AUXICO RESOURCES CANADA INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

THREE AND NINE MONTH PERIODS ENDED JUNE 30, 2017

UNAUDITED, EXPRESSED IN CANADIAN DOLLARS

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Contents

Notice of Disclosure of Non-auditor review of the Condensed Interim Financial Statements

Pursuant to National Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators, if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company for the interim periods ended June 30, 2017 and 2016 have been prepared in accordance with international accounting standards for interim financial reporting under IAS 34. The accompanying unaudited condensed interim consolidated financial statements are the responsibility of the Company's management.

The Company's independent auditors, Guimond Lavallée, Chartered Accountants, have not performed a review of these interim financial statements in accordance with the standards established for a review of condensed interim financial statements by an entity's auditor.

September 7, 2017

/s/ Mark Billings
President

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

As at,	**June 30, 2017 (unaudited) $**	September 30, 2016 (audited) $
ASSETS		
Current assets		
Cash & cash equivalents	**373 048**	7 542
Restricted cash	**500 000**	-
Sales taxes receivables	**45 714**	38 926
Prepaid expenses	**92 636**	30 019
Advance to an entity with significant influence (note 13)	**27 246**	-
Advance to shareholder without interest and repayment terms (note 13)	**1 000**	1 000
	1 039 644	77 487
Non-current assets		
Mining property acquisition costs (note 5)	**181 400**	181 400
Exploration and evaluation expenses (note 5)	**614 620**	420 853
Total assets	**1 835 664**	679 740
LIABILITIES		
Current liabilities		
Accounts payable and accruals	**32 118**	80 066
Provision (note 6)	**100 000**	-
Income taxes payable	**-**	1 004
Due to a company owned by a Director (note 13)	**-**	42 215
	132 118	123 285
Non-current liabilities		
Deferred income tax liabilities	**12 822**	12 822
Total Liabilities	**144 940**	136 107
SHAREHOLDERS' EQUITY		
Share capital (note 7)	**2 012 340**	794 087
Shares to be issued (note 7)	**500 000**	-
Contributed surplus	**450 570**	-
Deficit	**(1 272 186)**	(250 454)
Total shareholders' equity	**1 690 724**	543 633
Total liabilities & shareholders' equity	**1 835 664**	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 nine month periods ended June 30, 2017
(Unaudited, expressed in Canadian Dollars)

	Three months ended		Nine months ended	
For the period ended,	**June 30, 2017 (unaudited) $**	June 30, 2016 (unaudited) $	**June 30, 2017 (unaudited) $**	June 30, 2016 (unaudited) $
Revenues	**-**	-	**-**	-
Expenses				
Professional fees	**80 943**	82 961	**133 558**	82 961
Management fees	**45 000**	30 000	**135 000**	90 000
Legal fees	**44 381**	24 579	**82 928**	24 579
Travel expenses	**9 923**	7 584	**62 766**	7 584
Office expenses	**1 731**	1 257	**6 192**	1 257
Advertising	**-**	-	**10 470**	-
Rent	**10 175**	6 900	**30 525**	9 850
Research and development expenses	**-**	-	**5 085**	-
Interest and bank fees	**1 535**	4 829	**5 238**	5 563
Loss on settlement (note 6)	**-**	-	**100 000**	-
Interest on loans	**-**	2 687	**-**	2 687
Stock-based compensation (note 7)	**-**	-	**450 570**	-
Losses (gains) on foreign exchange	**343**	(50)	**(600)**	(50)
	194 031	160 747	**1 021 732**	224 431
Loss before income taxes	**(194 031)**	(160 747)	**(1 021 732)**	(224 431)
Deferred income taxes	**-**	(7 207)	**-**	(7 207)
Net loss and comprehensive loss	**(194 031)**	(167 954)	**(1 021 732)**	(231 638)
Loss per share - basic & diluted (note 8)	**(0.006)**	(0.008)	**(0.037)**	(0.011)
Weighted average number of shares outstanding	**31 104 505**	22 291 209	**27 640 696**	21 762 774

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 nine month periods ended June 30, 2017
(Unaudited, expressed in Canadian Dollars)

	SHARE CAPITAL #	SHARE CAPITAL $	CONTRIBUTES SURPLUS $	RETAINED EARNINGS $	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
Net loss for the period	-	-	-	(231 638)	(231 638)
Balance, as at June 30, 2016 (unaudited)	**23 900 000**	**834 087**	**-**	**(163 816)**	**670 271**
Transaction costs	-	(40 000)	-	-	(40 000)
Net loss for the period	-	-	-	(86 638)	(86 638)
Balance, as at September 30, 2016 (audited)	**23 900 000**	**794 087**	**-**	**(250 454)**	**543 633**
Shares issued for cash	5 310 000	1 327 500	-	-	1 327 500
Shares to be issued in private placement	2 000 000	500 000	-	-	500 000
Issuance costs	-	(109 247)			(109 247)
Share-based compensation	-	-	450 570	-	450 570
Net loss for the period	-	-	-	(1 021 732)	(1 021 732)
Balance, as at June 30, 2017 (unaudited)	**31 210 000**	**2 512 340**	**450 570**	**(1 272 186)**	**1 690 724**

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 nine months periods ended June 30, 2017
(Unaudited, expressed in Canadian Dollars)

For the period ended,	**June 30, 2017 9 months (unaudited) $**	June 30, 2016 9 months (unaudited) $
Cash used in operating activities		
Net loss	**(1 021 732)**	(231 638)
Adjustment for:		
Share-based compensation	**450 570**	-
Changes in non-cash working capital items:		
Receivables	**(6 788)**	(76 644)
Prepaid expenses	**(62 617)**	(28 927)
Accounts payable and accruals	**(47 948)**	(4 121)
Provision	**100 000**	-
Income taxes payable	**(1 004)**	7 207
	(589 519)	(334 123)
Cash used in investing activities		
Exploration and evaluation expenses	**(193 767)**	(103 320)
	(193 767)	(103 320)
Cash flows from financing activities		
Advance to a shareholder	**-**	400
Advance to an entity with significant influence	**(27 246)**	(13 496)
Due to a company owned by a Director	**(42 215)**	(66 420)
Proceeds from the issue of equity	**1 327 500**	600 000
Proceeds from shares to be issued	**500 000**	-
Share issuance cost paid	**(109 247)**	-
	1 648 792	520 484
Increase (decrease) in cash and cash equivalents	**865 506**	83 041
Cash and cash equivalents, beginning of the period	**7 542**	1 062
Cash and cash equivalents, end of the period	**873 048**	84 103
Cash & cash equivalents	**373 048**	84 103
Bank in trust	**500 000**	-
Cash and cash equivalents, end of the period	**873 048**	84 103
Supplemental information		
Interest paid	**5 238**	5 563

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 nine-month period ended June 30, 2017, the Company recorded a net loss and comprehensive loss of $1,021,732 (June 30, 2016 - $231,638) and deficit of $1,272,186 (deficit 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 June 30, 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 condensed interim consolidated financial statements. Operating results for the three and nine-month periods ended June 30, 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 September 7, 2017.

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.

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.

(Unaudited, expressed in Canadian Dollars)

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	-	193 767	193 767
Balance, as at June 30, 2017 (unaudited)	**181 400**	**614 620**	**796 020**

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

	June 30, 2017 (unaudited)	**September 30, 2016 (audited)**
	$	$
Mineral rights maintenance	36 353	83 417
Geological	157 414	40 966
Labs expenses	-	132
	193 767	124 515
Balance, beginning of the period	420 853	296 338
Balance, end of the period	**614 620**	**420 853**

(Unaudited, expressed in Canadian Dollars)

6. PROVISION

	June 30, 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 protocol. 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 June 30, 2017, there were 29,210,000 issued and fully paid common shares and 2,000,000 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 nine months period ended June 30, 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.

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

Issuance costs of $109,247 were incurred for these private placements in the nine months periods ended June 30, 2017.

Warrants *,*

As at June 30, 2017, the Company had no warrants issued and outstanding.

(Unaudited, expressed in Canadian Dollars)

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 fair value of the options was estimated at $0.182 per option at the grant date for a total of $450,570 using the Black-Scholes option pricing-model with the following assumptions: risk-free interest rate of 1.12%, expected volatility of 97% and expected option life of five years. The Company currently estimates the volatility of the market price of its common shares based on comparable information derived from transactions carried out by public companies in a situation similar to its own.

Changes in the number of options outstanding are as follows:	Number of option	Weighted average exercise price
Balance, as at September 30, 2016 (audited)	-	-
Issued	2,475,000	$0.25
Balance, as at June 30, 2017 (unaudited)	**2,475,000**	**$0.25**

The following table summarizes the information on outstanding options at June 30, 2017:

Exercise price	Number of option	Weighted average number of remaining contractual life
$0.25	2,475,000	4.5

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 nine months periods ended June 30, 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:

	For the period ended,		
	June 30, 2017 (unaudited) $	**June 30, 2016 (unaudited) $**	**September 30, 2016 (audited) $**
Canada	**1 066 934**	143 947	188 899
Mexico	**768 730**	417 720	490 841
Total assets	**1 835 664**	561 667	679 740
Canada	**136 895**	253 052	127 663
Mexico	**8 045**	7 440	8 444
Total liabilities	**144 940**	260 492	136 107
Canada	**1 210 709**	215 991	61 236
Mexico	**480 015**	454 280	482 397
Net equity	**1 690 724**	670 271	543 633
Canada	**1 019 350**	224 431	295 113
Mexico	**2 382**	7 207	23 163
Net loss	**1 021 732**	231 638	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:

	For the period ended,	
	June 30, 2017 (unaudited) $	**September 30, 2016 (audited) $**
Cash & cash equivalents	**373 048**	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	**1 812 340**	794 087

11. FINANCIAL INSTRUMENTS

As at June 30, 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:

	For the period ended,	
	June 30, 2017 (unaudited) $	September 30, 2016 (audited) $
Cash & cash equivalents in United States dollars (USD)	**73 200**	27
Cash & cash equivalents in Mexican Pesos (MXN)	**180 551**	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)

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 June 30, 2017, the Company has a working capital of $907,526 (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	32,118	-	-
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.

	Three months ended		**Nine months ended**	
	June 30, 2017 (unaudited) $	June 30, 2016 (unaudited) $	**June 30, 2017 (unaudited) $**	June 30, 2016 (unaudited) $
<u>Purchases from related parties</u>				
Entity with significant influence over the Company				
Gencap Inc.	**15 000**	30 000	**45 000**	90 000
Key management personnel and Director				
Gestion Marengo Management Inc.	**30 000**	-	**90 000**	-
Other related party				
Hitlab Inc.	**-**	2 950	**-**	2 950

(Unaudited, expressed in Canadian Dollars)

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

	Year / Period	Amounts owed by related parties $	Amounts owed to related parties $
Key management personnel and Director			
Gestion Marengo Management Inc.	June 30, 2017	-	-
	2016	-	11 498
Other related party			
Seed Capital Inc.	June 30, 2017	**27 246**	-
	2016	-	42 215

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 ninety 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.

On April 7, 2017, in accordance with the MOU signed on October 17, 2016, 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.

15. SUBSEQUENT EVENTS

On August 28, 2017, the Company completed a non-brokered private placement, raising gross proceeds of $1,150,000 by issuing 4,600,000 common shares of the Company's capital at a price of $0.25 per common share. A total of 16,600 compensation warrants were issued in connection with this private placement. Each compensation warrant entitles its holder to purchase one common share of the Company's capital at a price of $0.25 for a period of five years from the issuance date.