AUXICO RESOURCES CANADA INC.

CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2017 AND 2016

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Contents

MANAGEMENT'S RESPONSIBILITY

To the Shareholders of Auxico Resources Canada Inc.,

Management is responsible for the preparation and presentation of the accompanying 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 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 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 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.

January 29, 2018

/s/ Mark Billings
President

Guimond Lavallée inc.
Société de comptables professionnels agréés

INDEPENDENT AUDITORS' REPORT

To the shareholders of AUXICO RESOURCES CANADA INC.,

We have audited the accompanying consolidated financial statements of AUXICO RESOURCES CANADA INC., which comprise the consolidated statement of financial position as at September 30, 2017 and 2016, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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 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 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 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 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 consolidated financial statements.

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

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Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of AUXICO RESOURCES CANADA INC. as at September 30, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 2 in the consolidated financial statements which indicates that AUXICO RESOURCES CANADA INC. is still in exploration stage relating to its 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)
January 29, 2018

[1] CPA auditor, CA permit No. A128130

Auxico Resources Canada Inc.
Consolidated Statements of Financial Position
September 30, 2017 and 2016
(Expressed in Canadian Dollars)

	September 30, 2017	September 30, 2016
	$	$
ASSETS		
Current assets		
Cash & cash equivalents	**1,165,415**	7,542
Sales tax receivable	**43,737**	38,926
Prepaid expenses	**67,381**	30,019
Consulting and advisory services to be received	**179,900**	-
Advance to a director (note 15)	**20,562**	1,000
Advance to a company controlled by a director (note 15)	**27,246**	-
	1,504,241	77,487
Non-current assets		
Mining property acquisition costs (note 6)	**181,400**	181,400
Exploration and evaluation expenses (note 6)	**651,622**	420,853
TOTAL ASSETS	**2,337,263**	679,740
LIABILITIES		
Current liabilities		
Accounts payable and accruals	**124,963**	80,066
Provision (note 7)	**156,600**	-
Income taxes payable	**2,186**	1,004
Due to a company controlled by a director (note 15)	**-**	42,215
	283,749	123,285
Non-current liabilities		
Deferred income tax liabilities (note 14)	**31,025**	12,822
Total Liabilities	**314,774**	136,107
SHAREHOLDERS' EQUITY		
Share capital (note 8)	**3,578,059**	794,087
Contributed surplus (note 8)	**450,570**	-
Warrants (note 8)	**3,235**	-
Deficit	**(2,009,375)**	(250,454)
Total shareholders' equity	**2,022,489**	543,633
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	**2,337,263**	679,740

Going Concern (note 2), Commitments and Contingencies (note 16), Subsequent Events (note 18)

Approved on behalf of the Board:

Signed "Pierre Gauthier", Director

Signed "Mark Billings", Director

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

Auxico Resources Canada Inc.
Consolidated Statements of Loss and Comprehensive Loss
For the years ended September 30, 2017 and 2016
(Expressed in Canadian Dollars)

For the years ended September 30,	2017	2016
	$	$
Expenses		
Professional fees	**557,153**	74,251
Management fees	**243,000**	146,000
Legal fees	**123,046**	42,477
Travel expenses	**87,983**	7,888
Office expenses	**9,016**	1,059
Rent	**39,916**	23,416
Advertising	**12,172**	2,101
Taxes and permits	**3,347**	710
Telecommunication	**1,576**	-
Public listing fees	**24,227**	-
Research and development expenses	**5,085**	-
Interest and bank fees	**7,293**	2,410
Interest on loans	**-**	6,843
Interests and penalties	**-**	16,110
Litigation provision (note 7)	**156,600**	-
Stock-based compensation	**450,570**	-
Loss on foreign exchange	**17,715**	3,176
	1,738,699	326,441
Loss before income taxes	**(1,738,699)**	(326,441)
Income taxes		
Current income tax expense (note 14)	2,019	1,004
Deferred income tax recovery (note 14)	18,203	(9,169)
	20,222	(8,165)
Net loss and comprehensive loss	**(1,758,921)**	(318,276)
Loss per share - basic & diluted (note 9)	**(0.061)**	(0.014)
Weighted average number of shares outstanding	**28,944,838**	22,306,557

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

Auxico Resources Canada Inc.
Consolidated Statements of Changes in Equity
For the years ended September 30, 2017 and 2016
(Expressed in Canadian Dollars)

	SHARE CAPITAL (Note 8)		RETAINED EARNINGS (DEFICIT)	WARRANTS (Note 8)	CONTRIBUTED SURPLUS	TOTAL EQUITY
	#	$	$	$	$	$
Balance, as at October 1, 2015	21,500,000	234,087	67,822	-	-	301,909
Shares issued in private placement	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	23,900,000	794,087	(250,454)	-	-	543,633
Shares issued in private placement	9,782,300	2,445,575	-	-	-	2,445,575
Shares issued for consulting and advertising services	2,000,000	500,000	-	-	-	500,000
Shares issued in crowdfunding agreement	127,700	31,925	-	-	-	31,925
Issuance costs	-	(193,528)	-	-	-	(193,528)
Share-based compensation	-	-	-	-	450,570	450,570
Net loss and comprehensive loss for the year	-	-	(1,758,921)	-	-	(1,758,921)
Warrants issued	-	-	-	3,235	-	3,235
Balance, as at September 30, 2017	**35,810,000**	**3,578,059**	**(2,009,375)**	**3,235**	**450,570**	**2,022,489**

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

Auxico Resources Canada Inc.
Consolidated Statements of Cash Flows
For the years ended September 30, 2017 and 2016
(Expressed in Canadian Dollars)

For the years ended September 30,	**2017**	2016
	$	$
Cash used in operating activities		
Net loss	**(1,758,921)**	(318,276)
Adjustments for:		
Deferred income tax expense (recovery)	**18,203**	(9,169)
Share-based compensation	**450,570**	-
Unrealized foreign exchange loss	**2,423**	833
Net changes in non-cash working capital items:		
Sales tax receivable	**(4,811)**	(38,926)
Prepaid expenses	**(37,362)**	(30,019)
Consulting and advisory services to be received [a]	**(179,900)**	-
Accounts payable and accruals	**44,897**	11,500
Provision	**156,600**	-
Income taxes payable	**1,182**	1,004
	(1,307,119)	(383,053)
Cash used in investing activities		
Exploration and evaluation expenses	**(230,769)**	(124,515)
	(230,769)	(124,515)
Cash flows from financing activities		
Advance to a director	**(19,562)**	15,666
Due to a company controlled by a director	**(69,461)**	(60,785)
Proceeds from issuance of shares [a]	**2,977,500**	600,000
Issuance costs paid	**(190,293)**	(40,000)
	2,698,184	514,881
Increase in cash and cash equivalents	**1,160,296**	7,313
Cash and cash equivalents, beginning of the years	**7,542**	1,062
Effect of foreign exchange rate fluctuations on cash and cash equivalents	**(2,423)**	(833)
Cash and cash equivalents, end of the years	**1,165,415**	7,542
Supplemental informations		
Interest paid	**7,293**	9,253

[a] Non-cash financing activities include:

Share issuance in exchange of consulting and advisory services	**459,900**	-

The accompanying notes form an integral part of the 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, 2017, the Company recorded a net comprehensive loss of $1,758,921 (September 30, 2016 - $318,276) and deficit of $2,009,375 (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.

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

These consolidated financial statements were approved and authorized for issuance by the Board of Directors on January 29, 2018.

Basis of measurement

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

4. SIGNIFICANT ACCOUNTING POLICIES

Share issuance 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 compensation

A share-based compensation plan has been granted by the Company to its directors, officers and employees. Share-based compensation expense is measured based on the fair value at the grant date and recognized over the period that the employees unconditionally become entitled to the awards with a corresponding increase in contributed surplus. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service conditions at the vesting date. For non-employees, the fair value of the options is remeasured and recognized over the service period.

Upon the exercice of the options, any consideration received from plan participants is credited to share capital; the amount originally credited to contributed surplus is also reclassified to share capital.

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as a finance expense.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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. Loans and receivables comprise cash and cash equivalents, advance to a director without interest and advance to a company controlled by a director.

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, provision and due to a company controlled 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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 non-financial 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes (continued)

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.

Significant accounting judgements, estimates and assumptions

The preparation of the Company's 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 consolidated financial statements and reported amounts of revenues and expenses during the reporting year. 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgements, estimates and assumptions (continued)

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) Provisions and recognition or not of a liability for loss contingencies

A provision is recognized if, as a result of a past event, the Company has a present legal constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Refer to note 7.

e) Determination of deferred income taxes

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be used. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will be available to allow the deferred tax asset to be recovered. There is no certainty that future income tax rates will be consistent with current estimates. Changes in tax rates increase the volatility of the Company's earnings.

f) 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.

5. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

IFRS 2 Share based payments

In June 2016, the IASB issued an amendment to IFRS 2 to clarify the measurement for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. The mandatory effective date of the amendment to IFRS 2 is for annual periods beginning on or after January 1, 2018. The Company has not yet determined the effect of the adoption of this standard on its consolidated financial statements.

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, 2017. 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, 2018. Earlier application is permitted. 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, 2017, 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, 2017, 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.

(Expressed in Canadian Dollars)

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.

Capitalized exploration and evaluation assets can be detailed as follows:

	Mining property acquisitions costs	**Exploration and evaluation expenses**	**Total**
	$	**$**	**$**
Balance, as at October 1, 2015	181,400	296,338	477,738
Additions	-	124,515	124,515
Balance, as at September 30, 2016	181,400	420,853	602,253
Additions	**-**	**230,769**	**230,769**
Balance, as at September 30, 2017	**181,400**	**651,622**	**833,022**

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

	2017	2016
	$	$
Mineral rights maintenance	**69,874**	83,417
Geological	**150,618**	40,966
Labs expenses	**10,277**	132
	230,769	124,515
Balance as at September 30, 2016	**420,853**	296,338
Balance as at September 30, 2017	**651,622**	420,853

(Expressed in Canadian Dollars)

7. PROVISION

	2017 **$**	2016 $
Balance as at September 30, 2016	-	-
Provision	**156,600**	-
Balance as at September 30, 2017	**156,600**	-

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.

8. 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, 2017, there were 35,810,000 issued and fully paid common shares.

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.

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 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.

6) In August 2017, the Company completed several non-brokered private placements, raising gross proceeds of $1,150,000 by issuing 4,600,000 common shares of the capital of the Company at a price of $0.25 per common share of which 2,000,000 common shares were issued for consulting and advisory services and 127,700 issued through a crowdfunding agreement.

Issuance costs of $193,528 were incurred for private placement closed in the year ended September 30, 2017.

(Expressed in Canadian Dollars)

8. SHARE CAPITAL (continued)

Warrants

On August 28, 2017, the Company issued 16,600 warrants. The fair value of these warrants was calculated using Black-Scholes pricing model using a share and exercise price of $0.25, risk free rate of 1.567%, volatility of 107.50%, vesting immediately and expected life of 5 years from date of grant resulting in a fair value of $3,235. Each warrant will entitle its holder to subscribe for and purchase one fully paid and non-assessable common share of the Company at a price of $0.25 at any time until the five year anniversary of the date of their issuance. 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 warrants outstanding are as follows:	Number of warrants	Weighted average exercise price
Balance, as at September 30, 2016	-	-
Issued	**16,600**	**$0.25**
Balance as at September 30, 2017	**16,600**	**$0.25**

The following table summarizes the information on outstanding warrants as at September 30, 2017:

Exercise price	Number of option	Weighted average number of remaining contractual life
$0.25	16,600	4.91

Stock options

On February 10, 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.

(Expressed in Canadian Dollars)

8. SHARE CAPITAL (continued)

Stock options (continued)

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

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

Exercise price	Number of option	Weighted average number of remaining contractual life
$0.25	2,475,000	4.36

9. LOSS PER SHARE

Basic EPS

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

Diluted EPS

Diluted EPS is computed by dividing net loss for a year 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 years ended September 30, 2017 and 2016. 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.

(Expressed in Canadian Dollars)

10. 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	
	2017	2016
	$	$
Canada	**1,545,420**	188,899
Mexico	**791,843**	490,841
Total assets	**2,337,263**	679,740
Canada	**260,284**	127,663
Mexico	**54,490**	8,444
Total liabilities	**314,774**	136,107
Canada	**2,024,314**	472,114
Mexico	**(1,825)**	71,519
Total shareholder's equity	**2,022,489**	543,633
Canada	**1,685,578**	295,113
Mexico	**73,343**	23,163
Net loss and comprehensive loss	**1,758,921**	318,276

11. 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.

(Expressed in Canadian Dollars)

11. CAPITAL MANAGEMENT (continued)

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	
	2017	2016
	$	$
Cash & cash equivalents	**1,165,415**	7,542
Advance to a director without interest	**20,562**	1,000
Advance (Due) to a company controlled by a director	**27,246**	(42,215)
Share capital	**3,578,059**	794,087

12. FINANCIAL INSTRUMENTS

As at September 30, 2017, the Company's financial instruments include cash and cash equivalents, consulting and advisory services to be received, advance to a director without interest, advance to a company controlled by a director bearing interest at an annual rate of 10% and accounts payable and accruals, 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 13.

13. 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	
	2017	2016
	$	$
Cash & cash equivalents (United States)	**70,435**	27
Cash & cash equivalents (Mexico)	**66,567**	5,010
Net exposure	**137,002**	**5,037**

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 controlled 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.

(Expressed in Canadian Dollars)

13. 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, 2017 the Company has a working capital of $1,220,492 (September 30, 2016 - $45,798 deficiency)

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	**124,963**	-	-
Provision	**156,600**	-	-

14. 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% (2016 – 26.9%) as a result of the following:

	For the years ended September 30	
	2017 $	**2016** $
Loss before income taxes	(1,738,699)	(326,441)
Tax recovery using the Company's domestic tax rate	(467,710)	(87,813)
Loss in foreign jurisdiction subject to a different tax rate	(2,211)	(673)
Inflation adjustment in foreign jurisdiction subject to a different tax rate	12,167	1,384
Deduction from losses carry forward in foreign jurisdiction	9,220	(380)
Change in recognized deductible temporary difference	(2,716)	(2,882)
Non-deductible expenses	162,096	4,359
Tax benefits not recognized	287,135	87,009
Total current income tax expenses	2,019	1,004

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

(Expressed in Canadian Dollars)

14. INCOME TAXES (continued)

	For the years ended September 30	
	2017	**2016**
	$	**$**
Deferred tax assets		
Non-capital losses	-	-
Deferred tax liabilities		
Exploration and evaluation assets	(15,538)	(12,822)
Issuance costs	(15,487)	(-)
Net deferred tax liabilities	(31,025)	(12,822)

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	-
2037	1,071,460	1,069,057	-
	1,416.080	1,413,677	-

Movement in deferred tax balances during the year:

	Balance October 1, 2015 $	Recognized in profit or loss $	Balance September 30, 2016 $	Recognized in profit or loss $	Balance September 30, 2017 $
Exploration and evaluation assets	(22,429)	9,607	(12,822)	(2,716)	(15,538)
Issuance costs	-	-	-	(15,487)	(15,487)
Non-capital losses	438	(438)	-	-	-
	(21,991)	9,169	(12,822)	(18,203)	(31,025)

(Expressed in Canadian Dollars)

14. INCOME TAXES (continued)

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	
	2017	**2016**
	$	**$**
Non-capital losses	(287,135)	(87,009)

15. RELATED PARTY TRANSACTIONS

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

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.

	2017	2016
	$	$
Management fees		
Companies controlled by a Director	**128,000**	146,000
Key management personnel and Director	**127,784**	-
Share-based compensation		
Key management personnel and Director	**327,687**	-
Rent		
Company controlled by a Director	**39,916**	23,416

(Expressed in Canadian Dollars)

15. RELATED PARTY TRANSACTIONS (continued)

	Year	Interest received (paid) $	Amounts owed by related parties $	Amounts owed to related parties $
Key management personnel and Director	**2017**	**-**	**20,562**	**-**
	2016	2,108	1,000	-
Company controlled by a Director	**2017**	**-**	**27,246**	**-**
	2016	(8,950)	-	53,713

The advance to a director is unsecured, payable on demand and bears no interest.

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

16. 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.

16. COMMITMENTS AND CONTINGENCIES (continued)

On April 7, 2017, in accordance with the Memorandum of Understanding ("MOU") signed on October 17, 2016, a Gold Loan Settlement 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 September 26, 2017, an amending agreement was made to the Gold Loan Settlement Agreement signed April 7, 2017 in which the parties agreed to extend the repayment of the settlement to December 31, 2017. Refer to Note 18 for detailed second amending agreement.

17. COMPARATIVE FIGURES

Certain figures for 2016 have been reclassified to make their presentation identical to that adopted in 2017.

18. SUBSEQUENT EVENTS

On October 17, 2017, the common shares of the Company have been approved for listing on the CSE.

On October 23, 2017, the Board of Directors issued 1,100,000 stock options to consultants, officers and directors of the Company. These stock options have a strike price of $0.40, no vesting period and expire in 5 years. The fair value of the options was estimated at $0.3118 per option at the grant date for a total of $342,980 using the Black-Scholes option pricing-model with the following assumptions: risk-free interest rate of 1.567%, expected volatility of 107.50% and expected option life of five years.

On January 1, 2018, the Company signed a second amending agreement to the Gold Loan Settlement Agreement as described in Note 16. As repayment of the settlement, the Company will pay to the Lender a total of US$400,000 in cash payable on or before June 30, 2018 and a total of 1,000,000 common shares of the Company.