

AUXICO RESOURCES CANADA INC.
MANAGEMENT’S DISCUSSION AND ANALYSIS – QUARTERLY HIGHLIGHTS
FOR THE THREE AND SIX-MONTH PERIOD ENDED MARCH 31, 2020

OVERVIEW

This following management’s discussion and analysis (quarterly highlights) of the financial condition and results of operations (“MD&A”) covers the operations of Auxico Resources Canada Inc. (“Auxico” or the “Company”) for the three and six-month period ended March 20, 2020. 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 unaudited condensed interim consolidated financial statements for the three and six-month period ended March 31, 2020; the Company’s audited consolidated financial statements for the year ended September 30, 2019; and the Company’s MD&A for the year ended September 30, 2019. The accompanying audited and unaudited consolidated financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”). The financial statements and this MD&A are intended to provide investors with a reasonable basis for assessing the financial performance of the Company.

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

This MD&A is dated June 1, 2020.

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 THREE-MONTH PERIOD ENDED MARCH 31, 2020

During the three-month period ended March 31, 2020, the Company continued to evaluate opportunities related to the trading of tantalum and niobium from Brazil, Colombia and the Democratic Republic of the Congo.

SUBSEQUENT EVENTS

Share Information

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").

FINANCIAL POSITION

The Company prepared its condensed consolidated financial statements in accordance with the International Financial Reporting Standards ("IFRS"). The Company's condensed interim 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 condensed interim consolidated financial statements for the periods then ended. The consolidated financial position of Auxico at March 31, 2020 (unaudited) and at September 30, 2019 (audited) is presented below:

Condensed Interim Consolidated Statements of Financial Position

As at	March 31, 2020 (unaudited)	September 30, 2019 (audited)
	\$	\$
Assets		
<i>Current assets</i>		
Cash & cash equivalents	8,276	9,139
Sales tax receivable	18,733	20,057
Prepaid expenses	1,000	47,814
Advance to directors	-	3,098
Total assets	28,009	80,108
Liabilities		
<i>Current liabilities</i>		
Accounts payable and accruals	683,221	428,936
Income tax payable	-	2,740
Due to companies controlled by a director	127,065	95,817
Due to directors	-	21,606
	810,286	549,099
<i>Non-current liabilities</i>		
Deferred income tax liabilities	56,887	56,887
Total liabilities	867,173	605,986
Equity (Deficiency)		
Equity (Deficiency) attributable to shareholders	(828,804)	(528,050)
Equity (Deficiency) attributable to non-controlling interest	(10,360)	2,172
Total equity (deficiency)	(839,164)	(525,878)
Total liabilities & equity (deficiency)	28,009	80,108

Cash and cash equivalents at March 31, 2020 were \$8,276, compared to \$9,139 at September 30, 2019, a decrease of \$863.

As at March 31, 2020, Auxico has accounts payable and accruals of \$683,221, compared to \$428,936 at September 30, 2019, an increase of \$254,285. Accounts payable increased in the six-month period ended March 31, 2020, as the cash balances of the Company decreased, without additional financing for Auxico.

As of March 31, 2020, Auxico had negative working capital of \$782,277, compared to negative working capital of \$468,991 at September 30, 2019.

RESULTS OF OPERATIONS

For the three-month period ended March 31, 2020, the Company recorded a net loss and comprehensive loss of \$157,089 compared to a net loss and comprehensive loss of \$718,267 for the three-month period ended March 31, 2019. Details for the three-month periods ended March 31, 2020 and 2019 are presented below:

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

For the three-month periods ended March 31 (unaudited)	2020 \$	2019 \$	Variance
Expenses			
Professional fees	64,877	192,384	(127,507)
Management fees	10,000	60,000	(50,000)
Legal fees	12,740	21,637	(8,897)
Exploration and evaluation expenditures	-	306,048	(306,048)
Travel expenses	2,467	38,338	(35,871)
Office expenses	1,057	5,310	(4,253)
Rent	2,177	9,000	(6,823)
Other expenses	61,666	55,244	6,422
Gains on settlement	-	(55,600)	55,600
Interest and bank fees	528	1,725	(1,197)
Stock-based compensation	-	72,466	(72,466)
Losses on foreign exchange	1,577	11,715	(10,138)
	157,089	718,267	(561,178)
Net loss and comprehensive loss	(157,089)	(718,267)	561,178
Net loss and comprehensive loss attributable to:			
Shareholders	(150,805)	(718,267)	567,462
Non-controlling interest	(6,284)	-	(6,284)
	(157,089)	(718,267)	561,178
Loss per share	(0.003)	(0.017)	
Weighted average number of shares outstanding	44,885,000	41,621,667	

For the three-month period ended March 31, 2020, the Company recorded a net loss and comprehensive loss of \$157,089, compared to net loss and comprehensive loss of \$718,267 for the three-month period ended March 31, 2019, a decrease of \$561,178.

In general, the operating expenses of the Company were lower in the quarter ended March 31, 2020, as the Company had less operational activity. Management of Auxico reduced professional, management and legal fees, and there was no geological work done on the Company's Zamora Property in Mexico. Travel and most other expenses also decreased as a result.

In the three-month period ended March 31, 2019, Auxico recorded a gain of \$55,600 in relation to the settlement of its dispute with Telferscot Resources. Also in the quarter ended March 31, 2019, the Company recorded stock-based compensation expense of \$72,466. This is a non-cash charge associated with the granting of options. There was no such expense in the three-month period ended March 31, 2020.

For the six-month period ended March 31, 2020, Auxico recorded a net loss and comprehensive loss of \$313,286, compared to a net loss and comprehensive loss of \$1,264,720 for the six-month period ended March 31, 2019. Details for the six-month periods ended March 31, 2020 and 2019 are presented below:

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

For the six-month periods ended March 31 (unaudited)	2020 \$	2019 \$	Variance
Expenses			
Professional fees	139,742	547,460	(407,718)
Management fees	70,000	120,000	(50,000)
Legal fees	12,740	38,527	(25,787)
Exploration and evaluation expenditures	475	354,949	(354,474)
Travel expenses	2,467	57,579	(55,112)
Office expenses	1,079	7,002	(5,923)
Taxes and permits	-	662	(662)
Rent	12,000	18,000	(6,000)
Other expenses	70,215	87,068	(16,853)
Gains on settlement	-	(55,600)	55,600
Interest and bank fees	1,894	3,532	(1,638)
Stock-based compensation	-	72,466	(72,466)
Loss on foreign exchange	2,674	13,075	(10,401)
	313,286	1,264,720	(951,434)
Net loss and comprehensive loss	(313,286)	(1,264,720)	951,434
Net loss and comprehensive loss attributable to:			
Shareholders	(300,755)	(1,264,720)	963,965
Non-controlling interest	(12,531)	-	(12,531)
	(313,286)	(1,264,720)	951,434
Loss per share	(0.007)	(0.031)	
Weighted average number of shares outstanding	44,885,000	40,192,143	

For the six-month period ended March 31, 2020, the Company recorded a net loss and comprehensive loss of \$313,286, compared to net loss and comprehensive loss of \$1,264,720 for the six-month period ended March 31, 2019, a decrease of \$951,434.

As described above, this decrease in operating expenses is due to less operational activity on the part of the Company.

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 six-month periods ended March 31, 2020 and 2019:

Condensed Interim Consolidated Statements of Cash Flows

For the six-month periods ended March 31 (unaudited)	2020 \$	2019 \$
Operating activities		
Net loss and comprehensive loss	(313,286)	(1,264,720)
<i>Net changes in non-cash working capital items</i>		
Sales tax receivable	1,324	(18,112)
Prepaid expenses	46,814	97,248
Accounts payable and accruals	254,285	204,655
Income taxes payable	(2,740)	-
	(13,603)	(980,929)
Financing activities		
Advance to a director	3,098	-
Due to companies controlled by a director	31,248	(11,498)
Due to directors	(21,606)	(9,323)
Proceeds from the issue of equity	-	1,305,000
Share issuance cost paid	-	(33,000)
	12,740	1,251,179
Increase (Decrease) in cash and cash equivalents	(863)	270,250
Cash and cash equivalents, beginning of the period	9,139	172,178
Cash and cash equivalents, end of the period	8,276	442,428

For the six-month period ended March 31, 2020, Auxico generated a decrease of cash of \$863, compared to an increase of cash of \$270,250 for the six-month period ended March 31, 2019.

Cash used in operating activities amounted to \$13,603 in the six-month period ended March 31, 2020, compared to cash used in operating activities of \$980,929 for the six-month period ended March 31, 2019. In both periods, cash was used for operating expenses.

In the six-month period ended March 31, 2019, the Company generated cash of \$1,305,000 through the issuance of common shares by way of private placement. There was no such financing of the Company in the six-month period ended March 31, 2020.

At March 31, 2020, the working capital position of the Company 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 March 31, 2020, there were 44,885,000 issued and fully paid common shares (March 31, 2019 – 44,885,000).

Warrants

At March 31, 2020, 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 March 31, 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

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 March 31, 2020. Please note that these quarterly figures have been restated due to the Company's change in accounting policy.

Quarter ending	Mar. 31, 2020	Dec. 31, 2019	Sep. 30, 2019	June 30, 2019
	\$	\$	\$	\$
Revenue	-	-	-	-
Net loss and comprehensive loss	(157,089)	(156,197)	(125,340)	(421,922)
Net loss per share	(0.003)	(0.003)	(0.003)	(0.009)

Quarter ending	Mar. 31, 2019	Dec. 31, 2018	Sep. 30, 2018	June 30, 2018
	\$	\$	\$	\$
Revenue	-	-	-	-
Net loss and comprehensive loss	(718,267)	(546,453)	(696,391)	(203,828)
Net loss per share	(0.017)	(0.014)	(0.019)	(0.006)

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 directors. 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.

Transactions with related parties for the period ended March 31, 2020 were as follows:

For the three-month period ended March 31 (unaudited)	2020	2019
	\$	\$
<u>Management fees</u>		
Key management personnel and directors	10,000	60,000
<u>Rent</u>		
Company controlled by a director	2,177	9,000
For the six-month period ended March 31 (unaudited)	2020	2019
	\$	\$
<u>Management fees</u>		
Key management personnel and directors	70,000	120,000
<u>Rent</u>		
Company controlled by a director	12,000	18,000

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

	As at	Amounts owed by related parties \$	Amounts owed to related parties \$
Key management personnel and directors	Mar. 31, 2020	-	-
	Sep. 30, 2019	3,098	21,606
Companies controlled by a director	Mar. 31, 2020	-	127,065
	Sep. 30, 2019	-	95,817

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.

RISKS AND UNCERTAINTIES

For a detailed list of risks and uncertainties related to the business of Auxico, please consult the Company’s MD&A for the year ended September 30, 2019.

Dated this 1st day of June, 2020.

“signed”
Mark Billings
President