AUXICO RESOURCES CANADA INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

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, 2018. 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, 2018. 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 28, 2019.

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 the Company's prospects in Colombia; 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"). The Company is also actively engaged in exploration mining opportunities in Colombia.

OVERVIEW OF THE ZAMORA SILVER-GOLD PROPERTY IN SINALOA, MEXICO

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 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	100.000
Zamora	225182	2,998.8051
Total		**3,376,6265**

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.

Net Smelter Return Royalty ("NSRR")

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.

OVERVIEW OF THE YEAR ENDED SEPTEMBER 30, 2018

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

On October 24, 2017, the Company provided initial sampling results of a single trench that yielded a 50m wide mineralized section grading 0.85 g/t Au including 3m of 13.07 g/t Au at the historic Aguamas Mine located on the Zamora Property. Several trenches were established by Auxico, located about 100 metres southeast of the Aguamas 2 adit, which returned samples as high as 14.87 g/t Au and 192.22 g/t Ag, and 25 metres northwest of the Aguamas 1 adit, where recent sampling returned 34.05 g/t Au and 97.78 g/t Ag. Examination of these past workings and exposed rock outcroppings indicated a series of quartz veins at multiple angles within a silicified volcanic breccia. The Aguamas prospect is located within the Company's silver/gold Zamora Property, which contains 25 historic mines and occurrences. These gold and silver occurrences outline two regional trends that transect the property, anchored by past producers and field observations by Auxico's geologists.

On October 31, 2017, Auxico announced encouraging metallurgical results from a 2.095 kg sample (2,095 g) taken from the volcanic breccia hostrock material in the footwall of the Campanillas Mine, which is located in the north-east corner of the Zamora Property. The sample contains 1.98 kg/t of silver (1,980 g/t) and 2.01 g/t of gold. This sample was treated by the Centre for Mineral Technology and Plastics in Thetford Mines in order to optimize the metallurgical extraction of both gold and silver. The recovery of gold was 71.60% and 92.9% for silver, as a result of processing this material by gravity and flotation methods. Please refer to the table below:

Metallurgical results – Campanillas

Process	Gold	Silver
Gravity feed	2.01 g/t	1,980 g/t
Gravity concentrate	8.12 g/t	5,000 g/t
Flotation concentrate	11.9 g/t	6,854 g/t
Recovery by gravity	13.8%	8.6%
Recovery by flotation	67.8%	89.1%
Total Recovery	**71.60%**	**92.9%**

The gravity concentrate represents 3.41% of the overall weight of the sample while the flotation concentrate represented 12.2% of the overall weight. Therefore, 92.9% of the silver and 71.6% of the gold were recovered from less than 13% of the overall weight of the feed material. The concentrates represent a concentration ratio of 8:1 with concentrates having a value of over USD 4,000 per tonne.

The sample was selected by the Company's Qualified Person in the Campanillas Mine at the far end of the main drift represented by an intensely silicified volcanic breccia containing native silver and silver sulphides. The silver appears to have replaced the highly altered fragments within the host rock. The sample was taken from the footwall of a 3m wide highly mineralized quartz vein in the stoped area of the mine. The high-grade potential of Campanillas was first identified by a grab sample taken from a small stockpile outside the main portal, which returned an assay of 14.56 kg/t (14,560 g) silver and 15.53 g/t gold. The Company is currently putting a plan together for dewatering Campanillas in order to reach the second and possibly third level, which is accessed by a ramp and decline shaft. Once a better understanding of the mine can be developed, a drill plan will be proposed. There are almost 500m of historical workings on surface and along strike of the Campanillas Vein, represented by ventilation raises, trenches, and prospect pits, which indicate the minimum strike length of the structure.

On November 8, 2017, the Company announced its intentions to explore Los Olotes by means of a diamond drill program and rehabilitate the La Camichina shaft, which could allow access to the Los Olotes Mine. It is believed that the shaft goes down to about 110 metres. It is not known to what depth the orebodies were mined out to in these two mines, but having access the underground workings will allow the Company to reassess what is actually there. The Company considers that both of these mines have undeveloped resources at depth and are open along strike.

Both Los Olotes and La Camichina are characterized by high-grade silver and gold. As outlined in the Company's Technical Report, the following are the best historical samples at each of these mines:

Mine	Best Historic Sample
Los Olotes (17-metre level)	3.15 kg/t silver; 13.4 g/t gold
Los Olotes (23-metre level)	6.57 kg/t silver; 44 g/t gold
La Camichina (17-metre level)	5.1 kg/t silver; 23.5 g/t gold

During the exploration and restoration process at La Camichina in 1982, a total of 27 channel samples, totalling 23.9 metres, were collected and averaged 3.1 g/t gold and 609.2 g/t silver.

The zone at Los Olotes was sampled consistently on three levels (17m, 23m and 30m). Level 17 at Los Olotes is host to 96 channel samples (89.5 metres), averaging 2.13 g/t gold and 316.6 g/t silver. Level 23 at Los Olotes is host to 24 channel samples, totalling 22.9 metres and averaging 6.14 g/t gold and 797.55 g/t silver. At Level 30, a total of 64 channel samples, totalling 82.3 metres, and averaging 0.24 g/t gold and 27.5 g/t silver, were collected during the exploration and restoration process. These levels were subsequently mined out after 1982 when the government rehabilitated the mine, but the information gathered from the rehabilitation work shows compelling evidence of the high-grade nature of the mineralized quartz vein system and the structural control of the orebody.

The Los Olotes and La Camichina deposits occur along the north-east south-west fault that contains six known historical mines over a distance of 1.5 kilometres: Rosa Maria, Trinicon, La India, El Arroyito, El Tecomate and La

Campeona, where one sample returned 10.1 g/t of gold and 941.7 g/t of silver. For reference, please see the report "Consejo de Recursos Mineral" from April 1982 done by Antonio B. Flores Martinez, Ing. The report can be found on the Company's website (www.auxicoresources.com).

On January 16, 2018, Auxico provided its shareholders and stakeholders results from a recent exploration campaign that sampled brecciated material over an area of 150 metres long by 70 metres wide in the Aguamas Gold Mine area at Auxico's 100% owned Zamora Silver-Gold Property in Mexico. The Aguamas structure is to the northwest of the main Zamora structure on the Property, which the Company believes contains brecciated material over a strike length of 8 km on the Zamora Property.

An exploration campaign consisting of mechanical trenching, channel sampling, and assaying over the Aguamas structure returned very encouraging results. The results of this program demonstrate the nature of the distribution of the gold and silver mineralization at Aguamas, where previous sampling returned assays from grab samples as high as 34 g/t Au, as well as a 50m wide channel sample grading 0.85 g/t Au in trench 1, which is located about 25m north of the Aguamas 1 adit. This program has indicated that the altered breccia host rock is widespread throughout the Property and contains lower grade as well as high grade gold and silver values.

The recent work at Aguamas has identified mineralized breccia with vertical and flat quartz veins and stockworks containing gold and silver, which so far can be followed for around 130m. To the east of Aguamas is the historic Los Olotes Mine, where records have shown that assays as high as 6.57 kg/t Ag and 44 g/t Au were selected from the 23m level. The rocks have been described as quartz veins hosted within hydrothermal breccia.

At this preliminary stage of development, management believes that a gold corridor of at least 50m wide traverses the Aguamas area and is open in all directions. Trench 2 returned 14.4m of 0.79 g/t Au, including 0.5m of 9.90 g/t Au and 65.74 g/t Ag, and a chip sample from this interval returned 10.21 g/t Au and 362.59 g/t Ag. In addition, a 6m long section of flat veins sampled in the wall of the trench assayed 0.70 g/t Au and 18.23 g/t Ag. Just about all of the trenches returned gold and silver. Assays are still pending for a few of the trenches and are expected shortly. A parallel structure, which was recently identified, is located about 150m to the east of Aguamas and is characterized by a topographically high ridge with silicified breccia and quartz vein fragments, which can be followed on surface for several hundred metres. This ridge goes all the way to the Periguete historic mine located about 800m northeast of the Aguamas 2 adit.

The hydrothermal breccia that has been shown to be silicified and mineralized in almost all of the 25 historic workings stretches some 8 km along strike and has been found to have widths of at least several hundreds of metres. In the northeast part of Zamora, grab samples from the Campanillas Mine from a breccia sample returned 14.5 kg/t Ag and 19.5 g/t Au, while at the La Franca Mine (which does not belong to Auxico but is within the boundaries of the Property) returned assays as high as 1.7 kg/t Ag and 15 g/t Au in a stockwork breccia. These two mines are about 7 km north/northeast of Aguamas. Most of the historic workings are all aligned in a 7-8 km long structure, which the Company believes may be represented by this hydrothermal breccia and structurally controlled horizon.

Examples of a couple of very big mining operations in Mexico where the ore is hosted in hydrothermally altered breccia include Goldcorp's Penasquito Mine in Zacatecas, where mining is being conducted at 130,000 tonnes per day. Penasquito hosts some 524 million metric tonnes of 0.53 g/t Au and 32.34 g/t Ag for a Proven & Probable Reserves of 8.95 million oz Au and 545 million oz Ag. Goldcorp produced 465,000 oz Au in 2016 and 410,000 oz Au in 2017 (referenced from www.goldcorp.com). Another comparable mine where the ore is contained within a hydrothermal system that is structurally controlled is Fresnillo's La Herradura, which is located in the state of Sonora, 80 km northwest of the town of Caborca. In the third quarter of 2017, La Herradura produced 131,738 oz Au and 157,000 oz Ag, grading an average of 0.75 g/t Au and 1.20 g/t Ag. It is one of Mexico's largest gold mines. The main Centauro open pit is around 1 km long by 650 m wide. The higher grade ore is contained in quartz-sulphide veins filling tensional fractures (referenced from www.fresnilloplc.com). Recent discoveries at Aguamas have synergies with both of these mines described above.

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	-	50 m channel sample
Including	3	13.07	-	3 m channel sample
Trench 2	14.4	0.79	-	14.4 m channel sample
Including	2.9	3.44	65.1	2.9 m channel sample
Including	0.5	9.90	65.74	0.5 m 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	6 m channel sample of flat veins on trench wall
Trench 3A	10	0.16	-	10 m channel sample
Trench 4	9.5	0.47	-	9.5 m channel sample
Including	4.5	0.84	-	4.5 m channel sample
Including	0.5	1.95	-	0.5 m channel sample
Including	0.5	1.53	-	0.5 m channel sample

On February 6, 2018, Auxico announced results from innovative metallurgical testing conducted on its gold/silver properties located in the state of Sinaloa, Mexico.

Series of tests that have been conducted on gravity concentrates from the Campanillas and Aguamas properties have resulted in the recoveries of over 98% of gold and 87% of silver within the same leach. These tests have been conducted over the last year using a mix of acids composed of sulfuric acid and thioria. The extraction (less than one hour) is accelerated by the use of ultrasound technology and the process uses no external heat or pressure.

SAMPLE	Feed material % Au	Recovery % Au	Feed material % Ag	Recovery % Ag
Aguamas	0.01	98.00	0.08	88.76
Campanillas	0.05	98.00	0.05	87.47

These results are highly encouraging, as the process will significantly reduce both capital and operating expenditures, while having a much smaller environmental footprint.

On May 8, 2018, Auxico announced that it had signed a Memorandum of Understanding ("MOU") with the government of the Department of Bolivar to produce gold in this area of Colombia.

Under the terms of the MOU, both parties agree to work together to set up gold production operations in Bolivar, which will be managed by Auxico. For its part, the Bolivar government agrees to contribute the following:

- Property on which the gold production will take place;
- Physical security of the gold production operations;
- Help with the permitting process, including specifically any required environmental permits; and
- Liaison with local miners who will supply ore to the Auxico gold production operations.

For its part, Auxico agrees to contribute the following:

- Environmentally friendly technology that will not rely upon mercury or cyanide for gold production;
- Financing and construction of gold producing operations in Bolivar; and
- Management of the export and sale of gold and/or gold concentrates.

At present, there are two issues of importance to the Government of Bolivar that Auxico will address in this future partnership. First, much of the current gold production is unlicensed and outside of any regulatory framework. Auxico does not intend to mine gold in Bolivar. Rather, it intends to form partnerships with local gold miners who will bring their ore to Auxico's facilities to be processed. In this way, the Government of Bolivar, through the operations of Auxico, will set up a legal and regulated framework for gold production in this department of Colombia.

Second, the current unlicensed gold production in Bolivar is often occurring with the use of mercury, which is having a significant negative impact on the environment. By professionalizing the production of gold, and by eliminating the use of mercury in gold production, as outlined in the 2013 United Nations Minamata Convention on Mercury, Auxico will be conducting its operations in an environmentally responsible manner.

Auxico and the Government of Bolivar agree to work together in future partnership in this regard and to share the profits of Auxico's gold production operations in Bolivar, with 75% of net profits going to Auxico and 25% going to the Government of Bolivar.

On May 25, 2018, the Company announced that it had acquired worldwide rights to a non-mercury, non-cyanide gold and silver extraction process that is currently patent-pending. The metallurgical extraction process was developed by Central America Nickel Inc. for the extraction of energy metals such as nickel, cobalt, vanadium, scandium, manganese and copper. The process was then applied to gold and silver samples originating from Auxico's Zamora gold and silver property located in Sinaloa, Mexico.

The process extracted over 90% of the gold and over 80% of the silver in less then one hour, without the use of cyanide and mercury. The process uses no pressure and no heat. Auxico has agreed to pay Central America Nickel Inc. a 2% net royalty on the production of gold on any deposit in the world where the process is used. Auxico 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 June 1, 2018, the Company announced that it had discovered three historical mines containing unrecognized shafts and pits located along the Zamora Vein, including the La Campeona mine, which returned 30 cm of 10.1 g/t gold and 941.7 g/t silver. These discoveries extend the Zamora Vein and the parallel El Obatel Vein over a strike length of at least 800 metres. The Zamora Silver-Gold Property located in Sinaloa, Mexico, and is 100% owned by Auxico.

The Company discovered a report that was written in 1982 by Antonio Flores Martinez and Marco Bustamante Yanez who were both employed at the time with the Consejo de Recursos Minerales (Mexican Council of Mineral Resources, "CRM") and included all of the rehabilitation work done by the CRM on the Camichina Shaft, which gained access to the Los Olotes orebody. As well, this report documented all of the historic workings within a 1000m by 600m grid. Just recently, Auxico's management found a map showing all of this information in the archives.

On June 7, 2018, Auxico announced that it had signed a Memorandum of Understanding with Aucito S.A.S., a Colombian company, concerning the Villa Kelly Property in the Department of Bolivar, Colombia.

The Villa Kelly Property covers an area of 92.2 hectares. According to the report written by M.Sc. Eng. Rene Florencio Lugo Primelles of ITKnowLogics S.A.S, a total of 12 veins have been prospected on this property, and limited sampling of these veins has resulted in values up to 200 g/t Au. The Kelly vein has a shaft down to 14 metres and had been exploited from 2011 until 2014. There are 40 artisanal miners currently on this property.

Auxico is conducting due diligence on the Villa Kelly Property, including a site visit, sampling and grade verification of the veins, with a view to creating a joint venture for the full exploitation of three veins on this property. The Villa Kelly Property is accessible from the road and has infrastructure, such as a ball mill and Falcon concentrator, which should be upgraded in order to achieve economic profitability.

Upon completion of the due diligence, a joint venture will be formalized, with the understanding that Auxico will invest 100% of the capital required to implement industrial production of the precious metals or base metals. If the due diligence process is successful, both parties will negotiate the terms of the joint venture, including specifically the sharing of profits.

On July 10, 2018, the Company announced that it had entered into eight option agreements to acquire a 70% interest in the profits from the production of precious metals, base metals and coltan, originating from properties in Colombia and Venezuela.

The Company is pleased to report the following sampling results, which were analyzed for their metal content at the Centre de Technologie Minérale et de Plasturgie in Thetford Mines (Quebec):

Sample	% Ta	% Nb	g/t Sc	% Sn	% TiO2
V - M-8355_1	7.97	2.36	3,200	72.08	4.54
C - M-8355_2	1.03	3.78	/	/	49.02
C - M-8355_12	35.66	7.57	6,200	8.29	23.93
V - M-8355_234	26.66	7.70	4,200	5.35	23.32
C - M-8246_7	35.15	39.63	/	/	3.92
C - M-8246_8	31.14	36.99	/	/	3.33

The Company has also received copper/silver results from one of the option properties, as follows:

	C - M-8246_1	C - M-8246_2	C - M-8246_4	C - M-8246_6
% Cu	2.41	8.68	62.62	68.84
g/t Ag	/	/	600	500

The Company is conducting the metallurgical testing that targets the selective extraction of tantalum, niobium, scandium and copper on selected samples using the Ultrasound Assisted Extraction (UAEx) process.

Coltan is a metallic mineral composed of niobium and tantalite, which is refined to produce tantalum. Tantalite ore currently sells for US$186 per kg. Niobium currently sells for approximately US$50 per kg. Tantalum from coltan is used to manufacture batteries for electric cars, as well as almost every kind of electronic device, including cell phones and computers. Niobium is used in superconducting alloys. Scandium oxide sells for US$4,000 per kg. Added to various aluminum alloys, scandium has high-value commercial uses, especially in the automotive and aerospace industries. Tin presently sells for US$19 per kg, and the selling price of titanium dioxide ranges from US$1,700 per metric tonne to US$2,700 per metric tonne, depending on its quality and the application.

Auxico is currently preparing to establish detailed grids over the properties for extensive sampling using augers. The program will be supervised by Auxico's Qualified Person and will commence shortly. All of the samples will be sent to Quebec for metallurgical analysis, as well as to an accredited lab in Colombia.

Auxico also announced that it had engaged the services of Buffalo Associates Limited. Buffalo Associates will advise Auxico on matters relating to European strategic partners and investors. Marc Bamber, the CEO of Buffalo Associates, has extensive experience in the financial industry of London, including the financing of mining companies.

On August 20, 2018, Auxico announced that it had completed the first tranche of a non-brokered private placement of 2,550,000 units ("Units"), issued at a price of $0.20 per Unit, for gross proceeds of $510,000. Each unit consists of one common share ("Common Share") and one-half transferable common share purchase warrant ("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. The Company paid finder's fees of $35,000 in connection with the private placement. The net proceeds of the private placement will be used for geological work on the Company's Zamora Property in Mexico and its mining interests in Colombia, and for general working capital.

On September 12, 2018, Auxico announced sampling results from a recent campaign carried out over some selected areas on Auxico's 100% owned Zamora Silver-Gold Property (Zamora) in Mexico, which confirm the high-grade nature of the silver and gold mineralization.

Sample number 842 was channeled in the volcanic breccia over a width of 80cm and returned a very high-grade result of 4.027 kg/t Silver and 29.2 g/t Gold. This sample is located in the La Franca title, which is an area of 12 hectares in the northeast part of the Zamora Silver-Gold Property, and within the Campanillas claim. Zamora has a surface expression of 3,376.63 hectares. Auxico does not hold title to La Franca, however, La Franca is located 600 metres south-west of the Campanillas mine, form which samples assayed as high as 14.6 kg/t Silver and 15 g/t Gold. The structure can be followed for some 600m along strike with the Campanillas Mine, which is indicated by numerous workings between the two historic mines, La Franca and Campanillas.

Sample Number	Claim	Area of Interest	Sample Type	Width (m)	Gold (g/t)	Silver (g/t)
842	La Franca	Stope, 80 m from property boundary	Channel	0.80	29.20	4,027.00
852	Zamora	Chico Pico	Channel	1.60	0.06	164.90
853	Zamora	Chico Pico	Channel	2.20	0.07	85.70
858	Zamora	Aguamas	Channel	0.65	6.38	23.40
859	Zamora	Aguamas	Channel	0.70	14.70	34.30
861	Zamora	Aguamas	Channel	0.50	3.55	108.70
862	Zamora	Aguamas	Channel	1.60	6.64	220.00

Note: Sample 842 was taken on the La Franca claim, which is not part of the Zamora Silver-Gold Property

The breccia, which was sampled at La Franca, is characterized by stockwork veins containing galena, sphalerite, possible silver sulphosalts, malachite, and chalcopyrite. Sample no. 842, as provided in the table above was selected at the end of stope, which appears to be located only 80m from the boundary with the Campanillas claim, which is part of Zamora. Previous sampling of La Franca returned 1.717 kg/t Silver and 12.96 g/t Gold from a grab sample in the same location at La Franca. Of five samples taken over various widths at Aguamas, four returned very good gold grades, the best of which was taken over a width of 70cm outside the Aguamas 1 portal, which returned 14.70 g/t Gold and 34.30 g/t Silver. The Aguamas samples were all taken from two areas. Chico Pico, a showing in the extreme northeast part of the property, returned some interesting silver grades. Of the 24 samples taken, only the best results are provided in the above table.

On September 17, 2018, the Company announced that it had signed a Memorandum of Understanding ("MOU") with the government of the Department of Guainia in eastern Colombia to produce gold and other minerals.

Under the terms of the MOU, both parties agree to work together to set up operations for the production of gold and other minerals in Guainia, which will be managed by Auxico. These other minerals include, but are not limited to, coltan, which is a combination of tantalite and niobium. According to a report from the Servicio Geológico de Colombia (the Geological Service of Colombia, a governmental agency), there is potentially 1 billion metric tonnes of coltan reserves in Colombia, with most of this concentrated in three departments: Guainia, Vichada and Vaupes.[1]

For its part, the Guainia government agrees to contribute the following:

- Property on which the mineral production will take place;
- Physical security of the mineral production operations;
- Liaison with local miners who will supply ore to the Auxico mineral production operations.

[1] Please note that these estimates are not in compliance with National Instrument 43-101. They are presented for information purposes only.

For its part, Auxico agrees to contribute the following:

- Environmentally friendly technology that will not rely upon mercury or cyanide for gold production;
- Financing and construction of mineral producing operations in Guainia; and
- Management of the export and sale of gold and other minerals.

In Colombia, much of the current mineral production is unlicensed and outside of any regulatory framework. Auxico intends to work in partnership with local miners and the government to produce gold and other minerals in a legal and regulated framework.

In addition, current unlicensed mineral production (specifically gold) is often occurring with the use of mercury, which is having a significant negative impact on the environment. Auxico's operations will not use mercury, in compliance with the 2013 United Nations Minamata Convention on Mercury, thereby having a positive environmental impact in Guainia.

Auxico and the Government of Guainia agree to work together in partnership in this regard and to share the profits of Auxico's mineral production operations in Guainia, with 75% of net profits going to Auxico and 25% going to the Government of Guainia. Both parties agree to negotiate and conclude definitive agreements as quickly as possible.

Auxico also signed three agreements with private property owners in the Department of Guainia, covering a total of 25 concessions in this department. These agreements are separate from that signed with the Government of Guainia mentioned above.

Under the terms of the agreements, Auxico has 120 days to conduct due diligence on the properties. If the due diligence is successful, the parties agree to enter into a formal joint venture in which net profits will be split on a 70%-30% basis, in favour of Auxico.

Auxico will be required to provide 100% of the capital required for any mineral production on these properties. Auxico will also have the ability to purchase 50% of the private property owners' interest (15% of the 30% interest), the details of which will be formalized in the joint venture agreement.

SUBSEQUENT EVENTS

On October 10, 2018, the Company announced results from a recent sampling campaign carried out on Auxico's Mina Villa Kelly Property located in Colombia.

Two channel samples were taken on the 22m level 25m apart along the drift with the last sample in the drift No. M-8428.10-2 cutting 60cm of 148 g/t Au (4.76 oz/t Au). Twenty-five metres before M-8428-10-2 which was at the end of the tunnel, sample M-8428-9-2 also cut a 60cm wide quartz vein retuning 66.6 g/t Au (2.14 oz/t Au); the vein averages 107.3 g/t Au (3.45 oz/t Au) along the 25m section in the drift at the 22m level. A total of seven veins have been identified on the Villa Kelly Property so far.

Pursuant to an Amended Memorandum of Understanding (MOU) signed on July 9th, 2018 between Aucito SAS represented by Ricardo Joya Mejia and Auxico (referred to as the Parties), the Parties have agreed to extend the due diligence period to December 31, 2018, at which point a joint venture will be formalized by executing a joint venture (JV) agreement. An exploration plan and production plan will form part of the JV agreement in accordance with the MOU previously signed between the Parties.

The Company's Qualified Person, Mr. Joel Scodnick, had discussions with the local Colombian geologist Mr. Miguel Jaramillo who was hired by Auxico, the same person who conducted the sampling program at Mina Villa Kelly, and who indicated that along this 25m in the drift, the vein showed intense hydrothermal activity and was characterized by heavy sulphide concentrations of pyrite, chalcopyrite, galena, and sphalerite, and that the mineralization was noted to be homogenous throughout the observed vein. These results are very encouraging. Geological observations on the 22m level are showing that the alteration and structural controls are increasing with depth, as well as the grade. The Villa Kelly vein has been observed to open up to 1.2m in width. Besides running the material through the mill from the underground workings, Auxico intends to process the ore currently being mined by about 40 artisanal miners on the property. Visible gold has been observed on the property.

On the Mina Villa Kelly Property, according to the Optionor of the property and Miguel Jaramillo, there are a total of six small-scale artisanal operations exploiting four veins, Villa Kelly, Falla el Cemeterio, La Gallera, and Cerro Pelea. Assays have just been received from a brief site visit conducted by Auxico's independent geologist from July 2nd to July 5th, 2018. The program was conducted in order to examine previous work, showings, vein systems, artisanal mines, as well as underground workings.

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

On October 29, 2018, the Company announced the appointment of Kenneth "Buzz" West to its board of directors, effective immediately.

A former soldier and head of Reuters, Middle East and Africa, Buzz has spent the last 25 years as an entrepreneur in the fields of natural resources, high technology and security. He also has considerable experience with listed companies in the financial services arena as a non-executive director.

Buzz is currently the group chairman at Kingswood Holdings Ltd., the owner of KW-Wealth, having assets under management of approximately £2 billion. He was the founder and chairman of Ashcourt Rowan plc, which had assets under management of approximately £6 billion, prior to its sale to Towry. Buzz was deputy chairman of Hume Capital Securities plc and chairman of Hume Capital (Guernsey) Ltd.

On November 5, 2018, Auxico announced that it had completed a non-brokered private placement of 1,575,000 units ("Units"), issued at a price of $0.20 per Unit, for gross proceeds of $315,000. Each unit consists of one common share (a "Share") and one-half transferable common share purchase warrant ("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.

No finder's fees were paid in connection with the private placement. All Shares issued pursuant to the private placement are subject to a four-month hold period in Canada.

The net proceeds of the private placement will be used for geological work on the Company's mining interests in Colombia and the Zamora Property in Mexico, as well as for general working capital purposes. More specifically, Auxico is presently evaluating coltan and gold opportunities in Colombia.

As at the date of this MD&A, there are 39,935,000 common shares issued and outstanding of Auxico.

Additional Information

Additional information on Auxico, the Zamora Property and the Company's opportunities in Colombia can be accessed on the Company's website (www.auxicoresources.com) and on SEDAR (www.sedar.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”).

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, 2018 and 2017 (audited) is presented below:

Consolidated Statements of Financial Position

As at September 30 (audited)	**2018**	**2017**
	$	**$**
Assets		
Current assets		
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	-	20,562
Advance to a company controlled by a director	-	27,246
	309,733	1,504,241
Non-current assets		
Mining property acquisition costs	216,593	181,400
Exploration and evaluation expenses	866,641	651,622
Total assets	**1,392,967**	**2,337,263**
Liabilities		
Current liabilities		
Accounts payable and accruals	143,617	124,963
Provision	165,600	156,600
Income taxes payable	-	2,186
Due to directors	9,323	-
	318,540	283,749
Non-current liabilities		
Deferred income tax liabilities	69,810	31,025
Total liabilities	**388,350**	**314,774**
Shareholders’ Equity		
Share Capital	4,048,169	3,578,059
Contributed surplus	940,437	450,570
Warrants	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**

Cash and cash equivalents at September 30, 2018 were $172,178 compared to $1,165,415 at September 30, 2017, a decrease of $993,237. This difference is due to the operating expenses and exploration and evaluation expenses incurred in the year ended September 30, 2018.

As at September 30, 2018, the Company had a contributed surplus of $940,437 (September 30, 2017 – $450,570). This is a non-cash charge associated with the value of options granted. In addition, as at September 30, 2018, the Company had an amount of $77,315 under Warrants (September 30, 2017 – $3,235). This is a non-cash charge associated with the value of warrants issued.

As at September 30, 2018, there is a provision on the annual consolidated statement of financial position for $165,600 (September 30, 2016 – $156,600). The Company was served on March 8, 2017 with a legal proceeding from Telferscot Resources Inc. filed in the Superior Court of Quebec alleging that based on the Amendment to the Amalgamation Agreement signed June 30, 2016 and terminated January 5, 2017, a number of conditions would have not been met, and thus, the break-up fee is due and owing by the Company. The parties have agreed on and filed a case protocole. The exposure consists 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. 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.

As of September 30, 2018, Auxico had negative working capital of $8,807, compared to working capital of $1,220,492 at September 30, 2017.

Zamora Property in Mexico

Auxico, through its wholly-owned subsidiary, Auxico Mexico, has a 100% interest in the 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.

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, 2018, cumulative mining property acquisition costs and exploration and evaluation expenses incurred amounted to $1,083,234 (September 30, 2017 – $833,022). The details on these assets are presented below.

	Mining property acquisition costs	**Exploration and evaluation expenses**	**Total**
	$	**$**	**$**
Balance, as at September 30, 2017 (audited)	181,400	651,622	833,022
Additions	35,193	215,019	250,212
Balance, as at September 30, 2018 (audited)	**216,593**	**866,641**	**1,083,234**

RESULTS OF OPERATIONS

For the year ended September 30, 2018, the Company recorded a net loss and comprehensive loss of $2,051,929, compared to a net loss and comprehensive loss of $1,758,921 for the year ended September 30, 2017. Details for the years ended September 30, 2018 and 2017 are presented below:

Consolidated Statements of Loss and Comprehensive Loss

For the years ended September 30 (audited)	2018 $	2017 $	Variance $
Expenses			
Professional fees	749,068	557,153	191,915
Management fees	240,000	243,000	(3,000)
Legal fees	110,718	123,046	(12,328)
Travel expenses	198,097	87,983	110,114
Office expenses	10,531	9,016	1,515
Rent	48,161	39,916	8,245
Advertising	14,419	12,172	2,247
Taxes and permits	89	3,347	(3,258)
Telecommunication	1,610	1,576	34
Public listing fees	71,722	24,227	47,495
Research and development expenses	-	5,085	(5,085)
Interest and bank fees	8,860	7,293	1,567
Litigation provision	9,000	156,600	(147,600)
Stock-based compensation	489,867	450,570	39,297
Write-off of sales tax receivable	57,656	-	57,656
Loss on foreign exchange	3,346	17,715	(14,369)
	2,013,144	1,738,699	274,445
Loss before income taxes	(2,013,144)	(1,738,699)	(274,445)
Income taxes			
Current income tax expense	-	2,019	(2,019)
Deferred income tax expense	38,785	18,203	20,582
	38,875	20,222	18,563
Net loss and comprehensive loss	**(2,051,929)**	**(1,758,921)**	**(293,008)**
Loss per share	(0.057)	(0.061)	
Weighted average number of shares outstanding	36,103,425	29,944,838	

For the year ended September 30, 2018, the expenses incurred are higher than those incurred in the year ended September 30, 2017. The principal reason for this difference is that the Company incurred additional professional, travel and public listing expenses in the year ended September 30, 2018. Additional professional and public listing fees were incurred in the year ended September 30, 2018 as Auxico was listed on the Canadian Securities Exchange in October 2017; the Company also incurred fees in connection with its listing on the NEX Exchange in London, UK in October 2018.

Travel expenses were higher in the year ended September 30, 2018. While Auxico continued geological work on the Zamora Property, the Company also investigated a number of opportunities in Colombia, which increased travel expenses as a result.

The litigation provision of $9,000 for the year ended September 30, 2018 (September 30, 2017 - $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 $489,867 for the year ended September 30, 2018 (September 30, 2017 - $450,570) is a non-cash charge associated with the granting of options.

In the year ended September 30, 2018, the Company wrote off sales tax receivable of $57,656 (September 30, 2017 – $Nil); these are amounts related to the Company's subsidiary, Auxico Mexico.

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, 2018 and 2017:

Consolidated Statements of Cash Flows

For the years ended September 30 (audited)	**2018** **$**	**2017** **$**
Cash used in operating activities		
Net loss and comprehensive 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 loss (gain)	(358)	2,423
Net changes in non-cash working capital items		
Sales tax receivable	17,152	(4,811)
Prepaid expenses	(43,589)	(37,362)
Consulting and advisory services to be received	179,900	(179,900)
Accounts payable and accruals	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)
Due to a company controlled by a director	27,246	(69,461)
Due to directors	9,393	-
Proceeds from the issuance of shares	624,080	2,977,500
Issuance costs paid	(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**

For the year ended September 30, 2018, Auxico generated a decrease of cash of $993,595, compared to an increase of cash of $1,160,296 for the year ended September 30, 2017. This significant difference can be explained primarily by the cash used for operating expenses and in exploration and evaluation expenses in the year ended September 30, 2018.

Cash used in operating activities amounted to $1,344,704 in the year ended September 30, 2018, compared to cash used in operating activities of $1,307,119 for the year ended September 30, 2017. In both years, most of the cash used was for operating expenses, as described above.

Exploration and evaluation expenses for the year ended September 30, 2018 were $250,212, as compared to $230,769 for the year ended September 30, 2017. These amounts relate to geological work at the Company's Zamora Property in Mexico.

In the year ended September 30, 2018, the Company generated cash of $624,080 through the issuance of common shares by way of private placement, compared to cash generated of $2,977,500 in the year ended September 30, 2017.

At September 30, 2018, the cash balances of the Company were positive, but the working capital was negative. 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, 2018, there were 38,360,000 issued and fully paid common shares (September 30, 2017 – 35,810,000).

Shares to be issued

At September 30, 2018, there were 200,000 common shares to be issued by the Company; these shares were issued by the Company on November 2, 2018 in connection with the private placement described above.

Warrants

At September 30, 2018, the Company had 1,291,600 warrants issued and outstanding, as presented below:

Warrants Issued	Date of Issue	Expiry Date	Strike Price
16,600	August 29, 2017	August 28, 2022	$0.25
1,275,000	August 20, 2018	August 20, 2020	$0.40
1,291,600			

Stock options

At September 30, 2018, there were 3,675,000 stock options issued and outstanding to consultants, officers and directors of the Company, with no vesting period, as described below:

Options Issued	Date of Issue	Expiry Date	Strike Price	Options Expired	Balance
2,475,000	Feb. 10, 2017	Feb. 9, 2022	$0.25	(150,000)	2,325,000
1,100,000	Oct. 23, 2017	Oct. 22, 2022	$0.40	(550,000)	550,000
200,000	Mar. 13, 2018	Mar. 12, 2023	$0.40	-	200,000
600,000	Aug. 22, 2018	Aug. 21, 2023	$0.25	-	600,000
					3,675,000

SELECTED ANNUAL INFORMATION

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

As at September 30 (audited)	2018 $	2017 $	2016 $
Revenues	-	-	-
Net loss and comprehensive loss	(2,051,929)	(1,758,921)	(318,276)
Net loss per share (basic and diluted)	(0.057)	(0.061)	(0.014)
Total assets	1,392,967	2,337,263	679,740
Total non-current liabilities	69,810	31,025	12,822

For the year ended September 30, 2018, the expenses incurred are higher than the expenses incurred in the previous years. Auxico incurred additional professional and public listing fees associated with its listing on the Canadian Securities Exchange in October 2017 and on the NEX Exchange in London, UK, in October 2018. In addition, the Company investigated various opportunities in Colombia, which increased travel expenses.

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, 2018:

Quarter ending	Sep. 30, 2018 $	June 30, 2018 $	Mar. 31, 2018 $	Dec. 31, 2017 $
Revenue	-	-	-	-
Net loss	(803,117)	(180,715)	(385,990)	(682,107)
Net loss per share	(0.022)	(0.005)	(0.011)	(0.019)

Quarter ending	Sep. 30, 2017 $	June 30, 2017 $	Mar. 31, 2017 $	Dec. 31, 2016 $
Revenue	-	-	-	-
Net loss	(737,189)	(194,031)	(719,514)	(108,187)
Net loss per share	(0.022)	(0.006)	(0.026)	(0.005)

RESULTS OF THE FOURTH QUARTER

Interim Statements of Loss and Comprehensive Loss

For the three-month periods ended September 30 (unaudited)	**2018 $**	**2017 $**	**Variance $**
Expenses			
Professional fees	313,135	423,595	(110,460)
Management fees	60,000	108,000	(48,000)
Legal fees	42,157	40,118	2,039
Travel expenses	111,594	25,217	86,377
Office expenses	4,188	2,824	1,364
Rent	21,161	9,391	11,770
Advertising	14,419	1,702	12,717
Taxes and permits	(12,018)	3,347	(15,365)
Telecommunication	1,610	1,576	34
Public listing fees	71,722	24,227	47,495
Interest and bank fees	3,761	2,055	1,706
Other expenses	(20,170)	-	(20,170)
Litigation provision	9,000	56,600	(47,600)
Exploration expenses	(55,869)	-	(55,869)
Share-based compensation	146,887	-	146,887
Write-off of sales tax receivable	57,656	-	57,656
Losses (gains) on foreign exchange	(4,901)	18,315	(23,216)
	764,332	716,967	47,365
Loss before income taxes	(764,332)	(716,967)	(47,365)
Income taxes			
Current income tax expense	-	2,019	(2,019)
Deferred income tax expense	38,785	18,203	20,582
	38,785	20,222	18,563
Net loss and comprehensive loss	**(803,117)**	**(737,189)**	**(65,928)**
Loss per share	(0.022)	(0.022)	
Weighted average number of shares outstanding	36,974,130	32,960,000	

For the three-month ended September 30, 2018, the expenses incurred are higher than the expenses incurred in the three-month period ended September 30, 2017. The principal reason for this difference relates to share-based compensation, which is a non-cash expense. Auxico recognized $146,887 in share-based compensation for the three-month period ended September 30, 2018 (September 30, 2017 – $Nil). In the quarter ended September 30, 2018, Auxico incurred more travel expenses in relation to work done in both Mexico and Colombia, and the Company also wrote off sales tax receivable in its Auxico Mexico subsidiary.

Some expenses were significantly lower in the quarter ended September 30, 2018. Auxico incurred more professional expenses in the quarter ended September 30, 2017 as the Company was preparing to list on the Canadian Securities Exchange, which happened in October 2017.

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 incorporates 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)	2018 $	2017 $
Management fees		
Companies controlled by a director	120,000	128,000
Key management personnel and directors	120,000	127,784
Share-based compensation		
Key management personnel and directors	-	327,687
Rent		
Company controlled by a director	36,000	39,916

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

	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	-

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.

On May 8, 2018, the Company and the Government of Bolivar in Colombia agreed to work together in partnership and to share the profits of the Company's eventual gold production operations in Bolivar, with 75% of the 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 CAN's non-mercury, non-cyanide gold and silver extraction 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 in Colombia agreed to work together in partnership and to share the profits of the Company's eventual mineral production operations in Guainia, with 75% of the net profits going to the Company and 25% going to the Government of Guainia.

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 company controlled by a director 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.

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 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.

IFRIC 23 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.

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 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)	2018	2017
Cash and cash equivalents (United States)	7,129	70,435
Cash and 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.

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 $	More than 5 years $
Accounts payable	143,617	-	-
Provision	165,600	-	-

RISKS AND UNCERTAINTIES

<u>RISKS RELATED TO OUR BUSINESS:</u>

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 $2,051,929 for the year ended September 30, 2018. At September 30, 2018, there was shareholders' equity of $1,004,617 and negative working capital of $8,807. 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 28th day of January, 2019.

"signed"	"signed"
Mark Billings	Jacques Arsenault
President	Chief Financial Officer