AUXICO RESOURCES CANADA INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

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, 2019. 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, 2019. The accompanying audited consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). The consolidated 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 February 14, 2020.

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, Brazil and elsewhere; 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 two wholly-owned subsidiaries, Auxico Resources S.A. de C.V. ("Auxico Mexico"), which was incorporated under the laws of Mexico on June 16, 2011, and C.I. Auxico de Colombia S.A., which was incorporated under the laws of Colombia on April 9, 2019. 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, Brazil and elsewhere.

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, 2019

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 agreed to extend the due diligence period to December 31, 2018. As of the date of this MD&A, the Parties have not entered into a joint venture agreement.

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. 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. The Company's Qualified Person did not visit the Villa Kelly Property, nor did he supervise the work conducted by the property owner.

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.

On January 31, 2019, Auxico announced results from a recent sampling campaign in September 2018 carried out on Auxico's optioned property, PanaPana, located in the state of Guainia, Colombia. Auxico's Qualified Person, Joel Scodnick, did not supervise any of the work conducted on the PanaPana Property.

The Company reported the discovery of up to 4.6 kg/t of scandium, up to 417.7 kg of niobium, up to 323.1 kg/t of tantalum and up to 495.6 kg/t of titanium. The four samples contained in black sands were taken within an area measuring approximately 500m x 1,500m. Sample M-IK2-2018-2 was taken 280m South-Southwest of M-IK2-2018-1; sample M-IK2-2018-4 was taken 400m East of M-IK2-2018-1; and sample M-IK2-2018-3 was taken 1,113m East of

M-IK2-2018-2. A detailed follow-up grid sampling program is being planned and will be initiated very soon. For all results, please refer to the tables below.

Metal	Sc2O3 (kg)	Nb2O5 (%)	Ta2O5 (%)	TiO2 (%)
Sample M-IK2-2018-01	0.0	41.77	32.31	4.55
Sample M-IK2-2018-02	1.9	34.02	19.19	27.88
Sample M-IK2-2018-03	3.5	26.18	8.74	48.34
Sample M-IK2-2018-04	4.6	24.74	9.10	49.56

The sampling campaign was led by Colombian geologists and mining engineers, who were hired directly by the Company. The samples were analyzed at the Centre of Mineral Technology in Thetford Mines, Quebec.

All 4 metals are on the list of minerals deemed critical for the US national security and economy.

On February 7, 2019, Auxico announced that it had signed a memorandum of understanding ("MOU") with a Brazilian company, Company and Partners Consultoria EM Comércio Exterior ("Consultoria"), to earn a 70% interest in a joint venture on its Palha Property.

Consultoria recently sent two samples to Auxico, which were analyzed at the Centre of Mineral Technology in Thetford Mines, Quebec. The results of the samples are presented in the table below:

Sample	**Niobium (Nb_2O_5) %**	**Tin (SnO_2) %**	**Tantalum (Ta_2O_5) %**	**Scandium (Sc_2O_3) g/t**
M-8731 BRAZIL_1	50.70%	3.18%	3.10%	700 g
M-8731 BRAZIL_2	1.29%	90.20%	1.17%	-

Given the grades of niobium and tin, specifically, in the samples provided above, Auxico decided to sign an MOU with Consultoria. Under the terms of the MOU, Auxico has 120 days to conduct due diligence, after which the parties agree to enter into a joint venture ("JV") on the Palha Property. Auxico will have a 70% share of the net profits of the JV for committing 100% of the capital required to begin industrial production of all metals (e.g. base, precious, industrial) on the Palha Property. Consultoria will retain 30% of the net profits of the JV. Auxico will also have an option to purchase 50% of the profit interest of Consultoria (or 15% of its 30%) at a price to be agreed upon. As of the date of this MD&A, no joint venture has been entered into by Auxico and Consultoria.

PALHA PROPERTY

The Palha Property covers an area of 10,000 acres in the state of Pará in northern Brazil. All of the previous work, including 27 boreholes and 25 exploration pits, appears to have been conducted over extensive river systems, and samples were extracted from what is believed to be along the river banks. One assay is reported to have returned a grade of 42% tantalum. Auxico's Qualified Person did not visit the Palha Property.

Applications of scandium, tantalum, niobium and titanium: Scandium is used in aerospace industry because of its low density, high melting point and strength. It is often alloyed or mixed with other metals, typically aluminum, to form a super-hard, lightweight, and durable material for building aircrafts. Tantalum 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 high-grade structural steel while niobium superalloys are used for jet engines and heat resistant equipment.

Titanium is also used for superalloys, principally in the aerospace industry for both airframes and engines, because of their low density and ability to withstand extremes of temperature.

On February 11, 2019, Auxico announced that it had completed a non-brokered private placement of 2,000,000 units ("Units"), issued at a price of $0.20 per Unit, for gross proceeds of $400,000. 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.

The Company paid finder's fees of $28,000 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 evaluating coltan opportunities in Colombia and Brazil, as well as for general working capital purposes.

On March 11, 2019, Auxico completed a non-brokered private placement of 2,000,000 units ("Units"), issued at a price of $0.20 per Unit, for gross proceeds of $400,000. 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.

On March 27, 2019, Auxico completed a non-brokered private placement of 950,000 units ("Units"), issued at a price of $0.20 per Unit, for gross proceeds of $190,000. 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 evaluating coltan opportunities in Colombia and Brazil, as well as for general working capital purposes.

On March 28, 2019, Auxico granted 500,000 stock options to directors and consultants. These options have an exercise price of $0.25 per common share, no vesting period and expire on March 27, 2024.

On April 1, 2019, the Company announced that Marc Filion had resigned from the board of directors, for personal reasons. At the same time, Auxico announced the appointment of Joseph Lau to the board of directors. Mr. Lau is the founder and chairman of Rockhound Limited, a private company based in Hong Kong that was established in 2006 to serve the mineral resources, mining and exploration sectors. He has a B.Sc. (Chemistry) from Concordia University and an MBA from the University of Ottawa. Since returning to Hong Kong in 1994, Mr. Lau has served in senior executive positions in various industries, including financial services, real estate, telecommunications and retail jewelry. He is a member of the Chemical Institute of Canada and the Canadian Institute of Mining, Metallurgy and Petroleum. Mr. Lau previously served as a director of Auxico prior to the Company's listing on the Canadian Securities Exchange in October 2017, and has been an advisor to Auxico over the past years.

On July 17, 2019, Auxico informed shareholders that, subsequent to an exploration program in the department of Guainia, Colombia, in the fall of 2018, the Company has extended its option to form a joint venture ("JV") on the PanaPana Property until October 1, 2019. Auxico has filed an application to obtain exploration and production rights on a property located in close proximity to the PanaPana Property, in partnership with the owner of the PanaPana Property.

In 2018, Auxico optioned the PanaPana Property and began a sampling campaign on the Property in September of that year. As per the option agreement, the Company had 120 days to conduct due diligence on this Property, or until the end of January 2019. If that due diligence was successful, the Company intended to enter into a JV on the Property with the current property owner; in this specific case, this would have resulted in a 60-40 joint venture, in Auxico's favour. The Company's due diligence focused primarily on geological testing of samples.

Since the geological sampling and due diligence were taking longer than expected, Auxico initially signed two extensions of the original agreement, prolonging the option agreement initially to April 1, 2019. On January 31, 2019, Auxico issued the results from the September 2018 sampling campaign. At that time, the Company should have also informed investors that the option agreement had been extended and that no joint venture had been initiated.

Auxico has negotiated an additional option period on the PanaPana Property with the property owner to October 1, 2019. As a sign of good faith, Auxico has also offered the PanaPana Property owner a 25% carried interest of any profits derived from new claims around the PanaPana Property by Auxico.

As of the date of this MD&A, the Company has not entered into a JV.

On July 22, 2019, Auxico announced that it had signed an option agreement to acquire a 100% interest in the Porto Grande Property (Cupixi) (the "Property"), located in the state of Amapá, Brazil. The Property is currently owned by Retiro Gonçalves / Mineração Tantaline and represents a surface area of approximately 739 hectares, located 60 km from the city of Porto Grande. The Property has exploration and commercialization (export) permits in place for tin, gold, tantalum and niobium. The Porto Grande Property has occurrences of tantalum, niobium, and tin, based on lab results submitted to Auxico. According to the Company's geological consultants in Brazil, Mineração Tantaline and Dr. Arnaldo do Nascimento Vieira, the Property is located within the Gleba-Matapi tantalum-niobium, gold and tin district in Brazil, situated 160 km from the city of Macapá.

Auxico can acquire 100% of the Porto Grande Property for total consideration of US$2 million, subject to due diligence. As of the date of this MD&A, Auxico has not acquired the Porto Grande Property.

SUBSEQUENT EVENTS

As at the date of this MD&A, there are 44,885,000 common shares issued and outstanding of Auxico.

Additional Information

Additional information on Auxico, the Zamora Property and the Company's opportunities in Colombia and Brazil 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").

CHANGE IN ACCOUNTING POLICY

The Company has historically capitalized expenditures of mining properties and exploration and evaluation activities after they had reached a certain stage under IFRS 6 – Exploration and Evaluation of Mineral Resources.

In the fourth quarter of the year ended September 30, 2019, the Company adopted a voluntary change in accounting policy with respect to mining properties and exploration and evaluation expenses. The Company's new policy is to expense mining properties and exploration and evaluation expenses in the consolidated statement of loss and comprehensive loss until such time as the technical feasibility and commercial viability has been established that supports the future development of the property, and such development receives the Board of Directors approval.

The Company has determined that such voluntary change in accounting policy results in consolidated financial statements providing more relevant information as well as bringing the Company in line with a similar accounting policy adopted by its peers.

This change has been applied to all the Company's mining properties and exploration and evaluation activities. Under the previous accounting policy, the Company was required to perform an impairment assessment on the carrying value of the mining properties and exploration and evaluation assets. As of September 30, 2019, certain impairment indicators were noted, and may have resulted in an impairment charge, however, no impairment test was required given the change in policy adopted by the Company.

In accordance with *IAS 8 – Accounting policies, changes in accounting estimates and errors*, the change in accounting policy has been made retrospectively and the comparatives have been adjusted accordingly to all periods presented, as if the policy had always been applied.

The following tables summarises the impact of the change in accounting policy on affected line items within the Company's consolidated financial statements:

Adjustments to the Consolidated Statements of Financial Position:

	As at October 1 2017 Previously stated	**Adjustments**	**As at October 1 2017 Adjusted**
	$	**$**	**$**
Mining property acquisition costs	181,400	(181,400)	-
Exploration and evaluation expenses	651,622	(651,622)	-
Deferred income tax expense	18,203	(18,203)	-
Total assets	2,337,263	(833,022)	1,504,241
Deferred income tax liabilities	31,025	(15,538)	15,487
Total liabilities	314,774	(15,538)	299,236
Deficit	(2,009,375)	(817,484)	(2,826,859)
Total equity (deficiency)	2,022,489	(817,484)	1,205,005
Total liabilities and equity (deficiency)	2,337,263	(833,022)	1,504,241

	As at September 30 2018 Previously stated	**Adjustments**	**As at September 30 2018 Adjusted**
	$	**$**	**$**
Mining property acquisition costs	216,593	(216,593)	-
Exploration and evaluation expenses	866,641	(866,641)	-
Deferred income tax expense	38,785	(23,687)	15,098
Total assets	1,392,967	(1,083,234)	309,733
Deferred income tax liabilities	69,810	(39,225)	30,585
Total liabilities	388,350	(39,225)	349,125
Deficit	(4,061,304)	(1,044,009)	(5,105,313)
Total equity (deficiency)	1,004,617	(1,044,009)	(39,392)
Total liabilities and equity (deficiency)	1,392,967	(1,083,234)	309,733

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 consolidated financial position of Auxico at September 30, 2019 and 2018 (audited) is presented below:

Consolidated Statements of Financial Position

As at September 30 (audited)	2019	2018
	$	$
Assets		
Current assets		
Cash & cash equivalents	9,139	172,178
Sales tax receivable	20,057	26,585
Prepaid expenses	47,814	110,970
Advance to directors	3,098	110,970
Total assets	**80,108**	**309,733**
Liabilities		
Current liabilities		
Accounts payable and accruals	428,936	132,119
Provision	-	165,600
Income tax payable	2,740	-
Due to companies controlled by a director	95,817	11,498
Due to directors	21,606	9,323
	549,099	**318,540**
Non-current liabilities		
Deferred income tax liabilities	56,887	30,585
Total liabilities	**605,986**	**349,125**
Equity (Deficiency)		
Equity (Deficiency) attributable to shareholders	(528,050)	(39,392)
Equity attributable to non-controlling interest	2,172	-
Total equity (deficiency)	**(525,878)**	**(39,392)**
Total liabilities & equity (deficiency)	**80,108**	**309,733**

Cash and cash equivalents at September 30, 2019 were $9,139, compared to $172,178 at September 30, 2018, a decrease of $163,039. This difference is due to the operating expenses incurred in the year ended September 30, 2019.

As at September 30, 2019, Auxico has accounts payable and accruals of $428,936, compared to $132,119 at September 30, 2018, an increase of $296,817. Accounts payable increased in the year ended September 30, 2019, as the cash balances of the Company decreased, without additional financing for Auxico.

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 ended September 30, 2018, an amount of $9,000 of interest was accrued to the balance.

During the year ended September 30, 2019, both parties agreed to the following:

- $25,000 in cash will be paid by the Company upon signature of the agreements as of March 15, 2019.
- The Company will remit $60,000 in units of the Company, consisting of one common share and one-half common share purchase warrant, to be issued no later than March 29, 2019 and at a price not greater than $0.20 per unit and in conjunction with a financing of not less than $100,000.
- An additional $25,000 in cash upon closing of the Company's next financing or no later than March 31, 2019.

As of September 30, 2019, Auxico had negative working capital of $468,991, compared to negative working capital of $8,807 at September 30, 2018.

RESULTS OF OPERATIONS

For the year ended September 30, 2019, the Company recorded a net loss and comprehensive loss of $1,811,982 compared to a net loss and comprehensive loss of $2,278,454 for the year ended September 30, 2018. Details for the years ended September 30, 2019 and 2018 are presented below:

Consolidated Statements of Loss and Comprehensive Loss

For the years ended September 30 (audited)	**2019**	**2018**	**Variance**
	$	**$**	**$**
Expenses			
Professional fees	876,189	749,068	127,121
Management fees	210,000	240,000	(30,000)
Legal fees	33,269	110,718	(77,449)
Exploration and evaluation expenditures	294,445	250,211	44,234
Travel expenses	71,663	198,097	(126,434)
Office expenses	9,907	10,532	(625)
Rent	36,000	48,161	(12,161)
Advertising	83,429	14,419	69,010
Taxes and permits	753	89	664
Telecommunication	6,660	1,610	5,050
Public listing fees	55,838	71,722	(15,884)
Interest and bank fees	5,180	8,860	(3,680)
Interest and penalties	9,824	-	9,804
Gain on litigation settlement	(51,459)	-	(51,459)
Litigation provision	4,775	9,000	(4,225)
Stock-based compensation	76,163	489,867	(413,704)
Write-off of sales tax receivable	11,882	57,656	(45,774)
Loss on foreign exchange	48,422	3,346	45,076
	1,782,940	2,263,356	(480,436)
Income tax expense	2,740	-	2,740
Deferred income taxes	26,302	15,098	11,204
Net loss and comprehensive loss	**(1,811,982)**	**(2,278,454)**	**(466,472)**
Net loss and comprehensive loss attributable to:			
Shareholders	(1,810,737)	(2,278,454)	
Non-controlling interest	(1,245)	-	
	(1,811,982)	(2,278,454)	
Loss per share	(0.042)	(0.063)	
Weighted average number of shares outstanding	42,694,589	36,103,425	

For the year ended September 30, 2019, the expenses incurred are lower than those incurred in the year ended September 30, 2018.

The share-based compensation was $76,163 for the year ended September 30, 2019, compared to $489,867 for the year ended September 30, 2018; this is a non-cash charge associated with the granting of options.

Travel expenses were lower in the year ended September 30, 2019. While the Company continued geological work and business development activities in Colombia and Brazil, primarily, there was less international travel than in the previous year.

Legal fees were also down considerably in the most recent fiscal year. In the year ended September 30, 2018, Auxico spent more on legal fees in relation to its public listing and business development activities.

Professional fees were higher in the year ended September 30, 2019, as the Company had engaged more consultants and spent more on communications, marketing and business development than in the prior year.

In the year ended September 30, 2019, Auxico spent more on exploration and evaluation expenditures in Mexico, Colombia and Brazil. In addition, advertising expenses also increased in the year ended September 30, 2019.

In the year ended September 30, 2019, the Company wrote off sales tax receivable of $11,882 (September 30, 2018 – $57,656); 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, 2019 and 2018:

Consolidated Statements of Cash Flows

For the years ended September 30 (audited)	**2019** **$**	**2018** **$**
Cash used in operating activities		
Net loss and comprehensive loss	(1,811,982)	(2,278,454)
Adjustments for:		
Share-based compensation	76,163	489,867
Unrealized foreign exchange loss (gain)	3,074	(358)
Write-off of sales tax receivable	11,882	57,656
Litigation provision	4,775	9,000
Gain on litigation settlement	(51,459)	-
Deferred income tax expense	26,302	15,098
Net changes in non-cash working capital items		
Sales tax receivable	(5,354)	(40,504)
Income tax payable	2,740	-
Prepaid expenses	63,156	(43,589)
Consulting and advisory services to be received	-	179,900
Accounts payable and accruals	243,539	7,156
Income taxes payable	-	(2,186)
	(1,437,144)	**(1,606,414)**
Cash flows from financing activities		
Advance to a director	-	20,562
Advance to a company controlled by a director	-	27,246
Due to directors	9,185	9,323
Due to companies controlled by a director	84,319	11,498
Proceeds from the issuance of shares	1,205,000	624,080
Issuance costs	(28,000)	(79,890)
Contribution	3,417	-
	1,273,921	**612,819**
Decrease in cash and cash equivalents	(163,223)	(993,595)
Cash and cash equivalents, beginning of the year	172,178	1,165,415
Effect of foreign exchange rate fluctuations on cash and cash equivalents	184	358
Cash and cash equivalents, end of the year	**9,139**	**172,178**

For the year ended September 30, 2019, Auxico generated a decrease of cash of $163,223, compared to a decrease of cash of $993,595 for the year ended September 30, 2018. In both years, the decreases were cash by cash used for operating expenses.

Cash used in operating activities amounted to $1,437,144 in the year ended September 30, 2019, compared to cash used in operating activities of $1,606,414 for the year ended September 30, 2018. In both years, most of the cash used was for operating expenses, as described above.

In the year ended September 30, 2019, the Company generated cash of $1,205,000 through the issuance of common shares by way of private placement, compared to cash generated of $624,080 in the year ended September 30, 2018.

At September 30, 2019, 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, 2019, there were 44,885,000 issued and fully paid common shares (September 30, 2018 – 38,360,000).

Warrants

At September 30, 2019, the Company had 4,554,100 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
787,500	November 2, 2018	November 2, 2020	$0.40
1,000,000	February 7, 2019	February 7, 2021	$0.40
1,000,000	March 11, 2019	March 11, 2021	$0.40
475,000	March 27, 2019	March 27, 2021	$0.40
4,554,100			

Stock options

At September 30, 2019, there were 3,875,000 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	(650,000)	450,000
200,000	Mar. 13, 2018	Mar. 12, 2023	$0.40	-	200,000
600,000	Aug. 22, 2018	Aug. 21, 2023	$0.25	(200,000)	400,000
500,000	Mar. 28, 2019	Mar. 27, 2024	$0.25	-	500,000
					3,875,000

SELECTED ANNUAL INFORMATION

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

As at September 30 (audited)	2019	2018	2017
Revenues	-	-	-
Net loss and comprehensive loss	(1,811,982)	(2,278,454)	(2,576,405)
Net loss per share (basic and diluted)	(0.042)	(0.063)	(0.089)
Total assets	80,108	309,733	1,504,241

SUMMARY OF QUARTERLY RESULTS

The following is a summary of selected financial information from the quarterly interim unaudited consolidated financial statements for the eight quarters ending September 30, 2019. Please note that these quarterly figures have been restated due to the Company's change in accounting policy.

Quarter ending	Sep. 30, 2019 $	June 30, 2019 $	Mar. 31, 2019 $	Dec. 31, 2018 $
Revenue	-	-	-	-
Net loss and comprehensive loss	(125,340)	(421,922)	(718,267)	(546,453)
Net loss per share	(0.003)	(0.009)	(0.017)	(0.014)

Quarter ending	Sep. 30, 2018 $	June 30, 2018 $	Mar. 31, 2018 $	Dec. 31, 2017 $
Revenue	-	-	-	-
Net loss and comprehensive loss	(696,391)	(203,828)	(518,512)	(859,723)
Net loss per share	(0.019)	(0.006)	(0.014)	(0.024)

RESULTS OF THE FOURTH QUARTER

Interim Statements of Loss and Comprehensive Loss

For the three-month periods ended September 30 (unaudited)	**2019 $**	**2018 $**	**Variance $**
Expenses			
Professional fees	124,511	313,135	(188,624)
Management fees	30,000	60,000	(30,000)
Legal fees	(44,622)	42,157	(86,779)
Exploration and evaluation expenditures	(114,629)	(138,908)	24,279
Travel expenses	1,693	111,594	(109,901)
Office expenses	(1,713)	4,188	(5,901)
Rent	9,000	21,161	(12,161)
Advertising	(20,240)	14,419	(34,659)
Taxes and permits	-	(12,018)	12,018
Telecommunication	5,506	1,610	3,896
Public listing fees	28,211	71,722	(43,511)
Interest and bank fees	38	3,761	(3,723)
Interest and penalties	9,824	-	9,824
Other expenses	-	(20,170)	20,170
Gain on litigation settlement	4,141	-	4,141
Litigation provision	4,775	9,000	(4,225)
Share-based compensation	3,697	146,887	(143,190)
Write-off of sales tax receivable	11,882	57,656	(45,774)
Loss (gain) on foreign exchange	44,224	(4,901)	49,125
	96,298	681,293	(584,995)
Income tax expense	2,740	-	2,740
Deferred income taxes	26,302	15,098	11,204
Net loss and comprehensive loss	**(125,340)**	**(696,391)**	**571,051**
Loss per share	(0.003)	(0.019)	
Weighted average number of shares outstanding	44,885,000	36,974,130	

In the fourth quarter of both years, the Company made certain adjustments to various expense items in connection with its annual audits; for this reason, some of the expense items in both quarters are negative. Overall, expenses were lower in the fourth quarter of 2019, in comparison to the fourth quarter of 2018, as the Company's had less operational activities and a lower share-based compensation expense.

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)	2019 $	2018 $
Management fees		
Companies controlled by a director	120,000	120,000
Key management personnel and directors	120,000	120,000
Share-based compensation		
Key management personnel and directors	45,698	-
Rent		
Company controlled by a director	36,000	36,000

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	2019	3,098	21,606
	2018	-	9,323
Company controlled by a director	2019	-	95,817
	2018	-	11,498

The due to directors is unsecured, payable on demand and bears no interest. The advance to companies controlled by a director is unsecured, payable on demand and bears interest at 10% per annum.

COMMITMENTS AND CONTINGENCIES

Net Smelter Return Royalty ("NSRR")

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

Farm-out Agreement

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

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

On October 17, 2016, the Company signed a Memorandum of Understanding ("MOU") with the Lender involved in the Farm-out Agreement mentioned above. Under the terms of the MOU, the Company has the option, but not the obligation, to cancel the Farm-out Agreement by paying to the Lender a total of US$400,000 in cash and by issuing a total of 1,000,000 common shares of the Company, upon or after the Company's listing on a registered Canadian stock exchange. The Company can exercise this option within 12 months of the signing of the MOU, or until October 16, 2017.

On 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 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.

Mining properties and 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. Mining properties and exploration and evaluation expenses include mining properties and other exploration and evaluation costs. Mining properties correspond to acquired interests in mining exploration permits / claims, which include the rights to explore for, mine, extract and sell all minerals from such claims. Costs incurred include appropriate technical and administrative overheads.

All exploration and evaluation costs are expensed as incurred.

When technical feasibility and commercial viability of extracting a mineral resource are demonstrable for an area of interest, the Company stops expensing exploration and evaluation costs for that are and records the amounts either as tangible or intangible mining assets under development according to the nature of the assets.

Financial instruments

Financial Assets
Financial assets are recognized and derecognized on the trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets ‘at fair value through profit or loss’ (FVTPL), ‘at amortized cost’ and ‘fair value through other comprehensive income’ (FVOCI). The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

IFRS 9 presents a new approach to the classification and measurement of financial assets that considers the business model for managing assets and the characteristics of the related cash flows. Financial assets are classified and valued according to three categories: at amortized cost, at fair value through other comprehensive income (“FVTOCI”) and at fair value through profit or loss (“FVTPL”). Financial liabilities are classified and measured according to two categories: at amortized cost or at FVTPL. In accordance with IFRS 9, derivatives embedded in contracts where the host contract is a financial asset falling within the scope of the standard are not separated, but the hybrid financial instrument as a whole is valued for the purposes of ranking.

A financial asset is classified as held for trading if it has been acquired principally for the purpose of selling it in the near term; if on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit- taking; or it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis. Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognized in profit or loss. Financial assets at VOCI are stated at fair value, with any gains or losses arising on re-measurement recognized through other comprehensive income. Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'debt instruments'. Debt instruments are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The Company has classified all of its financial assets as follows:

Financial Asset	Classification	Subsequent measurement
Cash and cash equivalents	Debt instruments	Amortized cost

Impairment of financial assets
Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired here there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

Derecognition of financial assets
The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

Financial liabilities and equity instruments issued by the Company
Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at VTPL.

A financial liability is classified as held for trading if it has been acquired principally for the purpose of repurchasing it in the near term; or if on initial recognition it is part of a portfolio of identified financial instruments that the

Company manages together and has a recent actual pattern of short-term profit- taking; or if it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; if the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or if it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the statement of comprehensive loss.

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

The Company has classified all of its financial liabilities as follows:

Financial liability	**Classification**	**Subsequent measurement**
Accounts payable and accruals	Other financial liability	Amortized cost
Provision	Other financial liability	Amortized cost
Due to companies controlled by directors	Other financial liability	Amortized cost
Due to directors	Other financial liability	Amortized cost

Derecognition of financial liabilities
The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

Extinguishment of financial liabilities with equity instruments
In accordance with IFRIC 19, when debt is extinguished with equity, the difference between the carrying amount of the debt extinguished and the fair value of the equity is recognized in the consolidated statement of loss and comprehensive loss, unless the settlement was determined to be a transaction with an owner, in which case the difference is recognized in the equity.

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) 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.

b) 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.

c) 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.

a) Adoption of new accounting standards

The accounting policies used in the Company's consolidated financial statements are consistent with those applied by the Company in its September 30, 2018 consolidated financial statements, except for the amendments to certain accounting standards, which are relevant to the Company and were adopted as of October 1, 2018 as described below:

Financial instruments

Effective as of October 1, 2018, the Company adopted IFRS 9, Financial Instruments, which replaces IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company adopted the new classification and valuation, impairment and general hedging requirements on October 1, 2018 by applying the classification and valuation, including impairment, requirements retrospectively, with the cumulative effect of initially applying the standard recognized in opening retained earnings as at September 30, 2018 and without restatement of comparative information.

The adoption of IFRS 9 changes the Company's accounting policies with respect to the classification of financial instruments. Following adoption, the Company's classification is as follows:

- Cash and cash equivalents were classified as "Financial assets at fair value through profit and loss" before the adoption of IFRS 9 and are now classified as "Debt instruments" subsequently measured at amortized cost.

The changes in classification and measurement criteria resulting from the adoption of IFRS 9 had no impact on the measurement of financial instruments.

b) Standards issued but not yet effective

At September 30, 2019, a number of new standards, amendments to standards and interpretations have been issued but are not yet effective. Accordingly, they have not been applied in preparing the Company's consolidated financial statements. The Company is currently assessing the impact that these standards will have on the consolidated financial statements.

The standards issued but not yet effective that are expected to be relevant to the Company's consolidated financial statements are provided below.

Management anticipates that all of the pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of each pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's consolidated financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company's consolidated financial statements and are not listed.

IFRS 16, Leases ("IFRS 16")

In January 2016, the IASB issued IFRS 16. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, which is the customer ("lessee") and the supplier ("lessor"). IFRS 16 replaces IAS 17, Leases ("IAS 17"), and related interpretations. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 will eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Applying that model, a lessee is required to recognize:

(a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and

(b) depreciation of lease assets separately from interest on lease liabilities in the statement of (loss) income.

The new standard is effective for annual periods beginning on or after January 1, 2019. Management is currently evaluating the impact of this standard on the consolidated financial statements of the Company.

IFRIC23 Uncertainty over Income Tax Treatments

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

Annual improvements to IFRS Standards (2014-2016) cycle

On December 12, 2017 the IASB issued narrow-scope amendments to three standards as part of its annual improvements process. The amendments are effective on or after January 1, 2019, with early application permitted. Each of the amendments has its own specific transition requirements. Amendments were made to the following standards:

- IFRS 3, Business Combinations and IFRS 11, Joint Arrangements – to clarify how a company accounts for increasing its interest in a joint operation that meets the definition of a business;

- IAS 12, Income Taxes – to clarify that all income tax consequences of dividends are recognized consistently with the transactions that generated the distributable profits -in profit or loss, OCI, or equity;

- IAS 23, Borrowing Costs – to clarify that specific borrowings – i.e. funds borrowed specifically to finance the construction of a qualifying asset – should be transferred to the general borrowings pool once the construction of the qualifying asset has been completed.

The Company intends to adopt these amendments in its consolidated financial statements for the annual period beginning on October 1, 2019. The Company does not expect the amendments to have a material impact on the consolidated financial statements.

FINANCIAL INSTRUMENTS

Classification of financial instruments

The carrying amount of the Company's financial assets and liabilities by categories are as follows:

	2019	**2018**
	$	$
Cash & cash equivalents	9,139	172,178
Advance to directors	3,098	-
Accounts payable and accruals	428,936	132,119
Income tax payable	2,740	-
Provision	-	165,600
Due to directors	21,606	9,323
Due to companies controlled by directors	95,817	11,498

Fair value

Fair value is the estimated amount that parties dealing at arm's length would accept to exchange in settlement of a financial instrument based on the current market for instruments with the same risk, principal and maturity date. These fair value estimates are affected by assumptions made about the amount and timing of estimated future cash flows, discount rates and terms of the contract. As a result, the fair values are not necessarily the net amounts that would be realized if such financial instruments were settled.

The Company has determined that the carrying amount of its short-term financial assets and liabilities, including, trade and other receivables, bank overdraft and, trade and other payables, approximates their fair value because of the relatively short periods to maturity of these instruments

Management believes that no significant change occurred in the risk of these instruments.

Fair value hierarchy

Fair value estimates are made as of a specific point in time, using available information about the financial instrument. These estimates are subjective in nature and may not be determined with precision. A three-tier fair value hierarchy prioritizes the inputs used in measuring fair value. These tiers include:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices);

- Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs)

Risks

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	**2019**	**2018**
	$	$
Cash & cash equivalents (United States)	98	7,129
Cash & cash equivalents (Mexico)	4,942	16,016
Net exposure	5,040	23,145

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, 2019 the Company has a negative working capital of $466,231 (September 30, 2018 – negative working capital of $8,807)

The following are the contractual maturities of the financial liability's amounts:

	Less than 1 year $	**1 to 5 years $**	**> 5 years $**
Accounts payable and accruals	**428,936**	-	-

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 $1,811,982 for the year ended September 30, 2019. At September 30, 2019, there was shareholders' deficiency of $525,878 and negative working capital of $468,991. 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 consolidated financial position at the time.

Dated this 14th day of February, 2020.

“signed”
Mark Billings
President