

**MEMORANDUM OF UNDERSTANDING
BETWEEN**

**Auxico Resources Canada Inc.,
Auxico Resources, S.A. de C.V.,
Gencap Inc.
AND
Maria Nayvalt**

This **MEMORANDUM OF UNDERSTANDING** (the “**MoU**”) is hereby made and entered into on October 17, 2016 by and between the following parties:

PARTY A

Maria Nayvalt, of Bergstrasse 44, CH-8700 – Kuesnacht, ZH, Switzerland (the “**Lender**”);

PARTY B

Auxico Resources, S.A. de C.V., a Mexican company, with a registered address at Av. Carlos Canseco, No. 6052, Local 215, Plaza Nautica, Marina Mazatlan, C.P. 82103, Mazatlan, Sinaloa, Mexico (hereinafter “**Auxico Mexico**”), and **Auxico Resources Canada Inc.**, a Canadian company, with a registered address at 230 rue de Notre Dame West, Montreal, Quebec, H2Y 1T3, Canada (hereinafter “**Auxico Canada**”) (collectively Party B or the “**Borrowers**”);

and

PARTY C

Gencap Inc., a Canadian company, with a registered address at 6150 avenue du Boisé, Suite 7D, Montreal, Quebec, H3S 2V2, Canada (the “**Guarantor**”);

Party A, Party B and Party C are collectively referred to as the “**Parties**”.

WHEREAS:

- 1) Party B, Party C and the Borboletta Foundation (“**Borboletta**”), a Liechtenstein foundation, with a registered office at Aeulestrasse 5, 9490 Vaduz, signed a Gold Loan Agreement dated June 13, 2013, whereby Borboletta provided US\$300,000 to the Borrowers on the terms and conditions outlined in the Gold Loan Agreement;
- 2) Since the signing of the Gold Loan Agreement, Borboletta has been dissolved and all of the assets of Borboletta, including the Gold Loan Agreement, have been transferred to the Lender;
- 3) Auxico Mexico holds a 100% interest in the Zamora Silver-Gold Property in Mexico. Auxico Mexico in turn is fully owned by Auxico Canada. Auxico Canada intends to get listed on a registered Canadian Stock Exchange;

- 4) As general and continuing collateral security for the repayment of the gold loan, the Guarantor pledges 2,000,000 common shares of Auxico Canada in favour of the Lender (hereinafter "**Pledged Shares**").
- 5) Auxico Canada signed a separate memorandum of understanding with Grand Ages Precious Metal Ltd. ("**Grand Ages**") on April 18, 2016, whereby Grand Ages agrees to subscribe for US\$2,000,000 of convertible debentures ("**Debentures**"), convertible into 5,000,000 common shares of Auxico Canada for a period of two years; this financing of Debentures is conditional upon Auxico Canada going public on a registered Canadian stock exchange;
- 6) The Parties desire to provide Party B with an option to replace the Gold Loan Agreement with an agreement under the terms and conditions presented herein.

PURPOSE:

This MoU sets forth the mutual understanding between the Parties regarding the agreement that will replace the Gold Loan Agreement, effectively cancelling the latter, should Party B exercise its option. It is the Parties' intention that these terms will be incorporated into a formal agreement ("**Agreement**") within 10 business days of the signing of this MoU.

AGREEMENT:

The Parties each agree to the following:

1. Party B shall have the option, but not the obligation, to replace the Gold Loan Agreement on the terms outlined below. Party B can exercise this option within 12 months of the signature of this MoU.
2. In the event Party B exercises its option, the Gold Loan Agreement will be cancelled and will be replaced with a new Agreement with the following terms and conditions:
 - a. As repayment of the Gold Loan, Auxico Canada will repay the Lender a total of US\$400,000 in cash payable upon or after Auxico Canada's listing on a registered Canadian Stock Exchange, at which time it will close a convertible debenture financing of US\$2,000,000 with Grand Ages.
 - b. In addition, upon or after the listing of Auxico Canada on a registered Canadian Stock Exchange, Auxico Canada will issue 1,000,000 common shares to the Lender at an implied price of CDN\$0.25 per share for total consideration of CDN\$250,000.
3. The common shares issued to the Lender may have a hold period, as per Canadian securities law.
4. The Parties are responsible for their own legal and due diligence fees.

CONFIDENTIALITY:

The Parties acknowledge that this MoU and the matters described herein are confidential and agree not to transmit any copy hereof, in whole or in part, or otherwise disclose the subject matter hereof except to legal counsel or as required by law.

GOVERNING LAW:

This MoU shall be governed by the laws of Canada and the applicable laws of the Province of Quebec.

LEGAL BINDING:

This MoU shall be legally binding on each of the Parties, although it is not intended to be an exhaustive list of key issues to be covered in the Agreement. In the event the Parties shall not find a mutual understanding of the final terms and conditions of the Agreement, the Lender is free to withdraw from this Memorandum of Understanding. The specifications and amendments to the loan agreement stated herein are valid even in the event of withdrawal from the MOU. In the event the Parties do not enter into the Agreement, the confirmation of Abraham Urias regarding the deposit of the Pledged Shares shall be binding.

The undersigned Parties hereby agree to the terms and conditions specified above.

Party A: Maria Nayvalt

(s) Maria Nayvalt

Party B: Auxico Resources, S.A. de C.V. / Auxico Resources Canada Inc.

By:

(s) Mark Billings

Title: VP Sales

Party C: Gencap Inc.

By:

(s) Pierre Gauthier

Title:

Abraham Urias of Urias & Asociados SC agrees to act as Depositary and to hold the Pledged Shares for and on behalf of the Lender in accordance with the Gold Loan Agreement dated June 13, 2013.

Urias & Asociados S.C
Av. Ejército Mexicano 2004
Oficina 204, Col Insurgentes
C.P. 82018, Mazatlán, Sinaloa
México

Abraham Urias