OVERVIEW

This following management's discussion and analysis of the financial condition and results of operations ("MD&A") covers the operations of Auxico Resources Canada Inc. ("Auxico" or the "Company") for the year ended September 30, 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 audited consolidated financial statements for the year ended September 30, 2017. The accompanying audited consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). The financial statements and this MD&A are intended to provide investors with a reasonable basis for assessing the financial performance of the Company.

Additional information related to the Company is available for viewing on the Company's website at www.auxicoresources.com and on SEDAR (www.sedar.com) under "Auxico Resources Canada Inc."

This MD&A is dated January 29, 2018.

FORWARD-LOOKING INFORMATION

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

COMPANY DESCRIPTION

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

Auxico has a 100% interest in the Zamora Silver-Gold Property, which is located 85 km southeast of the city of Culiacan and some 9 km northeast of the village of El Espinal in the state of Sinaloa, Mexico. The property is easily accessible year round via gravel roads. Historical underground workings date back to the 1800's, during which an undetermined amount of ore was mined following the main vein structures. Most of the work in the past year has been conducted over the Aguamas Gold Mine area due to the presence of a newly discovered gold zone that will be described in some detail. Only a few selected samples were taken in other parts of the property.

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

Figure 1: Location Map

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

Lot Name	Lot Number	Area (He)
Campanillas	224618	105.6427
Chio	227400	92.1787
Gaby	277399	80.0000
San Felipe	224654	100.0000
Zamora	225182	2998.8051
Total		**3376.6265**

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

The table below shows the various mines / prospects on the Zamora Property as per the table in the NI 43-101 Technical Report, listed from north to south. This table also provides information on the best samples generated from the 2014 exploration campaign and compared to the best historic samples.

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

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

2017 Campaign

In January, 2017, the author of the NI 43-101 Technical Report selected one grab sample from the recently discovered Aguamas 1 mine portal which returned 9.7 g/t Au. The sample is characterized as a silicified hydrothermal volcanic breccia containing quartz veins and stockwork quartz veins with varying degrees of sulphides, most of which are in the form of pyrite and subordinate silver sulphides and native silver which is often dendritic in nature. The high-grade nature of the gold in this sample led the Company to further explore the area surrounding the Aguamas 1 mine. Subsequent prospecting led to the discovery of the Aguamas 2 mine some 126m north-northwest of

Aguamas 1. The technical team decided to excavate a trench on the road which is 25m north of Aguamas 1. The following paragraph describes in detail the results of the initial trench 1 on the road.

Highlights of the recent results from the trenching program at Aguamas are shown in the table below:

Location	Sample Length (m)	Au (g/t)	Ag (g/t)	Comments
Aguamas 1 Adit		34.05	98.78	grab sample near adit
Aguamas 2 Adit		14.87	192.22	grab sample near adit
Trench 1	50	0.85		50m channel sample
including	3	13.07		3m channel sample
Trench 2	14.4	0.79		14.4m channel sample
including	2.9	3.44	65.1	2.9m channel sample
including	0.5	9.90	65.74	0.5m channel sample
Trench 2		10.21	362.59	chip sample
Trench 2		8.15	142.42	chip sample
Trench 2	6	0.70	18.23	6m channel sample of flat veins on trench wall
Trench 3A	10	0.16		10m channel sample
Trench 4	9.5	0.47		9.5m channel sample
including	4.5	0.84		4.5m channel sample
including	0.5	1.95		0.5 channel sample
including	0.5	1.53		0.5m channel sample

Auxico plans to conduct a diamond drilling program at Aguamas, as well as conduct more detailed exploration activities throughout the Property in order to properly evaluate the potential of this extensive breccia horizon.

Net Smelter Return Royalty ("NSRR")

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

Additional Information

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

Qualified Person

The technical content of this MD&A has been reviewed and approved by Joel Scodnick, P.Geo., a Qualified Person as defined by Canadian Securities Administration National Instrument 43-101 "Standards of Disclosure for Mineral Projects" ("NI 43-101"). The report titled "Technical Report on the Zamora Silver-Gold Property, Sinaloa, Mexico", with an effective date of March 25, 2016 (as amended on August 16, 2017), was prepared by Joel Scodnick.

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

<u>Aguamas Update</u>

A Phase Two trenching/channel sampling program was carried out in the second part of 2017 to follow up on initial encouraging results received from a single trench completed in the early part of 2017. Phase Two trenching/channel sampling was concluded with 209 samples totaling 104.7m taken from 8 trenches.

The Aguamas gold deposit area occupies a small portion of the greater Zamora Ag-Au project. The Aguamas area is defined by two historic workings identified to-date; two adits separated by **126** metres whose underground connectivity has not been established due to high water and sediment fill. Other historic workings in the Aguamas area include pits and blasted outcrops. The area is characterized by a series of quartz vein sets of variable directions within a hydrothermally altered volcanic breccia of highly variable silicification. Other alteration of the breccia includes epidotization. The volcanic breccia is heterolithic with fragments displaying multiple periods of fragmentation; of probable tuff origin.

The larger Zamora Project area, which encompasses Aguamas, is host to **25** past producers (Ag/Au) and occurrences. These are predominantly Ag-rich and so far define 2 structural trends. Gold bearing zones at Aguamas appear to be related to silicified breccia and quartz veins containing finely disseminated sulphide. Initial results from Trench 1 located along the roadside at Aguamas returned up to 13.07 gpt Au over 3 metres. Aguamas is unique in its predominance of Au and occupies one of these trends. Prospecting at Aguamas shows that the silicified breccia containing finely disseminated pyrite and black opaques continues well beyond the current work area, and in the last batch of results to come in, one of the chip samples from prospecting returned 2 g/t Au and 56 g/t Ag some 200m south-southeast of the Aguamas 1 mine. Prospecting has also identified a similar quartz vein defined by a steep sloping ridge and silicification zone parallel to the current Aguamas trend at around 150m to the east. This ridge can be followed for several hundred metres all the way to the historic Periguete gold mine.

Further work is required to fully test the extent of Aguamas Au-Ag zone and the other highly prospective and Ag/Ag rich occurrences at Zamora. Diamond drilling is recommended to test Aguamas Au mineralization below the lateritic profile.

In addition to the focused trenching/channel sampling program, excavation of the historic workings at Aguamas was initiated with the objective of accessing fresh unweathered sample material (not laterized). Excavation of Aguamas 1 showed the underground workings extending at least an estimated 15 metres into a small gallery. At Aguamas 2 excavation was limited due to the steep slope of the entry and fill with sediment. Both underground developments have not been entirely investigated. Their extent and even possible connection have not been established as of yet. Due to the volume of soil material and water, insufficient access was obtained for sampling at during this work program.

The Aguamas area is underlain by what appears to be a single rock type; a variable heterolithic volcanic tuff breccia. Fragments are varied and often of breccias themselves (multi brecciated); usually less than 2cm in size but can also reach >10cm. Alteration of the breccia is predominantly silicification and associated with local quartz veining and stockwork. Very strong silicification can severely obscure the primary textures of the fragments. Au and Ag mineralization is interpreted to be associated with quartz rich portions of the breccia and associated with finely disseminated pyrite. Beige silicious unit in trench 3C is a highly silicified volcanic breccia where the fragments are no longer distinct or is a separate unit.

Summary of trench sampling.

Trench ID	# Samples	Metres	Sample Series
T1	18	9.3	169601-618
T2	29	14.4	169619-647
T2B	16	8.0	169814-829
T3A	30	15.0	169658-687
T3B	50	25.0	169688-730, 169740-746
T3C	41	20.5	169769-785, 169790-813
T4	19	9.5	160747-756, 169760-768
T5	6	3.0	169830-835
	209	104.7	

Phase Two program trench location (start/finish).

Trench ID	NAD83Z13_East	NAD83Z13_West	NAD83Z13_West	NAD83Z13_East
T1	310457	2677775	2677774	310446
T2	310426	2677800	2677790	310410
T2B	310415	2677812	2677809	310402
T3A	310405	2677816	2677809	310391
T3B	310390	2677801	2677799	310368
T3C	310432	2677825	2677816	310413
T4	310380	2677819	2677816	310371
T5	310406	2677825	2677822	310398

The Phase Two Aguamas trend trench/channel sampling program comprised 209 samples between the historic adits. Aguamas 1 is located approximately **126** metres from Aguamas 2 with a pit between located nearer to Aguamas 1. Quartz veins exposed in the trench walls were sampled as chips in a few trenches. Some flat lying quartz veins and rare steep quartz veins trending parallel to the trenches would not have been sampled in the channels at the base of the trenches.

Initial trench/channel sampling was carried out over a portion of the Aguamas Au-Ag area where previous sampling of two adits and one pit yielded high concentrations of these precious metals. Initial follow up trenching and channel sampling at the base of the trench provided further results with high Au and Ag concentrations.

Trenching through the soil and laterite profile was achieved using a back hoe and manual cleaning with broom and shovel. Once the bottom of the trench sufficiently exposed to bedrock (in-situ weakly to strongly laterized but retardant to the back hoe), a channel sample was cut and removed along the length of the trench using a diamond blade Stihl saw. The channel was cut to approximate 2 inch width and 4 inch depth with samples taken each 1 metre (with few exceptions).

A second phase of trenching and channel sampling was completed to trace the encouraging results between the two adits at Aguamas and including resampling of the initial trench using a slightly refined method involving additional cuts to the channel to achieve a deeper sample. Eight trenches were completed between Aguamas 1 & 2; somewhat restricted and controlled by topography and limiting the negative impact on vegetation. Some trenches expose steep bedrock profile with steep slopes up to 3 metres vertically. Phase two trenching utilized channel sampling as before but with nominal 50 centimetre sample length and greater ~8 inch depth (equivalent to two saw cut depths). Also each sample is accompanied by a second “look at” sample which is comprised of material from a 2 inch wide channel each side of the laboratory sample.


Back hoe facilitated trenching through soil and upper laterite and cutting of channel sample at base.

During the Phase Two program, an additional 26 samples were taken from the side wall of trenches and in the Aguamas vicinity.

ID	# Samples	Type	Sample Series	
T2	10	chip	169648-657	**6m flat vein and steep veins grading 0.70 g/t Au**
T3A	3	chip	169757-759	A, B & C in pics
Area	12	grab	169731-738, 169786-789	Outcrop with quartz veins
Area	1	stream	169739	Collection of sediment
	26			

Habit of quartz vein material sampled along trench walls. Pics 1 to 3; A, B & C in trench 3A (samples 169757-759). Pic 4; flat vein in trench 2 sampled at 1m intervals for a 6m length (sample 169648-653). Pic 5; steep quartz veins in trench 2 (samples 169654-655).

Location of area samples; not within trenches.

Sample	NAD83Z13_East	NAD83Z13_West	Comment
169731	310458	2677606	Breccia with qtz & possible fine diss sulph
169732	310429	2677715	Pit above Aguamas 3. Qtz rich bx with fine sulph
169733	310427	2677725	Qtz bx at Aguamas 3 with fine diss sulph
169734	310430	2677712	Near Aguamas 3 with fine diss sulph
169735	310380	2677842	Inside Aguamas 2 with fine diss sulph
169736	310403	2677934	Qtz vein at creek near Aguamas 2 with sulph
169737	310435	2677934	Qtz rich laterized with NVS
169738	310398	2677931	Qtz rich $ qtz vein by creek near Aguamas 2
169739	310398	2677931	Stream sediments near Aguamas 2
169786	310524	2677638	Qtz bx near creek with diss sulph
169787	310526	2677584	Qtz vein in creek
169788	310531	2677554	Qtz vein in creek with diss sulph
169789	310519	2677415	Mix of bx and qtz vein with diss sulph

Sample method begins with backhoe trenching through laterite profile to harder bedrock surface still variable laterized. Trenches were manually cleaned and then a channel sample cut along its entire length using a diamond blade power saw. From the channels, one sample was removed for submission to a lab and a second sample for observation and archive.

Channel sample length at the base of the trenches is 50cm with few exceptions. The sample length is measured along the trench floor and does not compensate for topography in the trench which is severe in some instances; thereby shortening the horizontal length of some samples considerably.

Sample consistency was maintained through constant width of the channels and constant depth of the channels. Minor variances occurred from time to time due to the logistics of the channel. Variations in sample recovery were encountered where laterization and fracturing of the bedrock was strong. Channel samples comprised broken rock, rubble, and “mud” (saw cuttings). Samples were removed from the channel cuts using a hammer and iron chisel. Caw cuttings (fine clay and mud) obscured geology along the trench which is already obscure due to laterization.

Larger pieces of the channel samples were washed to remove the clay cuttings and expose the rock for observation. Small pieces and rubble was left as is to ensure the integrity of the sample.

Subsequent to a brief sample description, the sample material in plastic bags was placed in plastic pails for shipment to the prep lab.

Completed channel samples at base of trench.

Samples were bagged with sample number marked on bag and sample ticket placed inside bag. Bags transported by CanaMex personnel to a local storage facility where they were placed in 5 gal plastic pails and sealed. The pails were labelled and taken by CanaMex personnel to FedEx for transportation to a prep lab.

- Due to laterization, samples removed are largely rubble and occasionally mud.
- Strong laterization precludes preservation of sulphides
- Multiple generation of quartz veins from microveinlets <1mm in width to massive quartz >10cm in width.
- Black opaque metallic dendritic mineral is ubiquitous possible product of laterization; iron
- Some black opaque may represent oxidized sulphide
- Color dominated by laterization. Individual fragments are grey, rarely purple, occasionally green
- Silicification is highly variable. Most predominant associated with quartz veining

The following Compilation Map (Figure 1) provides up to date information:

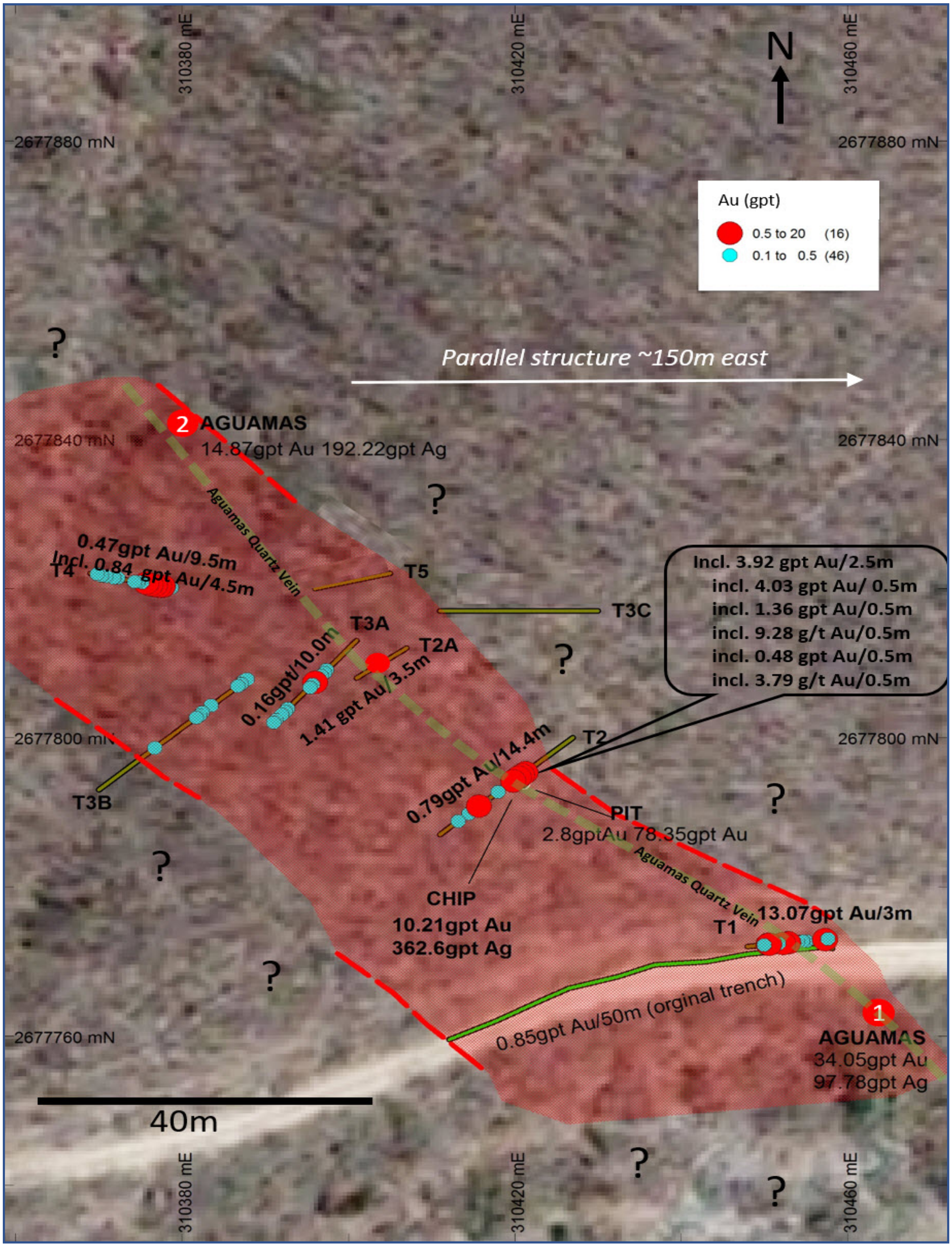

Figure 2: Compilation Map of Trench Results

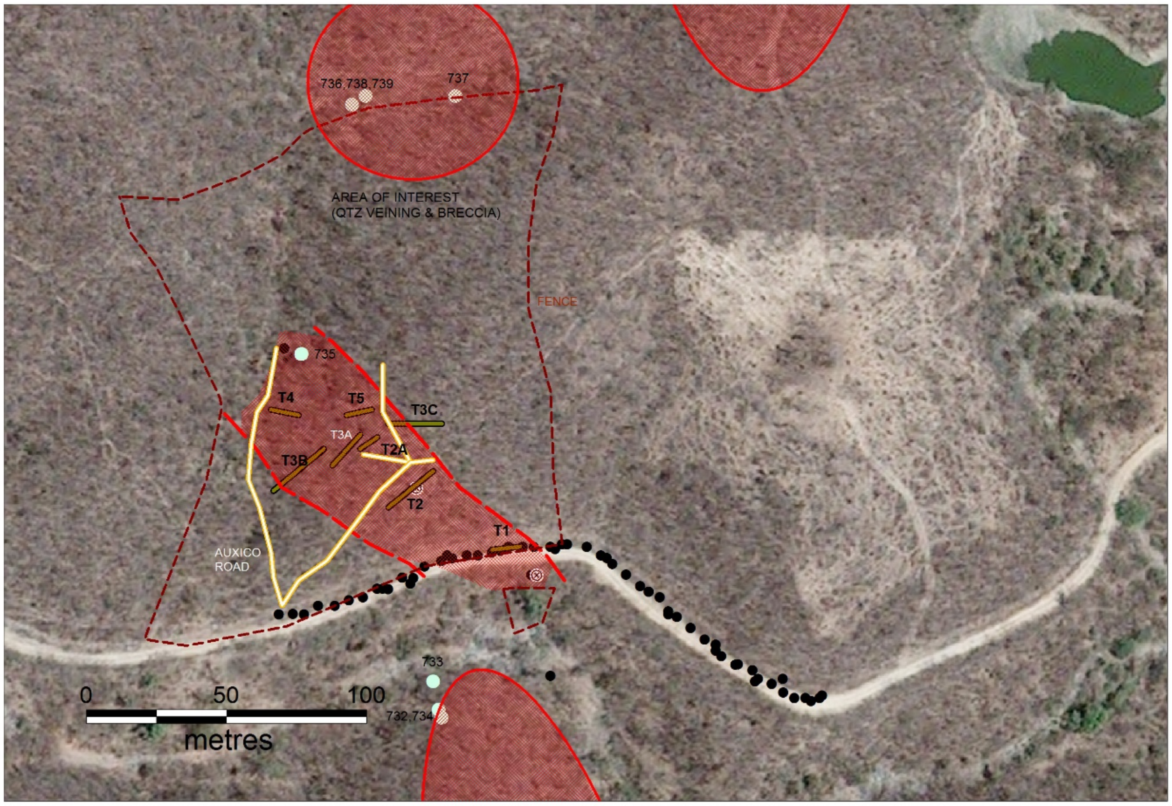

Figure 3: Layout of the Aguamas Trenches in respect of the fenced off area (dashed red line)

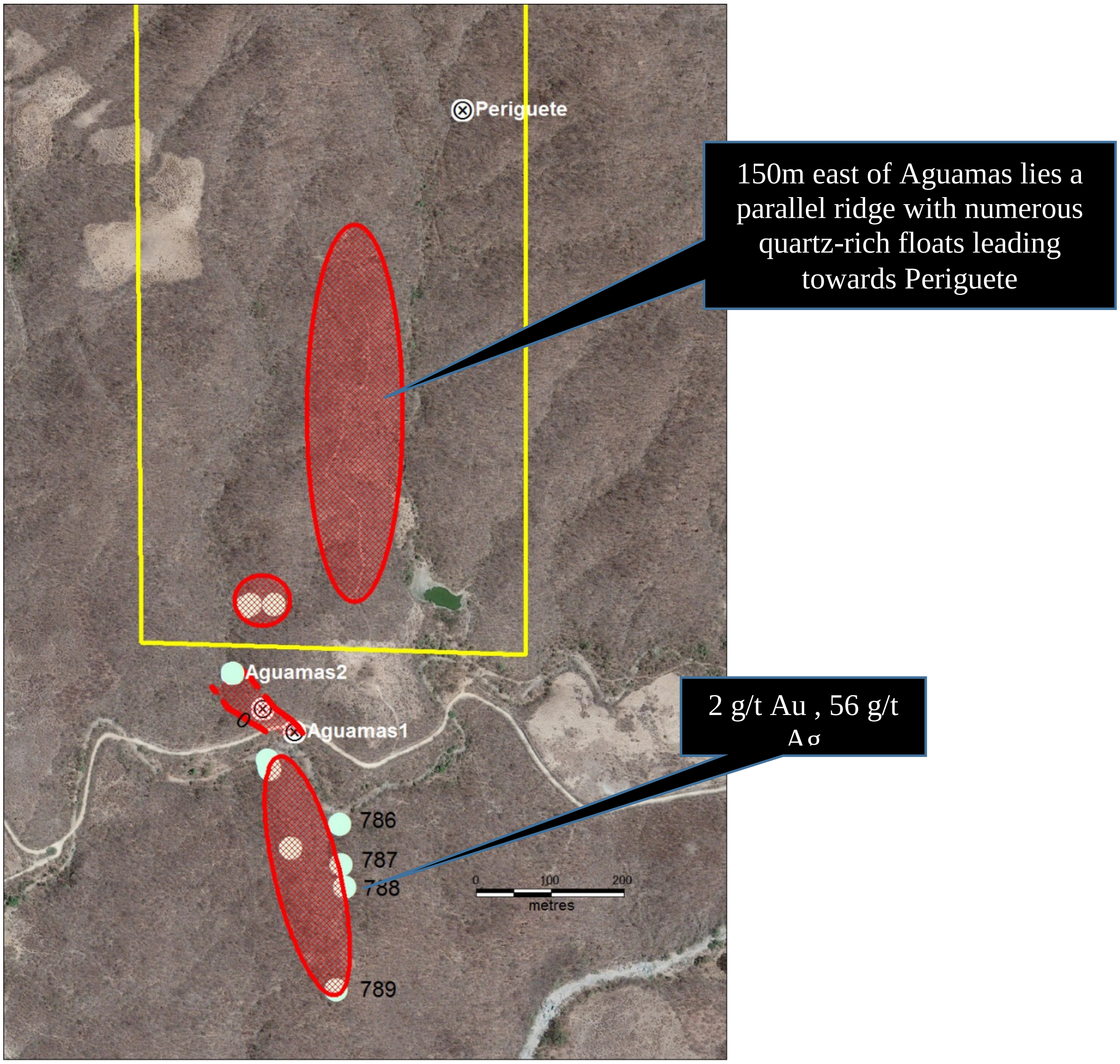

Figure 4: Areas of High Potential (red shaded areas)

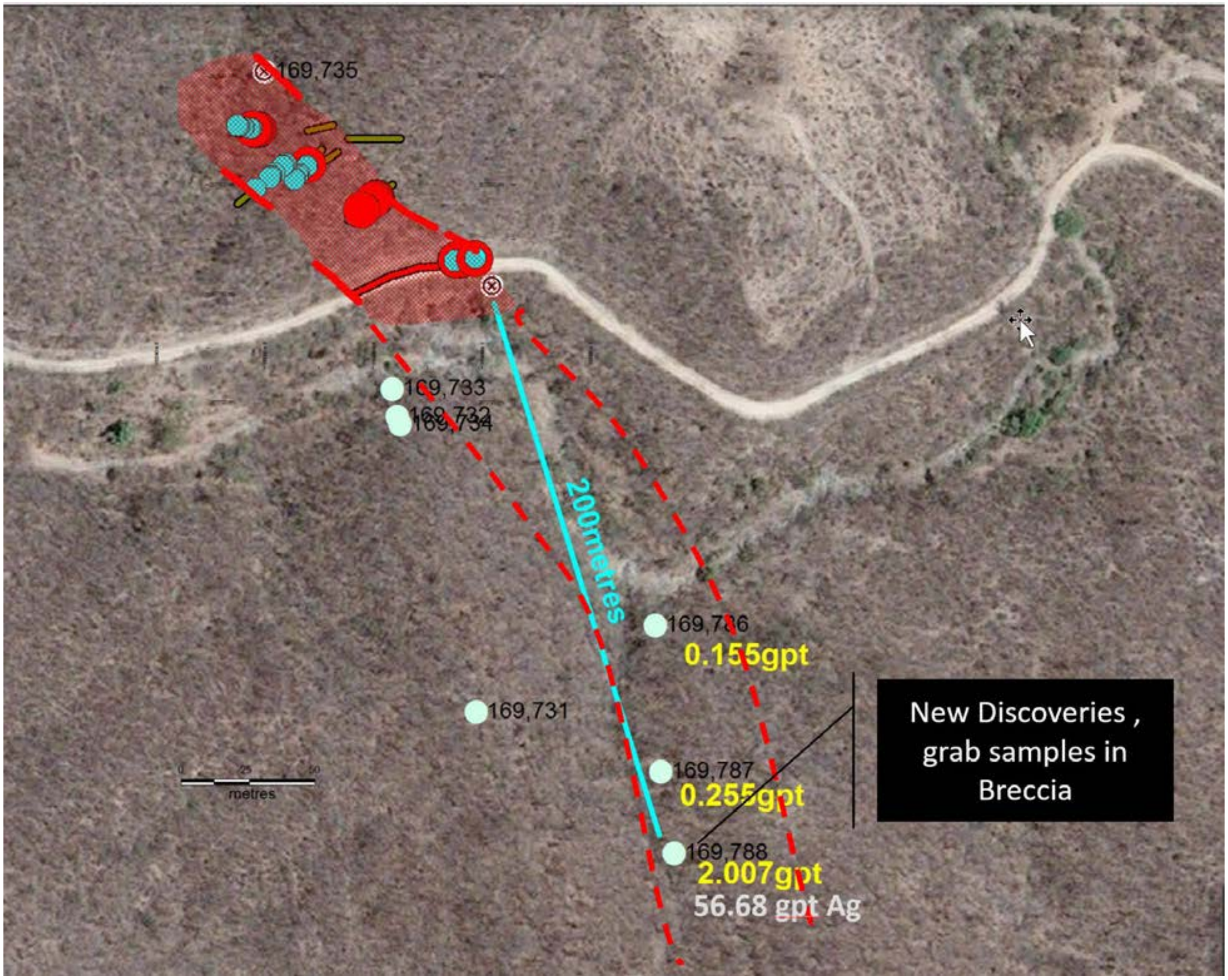

Figure 5: New Discover Map showing recent grab and chip samples

OVERVIEW OF THE YEAR ENDED SEPTEMBER 30, 2017

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 $150,000 in cash payable to Telferscot.

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.

On April 7, 2017, in accordance with the 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.

During the year ended September 30, 2017, the Company completed a non-brokered private placement, raising gross proceeds of $2,977,500 by issuing 11,910,000 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. The issuance of these shares has been the principal source of cash flow and liquidity for the Company.

On August 28, 2017, the Company issued 16,600 warrants. The fair value of these warrants was calculated using the Black-Scholes pricing model using a share and exercise price of $0.25, risk-free rate of 1.567%, volatility of 107.5%, vesting immediately and expected life of five years from the 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 from the date of their issuance.

On September 26, 2017, an amending agreement was made to the Gold Loan Settlement Agreement signed on April 7, 2017 in which the parties agreed to extend the repayment of the settlement to December 31, 2017.

SUBSEQUENT EVENTS

On October 17, 2017, the common shares of Auxico began trading on the Canadian Securities Exchange (“CSE”) under the ticker AUAG.

On October 23, 2017, the Company granted, pursuant to its 10% Rolling Stock Options Plan, options to consultants to purchase a total of 1,100,000 common shares, exercisable in whole or in part, on or before October 22, 2022 at an exercise price of $0.40 per share. The fair value of the options was estimated at $342,980 using the Black-Scholes option pricing model.

On January 1, 2018, the Company signed a second amending agreement on the Gold Loan Settlement Agreement as described above. 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.

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

FINANCIAL POSITION

The Company prepared its consolidated financial statements in accordance with the International Financial Reporting Standards (''IFRS''). The Company's consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the Company. For more detailed information, please refer to the Company’s consolidated financial statements for the years then ended. The financial position of Auxico at September 30, 2017 (audited) and September 30, 2016 (audited) is presented below:

Consolidated Statements of Financial Position

As at September 30 (audited)	2017	2016
	$	$
Assets		
Current assets		
Cash & cash equivalents	1,165,415	7,542
Sales tax receivables	43,737	38,926
Prepaid expenses	67,381	30,019
Consulting and advisory services to be received	179,900	-
Advance to a director	20,562	1,000
Advance to a company controlled by a director	27,246	-
	1,504,241	77,487
Non-current assets		
Mining property acquisition costs	181,400	181,400
Exploration and evaluation expenses	651,622	420,853
Total assets	**2,337,263**	**679,740**
Liabilities		
Current liabilities		
Accounts payable and accruals	124,963	80,066
Provision	156,600	-
Income taxes payable	2,186	1,004
Due to a company controlled by a director	-	42,215
	283,749	123,285
Non-current liabilities		
Deferred income tax liabilities	31,025	12,822
Total liabilities	**314,774**	**136,107**
Shareholders' Equity		
Share Capital	3,578,059	794,087
Contributed surplus	450,570	-
Warrants	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**

Cash and cash equivalents at September 30, 2017 were $1,165,415 compared to $7,542 at September 30, 2016. This difference is due to the private placements that the Company closed in the year ended September 30, 2017, as described above.

The consulting and advisory services to be received relates to a share issuance in exchange for consulting and advisory services.

As at September 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. In addition, as at September 30, 2017, the Company had an amount of $3,235 under Warrants (September 30, 2016 – $Nil). This is a non-cash charge associated with the value of warrants issued, as described above.

As at September 30, 2017, there is a provision on the annual consolidated statement of financial position for $156,600 (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 September 30, 2017, Auxico had working capital of $1,220,492, 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 September 30, 2017, cumulative mining property acquisition costs and exploration and evaluation expenses incurred amounted to $833,022 (September 30, 2016 – $602,253). The details on these assets are presented below.

	Mining property acquisition costs	**Exploration and evaluation expenses**	**Total**
	$	**$**	**$**
Balance, as at September 30, 2016 (audited)	181,400	420,853	602,253
Additions			
Exploration and evaluation expenses			
Mineral rights maintenance	-	69,874	69,874
Geological	-	150,618	150,618
Labs expenses	-	10,277	10,277
Balance, as at September 30, 2017 (audited)	**181,400**	**651,622**	**833,022**

RESULTS OF OPERATIONS

For the year ended September 30, 2017, the Company recorded a net loss and comprehensive loss of $1,758,921, compared to a net loss and comprehensive loss of $318,276 for the year ended September 30, 2016. Details for the years ended September 30, 2017 and 2016 are presented below:

Consolidated Statements of Loss and Comprehensive Loss

For the years ended September 30 (audited)	2017 $	2016 $	Variance $
Expenses			
Professional fees	557,153	74,251	482,902
Management fees	243,000	146,000	97,000
Legal fees	123,046	42,477	80,569
Travel expenses	87,983	7,888	80,095
Office expenses	9,016	1,059	7,957
Rent	39,916	23,416	16,500
Advertising	12,172	2,101	10,071
Taxes and permits	3,347	710	2,637
Telecommunication	1,576	-	1,576
Public listing fees	24,227	-	24,227
Research and development expenses	5,085	-	5,085
Interest and bank fees	7,293	2,410	4,883
Interest on loans	-	6,843	(6,843)
Interest and penalties	-	16,110	(16,110)
Litigation provision	156,600	-	156,600
Stock-based compensation	450,570	-	450,570
Loss on foreign exchange	17,715	3,176	14,539
	1,738,699	326,441	1,412,258
Loss before income taxes	(1,738,699)	(326,441)	(1,412,258)
Income taxes			
Current income tax expense	2,019	1,004	1,015
Deferred income tax recovery	18,203	(9,169)	27,372
	20,222	(8,165)	28,387
Net loss and comprehensive loss	**(1,758,921)**	**(318,276)**	**(1,440,645)**
Loss per share	(0.061)	(0.014)	
Weighted average number of shares outstanding	28,944,838	22,306,557	

For the year ended September 30, 2017, the expenses incurred are higher than the expenses incurred in the year ended September 30, 2016. The principal reason for this difference is that the Company incurred additional professional, management, legal, travel and other expenses in the year ended September 30, 2017 in order to prepare the Company for its listing as a public entity. The litigation provision of $156,600 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 years ended September 30, 2017 and 2016:

Consolidated Statements of Cash Flows

For the years ended September 30 (audited)	2017 $	2016 $
Cash used in operating activities		
Net loss and comprehensive loss	(1,758,921)	(318,276)
Adjustments for:		
Deferred income tax (recovery) expenses	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 receivable	(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 owned by a director	(69,461)	(60,785)
Proceeds from the issuance of shares	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**

For the year ended September 30, 2017, Auxico generated an increase of cash of $1,160,296, compared to an increase of cash of $7,313 for the year ended September 30, 2016. This significant difference can be explained primarily by the private placements the Company concluded in the year ended September 30, 2017, as described above. The proceeds from the issue of shares generated $2,977,500 in cash for the Company.

Cash used in operating activities amounted to $1,307,119 in the year ended September 30, 2017. As the Company prepared for a public listing, it incurred additional operating expenses, as described above, in the year ended September 30, 2017. The provision of $156,600 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 year ended September 30, 2017 were $230,769, as compared to $124,515 for the year ended September 30, 2016. These amounts relate to geological work at the Company's Zamora Property in Mexico.

At September 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

Shares issued

At September 30, 2017, there were 35,810,000 issued and fully paid common shares.

Warrants

At September 30, 2017, the Company had 16,600 warrants issued and outstanding, in connection with the Company's private placement. These warrants have a strike price of $0.25 and expire on August 28, 2022.

Stock options

At September 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.

SELECTED ANNUAL INFORMATION

The following table provides selected financial information for the past three years.

As at September 30 (audited)	2017 $	2016 $	2015 $
Revenues	-	-	-
Net loss and comprehensive loss	(1,758,921)	(318,276)	(18,603)
Net loss per share (basic and diluted)	(0.061)	(0.014)	(0.001)
Total assets	2,337,263	679,740	495,904
Total non-current liabilities	31,025	12,822	22,429

For the year ended September 30, 2017, the expenses incurred are higher than the expenses incurred in the previous years. The principal reason for this difference is that the Company incurred additional expenses in the year ended September 30, 2017 in order to prepare the Company for its listing as a public entity.

For the year ended September 30, 2017, the total assets are higher due to the cash generated from the private placements the Company concluded.

SUMMARY OF QUARTERLY RESULTS

The following is a summary of selected financial information from the quarterly interim unaudited financial statements for the eight quarters ending September 30, 2017:

Quarter ending	Sep. 30, 2017 $	June 30, 2017 $	Mar. 30, 2017 $	Dec. 31, 2016 $
Revenue	-	-	-	-
Net loss	(737,189)	(194,031)	(719,514)	(108,187)
Net loss per share	(0.022)	(0.008)	(0.026)	(0.005)

Quarter ending	Sep. 30, 2016 $	June 30, 2016 $	Mar. 30, 2016 $	Dec. 31, 2015 $
Revenue	-	-	-	-
Net loss	(86,638)	(167,954)	(33,351)	(30,333)
Net loss per share	(0.004)	(0.007)	(0.002)	(0.001)

RESULTS OF THE FOURTH QUARTER

Interim Statements of Loss and Comprehensive Loss

For the three-month periods ended September 30 (unaudited)	**2017 $**	**2016 $**	**Variance $**
Expenses			
Professional fees	423,595	(8,710)	432,305
Management fees	108,000	56,000	52,000
Legal fees	40,118	17,898	22,220
Travel expenses	25,217	304	24,913
Office expenses	2,824	(198)	3,022
Rent	9,391	13,566	(4,175)
Advertising	1,702	2,101	(399)
Taxes and permits	3,347	710	2,637
Telecommunication	1,576	-	1,576
Public listing fees	24,227	-	24,227
Interest and bank fees	2,055	(3,153)	5,208
Interest on loans	-	4,156	(4,156)
Interest and penalties	-	16,110	(16,110)
Litigation provision	56,600	-	56,600
Loss on foreign exchange	18,315	3,226	15,089
	716,967	102,010	614,957
Loss before income taxes	(716,967)	(102,010)	(615,957)
Income taxes			
Current income tax expense	2,019	1,004	1,015
Deferred income tax recovery	18,203	(16,376)	34,579
	20,222	(15,372)	35,594
Net loss and comprehensive loss	**(737,189)**	**(86,638)**	**(650,551)**
Loss per share	(0.022)	(0.004)	
Weighted average number of shares outstanding	32,960,000	23,900,000	

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

RELATED PARTY TRANSACTIONS AND BALANCES

The Company's related parties include an entity with significant influence, companies owned by a director as well as key management personnel and a 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 receivable and advances payable are measured at fair value and occurred in the normal course of business.

For the year ended September 30 (audited)	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

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

COMMITMENTS AND CONTINGENCIES

Net Smelter Return Royalty ("NSRR")

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

Farm-out Agreement

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

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

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.

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.

On January 1, 2018, the Company signed a second amending agreement to the Gold Loan Settlement Agreement as described above. 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 of1,000,000 common shares of the Company.

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 exercise 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.

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.

Financial instruments

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

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

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

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

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

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

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

Impairment of 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.

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.

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.

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.

NEW ACCOUNTING 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.

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 owned 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 below.

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 (audited)	**2017** **$**	**2016** **$**
Cash and cash equivalents (United States)	70.435	27
Cash and 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 owned by a director.

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

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

Credit risk

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

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 $	More than 5 years $
Accounts payable	124,963	-	-
Provision	156,600	-	-

RISKS AND UNCERTAINTIES

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 $1,758,921 for the year ended September 30, 2017. At September 30, 2017, there was shareholders' equity of $2,022,489 and working capital of $1,220,492. There is no assurance that the Company can generate net income, generate revenues or successfully explore and exploit its properties.

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

Capital Requirements and Liquidity; Need for Subsequent Funding

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

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

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

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

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

Risks Inherent in the Mining Industry

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

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

Fluctuating Price for Metals

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

Title to the Company's Mineral Properties May be Challenged

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

Risks Inherent With Foreign Operations

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

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

Environmental Controls

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

Availability of Outside Engineers and Consultants

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

Operational Hazards; Uninsured Risks

The Company is subject to risks and hazards, including environmental hazards, industrial accidents, the encountering of unusual or unexpected geological formations, cave-ins, flooding, earthquakes and periodic interruptions due to inclement or hazardous weather conditions. These occurrences could result in damage to, or destruction of, mineral properties or facilities, personal injury or death, environmental damage, reduced productivity and delays in exploration, asset write-downs, monetary losses and possible legal liability. The Company may not be insured against all losses or liabilities, which may arise from operations, either because such insurance is unavailable or because the Company has elected not to purchase such insurance due to high premium costs or other reasons. The realization of any significant liabilities in connection with the Company's exploration activities as described above could negatively affect its results of operations and the price of its common stock.

Need for Additional Key Personnel; Reliance on Officers and Directors

The Company relies in large part on the personal efforts of its officers and directors. The success of the Company's proposed business will depend, in part, upon the ability to attract and retain qualified employees. The Company believes that it will be able to attract competent employees, but no assurance can be given that the Company will be successful in this regard. If the Company is unable to engage and retain the necessary personnel, its business would be materially and adversely affected.

RISKS RELATED TO OUR COMMON STOCK:

Our Stock Price Can Be Extremely Volatile

The common shares of the Company began trading on the Canadian Securities Exchange on October 17, 2017. The trading price of our common stock has been and could continue to be subject to wide fluctuations in response to announcements of our business developments and drill results, progress reports, the metals markets in general, and other events or factors. In addition, stock markets have experienced extreme price volatility in recent years. This volatility has had a substantial effect on the market prices of companies, at times for reasons unrelated to their operating performance. Such broad market fluctuations may adversely affect the price of our common stock.

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 29th day of January, 2018.

"signed"
Mark Billings
President

"signed"
Jacques Arsenault
Chief Financial Officer