

**AUXICO RESOURCES CANADA INC.**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**NINE-MONTH PERIODS ENDED JUNE 30, 2019 AND 2018**

**UNAUDITED, EXPRESSED IN CANADIAN DOLLARS**

**AUXICO RESOURCES CANADA INC.**

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**UNAUDITED, EXPRESSED IN CANADIAN DOLLARS**

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**Condensed interim Consolidated Financial Statements**

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## NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

Pursuant to National Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators, if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company for the interim periods ended June 30, 2019 and 2018 have been prepared in accordance with international accounting standards for interim financial reporting under IAS 34. The accompanying unaudited condensed interim consolidated financial statements are the responsibility of the Company's management.

The Company's independent auditors, Guimond Lavallée, Chartered Accountants, have not performed a review of these interim financial statements in accordance with the standards established for a review of condensed interim financial statements by an entity's auditor.

August 29, 2019

*/s/ Mark Billings*  
President

**Auxico Resources Canada Inc.**  
**Condensed Interim Consolidated Statements of Financial Position**  
**June 30, 2019 and September 30, 2018 (audited)**  
**(Unaudited, expressed in Canadian Dollars)**

| As at,  | June 30, 2019<br>(unaudited)<br>\$ | September 30, 2018<br>(audited)<br>\$ |
|---|------------------------------------|---------------------------------------|
| <b>ASSETS</b>                                       |                                    |                                       |
| <i>Current assets</i>                               |                                    |                                       |
| Cash & cash equivalents                             | 19 988                             | 172 178                               |
| Sales tax receivable                                | 32 106                             | 26 585                                |
| Prepaid expenses                                    | 12 538                             | 110 970                               |
|   | <b>64 632</b>                      | <b>309 733</b>                        |
| <i>Non-current assets</i>                           |                                    |                                       |
| Mining property acquisition costs (note 5)          | 216 593                            | 216 593                               |
| Exploration and evaluation expenses (note 5)        | 1 275 715                          | 866 641                               |
| <b>TOTAL ASSETS</b>                                 | <b>1 556 940</b>                   | <b>1 392 967</b>                      |
| <b>LIABILITIES</b>                                  |                                    |                                       |
| <i>Current liabilities</i>                          |                                    |                                       |
| Accounts payable and accruals                       | 415 615                            | 143 617                               |
| Provision (note 6)                                  | -                                  | 165 600                               |
| Due to a Director                                   | -                                  | 9 323                                 |
|   | <b>415 615</b>                     | <b>318 540</b>                        |
| <i>Non-current liabilities</i>                      |                                    |                                       |
| Deferred income tax liabilities                     | 69 810                             | 69 810                                |
| <b>Total Liabilities</b>                            | <b>485 425</b>                     | <b>388 350</b>                        |
| <b>SHAREHOLDERS' EQUITY</b>                         |                                    |                                       |
| Share capital (note 7)                              | 5 044 259                          | 4 048 169                             |
| Contributed surplus (note 7)                        | 1 012 903                          | 940 437                               |
| Warrants (note 7)                                   | 353 225                            | 77 315                                |
| Deficit   | (5 338 872)                        | (4 061 304)                           |
| <b>Total shareholders' equity</b>                   | <b>1 071 515</b>                   | <b>1 004 617</b>                      |
| <b>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY</b> | <b>1 556 940</b>                   | <b>1 392 967</b>                      |

Going Concern (note 2), Commitments and Contingencies (note 14) and Subsequent Events (note 15)

Approved on behalf of the Board:

Signed "Pierre Gauthier", Director

Signed "Mark Billings", Director

**Auxico Resources Canada Inc.**  
**Condensed Interim Consolidated Statements of Loss and Comprehensive Loss**  
**For the nine-month periods ended June 30, 2019 and 2018**  
**(Unaudited, expressed in Canadian Dollars)**

| For the period ended,                         | Three months ended                 |                                    | Nine months ended                  |                                    |
|---|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
|   | June 30, 2019<br>(unaudited)<br>\$ | June 30, 2018<br>(unaudited)<br>\$ | June 30, 2019<br>(unaudited)<br>\$ | June 30, 2018<br>(unaudited)<br>\$ |
| <b>Revenues</b>                               | -                                  | -                                  | -                                  | -                                  |
| <b>Expenses</b>                               |                                    |                                    |                                    |                                    |
| Professional fees                             | 204 218                            | 86 621                             | 751 678                            | 435 933                            |
| Management fees                               | 60 000                             | 60 000                             | 180 000                            | 180 000                            |
| Legal fees                                    | 39 364                             | 10 623                             | 77 891                             | 68 561                             |
| Travel expenses                               | 12 391                             | 29 620                             | 69 970                             | 86 503                             |
| Office expenses                               | 4 618                              | 1 474                              | 11 620                             | 6 343                              |
| Taxes and permits                             | 91                                 | 5 178                              | 753                                | 12 107                             |
| Rent  | 9 000                              | 9 000                              | 27 000                             | 27 000                             |
| Other expenses                                | 45 382                             | -                                  | 132 450                            | 76 039                             |
| Gains on settlement (note 6)                  | -                                  | -                                  | (55 600)                           | -                                  |
| Interest and bank fees                        | 1 610                              | 1 683                              | 5 142                              | 5 099                              |
| Stock-based compensation (note 7)             | -                                  | -                                  | 72 466                             | 342 980                            |
| Losses (gains) on foreign exchange            | (8 877)                            | (23 484)                           | 4 198                              | 8 247                              |
|   | 367 797                            | 180 715                            | 1 277 568                          | 1 248 812                          |
| <b>Loss before income taxes</b>               | <b>(367 797)</b>                   | <b>(180 715)</b>                   | <b>(1 277 568)</b>                 | <b>(1 248 812)</b>                 |
| Income taxes                                  | -                                  | -                                  | -                                  | -                                  |
| <b>Net loss and comprehensive loss</b>        | <b>(367 797)</b>                   | <b>(180 715)</b>                   | <b>(1 277 568)</b>                 | <b>(1 248 812)</b>                 |
| Loss per share - basic & diluted (note 8)     | <b>(0,008)</b>                     | (0,005)                            | <b>(0,030)</b>                     | (0,035)                            |
| Weighted average number of shares outstanding | 44 885 000                         | 35 810 000                         | 41 956 429                         | 35 810 000                         |

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

**Auxico Resources Canada Inc.**  
**Condensed Interim Consolidated Statements of Changes in Equity**  
**For the nine-month periods ended June 30, 2019 and 2018**  
**(Unaudited, expressed in Canadian Dollars)**

|  | SHARE CAPITAL     |                  | RETAINED              | WARRANTS       | CONTRIBUTED      | TOTAL            |
|--|-------------------|------------------|-----------------------|----------------|------------------|------------------|
|  | #                 | \$               | EARNINGS<br>(DEFICIT) |                | SURPLUS          | EQUITY           |
|  |                   |                  | \$                    | \$             | \$               | \$               |
| <b>Balance, as at</b>                        |                   |                  |                       |                |                  |                  |
| <b>October 1, 2017</b>                       | <b>35 810 000</b> | <b>3 578 059</b> | <b>(2 009 375)</b>    | <b>3 235</b>   | <b>450 570</b>   | <b>2 022 489</b> |
| Shares issued in                             |                   |                  |                       |                |                  |                  |
| private placement                            | 2 550 000         | 510 000          | -                     | -              | -                | 510 000          |
| Shares to be issued                          | -                 | 40 000           | -                     | -              | -                | 40 000           |
| Issuance costs                               | -                 | (79 890)         | -                     | -              | -                | (79 890)         |
| Share-based compensation                     | -                 | -                | -                     | -              | 489 867          | 489 867          |
| Warrants issued                              | -                 | -                | -                     | 74 080         | -                | 74 080           |
| Net loss and comprehensive<br>for the year   | -                 | -                | (2 051 929)           | -              | -                | (2 051 929)      |
| <b>Balance, as at</b>                        |                   |                  |                       |                |                  |                  |
| <b>September 30, 2018</b>                    | <b>38 360 000</b> | <b>4 048 169</b> | <b>(4 061 304)</b>    | <b>77 315</b>  | <b>940 437</b>   | <b>1 004 617</b> |
| Shares issued in                             |                   |                  |                       |                |                  |                  |
| private placement                            | 1 575 000         | 245 405          | -                     | -              | -                | 245 405          |
| Issuance costs                               | -                 | (5 000)          | -                     | -              | -                | (5 000)          |
| Warrants issued                              | -                 | -                | -                     | 69 595         | -                | 69 595           |
| Net loss and comprehensive<br>for the period | -                 | -                | (497 552)             | -              | -                | (497 552)        |
| <b>Balance, as at</b>                        |                   |                  |                       |                |                  |                  |
| <b>December 31, 2018</b>                     | <b>39 935 000</b> | <b>4 288 574</b> | <b>(4 558 856)</b>    | <b>146 910</b> | <b>940 437</b>   | <b>817 065</b>   |
| Shares issued in                             |                   |                  |                       |                |                  |                  |
| private placement                            | 4 950 000         | 783 685          | -                     | 206 315        | -                | 990 000          |
| Issuance costs                               | -                 | (28 000)         | -                     | -              | -                | (28 000)         |
| Share-based compensation                     | -                 | -                | -                     | -              | 72 466           | 72 466           |
| Net loss and comprehensive<br>for the period | -                 | -                | (412 219)             | -              | -                | (412 219)        |
| <b>Balance, as at</b>                        |                   |                  |                       |                |                  |                  |
| <b>March 31, 2019</b>                        | <b>44 885 000</b> | <b>5 044 259</b> | <b>(4 971 075)</b>    | <b>353 225</b> | <b>1 012 903</b> | <b>1 439 312</b> |
| Net loss and comprehensive<br>for the period | -                 | -                | (367 797)             | -              | -                | (367 797)        |
| <b>Balance, as at</b>                        |                   |                  |                       |                |                  |                  |
| <b>June 30, 2019</b>                         | <b>44 885 000</b> | <b>5 044 259</b> | <b>(5 338 872)</b>    | <b>353 225</b> | <b>1 012 903</b> | <b>1 071 515</b> |

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

**Auxico Resources Canada Inc.**  
**Condensed Interim Consolidated Statements of Cash Flows**  
**For the nine-month periods ended June 30, 2019 and 2018**  
**(Unaudited, expressed in Canadian Dollars)**

| For the period ended,                               | Nine months ended                  |                                    |
|---|------------------------------------|------------------------------------|
|   | June 30, 2019<br>(unaudited)<br>\$ | June 30, 2018<br>(unaudited)<br>\$ |
| <b>Operating activities</b>                         |                                    |                                    |
| Net loss  | (1 277 568)                        | (1 248 812)                        |
| <i>Adjustment for:</i>                              |                                    |                                    |
| Share-based compensation                            | 72 466                             | 342 980                            |
| <i>Changes in non-cash working capital items:</i>   |                                    |                                    |
| Sales tax receivable                                | (5 521)                            | (9 493)                            |
| Prepaid expenses                                    | 98 432                             | (4 804)                            |
| Consulting and advisory services to be received     | -                                  | 179 900                            |
| Accounts payable and accruals                       | 271 998                            | (34 393)                           |
| Provision   | (165 600)                          | -                                  |
|   | <b>(1 005 793)</b>                 | <b>(774 622)</b>                   |
| <b>Investing activities</b>                         |                                    |                                    |
| Exploration and evaluation expenses                 | (409 074)                          | (333 251)                          |
|   | <b>(409 074)</b>                   | <b>(333 251)</b>                   |
| <b>Financing activities</b>                         |                                    |                                    |
| Advance to a director                               | -                                  | 20 562                             |
| Due to a company owned by a Director                | -                                  | 27 246                             |
| Due to directors                                    | (9 323)                            | -                                  |
| Proceeds from the issue of equity                   | 1 305 000                          | -                                  |
| Share issuance cost paid                            | (33 000)                           | -                                  |
|   | <b>1 262 677</b>                   | <b>47 808</b>                      |
| Increase (decrease) in cash and cash equivalents    | <b>(152 190)</b>                   | <b>(1 060 065)</b>                 |
| Cash and cash equivalents, beginning of the period  | <b>172 178</b>                     | <b>1 165 415</b>                   |
| <b>Cash and cash equivalents, end of the period</b> | <b>19 988</b>                      | <b>105 350</b>                     |
| <b>Supplemental information</b>                     |                                    |                                    |
| Interest paid                                       | -                                  | -                                  |

**Auxico Resources Canada Inc.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the nine-month periods ended June 30, 2019 and 2018**  
**(Unaudited, expressed in Canadian Dollars)**

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**1. GENERAL INFORMATION AND NATURE OF OPERATIONS**

Auxico Resources Canada Inc. (“Auxico” or the “Company”) was incorporated under the Canada Business Corporations Act on April 16, 2014. Auxico has two wholly-owned subsidiaries, Auxico Resources S.A. de C.V., which was incorporated under the laws of Mexico on June 16, 2011 and C.I. Auxico Colombia S.A., which was incorporated under the laws of Colombia on April 9, 2019. Auxico is a mineral exploration company with silver-gold properties in the state of Sinaloa, Mexico. The Company’s head office and primary place of business is located at 230 Notre-Dame Street West, Montréal, Québec, H2Y 1T3, Canada.

**2. GOING CONCERN DISCLOSURE**

The business of mining exploration involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of exploration properties and the Company’s continued existence are dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability to raise alternative financing, if necessary, or alternatively upon the Company’s ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values. Although the Company has taken steps to verify the title to the properties on which it is conducting exploration and has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company’s title. Property title may be subject to unregistered prior agreements, aboriginal claims and non-compliance with regulatory requirements.

Several adverse conditions and events cast substantial doubt upon the validity of this assumption. Auxico is not currently generating any revenue from its operations and for the nine-month period ended June 30, 2019, the Company recorded a net loss and comprehensive loss of \$1,277,568 (June 30, 2018 - \$1,248,812) and deficit of \$5,338,872 (deficit of \$4,061,304 as at September 30, 2018). Its ability to continue as a going concern is uncertain and is dependent upon its ability to fund its working capital, complete the development of its explorations, and eventually to generate positive cash flows from operations. Management plans to explore all alternatives possible, including joint ventures, debt and equity financings, and merger opportunities.

These condensed interim consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

**3. BASIS OF PREPARATION**

***Statement of compliance***

These interim consolidated financial statements of the Company were prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting, of the International Financial Reporting Standards (IFRS, as published by the International Accounting Standards Board (IASB)), considering the accounting policies adopted by the Company for its consolidated financial statements for the year ended September 30, 2018. The accounting policies have been applied consistently for all the periods presented. They do not include all the information required by the IFRS for annual financial statements and should be read in conjunction with the annual audited consolidated financial statements for the year ended September 30, 2018. In the opinion of management, all adjustments considered necessary for fair presentation have been included in these condensed interim consolidated financial statements. Operating results for the nine-month period ended June 30, 2019 may not be indicative of the results that may be expected for the year ending September 30, 2019. These condensed interim consolidated financial statements were approved and authorized for issuance by the Company’s Board of Directors on August 29, 2019.

***Basis of measurement***

The condensed interim consolidated financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified for specific financial instruments carried at fair value where applicable.



**Auxico Resources Canada Inc.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the nine-month periods ended June 30, 2019 and 2018**  
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***Basis of consolidation***

These condensed interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Auxico Resources S.A. de C.V. (“Auxico Mexico”). Auxico Mexico was incorporated under the laws of Mexico. Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation.

***Functional and presentation currency***

These condensed interim consolidated financial statements are presented in Canadian dollars, which is the Company’s functional and presentation currency.

**4. CHANGES IN ACCOUNTING POLICIES**

Readers should refer to the September 30, 2018 annual audited consolidated financial statements for the accounting policies used in the preparation of these interim consolidated financial statements. The IASB (International Accounting Standards Board) continues to amend and add to current IFRS standards and interpretations with several projects underway. Accordingly, the accounting policies adopted by the Company for the Company’s IFRS annual consolidated financial statements will be determined as at September 30, 2019. In the event that accounting policies adopted at September 30, 2019 differ materially from the accounting policies used in the preparation of these Financial Statements, these Financial Statements will be restated to retrospectively account for the application of those policies adopted at September 30, 2019.

Information on new standards, amendments and interpretations that are expected to be relevant to the Company’s interim consolidated financial statements is provided in the Company’s annual audited consolidated financial statements for the year ended September 30, 2018. Certain other new standards and interpretations have been issued but had no material impact on the Company’s interim consolidated financial statements.

**5. MINING PROPERTY AND EXPLORATION AND EVALUATION EXPENSES**

Auxico, through its wholly owned Mexican subsidiary, Auxico Resources S.A. de C.V., has a 100% interest in the Zamora Silver-Gold Property (“Zamora Property”), which is located 85 km southeast of the city of Culiacan in the state of Sinaloa, Mexico. The Zamora Property is comprised of five individual lots measuring a total of 3,376 hectares; these lots are labelled Zamora, Campanillas, San Felipe, Chio and Gaby. According to historical records, the Zamora Property is characterized by 15 historical mines / prospects. Historically, the ore was shipped directly to a processing plant at La Minita, approximately 25 km from Zamora. There has been little historical exploration work conducted on the Zamora Property. Capitalized exploration and evaluation assets can be detailed as follows:

|                                     | <b>Mining property<br/>acquisition<br/>costs</b> | <b>Exploration<br/>evaluation<br/>expenses</b> | <b>Total</b>     |
|-------------------------------------|--|--|------------------|
|                                     | \$   | \$   | \$               |
| <b>Balance - October 1, 2016</b>    | <b>181 400</b>                                   | <b>420 853</b>                                 | <b>602 253</b>   |
| Additions                           | -  | 230 769  | 230 769          |
| <b>Balance - September 30, 2017</b> | <b>181 400</b>                                   | <b>651 622</b>                                 | <b>833 022</b>   |
| Additions                           | 35 193   | 215 019  | 250 212          |
| <b>Balance - September 30, 2018</b> | <b>216 593</b>                                   | <b>866 641</b>                                 | <b>1 083 234</b> |
| Additions                           | -  | 48 901   | 48 901           |
| <b>Balance - December 31, 2018</b>  | <b>216 593</b>                                   | <b>915 542</b>                                 | <b>1 132 135</b> |
| Additions                           | -  | 306 048  | 306 048          |
| <b>Balance - March 31, 2019</b>     | <b>216 593</b>                                   | <b>1 221 590</b>                               | <b>1 438 183</b> |
| Additions                           | -  | 54 125   | 54 125           |
| <b>Balance - June 30, 2019</b>      | <b>216 593</b>                                   | <b>1 275 715</b>                               | <b>1 492 308</b> |

**Auxico Resources Canada Inc.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the nine-month periods ended June 30, 2019 and 2018**  
**(Unaudited, expressed in Canadian Dollars)**

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

|                                   | <b>June 30, 2019</b> | <b>September 30, 2018</b> |
|-----------------------------------|----------------------|---------------------------|
|                                   | <b>(unaudited)</b>   | <b>(audited)</b>          |
|                                   | <b>\$</b>            | <b>\$</b>                 |
| Geological expenses               | 409 074              | 215 019                   |
|                                   | 409 074              | 215 019                   |
| Balance, beginning of the period  | 866 641              | 651 622                   |
| <b>Balance, end of the period</b> | <b>1 275 715</b>     | <b>866 641</b>            |

**6. PROVISION**

The Company was served on March 8, 2017 with a legal proceeding from Telferscot Resources Inc. filed in the Superior Court of Quebec alleging that based on the Amendment to the Amalgamation Agreement signed June 30, 2016 and terminated January 5, 2017, a number of conditions would have not been met, and thus, the break-up fee is due and owing by the Company. The parties have agreed on and filed a case protocol. The exposure consists in the amount claimed in capital, interest and legal costs, which are limited to courts cost and fees and various disbursements but do not include counsel legal fees. During the year, an amount of \$9,000 of interest was accrued to the balance. The companies settled their dispute for an amount of \$110,000 during the three-month period ended March 31, 2019, resulting of a gain on settlement of \$55,600 for Auxico.

|                                   | <b>June 30, 2019</b> | <b>September 30, 2018</b> |
|-----------------------------------|----------------------|---------------------------|
|                                   | <b>(unaudited)</b>   | <b>(audited)</b>          |
|                                   | <b>\$</b>            | <b>\$</b>                 |
| Balance, beginning of the year    | <b>165 600</b>       | <b>156 600</b>            |
| Additions                         | -                    | 9 000                     |
| Settlement                        | (110 000)            | -                         |
| Gains on settlement               | (55 600)             | -                         |
| <b>Balance, end of the period</b> | <b>-</b>             | <b>165 600</b>            |

**7. SHARE CAPITAL**

***Authorized share capital***

The Company has authorized an unlimited number of common shares without par value and an unlimited number of preferred shares without par value. On June 30, 2019, there were 44,845,000 issued and fully paid common shares.

***Shares issued***

- 1) On December 31, 2016, the Company completed a first tranche of a non-brokered private placement, raising gross proceeds of \$627,500 by issuing 2,510,000 common shares of the Company's capital at a price of \$0.25 per common share.
- 2) On February 17, 2017, the Company completed a second tranche of a non-brokered private placement, raising gross proceeds of \$825,000 by issuing 3,300,000 common shares of the Company's capital at a price of \$0.25 per common share.
- 3) On March 30, 2017, the Company completed a non-brokered private placement, raising net proceeds of \$275,000 by issuing 1,100,000 common shares of the Company's capital at a price of \$0.25 per common share.

**Auxico Resources Canada Inc.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the nine-month periods ended June 30, 2019 and 2018**  
**(Unaudited, expressed in Canadian Dollars)**

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- 4) On April 24, 2017, the Company completed a non-brokered private placement, raising gross proceeds of \$100,000 by issuing 400,000 common shares of the capital of the Company at a price of \$0.25 per common share.
- 5) In August 2017, the Company completed several non-brokered private placements, raising gross proceeds of \$1,150,000 by issuing 4,600,000 common shares of the capital of the Company at a price of \$0.25 per common share of which 2,000,000 common shares were issued for consulting and advisory services and 127,700 issued through a crowdfunding agreement.

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

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

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

- 7) On November 2, 2018, the Company completed a non-brokered private placement of 1,575,000 units at a price of \$0.20 per unit for gross proceeds of \$315,000. Each unit consists of one common share and one-half transferable common share purchase warrant. Each full Warrant entitles the holder to acquire one additional share of the Company at a price of \$0.40 per share for two years from the date of issuance.

Issuance costs of \$5,000 were incurred for private placement closed in the three-month period ended December 31, 2018.

- 8) On February 11, 2019, the Company completed a non-brokered private placement of 2,000,000 units at a price of \$0.20 per unit for gross proceeds of \$400,000. Each unit consists of one common share and one-half transferable common share purchase warrant. Each full Warrant entitles the holder to acquire one additional share of the Company at a price of \$0.40 per share for two years from the date of issuance.

- 9) On March 13, 2019, the Company completed a non-brokered private placement of 2,000,000 units at a price of \$0.20 per unit for gross proceeds of \$400,000. Each unit consists of one common share and one-half transferable common share purchase warrant. Each full Warrant entitles the holder to acquire one additional share of the Company at a price of \$0.40 per share for two years from the date of issuance.

- 10) On March 27, 2019, the Company completed a non-brokered private placement of 950,000 units at a price of \$0.20 per unit for gross proceeds of \$190,000. Each unit consists of one common share and one-half transferable common share purchase warrant. Each full Warrant entitles the holder to acquire one additional share of the Company at a price of \$0.40 per share for two years from the date of issuance.

Issuance costs of \$28,000 were incurred for private placements closed in the three-month period ended March 31, 2019.

No transactions incurred during the three-month period ended June 30, 2019.

### ***Warrants***

On August 28, 2017, the Company issued 16,600 warrants. The fair value of these warrants was calculated using Black-Scholes pricing model using a share and exercise price of \$0.25, risk free rate of 1.567%, volatility of 107.5%, vesting immediately and expected life of 5 years from date of grant resulting in a fair value of \$3,235. Each warrant will entitle its holder to subscribe for and purchase one fully paid and non-assessable common share of the Company at a price of \$0.25 at any time until the five-year anniversary of the date of their issuance.

**Auxico Resources Canada Inc.**  
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On August 20, 2018, the Company issued 1,275,000 warrants. The fair value of these warrants was calculated using Black-Scholes pricing model using a share price of \$0.155 and an exercise price of \$0.40, risk free rate of 2.088%, volatility of 112.25%, vesting immediately and expected life of 2 years from date of grant resulting in a fair value of \$74,080. Each warrant will entitle its holder to subscribe for and purchase one fully paid and non-assessable common share of the Company at a price of \$0.40 at any time until the second-year anniversary of the date of their issuance.

On November 2, 2018, the Company issued 787,500 warrants. The fair value of these warrants was calculated using Black-Scholes pricing model using a share price of \$0.21 and an exercise price of \$0.40, risk free rate of 2.32%, volatility of 112.25%, vesting immediately and expected life of 2 years from date of grant resulting in a fair value of \$69,595. Each warrant will entitle its holder to subscribe for and purchase one fully paid and non-assessable common share of the Company at a price of \$0.40 at any time until the second-year anniversary of the date of their issuance.

On February 11, 2019, the Company issued 1,000,000 warrants. The fair value of these warrants was calculated using Black-Scholes pricing model using a share price of \$0.19 and an exercise price of \$0.40, risk free rate of 2.50%, volatility of 115%, vesting immediately and expected life of 2 years from date of grant resulting in a fair value of \$82,661. Each warrant will entitle its holder to subscribe for and purchase one fully paid and non-assessable common share of the Company at a price of \$0.40 at any time until the second-year anniversary of the date of their issuance.

On March 13, 2019, the Company issued 1,000,000 warrants. The fair value of these warrants was calculated using Black-Scholes pricing model using a share price of \$0.195 and an exercise price of \$0.40, risk free rate of 2.50%, volatility of 115%, vesting immediately and expected life of 2 years from date of grant resulting in a fair value of \$85,927. Each warrant will entitle its holder to subscribe for and purchase one fully paid and non-assessable common share of the Company at a price of \$0.40 at any time until the second-year anniversary of the date of their issuance.

On March 27, 2019, the Company issued 475,000 warrants. The fair value of these warrants was calculated using Black-Scholes pricing model using a share price of \$0.185 and an exercise price of \$0.40, risk free rate of 2.50%, volatility of 115%, vesting immediately and expected life of 2 years from date of grant resulting in a fair value of \$37,727. Each warrant will entitle its holder to subscribe for and purchase one fully paid and non-assessable common share of the Company at a price of \$0.40 at any time until the second-year anniversary of the date of their issuance.

The Company currently estimates the volatility of the market price of its common shares based on comparable information derived from transactions carried out by public companies in a situation similar to its own. Changes in the number of warrants outstanding are as follows:

|                                     | Warrants<br>#    | Weighted average<br>exercise price<br>\$ |
|-------------------------------------|------------------|--|
| <b>Balance - September 30, 2017</b> | <b>16 600</b>    | 0,25                                     |
| Issued                              | 1 275 000        | 0,40                                     |
| <b>Balance - September 30, 2018</b> | <b>1 291 600</b> | 0,40                                     |
| Issued                              | 787 500          | 0,40                                     |
| <b>Balance - December 31, 2018</b>  | <b>2 079 100</b> | 0,40                                     |
| Issued                              | 2 475 000        | 0,40                                     |
| <b>Balance - March 31, 2019</b>     | <b>4 554 100</b> | 0,40                                     |
| No transactions                     | -                | -  |
| <b>Balance - June 30, 2019</b>      | <b>4 554 100</b> | 0,40                                     |

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The following table summarizes the information on outstanding warrants as at June 30, 2019:

| <b>Exercise price</b> | <b>Number outstanding and exercisable</b> | <b>Weighted average remaining contractual life (years)</b> | <b>Expiry</b> |
|-----------------------|---|--|---------------|
| \$0,25                | 16 600                                    | 3,17   | August 2022   |
| \$0,40                | 1 275 000                                 | 2,17   | August 2021   |
| \$0,40                | 1 475 000                                 | 1,75   | March 2021    |
| \$0,40                | 1 000 000                                 | 1,67   | February 2021 |
| \$0,40                | 787 500                                   | 1,42   | November 2020 |

***Stock options***

On February 10, 2017, the Board of Directors of the Company adopted an incentive stock option plan (the “Plan”), for the benefit of employees, consultants, officers and directors. The Plan allows the Company to issue stock options up to a maximum of 10% of the issued and outstanding shares of the Company at the date of grant. The exercise price payable for each option is determined by the Board of Directors at the date of grant, and may not be less than the closing market price during the trading day immediately preceding the date of the grant of the options on the Exchange, for a minimum amount of \$0.10 per option. The vesting period and expiry date are determined by the Board of Directors for each vesting.

On February 10, 2017, the Board of Directors issued 2,475,000 stock options to consultants, officers and directors of the Company. These stock options have a strike price of \$0.25, no vesting period and expire in 5 years. The fair value of the options was estimated at \$0.182 per option at the grant date for a total of \$450,570 using the Black-Scholes option pricing-model with the following assumptions: risk-free interest rate of 1.12%, expected volatility of 97% and expected option life of five years.

On October 23, 2017, the Board of Directors issued 1,100,000 stock options to consultants, officers and directors of the Company. These stock options have a strike price of \$0.40, no vesting period and expire in 5 years. The fair value of the options was estimated at \$0.312 per option at the grant date for a total of \$342,980 using the Black-Scholes option pricing-model with the following assumptions: risk-free interest rate of 1.567%, expected volatility of 107.5% and expected option life of five years.

On March 13, 2018, the Board of Directors issued 200,000 stock options to consultants, officers and directors of the Company. These stock options have a strike price of \$0.40, no vesting period and expire in 5 years. The fair value of the options was estimated at \$0.320 per option at the grant date for a total of \$64,077 using the Black-Scholes option pricing-model with the following assumptions: risk-free interest rate of 2.03%, expected volatility of 112.25% and expected option life of five years.

On August 22, 2018, the Board of Directors issued 600,000 stock options to consultants, officers and directors of the Company. These stock options have a strike price of \$0.25, no vesting period and expire in 5 years. The fair value of the options was estimated at \$0.138 per option at the grant date for a total of \$82,810 using the Black-Scholes option pricing-model with the following assumptions: risk-free interest rate of 2.03%, expected volatility of 112.25% and expected option life of five years.

On March 28, 2019, the Board of Directors issued 500,000 stock options to consultants, officers and directors of the Company. These stock options have a strike price of \$0.25, no vesting period and expire in 5 years. The fair value of the options was estimated at \$0.145 per option at the grant date for a total of \$72 466 using the Black-Scholes option pricing-model with the following assumptions: risk-free interest rate of 2.5%, expected volatility of 115% and expected option life of five years.

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The Company currently estimates the volatility of the market price of its common shares based on comparable information derived from transactions carried out by public companies in a situation similar to its own. Changes in the number of options outstanding are as follows:

|                                     | Options<br>#     | Weighted average<br>exercise price<br>\$ |
|-------------------------------------|------------------|--|
| <b>Balance - September 30, 2017</b> | <b>2 475 000</b> | 0,25                                     |
| Issued                              | 1 900 000        | 0,40                                     |
| Expired                             | (150 000)        | 0,25                                     |
| Expired                             | (550 000)        | 0,40                                     |
| <b>Balance - September 30, 2018</b> | <b>3 675 000</b> | 0,31                                     |
| Expired                             | (100 000)        | 0,40                                     |
| Expired                             | (200 000)        | 0,25                                     |
| Issued                              | 500 000          | 0,25                                     |
| <b>Balance - March 31, 2019</b>     | <b>3 875 000</b> | 0,30                                     |
| No transactions                     | -                | -  |
| <b>Balance - June 30, 2019</b>      | <b>3 875 000</b> | 0,30                                     |

The following table summarizes the information on outstanding options at June 30, 2019:

| Exercise<br>price | Number outstanding<br>and exercisable | Weighted average<br>remaining contractual<br>life (years) | Expiry        |
|-------------------|---------------------------------------|---|---------------|
| \$0,25            | 2 325 000                             | 2,67  | February 2022 |
| \$0,40            | 450 000                               | 3,33  | October 2022  |
| \$0,40            | 200 000                               | 3,75  | March 2023    |
| \$0,40            | 400 000                               | 4,17  | August 2023   |
| \$0,25            | 500 000                               | 4,75  | March 2024    |

**8. LOSS PER SHARE ("EPS")**

*(a) Basic EPS*

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

*(b) Diluted EPS*

Diluted EPS is computed by dividing net loss for a period by the diluted number of common shares. Diluted common shares includes the effects of instruments, such as share options, which could cause the number of common shares outstanding to increase.

The Company reported net losses for the six-month period ended June 30, 2019. The Company has accordingly presented basic and diluted EPS, which are the same, on a single line in the statements of loss and comprehensive loss.

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**9. SEGMENTATION INFORMATION**

The Company operates in one reportable operating segment, being the acquisition and exploration of mineral property interests and in two geographical segments, Canada and Mexico. The total assets and the capital assets identifiable with these geographic areas are as follows:

|                          | <b>For the period ended,</b> |                      |                           |
|--------------------------|------------------------------|----------------------|---------------------------|
|                          | <b>June 30, 2019</b>         | <b>June 30, 2018</b> | <b>September 30, 2018</b> |
|                          | <b>(unaudited)</b>           | <b>(unaudited)</b>   | <b>(audited)</b>          |
|                          | <b>\$</b>                    | <b>\$</b>            | <b>\$</b>                 |
| Canada                   | <b>254 209</b>               | 430 377              | 317 446                   |
| Mexico                   | <b>1 302 731</b>             | 966 661              | 1 075 521                 |
| <b>Total assets</b>      | <b>1 556 940</b>             | 1 397 038            | 1 392 967                 |
| Canada                   | <b>435 425</b>               | 270 755              | 354 009                   |
| Mexico                   | <b>50 000</b>                | 9 626                | 34 341                    |
| <b>Total liabilities</b> | <b>485 425</b>               | 280 381              | 388 350                   |
| Canada                   | <b>1 074 585</b>             | 1 093 062            | 1 258 949                 |
| Mexico                   | <b>(3 070)</b>               | 23 595               | (254 332)                 |
| <b>Net equity</b>        | <b>1 071 515</b>             | 1 116 657            | 1 004 617                 |
| Canada                   | <b>1 272 236</b>             | 1 240 145            | 1 817 596                 |
| Mexico                   | <b>5 332</b>                 | 8 667                | 234 333                   |
| <b>Net loss</b>          | <b>1 277 568</b>             | 1 248 812            | 2 051 929                 |

**10. CAPITAL MANAGEMENT**

The Company considers its capital structure to include net residual equity of all assets, less liabilities. The Company currently manages its capital structure and makes adjustments to it, based on cash resources expected to be available to the Company, in order to support the planned exploration and development of mineral property interests. Management has not established a quantitative capital structure. Capital needs are reviewed on a regular basis by management relative to the stage of development of the business entity. The Company currently is dependent on externally provided equity financing to fund its future exploration activities. In order to carry out planned exploration and development and fund administrative costs, the Company will allocate its existing capital and plans to raise additional amounts as needed through equity and related party advances if available.

The Company and its subsidiary are not subject to any capital requirements imposed by a lending institution or regulatory body. Management reviews its capital management approach on an ongoing basis and believes that this approach is reasonable, given the relative size of the Company, the current state of the markets and exploration industry. There were no changes in the Company's approach to capital management during the years. The Company's capital items are the following:

| <b>For the period ended,</b>       | <b>June 30, 2019</b> | <b>September 30, 2018</b> |
|------------------------------------|----------------------|---------------------------|
|                                    | <b>(unaudited)</b>   | <b>(audited)</b>          |
|                                    | <b>\$</b>            | <b>\$</b>                 |
| Cash & cash equivalents            | <b>19 988</b>        | 172 178                   |
| Due to directors without interests | -                    | 9 323                     |
| <b>Share capital</b>               | <b>5 044 259</b>     | 4 048 169                 |

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**11. FINANCIAL INSTRUMENTS**

As at June 30, 2019, the Company's financial instruments include cash and cash equivalents, advance to a shareholder without interest, advance to an entity with significant influence, accounts payable and accruals and due to a company owned by a director, for which there are no differences in the carrying values and fair values, due to their short-term nature. The types of risk exposures are detailed in Note 12.

**12. 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:

| <b>For the period ended,</b>                           | <b>June 30, 2019</b> | <b>September 30, 2018</b> |
|--|----------------------|---------------------------|
|  | <b>(unaudited)</b>   | <b>(audited)</b>          |
|  | <b>\$</b>            | <b>\$</b>                 |
| Cash & cash equivalents in United States dollars (USD) | <b>1 102</b>         | 61 407                    |
| Cash & cash equivalents in Mexican Pesos (MXN)         | <b>11 481</b>        | 92 799                    |

A 10% change in the exchange rate would not have a significant impact.

*Cash flows and fair value interest rate risk:* The Company is exposed to fair value interest rate risk arising from assets and liabilities negotiated at a fixed rate such as are cash and cash equivalents, advance to a shareholder without interest, advance to an entity with significant influence and the due to a company owned by a Director.

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

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

**Credit risk**

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



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**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 June 30, 2019, the Company has a working capital deficit of \$394,160 (September 30, 2018 - \$8,807 deficit).

The following are the contractual maturities of the financial liabilities amounts:

|                               | <b>Less than<br/>1 year</b> | <b>1 to 5 years</b> | <b>&gt; 5 years</b> |
|-------------------------------|-----------------------------|---------------------|---------------------|
| Accounts payable and accruals | \$415,615                   | -                   | -                   |
| Provision and others          | -                           | -                   | -                   |

**13. RELATED PARTY TRANSACTIONS**

The Company's related parties include an entity with significant influence, companies owned by a Director as well as key management personnel. Unless otherwise stated, none of the transactions incorporates special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash. All balances of advances receivables and advances payable are measured at fair value and occurred in the normal course of business.

Transactions with related parties for the period ended June 30, 2019 were as follows:

| <b>Nine-months ended,</b>              | <b>June 30, 2019<br/>(unaudited)</b> | <b>June 30, 2018<br/>(unaudited)</b> |
|--|--------------------------------------|--------------------------------------|
|  | <b>\$</b>                            | <b>\$</b>                            |
| <b><u>Management fees</u></b>          |                                      |                                      |
| Key management personnel and Director  | 180 000                              | 120 000                              |
| <b><u>Share-based compensation</u></b> |                                      |                                      |
| Key management personnel and Director  | 72 466                               | 342 980                              |
| <b><u>Rent</u></b>                     |                                      |                                      |
| Company controlled by a Director       | 27 000                               | 18 000                               |
| <hr/>                                  |                                      |                                      |
| <b>Three-months ended,</b>             | <b>June 30, 2019<br/>(unaudited)</b> | <b>June 30, 2018<br/>(unaudited)</b> |
|  | <b>\$</b>                            | <b>\$</b>                            |
| <b><u>Management fees</u></b>          |                                      |                                      |
| Key management personnel and Director  | 60 000                               | 90 000                               |
| <b><u>Share-based compensation</u></b> |                                      |                                      |
| Key management personnel and Director  | -                                    | -                                    |
| <b><u>Rent</u></b>                     |                                      |                                      |
| Company controlled by a Director       | 9 000                                | 9 000                                |

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

|  | <b>Period</b>      | <b>Interest received (paid)</b> | <b>Amounts owned by related parties</b> | <b>Amounts owned to related parties</b> |
|--|--------------------|---------------------------------|---|---|
|  |                    | <b>\$</b>                       | <b>\$</b>                               | <b>\$</b>                               |
| <b>Key management personnel and Director</b> | June 30, 2019      | -                               | -                                       | 34 493                                  |
|  | September 30, 2018 | -                               | -                                       | 9 323                                   |
| <b>Companies controlled by a Director</b>    | June 30, 2018      | -                               | -                                       | -                                       |
|  | September 30, 2018 | -                               | -                                       | 11 498                                  |

**14. COMMITMENTS AND CONTINGENCIES**

***Net Smelter Return Royalty ("NSRR")***

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

***Farm-out Agreement***

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

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

On October 17, 2016, the Company signed a Memorandum of Understanding ("MOU") with the Lender involved in the Farm-out Agreement mentioned. 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 Memorandum of Understanding ("MOU") signed on October 17, 2016, a Gold Loan Settlement Agreement was signed and provides that the Company will pay to the Lender a total of US\$400,000 in cash on or before October 16, 2017 and will issue a total of 1,000,000 common shares of the Company at a price of \$0.25 per share for a total consideration of \$250,000 on or before October 16, 2017.

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

On January 1, 2018, the Company signed a second amending agreement to the Gold Loan Settlement Agreement signed April 7, 2017. As repayment of the settlement, the Company will pay to the Lender a total of US\$400,000 in cash payable on or before June 30, 2018 and a total of 1,000,000 common shares of the Company.

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

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

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

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

#### **15. SUBSEQUENT EVENTS**

On July 22, 2019, Auxico announced that it has signed an option agreement to acquire a 100% interest in the Porto Grande Property (Cupixi), located in the state of Amapá, Brazil. The property has exploration and commercialization permits in place for tin, gold, tantalum and niobium. Auxico can acquire 100% of the Porto Grande Property for total consideration of US\$2 million, subject to due diligence. Auxico has 120 days to conduct this due diligence, which it intends to commence immediately. This due diligence will focus on, but not be limited to, geological sampling and testing on the property.