

AUXICO RESOURCES CANADA INC.
CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

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CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

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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 28, 2019

/s/ Mark Billings
President

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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, 2018 and 2017, 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.



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, 2018 and 2017, 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 28, 2019

¹ CPA auditor, CA permit No. A128130

Auxico Resources Canada Inc.
Consolidated Statements of Financial Position
September 30, 2018 and 2017
(Expressed in Canadian Dollars)

	September 30, 2018	September 30, 2017
	\$	\$
ASSETS		
<i>Current assets</i>		
Cash & cash equivalents	172,178	1,165,415
Sales tax receivable	26,585	43,737
Prepaid expenses	110,970	67,381
Consulting and advisory services to be received	-	179,900
Advance to a director (note 15)	-	20,562
Advance to a company controlled by a director (note 15)	-	27,246
	309,733	1,504,241
<i>Non-current assets</i>		
Mining property acquisition costs (note 6)	216,593	181,400
Exploration and evaluation expenses (note 6)	866,641	651,622
TOTAL ASSETS	1,392,967	2,337,263
LIABILITIES		
<i>Current liabilities</i>		
Accounts payable and accruals	143,617	124,963
Provision (note 7)	165,600	156,600
Income taxes payable	-	2,186
Due to directors (note 15)	9,323	-
	318,540	283,749
<i>Non-current liabilities</i>		
Deferred income tax liabilities (note 14)	69,810	31,025
Total Liabilities	388,350	314,774
SHAREHOLDERS' EQUITY		
Share capital (note 8)	4,048,169	3,578,059
Contributed surplus (note 8)	940,437	450,570
Warrants (note 8)	77,315	3,235
Deficit	(4,061,304)	(2,009,375)
Total shareholders' equity	1,004,617	2,022,489
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	1,392,967	2,337,263

Going Concern (note 2), Commitments and Contingencies (note 16), Subsequent Events (note 17)

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, 2018 and 2017
(Expressed in Canadian Dollars)

For the years ended September 30,	2018	2017
	\$	\$
Expenses		
Professional fees	749,068	557,153
Management fees	240,000	243,000
Legal fees	110,718	123,046
Travel expenses	198,097	87,983
Office expenses	10,531	9,016
Rent	48,161	39,916
Advertising	14,419	12,172
Taxes and permits	89	3,347
Telecommunication	1,610	1,576
Public listing fees	71,722	24,227
Research and development expenses	-	5,085
Interest and bank fees	8,860	7,293
Litigation provision (note 7)	9,000	156,600
Share-based compensation (note 8)	489,867	450,570
Write-off of sales tax receivable	57,656	-
Loss on foreign exchange	3,346	17,715
	2,013,144	1,738,699
Loss before income taxes	(2,013,144)	(1,738,699)
Income taxes		
Current income tax expense (note 14)	-	2,019
Deferred income tax expense (note 14)	38,785	18,203
	38,785	20,222
Net loss and comprehensive loss	(2,051,929)	(1,758,921)
Loss per share - basic & diluted (note 9)	(0.057)	(0.061)
Weighted average number of shares outstanding	36,103,425	28,944,838

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

Auxico Resources Canada Inc.
Consolidated Statements of Changes in Equity
September 30, 2018 and 2017
(Expressed in Canadian Dollars)

	SHARE CAPITAL (Note 8)		RETAINED EARNINGS (DEFICIT)	WARRANTS (Note 8)	CONTRIBUTED SURPLUS	TOTAL EQUITY
	#	\$	\$	\$	\$	\$
Balance, as at October 1, 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
Shares issued in private placement	2,550,000	510,000	-	-	-	510,000
Shares to be issued	-	40,000	-	-	-	40,000
Issuance costs	-	(79,890)	-	-	-	(79,890)
Share-based compensation	-	-	-	-	489,867	489,867
Net loss and comprehensive loss for the year	-	-	(2,051,929)	-	-	(2,051,929)
Warrants issued	-	-	-	74,080	-	74,080
Balance, as at September 30, 2018	38,360,000	4,048,169	(4,061,304)	77,315	940,437	1,004,617

Auxico Resources Canada Inc.
Consolidated Statements of Cash Flows
For the years ended September 30, 2018 and 2017
(Expressed in Canadian Dollars)

For the years ended September 30,	2018	2017
	\$	\$
Cash used in operating activities		
Net loss	(2,051,929)	(1,758,921)
Adjustments for:		
Deferred income tax expense	38,785	18,203
Share-based compensation	489,867	450,570
Unrealized foreign exchange (gain) loss	(358)	2,423
<i>Net changes in non-cash working capital items:</i>		
Sales tax receivable	17,152	(4,811)
Prepaid expenses	(43,589)	(37,362)
Consulting and advisory services to be received ^(a)	179,900	(179,900)
Accounts payable and accruals ^(a)	18,654	44,897
Provision	9,000	156,600
Income taxes payable	(2,186)	1,182
	(1,344,704)	(1,307,119)
Cash used in investing activities		
Exploration and evaluation expenses	(250,212)	(230,769)
	(250,212)	(230,769)
Cash flows from financing activities		
Advance to a director	20,562	(19,562)
Advance to a company controlled by a director	27,246	(69,461)
Due to directors	9,323	-
Proceeds from issuance of shares ^(a)	624,080	2,977,500
Issuance costs ^(a)	(79,890)	(190,293)
	601,321	2,698,184
(Decrease) Increase in cash and cash equivalents	(993,595)	1,160,296
Cash and cash equivalents, beginning of the year	1,165,415	7,542
Effect of foreign exchange rate fluctuations on cash and cash equivalents	358	(2,423)
Cash and cash equivalents, end of the year	172,178	1,165,415
Supplemental information		
Interest paid	7,856	7,293

^(a) Non-cash financing activities for the year ended September 30, 2018, include warrants issuance as issuance costs for a total of \$74,080. Issuance costs balance of \$5,810 is include in accounts payable and accrual. For the year ended September 30, 2017, non-cash financing activities include share issuance in exchange of consulting and advisory services for \$459,900.

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

Auxico Resources Canada Inc.
Notes to the Consolidated Financial Statements
For the years ended September 30, 2018 and 2017
(Expressed in Canadian Dollars)

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 year ended September 30, 2018, the Company recorded a net comprehensive loss of \$2,051,929 (September 30, 2017 - \$1,758,921) and a deficit of \$4,061,304 (deficit of \$2,009,375 as at September 30, 2017). 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, 28, 2019.

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 re-measured 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.

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, advance to a company controlled by a director and due to directors.

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 directors.

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 evaluates 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:

Auxico Resources Canada Inc.
Notes to the Consolidated Financial Statements
For the years ended September 30, 2018 and 2017
(Expressed in Canadian Dollars)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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. 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 will adopt IFRS 2 for the annual period beginning on January 1, 2018, and expects that there will be no material impact on the Company's 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 will adopt IFRS 9 for the annual period beginning on January 1, 2018, and expects that there will be no material impact on the Company's 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 will adopt IFRS 15 for the annual period beginning on January 1, 2018, and expects that there will be no material impact on the Company's consolidated financial statements.

IFRIC23 Uncertainty over Income Tax Treatments

On June 7, 2017, the IASB issued IFRIC Interpretation 23 Uncertainty over Income Tax Treatments. The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is applicable for annual periods beginning on or after January 1, 2019. The extent of the impact of adoption of the Interpretation has not yet been determined.

Auxico Resources Canada Inc.
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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, 2016	181,400	420,853	602,253
Additions	-	230,769	230,769
Balance, as at September 30, 2017	181,400	651,622	833,022
Additions	35,193	215,019	250,212
Balance, as at September 30, 2018	216,593	866,641	1,083,234

7. PROVISION

	2018	2017
	\$	\$
Balance as at September 30, 2017	156,600	-
Provision	9,000	156,600
Balance as at September 30, 2018	165,600	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 protocol. The exposure consists in the amount claimed in capital, interest and legal costs, which are limited to courts cost and fees and various disbursements but do not include counsel legal fees. During the year, an amount of \$9,000 of interest was accrued to the balance. The companies will be in legal court on February 18 and 19, 2019.

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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, 2018, there were 38,360,000 (35,810,000 on September 30, 2017) issued and fully paid common shares.

Shares issued

- 1) 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.
- 2) 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.
- 3) 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.
- 4) 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.
- 5) 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.

- 6) On August 20, 2018, the Company completed the first tranche of a non-brokered private placement, raising gross proceeds of \$510,000 by issuing 2,550,000 units of the capital of the Company at a price of \$0.20 per common share. Each unit consists of one common share and one-half transferable common share purchase warrant. Each full Warrant entitles the holder to acquire one additional Common Share of the company at a price of \$0.40 per Common Share for two years from the date of issuance.

Issuance costs of \$74,080 were incurred for private placement closed in the year ended September 30, 2018.

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 107.5%, 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.

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8. SHARE CAPITAL (continued)

Warrants (continued)

On August 20, 2018, the Company issued 1,275,000 warrants. The fair value of these warrants was calculated using Black-Scholes pricing model using a share price of \$0.155 and an exercise price of \$0.40, risk free rate of 2.088%, volatility of 112.25%, vesting immediately and expected life of 2 years from date of grant resulting in a fair value of \$74,080. 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 \$0.40 at any time until the second year anniversary of the date of their issuance.

At the same date, the Company committed to issue 100,000 warrants at an exercise price of \$0.40. Refer to Note 17.

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, 2017	16,600	\$0.25
Issued	1,275,000	\$0.40
Balance as at September 30, 2018	1,291,600	\$0.40

The following table summarizes the information on outstanding warrants as at September 30, 2018:

Exercise price	Number of option	Weighted average number of remaining contractual life
\$0.25	16,600	3.91
\$0.40	1,275,000	1.89

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.

On February 10, 2017, 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.

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8. SHARE CAPITAL (continued)

Stock options (continued)

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 \$0.312 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 107.5% and expected option life of five years.

On March 13, 2018, the Board of Directors issued 200,000 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 \$0.320 per option at the grant date for a total of \$64,077 using the Black-Scholes option pricing-model with the following assumptions: risk-free interest rate of 2.03%, expected volatility of 112.25% and expected option life of five years.

On August 22, 2018, the Board of Directors issued 600,000 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 \$0.138 per option at the grant date for a total of \$82,810 using the Black-Scholes option pricing-model with the following assumptions: risk-free interest rate of 2.03%, expected volatility of 112.25% and expected option life of five years.

The Company currently estimates the volatility of the market price of its common shares based on comparable information derived from transactions carried out by public companies in a situation similar to its own.

Changes in the number of options outstanding are as follows:	Number of option	Weighted average exercise price
Balance, as at September 30, 2017	2,475,000	\$0.25
Issued	1,900,000	\$0.40
Expired	(150,000)	\$0.25
Expired	(550,000)	\$0.40
Balance, as at September 30, 2018	3,675,000	\$0.31

The following table summarizes the information on outstanding options at September 30, 2018:

Exercise price	Number of option	Weighted average number of remaining contractual life
\$0.25	2,325,000	3.36
\$0.40	550,000	4.06
\$0.40	200,000	4.45
\$0.40	600,000	4.89

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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, 2018 and 2017. The Company has accordingly presented basic and diluted EPS, which are the same, on a single line in the statements of loss and comprehensive loss.

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	
	2018	2017
	\$	\$
Canada	317,446	1,545,420
Mexico	1,075,521	791,843
Total assets	1,392,967	2,337,263
Canada	354,009	260,284
Mexico	34,341	54,490
Total liabilities	388,350	314,774
Canada	1,258,949	2,024,314
Mexico	(254,332)	(1,825)
Total shareholder's equity	1,004,617	2,022,489
Canada	1,817,596	1,685,578
Mexico	234,333	73,343
Net loss and comprehensive loss	2,051,929	1,758,921

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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.

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	
	2018	2017
	\$	\$
Cash & cash equivalents	172,178	1,165,415
Advance to a director without interest	-	20,562
Advance to a company controlled by a director	-	27,246
Due to directors without interest	9,323	-
Share capital	4,048,169	3,578,059

12. FINANCIAL INSTRUMENTS

As at September 30, 2018, the Company's financial instruments include cash and cash equivalents, consulting and advisory services to be received, advance to a director, advance to a company controlled by a director 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.

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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	
	2018	2017
	\$	\$
Cash & cash equivalents (United States)	7,129	70,435
Cash & cash equivalents (Mexico)	16,016	66,567
Net exposure	23,145	137,002

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.

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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, 2018 the Company has a negative working capital of \$8,807 (September 30, 2017 – working capital of \$1,220,492)

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	143,617	-	-
Provision	165,600	-	-

14. INCOME TAXES

Effective income tax expenses differs from income tax expense (recovery) computed based on the combined federal and provincial income tax rate of 26.9% (2017 – 26.9%) as a result of the following:

	For the years ended September 30	
	2018 \$	2017 \$
Loss before income taxes	(2,013,144)	(1,738,699)
Tax recovery using the Company's domestic tax rate	(541,536)	(467,710)
Loss in foreign jurisdiction subject to a different tax rate	(6,148)	(2,211)
Inflation adjustment in foreign jurisdiction subject to a different tax rate	2,189	12,167
Deduction from losses carry forward in foreign jurisdiction	16,934	9,220
Change in recognized deductible temporary difference	(2,444)	(2,716)
Non-deductible expenses	165,837	162,096
Tax benefits not recognized	365,168	287,135
Total current income tax expenses	-	2,019

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14. INCOME TAXES (continued)

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

	For the years ended September 30	
	2018	2017
	\$	\$
Deferred tax assets		
Non-capital losses	-	-
Deferred tax liabilities		
Exploration and evaluation assets	(39,225)	(15,538)
Issuance costs	(30,585)	(15,487)
Net deferred tax liabilities	(69,810)	(31,025)

The non-capital losses expire as follows:

	Federal	Quebec	Mexico
	\$	\$	\$
2027 ^(a)	-	-	71,314
2028	-	-	157,942
2034	7,167	7,167	-
2035	13,998	13,998	-
2036	323,455	323,455	-
2037	1,071,460	1,069,057	-
2038	1,358,845	1,355,806	-
	2,774,925	2,769,483	229,256

^(a) The comparative information has been adjusted to include the non-capital losses of the wholly-owned subsidiary for an amount of \$71,314.

Movement in deferred tax balances during the year:

	Balance	Recognized in	Balance	Recognized in	Balance
	October 1,	profit or loss	September 30,	profit or loss	September 30,
	2016	\$	2017	\$	2018
	\$	\$	\$	\$	\$
Exploration and evaluation assets	(12,822)	(2,716)	(15,538)	(23,687)	(39,225)
Issuance costs	-	(15,487)	(15,487)	(15,098)	(30,585)
	(12,822)	(18,203)	(31,025)	(38,785)	(69,810)

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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	
	2018	2017
	\$	\$
Non-capital losses ^(a)	(814,583)	(402,032)

^(a) The comparative information has been adjusted to include the non-capital losses of the wholly-owned subsidiary for an amount of \$114,897.

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.

	2018	2017
	\$	\$
<u>Management fees</u>		
Companies controlled by a director	120,000	128,000
Key management personnel and director	120,000	127,784
<u>Share-based compensation</u>		
Key management personnel and director	-	327,687
<u>Rent</u>		
Company controlled by a director	36,000	39,916

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15. RELATED PARTY TRANSACTIONS (continued)

	Year	Amounts owed by related parties \$	Amounts owed to related parties \$
Key management personnel and directors	2018	-	9,323
	2017	20,562	-
Company controlled by a director	2018	-	11,498
	2017	27,246	-

The advance to a director and the due to directors are 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, a first 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 signed April 7, 2017. 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.

On May 8, 2018, the Company and the Government of Bolivar agreed to work together in future partnership and to share the profits of the Company’s eventual gold production operations in Bolivar, with 75% of net profits going to the Company and 25% going to the Government of Bolivar.

On May 25, 2018, the Company agreed to pay Central America Nickel Inc. (“CAN”) a 2% net royalty on the production of gold on any deposit in the world where process is used by Auxico. The Company has the option to buy back 50% of this royalty (or 1% of the 2% royalty) at any time through the issuance of 2,000,000 common shares of the Company.

On August 30, 2018, the Company signed a third amending agreement to the Gold Loan Settlement Agreement signed April 7, 2017 in which the parties agreed to extend the repayment of the settlement to August 31, 2019.

On September 17, 2018, the Company and the Government of Guainia agreed to work together in future partnership and to share the profits of the Company’s mineral production operations in Guainia, with 75% of net profits going to the Company and 25% going to the Government of Guainia.

17. SUBSEQUENT EVENTS

On October 26, 2018, the Company announced that its common shares began trading on the NEX Exchange Growth Market in London, UK.

On November 2, 2018, the Company completed a non-brokered private placement of 1,575,000 units at a price of \$0.20 per unit for gross proceeds of \$315,000. Each unit consists of one common share and one-half transferable common share purchase warrant. Each full Warrant entitles the holder to acquire one additional share of the Company at a price of \$0.40 per share for two years from the date of issuance. Following this private placement, the Company issued 787,500 warrants. The fair value of these warrants was calculated using Black-Scholes pricing model using a share price of \$0.21 and an exercise price of \$0.40, risk free rate of 2.32%, volatility of 112.25%, vesting immediately and expected life of 2 years from date of grant resulting in a fair value of \$69,595. 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 \$0.40 at any time until the second year anniversary of the date of their issuance.