318,276)**	(18,603)	(299,673)
Loss per share – basic and diluted	**(0.014)**	(0.001)	
Weighted average number of shares outstanding	**22,306,557**	21,500,000	

Total expenses for the 12-month period ended September 30, 2016 were $326,441, compared to $10,126 for the same 12-month period in 2015. The higher expenditures in 2015 were as a result of higher professional fees, management fees, legal fees, rent and other miscellaneous expenses, as the management and board of Auxico prepared the Company for a public listing.

SELECTED ANNUAL INFORMATION

The Company prepared its consolidated financial statements in accordance with the IFRS and are presented in Canadian dollars, which is also the functional currency of the Company. Selected annual information on the Company's financial operations and financial position is presented below. For more detailed information, refer to the Company's financial statements for the years then ended.

For the years ended September 30	2016	2015	2014
	$	$	$
Revenue	-	-	-
Net loss and comprehensive loss for the year	(318,276)	(18,603)	(53,036)
Net loss per share	(0.014)	(0.001)	(0.006)
Total assets	679,740	495,904	450,875

RELATED PARTY TRANSACTIONS AND BALANCES

The Company's related parties include an entity with significant influence, companies owned by a director as well as key management personnel.

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

All balances of advances receivable and advances payable are measured at fair value and occurred in the normal course of business.

	Year	Purchase from related parties	Amounts owed by related parties	Amounts owed to related parties
		$	$	$
Entity with significant influence over the Company				
Gencap Inc.	2016	86,000	-	-
	2015	-	-	-
Key management personnel and director				
Gestion Marengo Management Inc.	2016	60,000	-	11,498
	2015	-	-	-
Other related parties				
Hitlab Inc.	2016	23,416	-	-
	2015	-	-	-

	Year	Interest received (paid)	Amounts owed by related parties	Amounts owed to related parties
		$	$	$
Advances from/to related parties				
Entity with significant influence over the Company				
Gencap Inc.	2016	2,108	-	-
	2015	1,700	15,666	-
Other related parties				
Companies owned by a director				
Seed Capital Inc.	2016	(8,950)	-	42,215
	2015	(10,300)	-	103,000

The advance to an entity with significant influence is unsecured, payable on demand and bears interest at 10% per annum.

The due to a company owned by a director is unsecured, payable on demand and bears interest at 10% per annum.

COMMITMENTS AND CONTINGENCIES

Net Smelter Return Royalty ("NSRR")
The Company has a 100% undivided interest in the Zamora Property, pursuant to an assignment agreement signed on July 17, 2013 involving two vendors and Auxico Mexico. As per the terms of this agreement, the Zamora Property is subject to a 2% NSRR from proceeds of first-hand sale of product proceeds from the mining concessions on commencement of commercial production. Half of this NSRR can be purchased by the Company at any time for US$500,000.

Farm-out Agreement
Pursuant to the Farm-out Agreement signed on June 13, 2013, the consideration received of US$300,000 is repayable on a quarterly basis starting 60 days after the start of production of gold from the Zamora Property. The quarterly payments shall be equal to 7.5% of the net profits (after taxes) for each tranche of US$100,000 lent by the lender (75% for a consideration of US$1,000,000) until full repayment of the consideration.

After the consideration is fully repaid, the Lender will be entitled to receive, on a quarterly basis, an amount equal to 5% of the net profits (after taxes) for each tranche of US$100,000 lent by the Lender (50% for a consideration of US$1,000,000) until an amount equal to three times the amount of the consideration is received by the Lender. After, the Lender will be entitled to receive, on a quarterly basis, an amount equal to 2.5% of the net profits (after taxes) for each tranche of US$100,000 lent (25% for a consideration of US$1,000,000) thereafter for the life of the mine.

ADDITIONAL INFORMATION

The following information is as of the date of this MD&A:

Legal proceedings:

- Management is not aware of any legal proceedings involving the Company.

Contingent liabilities:

- Management is not aware of any outstanding contingent liabilities relating to the Company's activities.

Outstanding Share Data:

- The Company had 23,900,000 common shares outstanding as at September 30, 2016. As at the date of this MD&A, the Company had 29,710,000 common shares outstanding. Please refer to the section "Subsequent Events" below.

Subsequent events:

- On October 17, 2016, the Company signed a Memorandum of Understanding ("MOU") with the Lender involved in the Farm-out Agreement mentioned above under "Commitments and Contingencies". Under the terms of the MOU, the Company has the option, but not the obligation, to cancel the Farm-out Agreement by paying to the Lender a total of US$400,000 in cash and by issuing a total of 1,000,000 common shares of the Company, upon or after the Company's listing on a registered Canadian stock exchange. The Company can exercise this option within 12 months of the signing of the MOU, or until October 16, 2017.
- The Amalgamation Agreement with Telferscot Resources Inc. ("Telferscot"), signed June 30, 2016, was terminated on January 5, 2017. The agreement provided for a maximum break-up fee of $100,000 in cash payable to Telferscot.
- On February 17, 2017, the Company completed a non-brokered private placement, raising gross proceeds of $1,452,500 by issuing 5,810,000 common shares of the capital of the Company at a price of $0.25 per common share.
- On February 20, 2017, the Board of Directors of the Company adopted an incentive stock option plan (the "Plan"), for the benefit of employees, consultants, officers and directors. The Plan allows the Company to issue stock options up to a maximum of 10% of the issued and outstanding shares of the Company at the date of grant. The exercise price payable for each option is determined by the Board of Directors at the date of grant, and may not be less than the closing market price during the trading day immediately preceding the date of the grant of the options on the Exchange, for a minimum amount of $0.10 per option. The vesting period and expiry date are determined by the Board of Directors for each vesting.
- At the same time, the Board of Directors issued 2,475,000 stock options to consultants, officers and directors of the Company. These stock options have a strike price of $0.25, no vesting period and expire in 5 years. The value of these options has not been determined yet.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

The Company's financial statements and the other financial information included in this MD&A are the responsibility of the Company's management, and have been examined and approved by the Board of Directors. The accompanying annual audited consolidated financial statements are prepared by management in accordance with International Financial Reporting Standards ("IFRS") and include certain amounts based on management's best estimates using careful judgement. The selection of accounting principles and methods is management's responsibility.

Management recognizes its responsibility for conducting the Company's affairs in a manner to comply with the requirements of applicable laws and established financial standards and principles, and for maintaining proper standards of conduct in its activities.

The Board of Directors supervises the financial statements and other financial information through its audit committee, which is comprised of a majority of non-management directors.

This committee's role is to examine the financial statements and recommend that the Board of Directors approve them, to examine the internal control and information protection systems and all other matters relating to the Company's accounting and finances. In order to do so, the audit committee meets annually with the external auditors, with or without the Company's management, to review their respective audit plans and discuss the results of their examination. This committee is responsible for recommending the appointment of the external auditors or the renewal of their engagement.

SIGNIFICANT JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements requires management to make judgements, estimates and assumptions based on currently available information that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and judgements are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual results could differ from those estimated. By their very nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of future periods could be material.

In the process of applying the Company's accounting policies, management has made the following judgements, estimates, and assumptions which have the most significant effect on the amounts recognized in the consolidated financial statements:

BASIS OF PREPARATION

Statement of compliance
The annual financial statements of the Company are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The annual consolidated financial statements of the Company were approved and authorized for issuance by the Board of Directors on March 8, 2017.

Basis of measurement
The annual consolidated financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified for specific financial instruments carried at fair value where applicable.

Basis of consolidation
The annual consolidated financial statements of the Company include the accounts of the Company and its wholly-owned subsidiary, Auxico Resources S.A. de C.V. ("Auxico Mexico"). Auxico Mexico was incorporated under the laws of Mexico. Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation.

Functional and presentation currency
The annual consolidated financial statements are presented in Canadian dollars which is the Company's functional and presentation currency.

SIGNIFICANT ACCOUNTING POLICIES

Loss per share
Basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of common shares outstanding during the period. The Company applies the treasury stock method in calculating diluted loss per share. Diluted loss per share excludes all dilutive potential common shares if their effect is anti-dilutive.

Cash and cash equivalents

The Company considers deposits with banks or highly liquid short-term interest bearing securities that are readily convertible to known amounts of cash and those that have maturities of 90 days or less when acquired to be cash equivalents.

Share issue costs

Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred share issue costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. The Company charges share issue costs to share capital when the related shares are issued. Deferred share issue costs related to financing transactions that are not completed are charged to expenses.

Share-based payments

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of loss and comprehensive loss.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model.

Significant accounting judgements, estimates and assumptions

The preparation of the Company's annual consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the annual consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from those estimates.

The areas which require management to make significant estimates and assumptions in determining carrying values include, but are not limited to:

a) Exploration and Evaluation Expenditures

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgement in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the profit or loss in the period the new information becomes available.

b) Impairment

The carrying value of non-financial assets is reviewed each reporting period upon the occurrence of events or changes in circumstances indicating that the carrying value of assets may not be recoverable and when criteria of assets held for sale are met to determine whether there is any indication of impairment. If the carrying amount of an asset exceeds its recoverable amount, the asset is impaired and an impairment loss is recognized in the consolidated statement of loss and comprehensive loss. The assessment of fair values, including those of the cash generating units (the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflow from other assets or groups of assets) ("CGUs") for purposes of testing goodwill, require the use of estimates and assumptions for recoverable production, long-term commodity prices, discount rates, foreign exchange rates, future capital requirements and operating performance. Changes in any of the assumptions or estimates used in determining the fair value of goodwill or other assets could impact the impairment analysis.

c) Title to Mineral Properties

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

d) Deferred Income Taxes

Judgement is required to determine which types of arrangements are considered to be a tax on income in contrast to an operating cost. Judgement is also required in determining whether deferred tax liabilities are recognized in the consolidated statement of financial position. Deferred tax assets, including those potentially arising from unutilized tax losses, require management to assess the likelihood that the Company will generate sufficient taxable income in future periods, in order to recognize deferred tax assets. Assumptions about the generation of future taxable income depend on management's estimates of future operations and cash flows. These estimates of future taxable income are based on forecast cash flows from operations (which are impacted by production and sales volumes, commodity prices, reserves, operating costs, closure and rehabilitation costs, capital expenditure, and other capital management transactions) and judgement about the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize deferred tax assets or offset these against any deferred tax liabilities recorded at the reporting date could be impacted.

e) Going Concern

The assessment of the Company's ability to raise sufficient funds to finance its exploration and administrative expenses involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of comprehensive income in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income in the statement of comprehensive income to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

Exploration and evaluation expenditures

Amounts reported in exploration and evaluation expenditures include the costs of acquiring licenses, and costs associated with exploration and evaluation activity. Exploration and evaluation expenditures are capitalized and are classified as intangible assets. Costs incurred before the Company has obtained the legal rights to explore an area are expensed.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to the mineral resource property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer a part of a mineral interest, as consideration, for an agreement by the transferee to meet certain exploration and evaluation expenditures, which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash or other consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess consideration accounted for as a gain on disposal.

Financial instruments

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss. The Company has not recorded any fair value through profit or loss financial assets.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period. These are classified as non-current assets. Loan and receivable comprise cash and cash equivalents, advance to a shareholder without interest and advance to an entity with significant influence.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within twelve months after the end of the reporting period. The Company has not recorded any held-to-maturity investments.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses. The Company has not recorded any available-for-sale financial assets.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost. Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the group commits to purchase the asset. The Company has the following non-derivative financial liabilities: accounts payable and accruals and due to a company owned by a Director.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. The Company does not currently have any derivative financial assets and liabilities.

The Company is required to classify fair value measurements using a hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy is as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
Level 3 – inputs for the asset or liability that are not based on observable market data.

Impairment of assets

The carrying amounts of the Company's assets (which include exploration and evaluation assets) are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of comprehensive loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years. Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

Income taxes

a) Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically valuates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

b) Deferred income tax

Deferred income taxes are recorded using the asset and liability method of tax allocation. Under this method, deferred income tax assets and liabilities are determined based on temporary differences at the reporting date between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

NEW ACCOUNTING POLICIES

Future accounting changes

IFRS 7 Financial Instruments

IFRS 7, Financial Instruments: Disclosures, clarifies that the additional disclosure required by the amendments to IFRS 7, Disclosure – offsetting financial assets and financial liabilities' is not specifically required for all interim periods, unless required by IAS 34. The amendment is effective January 1, 2016 with early adoption permitted. The Company has not yet adopted this standard and management has not yet determined the impact of this standard.

IFRS 9 Financial Instruments

In July 2014, the IASB published IFRS 9 to replace IAS 39 Financial Instruments: Recognition and Measurement (IAS 39). The improvements introduced by IFRS 9 include a logical model for financial asset classification and measurement, a single, forward-looking 'expected loss' impairment model based on expected credit losses, and a substantially-reformed approach to hedge accounting. This standard applies to fiscal years beginning on or after January 1, 2018; early adoption is permitted. The Company has not yet determined the effect of the adoption of this standard on its consolidated financial statements.

IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures

The amendments to IFRS 10 "Consolidated Financial Statements" (IFRS 10) and IAS 28 "Investments in associates and joint ventures" (IAS 28) deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognized in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. The amendments are effective for annual periods beginning on or after January 1, 2016. The Company has not yet determined the effect of the adoption of this standard on its consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB published IFRS 15 Revenue from Contracts with Customers, which replaces IAS 18 Revenue, IAS 11 Construction Contracts and some revenue related interpretations. IFRS 15 establishes a new control-based revenue recognition model, changes the basis for deciding when revenue is recognized at a point in time or over time, provides new and more detailed guidance on specific topics and expands and improves disclosures about revenue. IFRS 15 is effective for reporting periods beginning on or after January 1, 2017. Earlier application is permitted. The Company has not yet determined the effect of the adoption of this standard on its consolidated financial statements.

IFRS 16 Leases

In January 2016, the IASB issued IFRS 16, "Leases". IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer (lessee) and the supplier (lessor). IFRS 16 will cancel and replace the previous leases Standard, IAS 17, "Leases", and related interpretations. IFRS 16 will be effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 is also applied. The Company has not yet determined the effect of the adoption of this standard on its consolidated financial statements.

IAS 1 Presentation of Financial Statements

In December 2014, the IASB issued amendments to IAS 1, clarifying guidance on the concepts of materiality and aggregation of items in the financial statements, the use and presentation of subtotals in the statements of net income or loss and comprehensive income or loss, and providing additional flexibility in the structure and disclosures of the financial statements to enhance understandability. The amendments are effective for annual periods beginning on or after January 1, 2016. Early adoption is permitted. These amendments will not require any significant change to current practice, but should facilitate improved financial statement disclosures. The Company intends to adopt these amendments in its consolidated financial statements for the annual period beginning on October 1, 2016. The Company has not yet determined the effect of the adoption of this standard on its consolidated financial statements.

IAS 7 Statement of cash flows

On January 29, 2016, the IASB published an amendment to IAS-7 "Statement of Cash Flows". The amendment "Disclosure Initiative" clarifies that changes in liabilities arising from financing activities, including cash and non-cash changes, shall be disclosed in the Statement of Cash Flows. The provisions of this amendment will apply to financial statements beginning on or after January 1, 2017. Early adoption is permitted. The Company has not yet determined the effect of the adoption of this standard on its consolidated financial statements.

IAS 12 Income taxes

On January 19, 2016, the IASB issued amendments to IAS 12 Income Taxes. The amendments, Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12), clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments are effective for annual periods beginning on or after January 1, 2017. Earlier application is permitted. The Company has not yet determined the effect of the adoption of this standard on its consolidated financial statements.

RISKS AND UNCERTAINTIES

<u>RISKS RELATED TO OUR BUSINESS:</u>

Exploration Stage Mining Company with No History of Operation

The Company is in its exploration stage, has very limited operating history, and is subject to all the risks inherent in a new business enterprise. For example, to date the Company has had no revenues and has relied upon equity and debt financing to fund its operations. The likelihood of success of the Company must be considered in light of the problems, expenses, difficulties, complication, and delays frequently encountered in connection with a new business, and the competitive and regulatory environment in which the Company will operate, such as under-capitalization, personnel limitations, and limited revenue sources.

Due to Its History of Operating Losses, the Company is Uncertain That It Will Be Able to Maintain Sufficient Cash to Accomplish Its Business Objectives

The Company incurred a net loss and comprehensive loss of $318,276 for the year ended September 30, 2016. At September 30, 2016, there was shareholders' equity of $543,633 and a working capital deficiency of $45,798. There is no assurance that the Company can generate net income, generate revenues or successfully explore and exploit its properties.

Significant amounts of capital will be required to continue to explore and then develop the Company's exploration projects. The Company is not engaged in any revenue producing activities and does not expect to do so in the near future. Currently, the Company's sources of funding consist of the sale of additional equity securities, borrowing funds, or selling a portion of its interests in its assets. There is no assurance that any additional capital that the Company will require will be obtainable on acceptable terms, if at all. Failure to obtain such additional financing could result in delays or indefinite postponement of further exploration and development of the Company's projects. Additional financing, if available, will likely result in dilution to existing stockholders.

Capital Requirements and Liquidity; Need for Subsequent Funding

Company management and its Board of Directors monitor the overall costs and expenses of the Company and, if necessary, adjust Company programs and planned expenditures in an attempt to ensure that the Company has sufficient operating capital. The Company continues to evaluate the costs and planned expenditures for its on-going exploration projects. Although the Company has raised significant capital in prior years, the continued exploration and development of its projects will require significant amounts of additional capital. As a result, the Company will need to raise additional capital so that it can continue to fund its planned operations. The uncertainties of the global economies and the volatile prices of gold and silver, combined with instability in capital markets, have impacted the availability of funding. If the disruptions in the global financial and capital markets continue, debt or equity financing may not be available to the Company on acceptable terms, if at all. Equity financing, if available, may result in substantial dilution to existing stockholders. If the Company is unable to fund future operations by way of financing, including public or private offerings of equity or debt securities, its business, financial condition and results of operations will be adversely impacted.

Disruptions in the Global Financial and Capital Markets May Impact the Company's Ability to Obtain Financing.

The global financial and capital markets have experienced on-going volatility and disruption. The Company continues to need further funding to achieve its business objectives. In the past, the issuance of equity securities has been the major source of capital and liquidity for the Company. The extraordinary conditions in the global financial and capital markets have currently limited the availability of this funding. If the disruptions in the global financial and capital markets continue, debt or equity financing may not be available to the Company on acceptable terms, if at all. If the Company is unable to fund future operations by way of financing, including public or private offerings of equity or debt securities, its business, financial condition and results of operations will be adversely impacted.

The Company's Exploration Activities Require Significant Amounts of Capital that May Not Be Recovered.

Mineral exploration activities are subject to many risks, including the risk that no commercially productive or extractable resources will be encountered. There can be no assurance that the Company's activities will ultimately lead to an economically feasible project or that it will recover all or any portion of its investment. Mineral exploration often involves unprofitable efforts, including drilling operations that ultimately do not further the Company's exploration efforts, as well as operating and other costs. The cost of minerals exploration is often uncertain and cost overruns are common. The Company's drilling and exploration operations may be curtailed, delayed or canceled as a result of numerous factors, many of which are beyond its control, including title problems, weather conditions, compliance with governmental requirements and shortages or delays in the delivery of equipment and services.

Risks Inherent in the Mining Industry

The Company is subject to all of the risks inherent in the minerals exploration and mining industry and including, without limitation, the following: competition from a large number of companies, many of which are significantly larger than the Company, in the acquisition, exploration, and development of mining properties; the Company might not be able raise enough money to pay the fees, taxes and perform labor necessary to maintain its concessions in good force; exploration for minerals is highly speculative and involves substantial risks, even when conducted on properties known to contain significant quantities of mineralization; the Company's exploration projects may not result in the discovery of commercially mineable deposits of ore; the probability of an individual prospect ever having reserves that meet regulatory requirements is extremely remote, or the properties may not contain any reserves, and any funds spent on exploration may be lost; the Company's operations are subject to a variety of existing laws and regulations relating to exploration and development, permitting procedures, safety precautions, property reclamation, employee health and safety, air quality standards, pollution and other environmental protection control and the Company may not be able to comply with these regulations and controls; and a large number of factors beyond the control of the Company, including fluctuations in metal prices, inflation, and other economic conditions, will affect the economic feasibility of mining.

<u>THE BUSINESS OF MINERAL EXPLORATION IS SUBJECT TO MANY RISKS:</u>

Fluctuating Price for Metals

The Company's operations will be greatly influenced by the prices of commodities, including gold, silver, and other metals. These prices fluctuate widely and are affected by numerous factors beyond the Company's control, including interest rates, expectations for inflation, speculation, currency values, in particular the strength of the United States dollar, global and regional demand, political and economic conditions and production costs in major metal producing regions of the world.

Title to the Company's Mineral Properties May be Challenged

The Company attempts to confirm the validity of its rights to title to, or contract rights with respect to, each mineral property in which it has a material interest. However, the Company cannot guarantee that title to its properties will not be challenged. Title insurance generally is not available, and the Company's ability to ensure that it has obtained secure claim to individual mineral properties or mining concessions may be severely constrained. The Company's mineral properties may be subject to prior unregistered agreements, transfers or claims, and title may be affected by, among other things, undetected defects and the actions or inactions of underlying property owners or holders. In addition, the Company may be unable to operate its properties as permitted or to enforce its rights with respect to its properties.

Risks Inherent With Foreign Operations

The Company's operations are currently conducted in Mexico, and as such the operations of the Company are exposed to various levels of political, economic and other risks and uncertainties. These risks and uncertainties include, but are not limited to, terrorism, hostage taking, military repression, expropriation, extreme fluctuations in currency exchange rates, high rates of inflation, labour unrest, the risks of war or civil unrest, expropriation and nationalization, renegotiation or nullification of existing concessions, licenses, permits, approvals and contracts, illegal mining, changes in taxation policies, restrictions on foreign exchange and repatriation, and changing political conditions, currency controls and governmental regulations that favor or require the rewarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction.

Changes, if any, in mining or investment policies or shifts in political attitude in Mexico may adversely affect the operations or potential profitability of the Company. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, income taxes, expropriation of property, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety. Failure to comply strictly with applicable laws, regulations and local practices relating to mineral right applications and tenure, could result in loss, reduction or expropriation of entitlements, or the imposition of additional local or foreign parties as joint venture partners with carried or other interests. The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on the operations of the Company.

Environmental Controls

Compliance with statutory environmental quality requirements may necessitate significant capital outlays, may materially affect the earning power of the Company, or may cause material changes in the Company's intended activities. The Company's exploration operations require compliance with local and federal regulations. No assurance can be given that environmental standards imposed by either federal or state governments will not be changed or become more stringent, thereby possibly materially adversely affecting the proposed activities of the Company. In addition, if the Company is unable to fund fully the cost of remediation of any environmental condition, it may be required to suspend operations or enter into interim compliance measures pending completion of the required remediation.

Availability of Outside Engineers and Consultants

The Company is heavily dependent upon outside engineers and other professionals to complete work on its exploration projects. The mining industry has experienced significant growth over the last several years and as a result, many engineering and consulting firms have experienced a shortage of qualified engineering personnel. The Company closely monitors its outside consultants through regular meetings and review of resource allocations and project milestones. However, the lack of qualified personnel combined with increased mining projects could result in delays in completing work on the Company's exploration projects or result in higher costs to keep personnel focused on its project.

Operational Hazards; Uninsured Risks

The Company is subject to risks and hazards, including environmental hazards, industrial accidents, the encountering of unusual or unexpected geological formations, cave-ins, flooding, earthquakes and periodic interruptions due to inclement or hazardous weather conditions. These occurrences could result in damage to, or destruction of, mineral properties or facilities, personal injury or death, environmental damage, reduced productivity and delays in exploration, asset write-downs, monetary losses and possible legal liability. The Company may not be insured against all losses or liabilities, which may arise from operations, either because such insurance is unavailable or because the Company has elected not to purchase such insurance due to high premium costs or other reasons. The realization of any significant liabilities in connection with the Company's exploration activities as described above could negatively affect its results of operations and the price of its common stock.

Need for Additional Key Personnel; Reliance on Officers and Directors

The Company relies in large part on the personal efforts of its officers and directors. The success of the Company's proposed business will depend, in part, upon the ability to attract and retain qualified employees. The Company believes that it will be able to attract competent employees, but no assurance can be given that the Company will be successful in this regard. If the Company is unable to engage and retain the necessary personnel, its business would be materially and adversely affected.

DIRECTORS

Certain directors of the Company are also directors, officers and/or shareholders of other companies. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required to act in good faith with a view to the best interests of the Company and to disclose any interest which they may have in any project opportunity of the Company. If a conflict of interest arises at a meeting of the board of directors, any directors in a conflict will disclose their interests and abstain from voting in such matters. In determining whether or not the Company will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at the time.

Dated this 8th day of March, 2017

Signed "Mark Billings"
President

signed "Jacques Arsenault"
Chief Financial Officer

APPENDIX C: AUDIT COMMITTEE CHARTER

AUXICO RESOURCES CANADA INC.
(the "Company")

AUDIT COMMITTEE CHARTER

1. Mandate

The Audit Committee will be responsible for managing, on behalf of shareholders of the Company, the relationship between the Company and the external auditors. In particular, the Audit Committee will have responsibility for the matters set out in this Charter, which include:

(a) overseeing the work of external auditors engaged for the purpose of preparing or issuing an auditing report or related work;

(b) recommending to the board of directors the nomination and compensation of the external auditors;

(c) reviewing significant accounting and reporting issues;

(d) reviewing the Company's financial statements, MD&A and earnings press releases before the Company publicly discloses this information;

(e) focusing on judgmental areas such as those involving valuations of assets and liabilities;

(f) considering management's handling of proposed audit adjustments identified by external auditors;

(g) being satisfied that all regulatory compliance matters have been considered in the preparation of the financial statements of the Company;

(h) establishing procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and

(i) evaluating whether management is setting the appropriate tone by communicating the importance of internal control and ensuring that all individuals possess an understanding of their roles and responsibilities.

2. Membership of the Audit Committee

Composition

The audit committee will be comprised of at least such number of directors as required to satisfy the audit committee composition requirements of National Instrument 52-110, as amended from time to time. Each member will be a director of the Company.

Independence

The Audit Committee will be comprised of a number of independent directors required to enable the Company to satisfy:

(a) the independent director requirements for audit committee composition required by National Instrument 52-110, as amended from time to time, and

(b) the independent director requirements of the stock exchange on which the Company's shares are traded from time to time.

Chair

The Audit Committee shall select from its membership a chair. The job description of the chair is attached as Exhibit 1 hereto.

Expertise of Audit Committee Members

Each member of the Audit Committee must be financially literate. Financially literate means the ability to read and understand a set of financial statements that represent a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

Financial Expert

The Company will strive to include a financial expert on the Audit Committee. An Audit Committee financial expert means a person having: (i) an understanding of financial statements and accounting principles; (ii) the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and reserves; (iii) experience in preparing, auditing, analyzing or evaluating financial statements that present a similar breadth and level of complexity as the Company's statements; (iv) an understanding of internal controls; and (v) an understanding of an Audit Committee's functions.

3. Meetings of the Audit Committee

The Audit Committee must meet in accordance with a schedule established each year by the board of directors, and at other times as the Audit Committee may determine. A quorum for transaction of business in any meeting of the Audit Committee is a majority of members. At least twice a year, the Audit Committee must meet with the Company's chief financial officer and external auditors separately.

4. Responsibilities of the Audit Committee

The Audit Committee will be responsible for managing, on behalf of the shareholders of the Company, the relationship between the Company and the external auditors. In particular, the Audit Committee has the following responsibilities:

<u>External Auditors</u>

(a) the Audit Committee must recommend to the board of directors:

(i) the external auditors to be nominated for the purpose of preparing or issuing an audit report or performing other audit or review services for the Company; and

(ii) the compensation of the external auditors;

(b) the Audit Committee must be directly responsible for overseeing the work of the external auditors engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company, including the resolution of disagreements between management and the external auditors regarding financial reporting;

(c) with respect to non-audit services:

(i) the Audit Committee must pre-approve all non-audit services provided to the Company or its subsidiaries by its external auditors or the external auditors of the Company's subsidiaries, except for tax planning and transaction support services in an amount not to exceed $15,000 for each service in a fiscal year; and

(ii) the Audit Committee must pre-approve all non-audit services provided to the Company or its subsidiaries by its external auditors or the external auditors of the Company's subsidiaries, except *de minimis* non-audit services as defined in applicable law.

(d) the Audit Committee must also:

(i) review the auditors' proposed audit scope and approach;

(ii) review the performance of the auditors; and

(iii) review and confirm the independence of the auditors by obtaining statements from the auditors on relationships between the auditors and the Company, including non-audit services, and discussing the relationships with the auditors;

<u>Accounting Issues</u>

(e) the Audit Committee must:

(i) review significant accounting and reporting issues, including recent professional and regulatory pronouncements, and understand their impact on the financial statements; and,

(ii) ask management and the external auditors about significant risks and exposures and plans to minimize such risks.

<u>Financial Statements, MD&A and Press Releases</u>

(f) the Audit Committee must:

(i) review the Company's financial statements, MD&A and earnings press releases before the Company publicly discloses this information;

(ii) in reviewing the annual financial statements, determine whether they are complete and consistent with the information known to committee members, and assess whether the financial statements reflect appropriate accounting principles;

(iii) pay particular attention to complex and/or unusual transactions such as restructuring charges and derivative disclosures;

(iv) focus on judgmental areas such as those involving valuation of assets and liabilities, including, for example, the accounting for and disclosure of loan losses, warranty, professional liability, litigation reserves and other commitments and contingencies;

(v) consider management's handling of proposed audit adjustments identified by the external auditors;

(vi) ensure that the external auditors communicate certain required matters to the committee;

(vii) be satisfied that adequate procedures are in place for the review of the Company's disclosure of financial information extracted or derived from the Company's financial statements, other than the disclosure referred to in paragraph (f)(i) (above), and must periodically assess the adequacy of those procedures;

(viii) be briefed on how management develops and summarizes quarterly financial information, the extent to which the external auditors review quarterly financial information and whether that review is performed on a pre- or post-issuance basis;

(ix) meet with management, either telephonically or in person to review the interim financial statements;

(x) to gain insight into the fairness of the interim statements and disclosures, the Audit Committee must obtain explanations from management on whether:

(a) actual financial results for the quarter or interim period varied significantly from budgeted or projected results;

(b) changes in financial ratios and relationships in the interim financial statements are consistent with changes in the Company's operations and financing practices;

(c) generally accepted accounting principles have been consistently applied;

(d) there are any actual or proposed changes in accounting or financial reporting practices;

(e) there are any significant or unusual events or transactions;

(f) the Company's financial and operating controls are functioning effectively;

(g) the Company has complied with the terms of loan agreements or security indentures; and

(h) the interim financial statements contain adequate and appropriate disclosures;

Compliance with Laws and Regulations

(g) the Audit Committee must:

(h) periodically obtain updates from management regarding compliance;

(iii) be satisfied that all regulatory compliance matters have been considered in the preparation of the financial statements;

(iv) review the findings of any examinations by regulatory agencies such as the Ontario Securities Commission; and

(v) review, with the Company's counsel, any legal matters that could have a significant impact on the Company's financial statements;

Employee Complaints

(i) the Audit Committee must establish procedures for:

(j) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and

(iii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters;

Other Responsibilities

(i) the Audit Committee must:

(j) review and approve the Company's hiring policies of employees and former employees of the present and former external auditors of the Company;

(iii) evaluate whether management is setting the appropriate tone by communicating the importance of internal control and ensuring that all individuals possess an understanding of their roles and responsibilities;

(iv) focus on the extent to which internal and external auditors review computer systems and applications, the security of such systems and applications, and the contingency plan for processing financial information in the event of a systems breakdown;

(v) gain an understanding of whether internal control recommendations made by external auditors have been implemented by management;

(vi) periodically review and reassess the adequacy of this Charter and recommend any proposed changes to the Corporate Governance and Nominating Committee and the board for approval;

(vii) review, and if deemed appropriate, approve expense reimbursement requests that are submitted by the chief executive officer or the chief financial officer to the Company for payment;

(viii) assist the board to identify the principal risks of the Company's business and, with management, establish systems and procedures to ensure that these risks are monitored; and

(ix) carry out other duties or responsibilities expressly delegated to the Audit Committee by the board.

5. Authority of the Audit Committee

The Audit Committee shall have the authority to:

(a) engage independent counsel and other advisors as it determines necessary to carry out its duties;

(b) set and pay the compensation for any advisors employed by the Audit Committee; and

(c) communicate directly with the internal and external auditors.

Exhibit 1 to Audit Committee Charter
Auxico Resources Canada Inc.
(the “Company” or “Auxico”)
Job Description – Audit Committee Chair

The responsibilities of the Audit Committee chair include, among other things:

(a) managing the affairs of the Committee and monitoring its effectiveness;

(b) managing the meetings of the Committee by ensuring meaningful agendas are prepared and guiding deliberations of the Committee so that appropriate decisions and recommendations are made; and

(c) setting up agendas for meetings of the Committee and ensuring that all matters delegated to the Committee by the board are being dealt with at the Committee level during the course of the year.

Certificate of the Company

Dated: May 25, 2017

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of Quebec, Ontario, Alberta and British Columbia.

(s)	*(s)*
Pierre Gauthier	**Mark Billings**
Chief Executive Officer	President

ON BEHALF OF THE BOARD

(s)	*(s)*
Rick Whittaker	**Robin Conners**
Director	Director