AUXICO RESOURCES CANADA INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

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, 2020. All currency amounts referred to herein are in Canadian dollars unless otherwise stated. The MD&A has been prepared in accordance with Regulation 51-102 and should be read in conjunction with the Company's audited consolidated financial statements for the year ended September 30, 2020. 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 1, 2021.

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, the Democratic Republic of the Congo 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.

INCIDENCE OF COVID-19

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a global pandemic, which continues to spread in Canada and around the world. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services for some period have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock

markets have also experienced great volatility. There have been business closures and a substantial reduction in economic activity in a large number of countries. Management is closely monitoring the situation and believes that any disturbance may be temporary; however, there is uncertainty about the length and potential impact of the disturbance. Beside the fact that longer delays are to be expected for upcoming sales and purchases transactions, there was no other material impact on the Company's operations at the date of the Company's audited consolidated financial statements.

COMPANY DESCRIPTION

The Company was incorporated under the Canada Business Corporations Act on April 16, 2014. The Company has two 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 201 Notre-Dame Street West, 5th Floor, Montreal, Quebec, H2Y 1T4, 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, the Democratic Republic of the Congo 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, 2020

On June 3, 2020, Auxico announced that it had signed a joint venture agreement with Kibara Minerals ("Kibara") for the concentration and export of tantalum and niobium ores from the DRC.

Kibara has access to high-grade tantalite mineral deposits in the DRC. More specifically, Kibara has an exclusive supply agreement with a cooperative for the purchase of tantalite ore from the Bafwasende artisanal deposit located 200 km from the city of Kisangani in the north-central part of the DRC.

Tantalite ore from the Bafwasende deposit has been tested by two groups. Impact Global Solutions, based in Delson, Quebec, performed laboratory tests on samples from the Bafwasende deposit, which produced the following grades: 46% Ta_2O_5 (tantalum pentoxide) and 22% Nb_2O_5 (niobium pentoxide). One of the Company's potential buyers of this tantalite ore performed its own tests, which resulted in 42.04% Ta_2O_5 and 22.93% Nb_2O_5. Auxico is finalizing a long-term supply agreement with this party for the sale of specific quantities of tantalite ore per year.

Given this opportunity, both Auxico and Kibara wish to work together to launch the trading operation of tantalum and niobium-bearing ores from the Bafwasende deposit. Kibara has the local connections and expertise in the DRC. Auxico and its partner, Covemin, which is a commodities trading firm in Europe with an expertise in tantalum and niobium, have established relationships with the buyers of tantalite ore worldwide. As both parties complement each other, it seems logical to form a joint venture.

Under the terms of the joint venture, Auxico will provide the working capital to concentrate and export the tantalite ore from the DRC. This will include the purchase of ore from the cooperative, transportation of the tantalite ore from Kisangani to the port of Matadi, warehousing, sampling, and shipping. In return, Auxico will receive 70% of the profits from the sale of the ore, while Kibara will retain 30%. The joint operation between the two entities will only become effective at the commencement of trading operations of tantalum and niobium ores. Since such activities were not started as of September 30, 2020, the amount advanced by the Company remained an advance to a joint operation without interest.

The DRC has the largest known reserves of tantalite ore in the world. The ore from the Bafwasende deposit is extracted from a traceable non-conflict artisanal site. Both tantalum and niobium are on the list of critical minerals of the United States government. Tantalum is used specifically in electrolytic capacitors for the electronics industry. Niobium is used in steel superalloys. Recently, the price of tantalum was US$165,000 per metric tonne and the price of niobium was US$40,000 per MT.

On June 22, 2020, Auxico announced that it had completed a non-brokered private placement, raising aggregate gross proceeds of $1,600,000 in participating convertible debentures (the "Debentures").
Each Debenture consists of $1 principal amount of participating, secured, non-redeemable 10% convertible debenture maturing on June 19, 2023 (the "Maturity Date") and convertible at the option of the Debenture holder into:

(i) units ("Units") of the Company that is equal to the principal amount of each Debenture being converted at a deemed price of $0.10 per Unit. Each Unit is comprised of one common share ("Share") in the capital of the Company and one warrant ("Warrant"). Each Warrant is exercisable into one Share at a price of $0.15 for a period of three years from the date of issuance; or
(ii) the number of common shares of Central America Nickel Inc. ("CAN") (a private company based in Montreal, Canada) at a conversion price of $1.00 per CAN share; and
(iii) a cash payment equal to the principal amount and an amount corresponding to the interest that such holder would receive if the holder held the Debenture from the date of conversion until the Maturity Date.

Interest at a rate of 10% per annum will be paid to Debenture holders semi-annually in arrears.

In addition, Debenture holders will receive a total of 16% of the net profits generated by Auxico from the sale of tantalum and niobium-bearing ores, to be paid quarterly in arrears; this represents 1% of the profits for every $100,000 principal amount of Debentures ("Participating Feature"). As previously announced in its news release of June 3, 2020, the Company has entered into a joint venture with Kibara Minerals in the Democratic Republic of the Congo in this regard, and Auxico's share of the profits will be 70%. The Participating Feature well apply to any profits generated for Auxico from this joint venture, as well as from other jurisdictions (such as Brazil). This Participating

Feature will expire on the earlier of the conversion of the Debentures into Shares of the Company, and the Maturity Date.

The Company paid finder's fees of $46,000 in connection with the private placement. The Debentures 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 to begin trading of tantalum and niobium-bearing ores from the Democratic Republic of the Congo and Brazil, as well as for general working capital purposes.

On July 27, 2020, Auxico announced that it had completed a non-brokered private placement, raising aggregate gross proceeds of $50,000 in participating convertible debentures (the "Debentures").

Each Debenture consists of $1 principal amount of participating, secured, non-redeemable 10% convertible debenture maturing on July 24, 2023 (the "Maturity Date") and convertible at the option of the Debenture holder into:

(i) units ("Units") of the Company that is equal to the principal amount of each Debenture being converted at a deemed price of $0.10 per Unit. Each Unit is comprised of one common share ("Share") in the capital of the Company and one warrant ("Warrant"). Each Warrant is exercisable into one Share at a price of $0.15 for a period of three years from the date of issuance; or

(ii) the number of common shares of Central America Nickel Inc. ("CAN") (a private company based in Montreal, Canada) at a conversion price of $1.00 per CAN share; and

(iii) a cash payment equal to the principal amount and an amount corresponding to the interest that such holder would receive if the holder held the Debenture from the date of conversion until the Maturity Date.

Interest at a rate of 10% per annum will be paid to Debenture holders semi-annually in arrears.

In addition, Debenture holders will receive a total of 0.5% of the net profits generated by Auxico from the sale of tantalum and niobium-bearing ores, to be paid quarterly in arrears; this represents 1% of the profits for every $100,000 principal amount of Debentures ("Participating Feature"). The Participating Feature well apply to any profits generated for Auxico from this joint venture, as well as from other jurisdictions (such as Brazil). This Participating Feature will expire on the earlier of the conversion of the Debentures into Shares of the Company, and the Maturity Date.

SUBSEQUENT EVENTS

On October 26, 2020, Auxico announced that it had completed a non-brokered private placement, raising aggregate gross proceeds of $2,788,000 in participating convertible debentures (the "Debentures").

Each Debenture consists of $1 principal amount of participating, secured, non-redeemable convertible debenture maturing on October 23, 2023 (the "Maturity Date") and convertible at the option of the Debenture holder into:

(i) units ("Units") of the Company that is equal to the principal amount of each Debenture being converted at a deemed price of $0.20 per Unit. Each Unit is comprised of one common share ("Share") in the capital of the Company and one warrant ("Warrant"). Each Warrant is exercisable into one Share at a price of $0.25 for a period of three years from the date of issuance; or

(ii) the number of common shares of Central America Nickel Inc. ("CAN") (a private company based in Montreal, Canada) at a conversion price of $1.00 per CAN share; and

(iii) a cash payment equal to the principal amount that such holder would receive if the holder held the Debenture from the date of conversion until the Maturity Date.

In addition, Debenture holders will receive a total of 13.94% of the net profits generated by Auxico, to be paid quarterly in arrears; this represents 1% of the profits for every $200,000 principal amount of Debentures (“Participating Feature”). The Participating Feature well apply to any profits generated for Auxico from the sale of tantalum, niobium and other minerals from Brazil, Colombia, the Democratic Republic of the Congo, and other jurisdictions. This Participating Feature will expire on the earlier of the conversion of the Debentures into Shares of the Company, and the Maturity Date.

The Company paid finder’s fees of $266,800 in cash in connection with the private placement and issued a total of 500,000 finders’ warrants (“Finders’ Warrants”). Each Finder’s Warrant is exercisable into one Share at a strike price of $0.20 for a period of three years from closing. The Debentures 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 to begin trading of tantalum and niobium-bearing ores from the Democratic Republic of the Congo, Brazil, and Colombia, as well as for general working capital purposes.

On November 24, 2020, the Company announced that it had entered into a memorandum of understanding (“MOU”) with the Colombian company Minampro Asociados S.A.S. (“Minampro”), to earn a 70% interest in a joint venture for the exploitation and trading of industrial sands (tantalum ore) originating from properties in the department of Vichada, Colombia; the MOU was signed on September 9, 2020. Subsequent to year end, the Company had paid the sum of $209,980 in the process of completing due diligence regarding the MOU.

Minampro has the necessary licenses for the buying, selling, and exporting of industrial sands containing various metals, including tantalum and niobium. Furthermore, Minampro has an exclusive purchase agreement for industrial sands (tantalum ore) with the indigenous community Guacamayas-Maipore, located in the department of Vichada. The key properties are located within 100 kilometres from an airport and are accessible by roads.

In 2019, Auxico conducted an exploration and sampling program on properties located in this area. Mr. Miguel Jaramillo, an independent geologist, supervised the work and submitted a report about the results obtained in the sampling program to Auxico. The program confirmed the presence of tantalum and niobium, as well as various rare earths including: ytterbium, hafnium, neodymium, scandium, dysprosium, praseodymium, and gadolinium. An accredited Canadian lab conducted all analyses on the samples from these properties.

Under the terms of the MOU, Auxico has 60 days to conduct due diligence, after which the parties agree to enter into a joint venture (“JV”) for the properties in the department of Vichada. Auxico will have a 70% share of the net profits of the JV for committing 100% of the capital required for the exploitation of industrial sands (tantalum ore). Minampro will retain 30% of the net profits of the JV. Auxico will also have an option to purchase 15% of the profit interest of Minampro at a price to be agreed upon.

Samples form the properties are currently being sent out to various tantalum buyers, and the Company expects commercial sale to start in 2021.

On December 1, 2020, Auxico announced that it had appointed Sheldon Inwentash to its Board of Directors, effective immediately.

Mr. Inwentash is the founder, chairman and CEO of ThreeD Capital Inc. He has more than 30 years of investing experience. In 1995, Mr. Inwentash co-founded Visible Genetics, the first commercial pharmacogenomics company, which was sold to Bayer in 2001. Through two decades leading Pinetree Capital, he created significant shareholder value through early investments in Queenston Mining (which was acquired by Osisko Mining for $550 million), Aurelian Resources (which was acquired by Kinross for $1.2 billion) and Gold Eagle Mines (which was acquired by Goldcorp for $1.5 billion), among others.

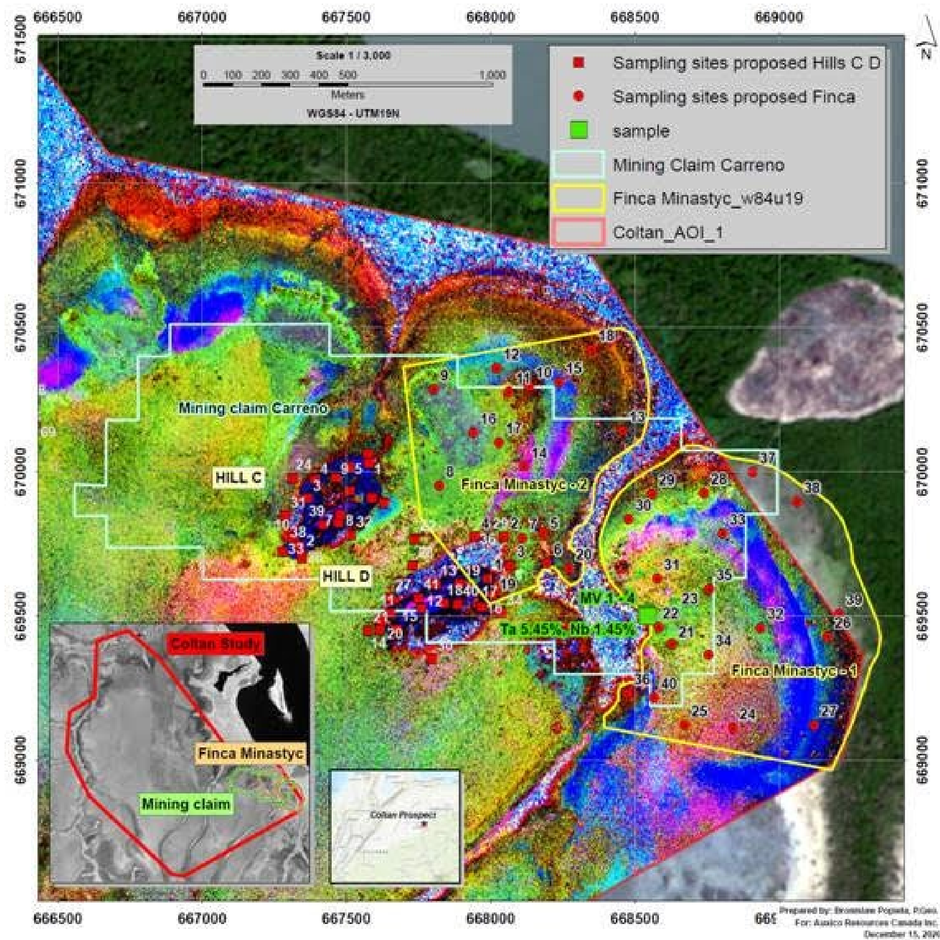
Mr. Inwentash obtained his B. Comm. From the University of Toronto and is a Chartered Professional Accountant. In 2007, he was an Ontario finalist for the Ernst & Young entrepreneur of the year award. In 2012, Mr. Inwentash received an honorary doctor of laws degree (LL.D.) from the University of Toronto for his valuable leadership as an entrepreneur, his philanthropy, and inspirational commitment to making a difference in the lives of children, youth, and their families.

Pierre Gauthier, Chairman and CEO of Auxico, commented, "I am delighted that Sheldon has agreed to join the board of Auxico. He has a proven track record of creating shareholder value throughout his career, a great understanding of the natural resource sector and an impressive network. Since Sheldon has become one of our most significant shareholders, we now welcome his input at the board level in helping our management team create value for Auxico's investors."

On the same date, the Company announced the resignation of Rick Whittaker from the board of directors, effective immediately. The board of directors and management team of Auxico thanked Rick for his service to the Company and wished him well in his current and future endeavours.

On December 14, 2020, Auxico announced that the Company had acquired mineral rights and surface rights to a property located in the municipality of Puerto Carreno, department of Vichada, Colombia. Mr. Miguel Jaramillo, an independent geologist, conducted an exploration program on the property on behalf of the Company in June 2019. The program confirmed the presence of tantalum and niobium, as well as various rare earths including: ytterbium, hafnium, neodymium, scandium, dysprosium, praseodymium, and gadolinium. A Canadian laboratory conducted all analyses on the samples from the property.

The claims are located within a strategic area that has been defined by the Colombian Government for tantalum, niobium, and rare earths. The property, which extends over an area of approximately 148 hectares, is located along the Orinoco River, which separates Colombia and Venezuela. It is conveniently located only 10 kilometres from the airport of Puerto Carreno. A satellite imagery interpretation study *(remote sensing study)* that was recently completed for the Company identified several priority exploration targets that will be confirmed in the coming weeks by Mr. Jaramillo. For reference, please see the image below, which indicates the proposed sampling sites (marked in red) on one part of the property.

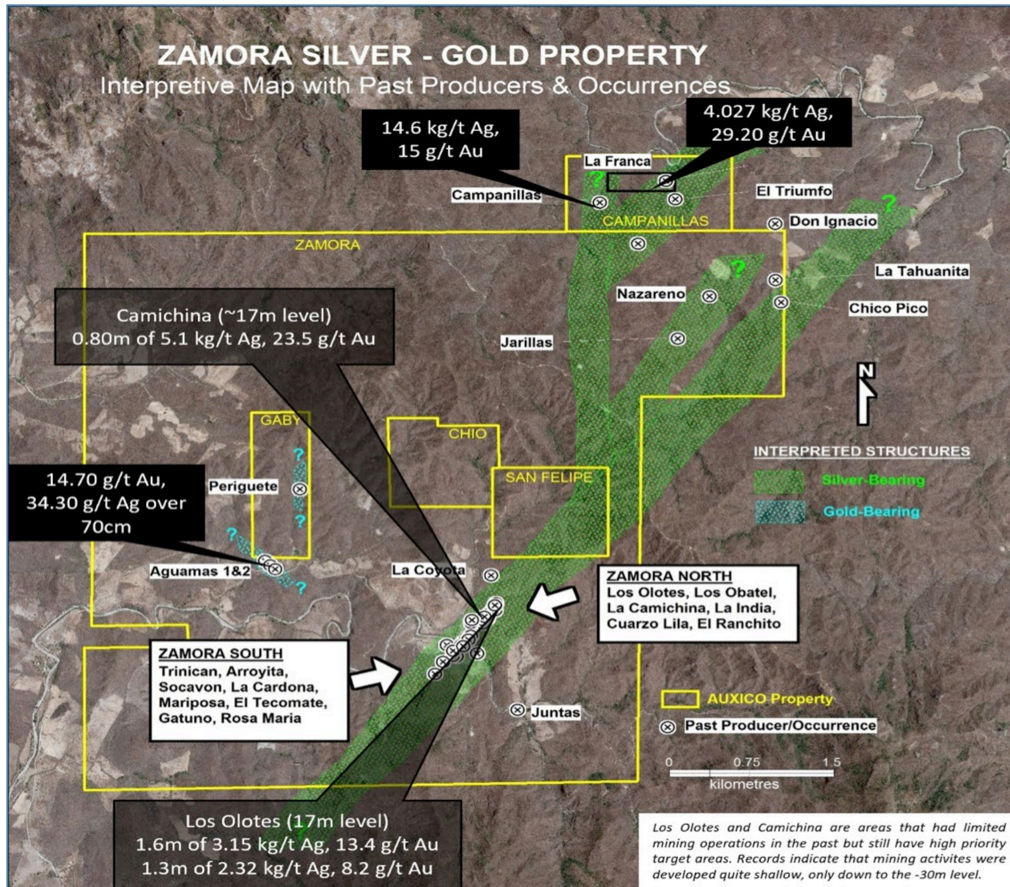


As reported previously, Auxico has entered into a commercial relationship with Minampro Asociados S.A.S. for the exploitation and trading of industrial sands (tantalum ore) originating from the same area.

Auxico recently signed a commercial agreement to supply a minimum of 25 tonnes of tantalum concentrates, to be exported from Colombia to Asia starting in 2021. Additional information in this regard will be shared with the public once the tantalum concentrates are actually shipped from Colombia.

On December 15, the Company announced that it had been granted an exclusive option to acquire the high-grade silver-gold La Franca mine, located in the state of Sinaloa, Mexico. The La Franca claim, measuring 12 hectares, is located within Auxico's Zamora gold-silver property, which contains 25 historical mines and prospects extending over a strike length of 8 kilometres. For reference, please see the map below. The sampling of the La Franca mine was done by Servicios de Mineria CanaMex S.A. de C.V., supervised by the Company's independent Qualified Person, Mr. Joel Scodnick, with samples channelled in the volcanic breccia returning up to 4.027 kg/t silver and 29.2 g/t gold over 80cm. La Franca is located 600 metres west-southwest of the Campanillas mine, from which the highest-grade sample returned 14.6 kg/t silver and 15.3 g/t of gold from a stockpile just outside the Campanillas portal. The breccia, which was sampled at La Franca, is characterized by stockwork veins containing galena, sphalerite, native silver, silver sulphides, silver sulphosalts, malachite, and chalcopyrite. The La Franca mine is accessible through an adit that is above the water table. The Company is planning to do an exploration and development program at La Franca in order to outline 5,000 tonnes for a bulk sample.

The Company has a right to purchase 100% of the La Franca mine for US$500,000 payable quarterly over a 5-year period, and is subject to a 2% Net Smelter Return Royalty ("NSRR"), which can be re-purchased at any time from the owners for US$500,000 for each percentage point.



The Zamora property, owned 100% by the Company, which now includes an option on La Franca and covers an area of 3,388 hectares, contains 25 historical gold/silver mines/prospects that had historical production over the last 100 years. The Company undertook a sampling campaign in 2018 over selected areas on the property, which confirmed the high-grade nature of the silver and gold mineralization. One sample taken from a stockpile outside the Campanillas portal assayed as high as 14.6 kg/t of silver and 15.53 g/t of gold.

According to Mr. Scodnick, who has been working on other epithermal silver-gold deposits and mines in Mexico and has spent two years exploring the property, Zamora has the potential to host a significant silver-gold deposit. Zamora has only limited exploration and has thus far demonstrated that the mineralizing events and alteration patterns cover a very large area and that none of the historic workings appear to have been mined below 60 – 100m which is considered very shallow. These types of deposits are known to exceed more than 1,000 – 1,200 metres in depth.

On January 5, 2021, the Company announced that it had recently signed an agreement with a customer in India to sell an initial amount of 10,000 metric tonnes of high-grade manganese ore, with the option to increase this to 60,000 MT per month over a 12-month period.

The Company is in the process of shipping the first 10,000 MT to this customer, which Auxico expects to happen later this month. A vessel has already been booked in this regard. The Company has the manganese ore in a bonded warehouse in a port in Brazil, and this ore has been sampled by an independent lab. The grade of the ore is between 46% and 48% manganese and conforms to all of the customer's specifications. A letter of credit outlining payment terms to Auxico has already been provided by the customer. The value of the initial 10,000 MT of manganese sold by Auxico is over $2,000,000 (Canadian dollars).

As per the agreement between the Company and its customer, the contract is for this initial 10,000 MT of manganese ore, with the option to extend the contract up to 12 months, for up to 60,000 MT of manganese ore per month.

Pierre Gauthier, Chairman and CEO of Auxico commented, "I am very pleased that we will soon be shipping this 10,000 MT of manganese ore to our first customer. This represents a significant milestone in our corporate development. Auxico will now be a revenue-generating company focused on delivering returns to our investors. Our team at Auxico has been putting in place a network of suppliers and customers of manganese and other minerals over the past two years. Now, our efforts are coming to fruition. This is a very exciting moment for us."

On January 25, 2021, the board of directors of Auxico approved the signing of a memorandum of understanding ("MOU") with Central America Nickel Inc. ("CAN"). CAN is a registered bidder for the assets of North America Lithium, which is presently in bankruptcy protection in the province of Quebec. As per the MOU, Auxico contributed 50% of the deposit of $4,300,000 (or $2,150,000) required to be placed in trust with the bankruptcy monitor. This deposit is refundable in full in the event CAN does not win this competitive bidding process.

Share Information

As at the date of this MD&A, there are 46,110,000 common shares issued and outstanding of Auxico. Between September 30, 2020 and the date of this MD&A, a total of 1,225,000 common shares were issued, as follows:

- 300,000 common shares were issued as a result of conversion of $30,000 principal amount of participating convertible debentures that were issued on June 19, 2020 (a total of 300,000 warrants were issued entitling the holder to purchase 300,000 common shares of Auxico at a price of $0.15 for a period of three years from the date of issuance);
- 295,000 common shares were issued as a result of exercises of 295,000 stock options at a price of $0.25 per common share: and
- 630,000 common shares were issued as a result of an exercise of 630,000 warrants at a price of $0.40 per warrant.

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 for the Zamora Property in 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"). Mr. Scodnick cannot independently approve any of the technical data for the following properties: Bafwasende Deposit, DRC; the properties in Vichada, Colombia held by Minampro; the property in Puerto Carreno, Vichada, Colombia; and the manganese ore in Brazil. Mr. Scodnick did not supervise or visit any of these properties described hereto, other than the Zamora Property.

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 audited consolidated financial position of Auxico at September 30, 2020 and 2019 is presented below:

Consolidated Statements of Financial Position

As at September 30 (audited)	2020	2019
	$	$
Assets		
Current assets		
Cash & cash equivalents	288,780	9,139
Sales tax receivable	103,733	20,057
Prepaid expenses	156,469	47,814
Inventory	47,171	-
Advance to directors	3,098	3,098
Advance to companies controlled by a director	8,646	-
Advance to a joint operation	288,360	-
Total assets	**896,257**	**80,108**
Liabilities		
Current liabilities		
Accounts payable and accruals	578,628	428,936
Income tax payable	4,314	2,740
Due to companies controlled by a director	34,000	95,817
Due to directors	36,530	21,606
Convertible debentures	215,433	-
	868,905	**549,099**
Non-current liabilities		
Deferred income tax liabilities	70,972	56,887
Convertible debentures	3,609,300	-
	3,680,272	**56,887**
Total liabilities	**4,549,177**	**605,986**
Deficiency		
Deficiency attributable to shareholders	(3,654,952)	(528,050)
Equity attributable to non-controlling interest	2,032	2,172
Total deficiency	**(3,652,920)**	**(525,878)**
Total liabilities & deficiency	**896,257**	**80,108**

Cash and cash equivalents at September 30, 2020 were $288,780, compared to $9,139 at September 30, 2019, an increase of $279,641. This difference is due to the private placement of Debentures in June 2020 and July 2020, as described above.

At September 30, 2020, Auxico had prepaid expenses of $156,469, which was an increase of $108,655, compared to prepaid expenses of $47,814 at September 30, 2019. This increase was due to Auxico prepaying more suppliers at September 30, 2020.

At September 30, 2020, the Company recorded inventory of $47,171 (September 30, 2019 – $Nil); this relates to ore purchased by Auxico in Brazil for its commodities trading business.

At September 30, 2020, Auxico had an advance to a joint operation of $288,360 (September 30, 2019 – $Nil). As indicated above in its news release of June 3, 2020, the Company entered into a joint venture with Kibara, based in the DRC, for the export of tantalum and niobium-bearing ores. At September 30, 2020, the Company had advanced $288,360 to Kibara. The joint operation between the two entities will only become effective at the commencement of trading operations of tantalum and niobium ores. Since such activities were not started as of September 30, 2020, the amount advanced by the Company remained an advance to a joint operation without interest.

Auxico had accounts payable and accruals of $578,628 as at September 30, 2020, compared to $428,936 at September 30, 2019, an increase of $149,692. These are trade payables in the normal course of the Company's operations.

As of September 30, 2020, Auxico had working capital of $27,352, compared to negative working capital of $468,991 at September 30, 2019.

Participating Convertible Debentures

At September 30, 2020, the Company recorded an amount of $215,433 of convertible debentures under current liabilities (September 30, 2019 – $Nil) and $3,609,300 under non-current liabilities (September 30, 2019 - $Nil).

In June and July 2020, as described above, the Company. completed two non-brokered private placements, raising aggregate gross proceeds of $1,650,000 in participating convertible debentures (the "Debentures"). Each Debenture consists of $1 principal amount of participating, secured, non-redeemable 10% convertible debenture maturing on either June 19, 2023, or July 24, 2023 (the "Maturity Dates") and convertible at the option of the Debenture holder into:

> (i) units ("Units") of the Company that is equal to the principal amount of each Debenture being converted at a deemed price of $0.10 per Unit. Each Unit is comprised of one common share ("Share") in the capital of the Company and one warrant ("Warrant"). Each Warrant is exercisable into one Share at a price of $0.15 for a period of three years from the date of issuance; or
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> (ii) the number of common shares of Central America Nickel Inc. ("CAN") (a private company based in Montreal, Canada) at a conversion price of $1.00 per CAN share; and
>
> (iii) a cash payment equal to the principal amount and an amount corresponding to the interest that such holder would receive if the holder held the Debenture from the date of conversion until the Maturity Dates**.**

Interest at a fix rate of 10% per annum will be paid to Debenture holders semi-annually in arrears.

In addition, Debenture holders will receive a total of 16.5% of the net profits generated by the Company from the sale of tantalum and niobium-bearing ores, to be paid quarterly in arrears; this represents 1% of the profits for every $100,000 principal amount of Debentures ("Participating Feature").
In accordance with IAS 32, Financial Instruments: Presentation ("IAS 32"), the issuer of a non-derivative financial instrument shall evaluate the terms of the financial instrument to determine whether it contains both a liability and an equity component. In application of this standard, the issuer of a financial instrument shall classify the instrument, or its component parts, on initial recognition as a financial liability, a financial asset, or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, a financial asset, and an equity instrument.

At the issuance of the Debentures, the Company determined that the conversion options constitute an embedded derivative financial instrument. Upon a conversion into units of the Company, the carrying amount of the host debt instrument recorded at amortized cost and the fair value of the related embedded derivative will be transferred to equity. Upon a conversion into common shares of CAN, the carrying amount of the host debt instrument and the fair value of the related embedded derivative will be transferred to profit and loss.

The convertible debentures are a hybrid instrument, which are in their entirety regarded as a financial liability. The initial carrying amount of $2,114,662 for the debt host represents the participating feature to net profits as well as

the residual debt instrument. The Company determined the initial carrying amount using the discounted fair value of the debt host and, following initial measurement, the host component will be amortized over the term of maturity using the effective interest rate method. The interest rate used for the calculation of the discounted fair value was 19%. Any directly attributable transaction costs are allocated to the host and derivative components in proportion to their initial carrying amounts.

At September 30, 2020, the Company reviewed the estimated fair value of the conversion options and adjusted the initial fair value to $1,639,760 using the same valuation technique.

The fair value of the Conversion Options was estimated using Monte Carlo simulation (using the Black-Scholes framework). Monte Carlo simulation is a procedure for randomly sampling changes in market variables in order to value derivatives. Information on the assumptions used by the Company in this regard can be found in Note 9 of the annual audited consolidated financial statements of the Company for the year ended September 30, 2020.

For the year ended September 30, 2020, the change in fair value of derivatives resulted in an increase of expense of $593,228 (September 30, 2019 – Nil) and was recorded in the consolidated statements of loss and comprehensive loss.

For the year ended September 30, 2020, the Company estimated the current portion of the Debentures payable for an amount of $215,433, which represent the semi-annual interest payments and the participating feature.

Accretion and accrued interest payable on the Debentures are included in financing expense in the consolidated statements of loss and comprehensive loss.

At inception, the Company recognized an unrealized loss on Debentures in the amount of $1,511,194, which was the difference between the fair value of the combined liabilities and the proceeds received. This amount is recorded on the Company’s statement of loss and comprehensive loss for the year ended September 30, 2020.

RESULTS OF OPERATIONS

For the year ended September 30, 2020, the Company recorded a net loss and comprehensive loss of $3,190,814 compared to a net loss and comprehensive loss of $1,811,982 for the year ended September 30, 2019, representing an increase of $1,378,832. Details for the years ended September 30, 2020 and 2019 are presented below:

Consolidated Statements of Loss and Comprehensive Loss

For the years ended September 30 (audited)	2020 $	2019 $	Variance $
Expenses			
Professional fees	449,195	821,369	(372,174)
Management fees	210,000	210,000	-
Legal fees	61,950	88,089	(26,139)
Exploration and evaluation expenditures	103,038	294,445	(191,407)
Travel expenses	2,344	71,663	(69,319)
Office expenses	1,872	9,907	(8,035)
Rent	36,000	36,000	-
Advertising	44,849	83,429	(38,580)
Taxes and permits	94	753	(659)
Telecommunication	2,681	6,660	(3,979)
Public listing fees	51,141	55,838	(4,697)
Gain on litigation settlement	-	(51,459)	51,459
Litigation provision	-	4,775	(4,775)
Settlement of payables	(99,310)	-	(99,310)
Share-based compensation	63,772	76,163	(12,391)
Write-off of sales tax receivable	2,715	11,882	(9,167)
(Gain) Loss on foreign exchange	(9,532)	48,422	(57,954)
Interest and bank fees	4,071	5,180	(1,109)
Interest and penalties	25,329	9,824	15,505
Interest on debentures	3,943	-	3,943
Transaction costs	15,336	-	15,336
Accreted interest on debentures	100,977	-	100,977
Unrealized loss on derivative financial instrument	1,314,801	-	1,314,801
Fair value adjustment of the conversion option	789,621	-	789,621
Loss before income taxes	(3,174,887)	(1,782,940)	(1,391,947)
Income tax expense	1,842	2,740	(898)
Deferred income taxes	14,085	26,302	(12,217)
Net loss and comprehensive loss	**(3,190,814)**	**(1,811,982)**	**(1,378,832)**
Net loss and comprehensive loss attributable to:			
Shareholders	(3,190,674)	(1,810,737)	(1,379,937)
Non-controlling interest	(140)	(1,245)	1,105
	(3,190,814)	(1,811,982)	(1,378,832)
Loss per share	(0.071)	(0.042)	
Weighted average number of shares outstanding	44,885,000	42,694,589	

For the year ended September 30, 2020, the expenses incurred are higher than those incurred in the year ended September 30, 2019. During the year ended September 30, 2020, the Company issued Debentures, as described above, and the Company recorded interest and accreted interest on debentures totaling of $104,920 in the year ended September 30, 2020 (September 30, 2019 – $Nil). In addition, as explained above, in the year ended September 30, 2020, Auxico recognized an unrealized loss on derivative financial instrument, which is associated with the Debentures, of $1,314,801 (September 30, 2019 – $Nil) and a fair value adjustment of the conversion

option, also associated with the Debentures, of $789,621 (September 30, 2019 – $Nil); these two expenses that total $2,104,422 are non-cash charged associated with the accounting treatment of these Debentures.

Aside from the expenses associated with the Debentures (which were only incurred in the year ended September 30, 2020), most of the other expenses incurred by the Company in the year ended September 30, 2020 were lower than those in the previous year. This is largely due to the COVID-19 pandemic, which began to affect Canada in March 2020. In response to the economic turbulence caused by the pandemic, the Company cut costs where it could.

Professional fees decreased by $372,174 and legal fees decreased by $26,139 year-over-year as the Company spent less on consultants, professionals, lawyers, and investor relations. Exploration and evaluation expenditures decreased by $191,407; the Company decided to halt geological activity at the Company's Zamora Property when the COVID-19 virus arrived in Mexico. Given the travel bans in response to the pandemic, the Company's travel expenses decreased by $69,319. In the year ended September 30, 2020, the Company recognized a settlement of payables of $99,310; the Company and some of its suppliers agreed to reduce amounts owing by the Company to these suppliers by this amount, which was recognized as a gain on the statement of loss and comprehensive loss.

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, 2020 and 2019:

Consolidated Statements of Cash Flows

For the years ended September 30 (audited)	2020 $	2019 $
Cash used in operating activities		
Net loss and comprehensive loss for the year	(3,190,814)	(1,811,982)
Adjustments for:		
Share-based compensation	63,772	76,163
Unrealized foreign exchange loss (gain)	17,522	3,074
Write-off of sales tax receivable	2,715	11,882
Litigation provision	-	4,775
Gain on litigation settlement	-	(51,459)
Deferred income tax expense	14,085	26,302
Unrealized loss on derivative financial instrument	1,314,801	-
Fair value adjustment of the conversion option	789,621	-
Accreted interest	120,256	-
Settlement of payables	99,310	-
Amortization of issuance costs	2,204	-
Net changes in non-cash working capital items		
Sales tax receivable	(86,391)	(5,354)
Income tax payable	1,842	2,740
Prepaid expenses	(108,655)	63,156
Inventory	(47,171)	-
Accounts payable and accruals	32,082	243,559
	(994,100)	**(1,437,144)**
Cash used in investing activities		
Advances to a joint operation	(288,360)	-
Advances to companies controlled by a director	(35,973)	-
	(324,333)	-
Cash flows from financing activities		
Due to directors	14,924	9,185
Due to companies controlled by a director	(34,490)	84,319
Proceeds from issuance of convertible debentures	1,617,130	-
Proceeds from issuance of shares	-	1,205,000
Issuance costs	-	(28,000)
Contribution	-	3,417
	1,597,564	**1,273,921**
Increase (Decrease) in cash and cash equivalents	279,131	(163,223)
Cash and cash equivalents, beginning of the year	9,139	172,178
Effect of foreign exchange rate fluctuations on cash and cash equivalents	510	184
Cash and cash equivalents, end of the year	**288,780**	**9,139**

For the year ended September 30, 2020, Auxico generated an increase of cash of $279,131, compared to a decrease of cash of $163,223 for the year ended September 30, 2019.

Cash used in operating activities amounted to $994,100 in the year ended September 30, 2020, compared to cash used in operating activities of $1,437,144 for the year ended September 30, 2019, representing a decrease of $443,044. In both years, most of the cash used was for operating expenses, as described above.

In the year ended September 30, 2020, cash used in investing activities amounted to $324,333 (September 30, 2019 – $Nil). Most of this ($288,360) was used for the Company's joint operation with Kibara in the DRC, as described above.

In the year ended September 30, 2020, the Company generated cash of $1,650,000 through the issuance of Debentures, as described above; this amount includes the $1,617,130 of proceeds from the issuance of Debentures minus $32,870 in capitalized issuance costs. Despite the COVID-19 pandemic, the Company was successful in June and July 2020 in raising funds through the issuance of these Debentures. 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.

At September 30, 2020, the cash balances and the working capital of the Company were positive. 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, 2020, there were 44,885,000 issued and fully paid common shares (September 30, 2019 – 44,885,000).

Warrants

At September 30, 2020, the Company had 3,279,100 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
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
3,279,100			

Stock options

At September 30, 2020, there were 4,475,000 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
600,000	Sep. 16, 2020	Sep. 15, 2025	$0.105	-	600,000
					4,475,000

SELECTED ANNUAL INFORMATION

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

As at September 30 (audited)	2020	2019	2018
Revenues	-	-	-
Net loss and comprehensive loss	(3,190,814)	(1,811,982)	(2,278,454)
Net loss per share (basic and diluted)	(0.071)	(0.042)	(0.063)
Total assets	896,257	80,108	309,733

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, 2020.

Quarter ending	Sep. 30, 2020	June 30, 2020	Mar. 31, 2020	Dec. 31, 2019
	$	$	$	$
Revenue	-	-	-	-
Net loss and comprehensive loss	(1,326,441)	(1,551,087)	(157,089)	(156,197)
Net loss per share	(0.030)	(0.035)	(0.003)	(0.003)

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)

RESULTS OF THE FOURTH QUARTER

Interim Statements of Loss and Comprehensive Loss

For the three-month periods ended September 30 (unaudited)	**2020 $**	**2019 $**	**Variance $**
Expenses			
Professional fees	235,233	69,691	165,542
Management fees	60,000	30,000	30,000
Legal fees	49,210	10,198	39,012
Exploration and evaluation expenditures	63,660	(114,629)	178,289
Travel expenses	(123)	1,693	(1,816)
Office expenses	(1,588)	(1,713)	125
Rent	24,000	9,000	15,000
Taxes and permits	94	-	94
Other expenses	43,879	23,301	20,578
Gain on litigation settlement	-	4,141	(4,141)
Litigation provision	-	4,775	(4,775)
Settlement of payables	(99,310)	-	(99,310)
Share-based compensation	63,772	3,697	60,075
Write-off of sales tax receivable	2,715	11,882	(9,167)
(Gain) Loss on foreign exchange	(13,941)	44,224	(58,165)
Interest and bank fees	(3,234)	38	(3,272)
Interest on debentures	3,628	-	3,628
Accreted interest on debentures	92,899	-	92,899
Fair value adjustment of the conversion option	789,621	-	,789,621
Loss before income taxes	(1,310,514)	(96,298)	(1,214,216)
Income tax expense	1,842	2,740	(898)
Deferred income taxes	14,085	26,302	(12,217)
Net loss and comprehensive loss	**(1,326,441)**	**(125,340)**	**(1,004,708)**
Net loss and comprehensive loss attributable to:			
Shareholders	(1,326,301)	(124,095)	(1,005,813)
Non-controlling interest	(140)	(1,245)	1,105
	(1,326,441)	(125,340)	(1,004,708)
Loss per share	(0.030)	(0.003)	
Weighted average number of shares outstanding	44,885,000	44,885,000	

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. In the fourth quarter of the Company 2020 fiscal year, Auxico recognized the following expenses: interest on debentures, unrealized loss on derivative financial instrument and fair value adjustment of the conversion option; none of these expenses occurred in the fourth quarter of 2019.

In the fourth quarter of 2020, Auxico incurred more professional fees in relation to the previous year; these expenses are associated with the two private placements of Debentures, the Company's joint venture operation with Kibara and its commodities trading business.

RELATED PARTY TRANSACTIONS AND BALANCES

The Company's related parties include an entity with significant influence, companies controlled 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)	2020 $	2019 $
Management fees		
Companies controlled by a director	120,000	120,000
Key management personnel and director	90,000	120,000
Share-based compensation		
Key management personnel and director	37,200	45,698
Rent		
Company controlled by a director	36,000	36,000
Consulting fees		
Company controlled by a director	31,500	49,500

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	2020	3,098	36,350
	2019	3,098	21,606
Company controlled by a director	2020	8,646	34,000
	2019	-	95,817
Joint operation	2020	288,360	-
	2019	-	-

The due and advance to directors are unsecured, payable on demand and bear no interest.

The dues and advances to companies controlled by a director are unsecured, payable on demand and bear no interest.

COMMITMENTS

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 could initially exercise this option within 12 months of the signing of the MOU. The extension of this option, currently expired, was first prolonged to December 31, 2017, subsequently to June 30, 2018 and finally to August 31, 2019.

Net royalty – Central America Nickel
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.

Purchase agreements - Columbite
On August 18, 2020, the Company signed two purchase contracts for columbite. According to those contracts, as of September 30, 2020, there is still a quantity to be purchased by the Company. The Company estimated this commitment to approximate $322,000.

SIGNIFICANT ACCOUNTING POLICIES

Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis except for the following material item in the consolidated statements of financial position:

- Derivative instrument is measured at fair value.

The consolidated financial statements have been prepared on a going concern basis, meaning the Company would be able to realize its assets and discharge its liabilities in the normal course of action.

Basis of consolidation

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has the right to, variable returns from its involvement with the entity and has the ability to affect those through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries are aligned with the policies adopted by the Company.

The Company's subsidiaries, as at September 30, are:

	2020	2019
Auxico Resources S.A. de C.V. ("Auxico Mexico")	100%	100%
C.I. Auxico de Colombia S.A ("Auxico Colombia")	96%	N/A

Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the consolidated financial statements.

Non-controlling interests represent equity interests in the subsidiary owned by outside parties. The share of net assets of the subsidiary attributable to non-controlling interests is presented as a component of equity. Their share of net loss and comprehensive loss is recognized directly in equity.

Issuance costs

Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred 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 and debentures when the related financial instruments are issued. Deferred issue costs related to financing transactions that are not completed are charged to expenses.

Share-based compensation

A share-based compensation plan has been granted by the Company to its directors, officers, and employees. Share-based compensation expense is measured based on the fair value at the grant date and recognized over the period that the employees unconditionally become entitled to the awards with a corresponding increase in contributed surplus. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service conditions at the vesting date. For non-employees, the fair value of the options is re-measured and recognized over the service period.

Upon the exercise of the options, any consideration received from plan participants is credited to share capital; the amount originally credited to contributed surplus is also reclassified to share capital.

Provision

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

Exploration and evaluation (E&E) expenditures include rights in mining properties and costs related to the initial search for mineral deposits with economic potential. Costs incurred before the legal right to undertake exploration and evaluation activities are recognized in net income (loss) when they are incurred.

E&E expenditures also include costs associated with prospecting, sampling, trenching, drilling and other work involved in searching for ore such as topographical, geological, geochemical, and geophysical studies. Expenditures relating to E&E activities are expensed as incurred.

E&E include costs related to establishing the technical and commercial viability of extracting a mineral resource. E&E include the cost of:

- establishing the volume and grade of deposits through drilling of core samples, trenching and sampling activities in an ore body that is classified as either a mineral source or a proven and probable reserve;
- studies related to surveying, transportation, and infrastructure requirements;
- permitting activities; and
- economic evaluations to determine whether development of the mineralized material is commercially justified, including scoping, prefeasibility and final feasibility studies.

The E&E expenses are recorded 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.

Financial instruments

(i) 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 an 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 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 FVTOCI 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 Assets	Classification	Subsequent Measurement
Cash and cash equivalents	Debt instruments	Amortized cost
Advance to directors	Debt instruments	Amortized cost
Advance to companies controlled by directors	Debt instruments	Amortized cost
Advances to a joint operation	Debt instruments	Amortized cost

(ii) 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 if 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.

(iii) 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.

(iv) 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.

(v) Financial liabilities and equity instruments issued by the Company

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

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
Due to companies controlled by a director	Other financial liability	Amortized cost
Due to directors	Other financial liability	Amortized cost
Convertible debentures – Host component	Other financial liability	Amortized cost
Convertible debentures – Conversion option	FVTPL	Fair value

(vi) Derecognition of financial liabilities

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

(vii) 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

i) 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.

ii) 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.

Inventory

Inventory is measured at the lower of cost and net realizable value. Cost is determined using the FIFO (first in, first out) method. The cost of inventory comprise all cost of purchase incurred in bringing the inventory to their present location and condition. The costs of purchase include the purchase price, non-recoverable taxes, transport, handling and other costs directly attributable to the acquisition of finished goods Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Joint arrangements

A joint arrangement can take the form of a joint operation or joint venture. All joint arrangements involve a contractual arrangement that establishes joint control. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint operation may or may not be structured through a separate vehicle. These arrangements involve joint control of one or more of the assets acquired or contributed for the purpose of the joint operation. The consolidated financial statements of the Company include its share of the assets in such joint operations, together with its share of the liabilities, revenues and expenses arising jointly or otherwise from those operations. All such amounts are measured in accordance with the terms of each arrangement.

Adoption of new accounting standards

The accounting policies used in the Company's consolidated financial statements for the year ended September 30, 2020 are consistent with those applied by the Company in its September 30, 2019 consolidated financial statements except for the amendments to certain accounting standards which are relevant to the Company and were adopted as of October 1, 2019 as described below.

i) IFRS 16 Leases ("IFRS 16")

On October 1, 2019, the Company adopted IFRS 16 – Leases ("IFRS 16") which replaced IAS 17 – Leases and IFRIC 4 – Determining Whether an Arrangement Contains a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The standard is effective for annual periods beginning on or after January 1, 2019. IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead, all leases are treated in a similar way to finance leases as applied under IAS 17. IFRS 16 does not require a lessee to recognize assets and liabilities for short-term leases (leases of 12 months or less) or leases of low-value assets.

The adoption of IFRS 16 did not result in any adjustment on the Company's consolidated profit or loss or its financial position.

ii) IFRIC23 Uncertainty over Income Tax Treatments

This standard clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. The Company adopted this standard on October 1, 2019, which did not have a significant effect on the Company 's consolidated financial statements.

Standards issued but not yet effective

At September 30, 2020, 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 these 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.

i) Amendments to IAS 1 – Classification of Liabilities as Current or Non-current

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the consolidated statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after January 1, 2023, with early application permitted.

***ii*) Amendments to IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract**

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling

contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

The amendments are effective for annual periods beginning on or after January 1, 2022, with early application permitted.

iii*) *Annual Improvements to IFRS Standards 2018–2020

The Annual Improvements include amendments to four Standards.

IFRS 1 First-time Adoption of International Financial Reporting Standards
The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1:D16(a).

The amendment is effective for annual periods beginning on or after January 1, 2022, with early application permitted.

IFRS 9 Financial Instruments
The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.

The amendment is effective for annual periods beginning on or after January 1, 2022, with early application permitted.

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:

i. 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.

ii. Convertible debentures

The convertible debentures issued by the Company include conversion options as well as a participating feature on net profits generated by the Company, which are considered as Level 3 financial instruments, both classified as liabilities components. The host component is initially recorded at fair value and subsequently at amortized cost using the effective interest rate method. The derivative component is measured at fair value through profit and loss, and its fair value must be measured at each reporting period, with subsequent changes in fair value recorded in the statement of loss and comprehensive loss. A derivative valuation model is used, and includes management's assumptions, to estimate the fair value. Detailed assumptions used in the model to determine the fair value of the embedded derivative as of September 30, 2020, are provided in Note 9 of the Company annual audited consolidated financial statements.

iii. Determination of deferred income taxes

The carrying amount of deferred income tax assets is reviewed at each financial position 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.

iv. Black & Scholes valuation

The calculation of the fair value of units, stock options and warrants granted require management to make estimates and assumptions about the fair value of the underlying common shares of the Corporation, expected volatility, expected life, and expected forfeiture rates, which could affect the Corporation's results if the current estimates change. Expected volatility was based on the Company's historical volatility and the volatility of an equity market index in the mining sector for the same period. The credit spread used in the valuation was based on an index for CAD triple-C corporate bonds.

v. Joint arrangements

Judgement is required to determine whether the Company has joint control of a contractual arrangement, which requires continuous assessment of the relevant activities and whether the decisions in relation to those activities require unanimous consent. Judgment is also continually required to classify a joint arrangement as either a joint operation or a joint venture when the arrangement has been structured through a separate vehicle. Classifying the arrangement requires the Company to assess its rights and obligations arising from the arrangement. Specifically, the Company considers the legal form of the separate vehicle, the terms of the contractual arrangement and other relevant facts and circumstances. This assessment often requires significant judgment, and a different conclusion on joint control, or whether the arrangement is a joint operation or a joint venture, may have a material impact on the accounting treatment.

Management evaluated its joint arrangement with Kibara Minerals Inc ("Kibara"), where each partner acquires a participation in the profit of a joint operations for which no structured separate vehicle was made. Under the principles of IFRS 11 – Joint Arrangements, since there are no joint arrangements structured through a separate vehicle, it is automatically classified as a joint operation.

Classification of financial instruments

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

Financial assets and liabilities recognized at amortized cost	**2020**	**2019**
	$	$
Cash & cash equivalents	288,780	9,139
Advance to directors	3,098	3,098
Advance to companies controlled by a director	8,646	-
Advance to a joint venture	288,360	-
Accounts payable and accruals	578,628	428,936
Due to directors	36,530	21,606
Due to companies controlled by directors	34,000	95,817
Convertible debentures – host component	2,184,973	-

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).

Financial liabilities recognized at fair value:	**2020**	**2019**
	$	$
Convertible debentures – Conversion feature (level 3)	1,639,760	-

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	**2020**	**2019**
	$	$
Cash & cash equivalents (United States)	2,589	98
Cash & cash equivalents (Mexico)	371	4,942
Net exposure	3,230	5,040

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

i) Fair value interest rate risk:

Interest rate risk is defined as the risk that the fair value or future cash flows of a financial instrument held by the Company will fluctuate, because of changes in interest rates. The Company's financial liabilities, other than current liabilities, are comprised of medium to long-term fixed interest rate debt.

Cash & cash equivalents	Fixed interest rates
Advance to directors	Non-interest bearing
Advance to companies controlled by a director	Non-interest bearing
Accounts payable and accruals	Non-interest bearing
Due to companies controlled by a director	Non-interest bearing
Due to directors	Non-interest bearing
Convertible debentures	Fixed interest rates

If the variable interest rates had increased by 1% during the year ended September 30, 2020, the Company's net loss would have increased by $5,484.

ii) Commodity price risk:

*W*hile 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, 2020, the Company has working capital of $27,352 (September 30, 2019 – negative working capital of $468,991)

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	**578,628**	-	-
Due to companies controlled by a director	**34,000**	-	-
Due to directors	**36,530**	-	-
Convertible debentures – Host component	**215,433**	**1,969,540**	-

RISKS AND UNCERTAINTIES

RISKS RELATED TO OUR BUSINESS:

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 $3,190,814 for the year ended September 30, 2020. At September 30, 2020, there was a deficiency of $3,652,920 and working capital of $27,352. 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 1st day of February, 2021.

"signed"

Mark Billings
President
Auxico Resources Canada Inc.