

**AUXICO RESOURCES CANADA INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS – QUARTERLY HIGHLIGHTS**  
**FOR THE THREE AND NINE-MONTH PERIOD ENDED JUNE 30, 2017**

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**OVERVIEW**

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This following management's discussion and analysis (quarterly highlights) of the financial condition and results of operations ("MD&A") covers the operations of Auxico Resources Canada Inc. ("Auxico" or the "Company") for the three and nine-month period ended June 30, 2017. 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 unaudited condensed interim consolidated statements for the three and nine-month period ended June 30, 2017; the Company's audited consolidated financial statements for the year ended September 30, 2016; and the Company's MD&A for the year ended September 30, 2016. The accompanying audited and unaudited 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](http://www.auxicoresources.com) and on SEDAR ([www.sedar.com](http://www.sedar.com)) under "Auxico Resources Canada Inc."

This MD&A is dated September 7, 2017.

**COMPANY DESCRIPTION**

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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").

**OVERVIEW OF THE THREE AND NINE-MONTH PERIOD ENDED JUNE 30, 2017**

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On October 17, 2016, the Company signed a Memorandum of Understanding ("MOU") with the Lender involved in the Farm-out Agreement mentioned below 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 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.

On April 7, 2017, in accordance with the MOU signed on October 16, 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.

During the nine-month period ended June 30, 2017, the Company completed a non-brokered private placement, raising gross proceeds of \$1,827,500 by issuing 7,310,000 common shares of the capital of the Company at a price of \$0.25 per common share. The issuance of these shares has been the principal source of cash flow and liquidity for the Company.

## **FINANCIAL POSITION**

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The Company prepared its condensed consolidated financial statements in accordance with the International Financial Reporting Standards ("IFRS"). The Company's condensed interim 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 condensed interim consolidated financial statements for the periods then ended. The financial position of Auxico at June 30, 2017 (unaudited) and September 30, 2016 (audited) is presented below:

**Condensed Interim Consolidated Statements of Financial Position**

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

Cash and cash equivalents at June 30, 2017 were \$373,048 compared to \$7,542 at September 30, 2016. In addition, Auxico had restricted cash of \$500,000 as at June 30, 2017 (September 30, 2016 – \$Nil). This difference is due to the private placements that the Company closed in the nine-month period ended June 30, 2017, as described above.

In January 2017, the Company 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, the lawyers of Auxico. This is represented as restricted cash on the condensed interim consolidated statement of financial position.

Under shareholders' equity, the shares to be issued include the amount from Manitex (for \$500,000).

As at June 30, 2017, the Company had a contributed surplus of \$450,570 (September 30, 2016 – \$Nil). This is a non-cash charge associated with the value of options granted, as described above.

As at June 30, 2017, there is a provision on the condensed interim consolidated statement of financial position for \$100,000 (September 30, 2016 – \$Nil). 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 of 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.

As of June 30, 2017, Auxico had working capital of \$907,526, compared to a working capital deficit of \$45,798 at September 30, 2016.

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 June 30, 2017, cumulative mining property acquisition costs and exploration and evaluation expenses incurred amounted to \$796,020 (September 30, 2016 – \$602,253). The details on these assets are presented below.

	<b>Mining property acquisition costs \$</b>	<b>Exploration and evaluation expenses \$</b>	<b>Total \$</b>
Balance, as at September 30, 2016 (audited)	181,400	420,853	602,253
Additions			
Exploration and evaluation expenses			
Mineral rights maintenance		36,353	36,353
Geological		157,414	157,414
<b>Balance, as at June 30, 2017 (unaudited)</b>	<b>181,400</b>	<b>614,620</b>	<b>796,020</b>

## **RESULTS OF OPERATIONS**

For the three-month period ended June 30, 2017, the Company recorded a net loss and comprehensive loss of \$194,031, compared to a net loss and comprehensive loss of \$167,954 for the three-month period ended June 30, 2016. For the nine-month period ended June 30, 2017, Auxico recorded a net loss and comprehensive loss of \$1,021,732, compared to a net loss and comprehensive loss of \$231,638 for the nine-month period ended June 30, 2016. Details for the three and nine-month periods ended June 30, 2017 and 2016 are presented below:

**Condensed Interim Consolidated Statements of Loss and Comprehensive Loss**

<b>For the three-month periods ended June 30</b>	<b>2017</b>	<b>2016</b>	<b>Variance</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Expenses</b>			
Professional fees	80,943	82,961	(2,018)
Management fees	45,000	30,000	15,000
Legal fees	44,381	24,579	19,802
Travel expenses	9,923	7,584	2,339
Office expenses	1,731	1,257	474
Rent	10,175	6,900	3,275
Interest and bank fees	1,535	4,829	(3,294)
Interest on loans	-	2,687	(2,687)
Losses (gains) on foreign exchange	343	(50)	393
	194,031	160,747	33,284
<b>Loss before income taxes</b>	<b>(194,031)</b>	<b>(160,747)</b>	<b>(33,284)</b>
Deferred income taxes	-	(7,207)	7,207
<b>Net loss and comprehensive loss</b>	<b>(194,031)</b>	<b>(167,954)</b>	<b>(26,077)</b>
Loss per share	(0.006)	(0.008)	
Weighted average number of shares outstanding	31,104,505	22,291,209	

**Condensed Interim Consolidated Statements of Loss and Comprehensive Loss**

<b>For the nine-month periods ended June 30</b>	<b>2017</b>	<b>2016</b>	<b>Variance</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Expenses</b>			
Professional fees	133,558	82,961	50,597
Management fees	135,000	90,000	45,000
Legal fees	82,928	24,579	58,349
Travel expenses	62,766	7,584	55,182
Office expenses	6,192	1,257	4,935
Advertising	10,470	-	10,470
Rent	30,525	9,850	20,675
Research and development expenses	5,085	-	5,085
Interest and bank fees	5,238	5,563	(325)
Loss on settlement	100,000	-	100,000
Interest on loans	-	2,687	(2,687)
Stock-based compensation	450,570	-	450,570
Losses (gains) on foreign exchange	(600)	(50)	(550)
	1,021,732	224,431	797,301
<b>Loss before income taxes</b>	<b>(1,021,732)</b>	<b>(224,431)</b>	<b>(797,301)</b>
Deferred income taxes	-	(7,207)	7,207
<b>Net loss and comprehensive loss</b>	<b>(1,021,732)</b>	<b>(231,638)</b>	<b>(790,094)</b>
Loss per share	(0.037)	(0.011)	
Weighted average number of shares outstanding	27,640,696	21,762,774	

For both the three and nine-month periods ended June 30, 2017, the expenses incurred are higher than the expenses incurred in the corresponding periods of 2016. The principal reason for this difference is that the Company incurred additional professional, management, legal, travel and other expenses in the three and nine-month periods ended June 30, 2017 in order to prepare the Company for its listing as a public entity. The loss on

settlement of \$100,000 is a provision recognized by the Company in relation to the termination of the Amalgamation Agreement with Telferscot, as described above. The share-based compensation of \$450,570 is a non-cash charge associated with the granting of options.

Auxico is a mining exploration company and currently has no mining operations to generate sales and revenues. The Company will have to rely on private placements of equity and/or debt in order to cover its operating expenses and geological work at the Zamora Property in Mexico.

## **CASH FLOWS AND LIQUIDITY**

The following table outlines the Company's cash flows for the nine-month periods ended June 30, 2017 and 2016:

### **Condensed Interim Consolidated Statements of Cash Flows**

**For the nine- month periods ended June 30**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>Operating activities</b>		
Net loss and comprehensive loss	(1,021,732)	(231,638)
<i>Adjustments for:</i>		
Share-based compensation	450,570	-
<i>Changes in non-cash working capital items</i>		
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
<b>Cash flows (used in) from operating activities</b>	<b>(589,519)</b>	<b>(334,123)</b>
<b>Investing activities</b>		
Exploration and evaluation expenses	(193,767)	(103,320)
<b>Cash flows used in investing activities</b>	<b>(193,767)</b>	<b>(103,320)</b>
<b>Financing activities</b>		
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	-
Issuance costs	(109,247)	-
<b>Cash flows from financing activities</b>	<b>1,648,792</b>	<b>520,484</b>
Increase (decrease) in cash and cash equivalents	865,506	83,041
Cash and cash equivalents, beginning of the period	7,542	1,062
<b>Cash and cash equivalents, end of the period</b>	<b>873,048</b>	<b>84,103</b>
Cash and cash equivalents	373,048	84,103
Bank in trust	500,000	-
<b>Cash and cash equivalents, end of the period</b>	<b>873,048</b>	<b>84,103</b>

For the nine-month period ended June 30, 2017, Auxico generated an increase of cash of \$865,506, compared to an increase of cash of \$83,041 for the nine-month period ended June 30, 2016. This significant difference can be explained primarily by the private placements the Company concluded in the nine-month period ended June 30, 2017, as described above. The proceeds from the issue of equity and from shares to be issued generated \$1,827,500 in cash for the Company.

Cash used in operating activities amounted to \$589,519 in the nine-month period ended June 30, 2017. As the Company prepared for a public listing, it incurred additional operating expenses, as described above, in the nine-month period ended June 30, 2017. The provision of \$100,000 in the table above relates to the charge recognized by the Company in relation to the termination of the Amalgamation Agreement with Telferscot, as described above.

Exploration and evaluation expenses for the nine-month period ended June 30, 2017 were \$193,767, as compared to \$103,320 for the nine-month period ended June 30, 2016. These amounts relate to geological work at the Company's Zamora Property in Mexico.

At June 30, 2017, the cash balances and working capital of the Company were positive. As a mining exploration company, Auxico does not currently generate any revenues from operations and relies on access to equity and debt financings to cover operational expenses and geological work at the Zamora Property.

## **CAPITAL STRUCTURE**

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### Shares issued

At June 30, 2017, there were 29,210,000 issued and fully paid common shares and 2,000,000 common shares to be issued; this represents a total of 31,210,000 common shares.

### Warrants

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

### Stock options

At June 30, 2017, there were 2,475,000 stock options issued and outstanding to consultants, officers and directors of the Company. These stock options have a strike price of \$0.25, no vesting period and expire on February 9, 2022 (i.e. five years after the date of grant).

## **RELATED PARTY TRANSACTIONS AND BALANCES**

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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.

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

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

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

Gencap Inc. is a company controlled by the chairman of Auxico and provides management services to the Company. Seed Capital Inc. is a company controlled by the chairman as well and advanced funds to the Company prior to closing the recent private placements. Gestion Marengo Management Inc. is a company controlled by the president of Auxico and provided management services to the Company. Hitlab is a company controlled by the chairman of Auxico; the amounts above concern rental of office space paid by Auxico.

## **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.

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.

## **SUBSEQUENT EVENTS**

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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.

As at the date of this MD&A, there are 35,810,000 common shares issued and outstanding of Auxico.

## **RISKS AND UNCERTAINTIES**

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### **RISKS RELATED TO OUR BUSINESS:**

#### ***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 \$1,021,732 for the nine-month period ended June 30, 2017. At June 30, 2017, there was shareholders’ equity of \$1,690,724 and working capital of \$907,526. 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.

**THE BUSINESS OF MINERAL EXPLORATION IS SUBJECT TO MANY RISKS:**

***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 7<sup>th</sup> day of September, 2017

"signed"  
Mark Billings  
President

"signed"  
Jacques Arsenault  
Chief Financial Officer