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

OVERVIEW

This following management's discussion and analysis (quarterly highlights) of the financial condition and results of operations ("MD&A") covers the operations of Auxico Resources Canada Inc. ("Auxico" or the "Company") for the three-month period ended December 31, 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 unaudited condensed interim consolidated financial statements for the three-month period ended December 31; the Company's audited consolidated financial statements for the year ended September 30, 2020; and the Company's MD&A for the year ended September 30, 2020. The accompanying audited and unaudited 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 March 1, 2021.

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 unaudited 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 ("DRC") and elsewhere.

OVERVIEW OF THE THREE-MONTH PERIOD ENDED DECEMBER 31, 2020

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.

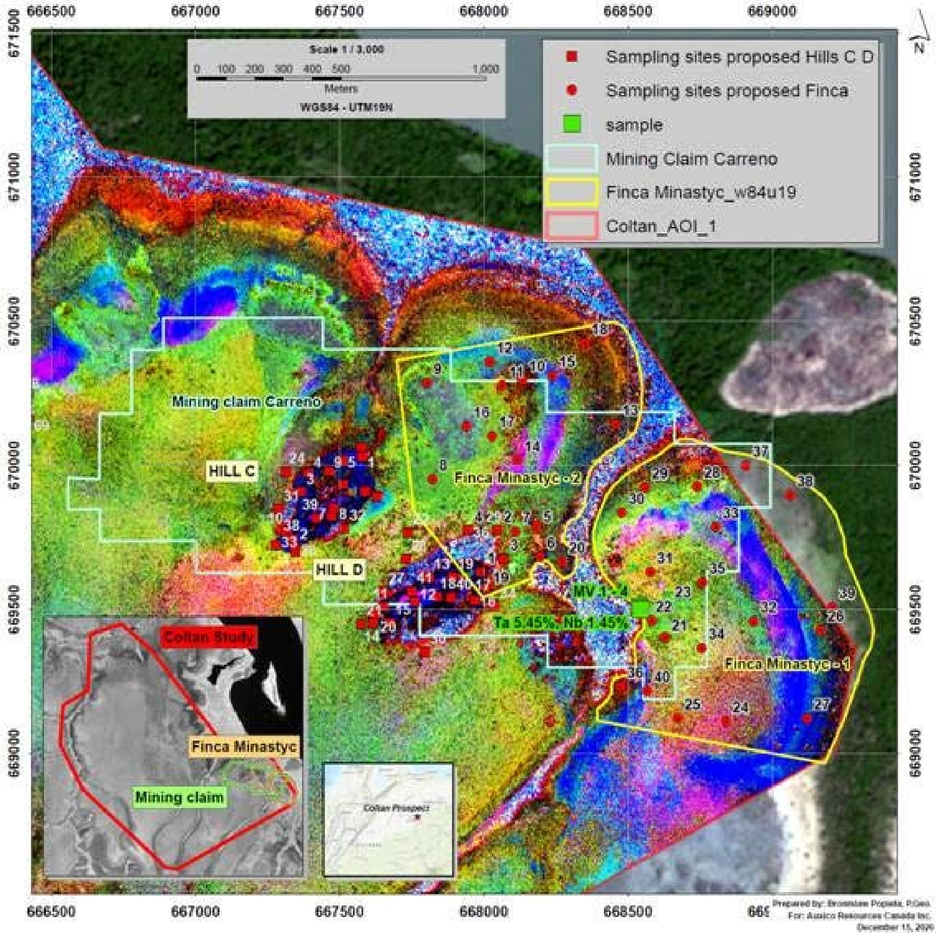
Mr. Inwentash obtained his B. Comm. From the University of Toronto and is a Chartered Professional Accountant. In 2007, he was an Ontario finalist for the Ernst & Young entrepreneur of the year award. In 2012, Mr. Inwentash received an honorary doctor of laws degree (LL.D.) from the University of Toronto 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.

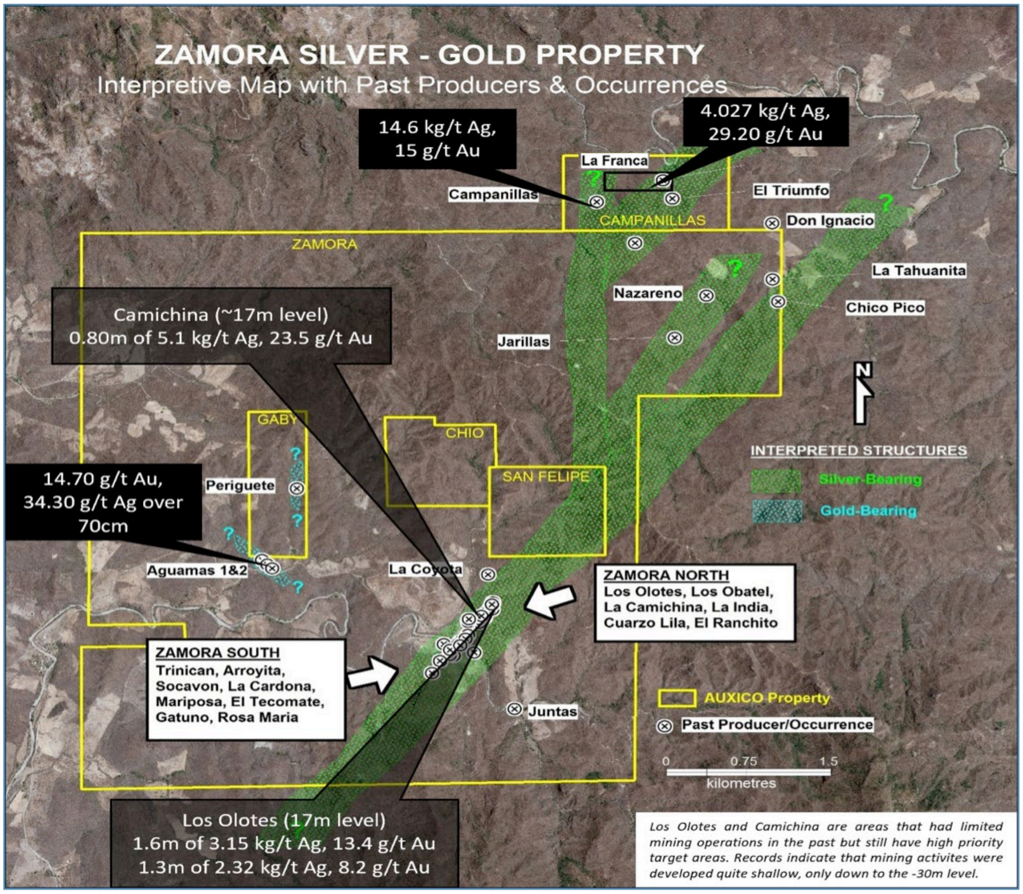


As reported previously, Auxico has entered into a commercial relationship with Minampro Asociados S.A.S. for the exploitation and trading of industrial sands (tantalum ore) originating from the same area.

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.

SUBSEQUENT EVENTS

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.

On February 3, 2021, Auxico announced that it had closed its non-brokered private placement (the "Private Placement"), issuing a total of 9,744,000 units (the "Units") at a price of $0.50 per Unit raising gross proceeds of $4,872,000.

Each Unit consists of one common share (the "Shares") of the Company and one-half of one common share purchase warrant (the "Warrants"). Each full Warrant is exercisable at $1.00 for a period of 3 years from the date of issuance (the "Closing Date").

The Company paid finder's fees of $276,100 in connection with the Private Placement.

All securities issued are subject to a statutory four month hold period from the Closing Date.

The net proceeds of the private placement will be used to increase the trading of manganese ore from Brazil, as well as for general working capital.

Share Information

As at the date of this MD&A, there are 56,874,000 common shares issued and outstanding of Auxico. Between December 31, 2020 and the date of this MD&A, a total of 11,514,000 common shares were issued, as follows:

- 120,000 common shares were issued as a result of exercises of 120,000 stock options at a price of $0.25 per common share;
- 1,650,000 common shares were issued as a result of an exercise of 1,650,000 warrants at a price of $0.40 per warrant; and
- 9,744,000 common shares were issued in connection with the Private Placement on February 3, 2021, as described above.

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 condensed consolidated financial statements in accordance with the IFRS. The Company's condensed interim consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the Company. For more detailed information, please refer to the Company's condensed interim consolidated financial statements for the periods then ended. The consolidated financial position of Auxico at December 31, 2020 (unaudited) and at September 30, 2020 (audited) is presented below:

Condensed Interim Consolidated Statements of Financial Position

As at	**December 31, 2020 (unaudited)**	**September 30, 2020 (audited)**
	$	**$**
Assets		
Current assets		
Cash & cash equivalents	1,139,209	288,780
Sales tax receivable	208,887	103,733
Prepaid expenses	112,136	156,469
Deposit on acquisition	56,068	-
Inventory	1,469,731	47,171
Advance to directors	-	3,098
Advance to companies controlled by a director	24,508	8,646
Advance to a joint operation	288,360	288,360
Total assets	**3,298,899**	**896,257**
Liabilities		
Current liabilities		
Accounts payable and accruals	1,140,043	578,628
Income tax payable	-	4,314
Due to companies controlled by a director	-	34,000
Due to directors	-	36,530
Convertible debentures	398,176	215,433
	1,538,219	**868,905**
Non-current liabilities		
Deferred income tax liabilities	70,972	70,972
Convertible debentures	10,955,117	3,609,300
	11,026,089	**3,680,272**
Total liabilities	**12,564,308**	**4,549,177**
Deficiency		
Deficiency attributable to shareholders	(9,267,184)	(3,654,952)
Equity attributable to non-controlling interest	1,775	2,032
Total deficiency	**(9,265,409)**	**(3,652,920)**
Total liabilities & deficiency	**3,298,899**	**896,257**

Cash and cash equivalents at December 31, 2020 were $1,139,209, compared to $288,780 at September 30, 2020, an increase of $850,429. This difference is due to the Private Placement of Debentures in October 2020, as described above.

At December 31, 2020, Auxico had prepaid expenses of $112,136, which was a decrease of $44,333, compared to prepaid expenses of $156,469 at September 30, 2020.

On December 15, 2020, the Company announced that it had been granted an exclusive option to acquire the silver-gold La Franca mine, located in the state of Sinaloa, Mexico. The Company has a right to purchase 100% of the La Franca mine for US$500,000 payable 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. A payment deposit of $56,068 was made in December 2020.

At December 31, 2020, the Company recorded inventory of $1,469,731, compared to inventory of $47,171 at September 30, 2020, an increase of $1,422,560; this relates to ore purchased by Auxico in Brazil for its commodities trading business.

At December 31, 2020, Auxico had an advance to a joint operation of $288,360 (September 30, 2020 – $288,360). In June 2020, the Company entered into a joint venture with Kibara Minerals (“Kibara”), based in the DRC, for the export of tantalum and niobium-bearing ores. 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 December 31, 2020, the amount advanced by the Company remained an advance to a joint operation without interest.

Auxico had accounts payable and accruals of $1,140,043 as at December 31, 2020, compared to $578,628 at September 30, 2020, an increase of $561,415. These are trade payables in the normal course of the Company’s operations.

As of December 31, 2020, Auxico had working capital of $1,760,680, compared to working capital of $27,352 at September 30, 2020, representing an increase of $1,733,328.

Participating Convertible Debentures

At December 31, 2020, the Company recorded an amount of $398,176 of convertible debentures under current liabilities (September 30, 2020 – $215,433) and $10,955,117 under non-current liabilities (September 30, 2020 - $3,609,300).

On October 26, 2020, the Company announced that it had completed a non-brokered private placement, raising aggregate gross proceeds of $2,788,000 in participating convertible debentures ("Debentures"). Each Debenture consists of $1 principal amount of participating, secured, non-redeemable convertible debenture maturing on October 23, 2023 ("Maturity Date") and convertible at the option of the Debenture holder into:

- units ("Units") of the Company that are 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
- 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
- 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.

The 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 and Debentures 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 fair value at inception of those Debentures was evaluated following the same evaluation technique as those issued during the year ended September 30, 2020. The fair value was estimated at $3,765,261. The following assumptions were used to determine the fair value: estimated life: 3 years, stock price: $0.19, volatility: 97.2%, risk free rate: 0.314% and dividend yield: Nil

For the period ended December 31, 2020, the change in fair value of derivatives resulted in an increase of expense of $3,887,124 (September 30, 2020 – $789,621) and was recorded in the consolidated statements of loss and comprehensive loss.

Accretion and accrued interest payable on the Debentures are included in financing expense in the consolidated statements of loss and comprehensive loss. At December 31, 2020, the Company recognized an unrealized loss on Debentures in the amount of $935,198 (September 30, 2020 – $1,314,801), which was the difference between the fair value of the combined liabilities and the proceeds received.

Information on the assumptions used by the Company in this regard can be found in Note 9 of the condensed interim consolidated financial statements of the Company for the period ended December 31, 2020.

RESULTS OF OPERATIONS

For the three-month period ended December 31, 2020, the Company recorded a net loss and comprehensive loss of $5,857,656, compared to a net loss and comprehensive loss of $156,197 for the three-month period ended December 31, 2019. Details for the three-month periods ended December 31, 2020 and 2019 are presented below:

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

For the three-month periods ended December 31 (unaudited)	**2020 $**	**2019 $**	**Variance**
Expenses			
Professional fees	189,139	74,865	114,274
Management fees	60,000	60,000	-
Legal fees	8,560	-	8,560
Exploration and evaluation expenditures	221,111	475	220,636
Office expenses	-	22	(22)
Rent	9,000	9,823	(823)
Loss on foreign exchange	1,761	1,097	664
Financing fees	123,907	-	123,907
Interest and bank fees	989	1,366	(377)
Interest on convertible debentures	147,362	-	147,362
Accreted interest on convertible debentures	239,655	-	239,655
Unrealized loss on derivative financial instrument	935,198	-	935,198
Fair value adjustment of the conversion option	3,887,124	-	3,887,124
Other expenses	33,850	8,549	25,301
	5,857,656	**156,197**	**5,701,459**
Net loss and comprehensive loss	(5,857,656)	(156,197)	(5,701,459)
Net loss and comprehensive loss attributable to:			
Shareholders	(5,857,399)	(149,949)	(5,707,450)
Non-controlling interest	(257)	(6,248)	5,991
	(5,857,656)	(156,197)	(5,701,459)
Loss per share – basic and diluted	(0.130)	(0.003)	
Weighted average number of shares outstanding	44,983,370	44,885,000	

For the three-month period ended December 31, 2020, the Company recorded a net loss and comprehensive loss of $5,857,656, compared to net loss and comprehensive loss of $156,197 for the three-month period ended December 31, 2019, an increase of $5,701,459.

In October 2020, the Company issued Debentures, as described above; Auxico has also issued debentures in June and July 2020 with similar terms. In the quarter ended December 31, 2020, the Company recorded interest and accreted interest on convertible debentures of $147,362 and $239,655, respectively, for a total of $387,017 (December 31, 2019 – $Nil). In addition, as explained above, in the three-month period ended December 31, 2020, Auxico recognized an unrealized loss on derivative financial instrument, which is associated with the Debentures, of $935,198 (December 31, 2019 – $Nil) and a fair value adjustment of the conversion option, also associated with the Debentures, of $3,887,124 (December 31, 2019 – $Nil); these two expenses that total $4,822,322 are non-cash charges associated with the accounting treatment of these Debentures.

Aside from the expenses associated with the Debentures, other expenses incurred by the Company in the quarter ended December 31, 2020 were higher than those in the previous year. As indicated in the table above, professional expenses increased by $114,274 and legal fees increased by $8,560. These increases can be attributed to additional costs incurred in connection with the Private Placement of Debentures.

Exploration and evaluation expenditures increased by $220,636 as the Company did some exploration work in Colombia during the three-month period ended December 31, 2020.

In the quarter ended December 31, 2020, the Company (as well as other companies and the economy in general) was impacted by the COVID-19 pandemic. In response, Auxico reduced costs where possible.

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 three-month periods ended December 31, 2020 and 2019:

Condensed Interim Consolidated Statements of Cash Flows

For the three-month periods ended December 31 (unaudited)	**2020 $**	**2019 $**
Operating activities		
Net loss and comprehensive loss	(5,857,656)	(156,197)
Unrealized loss on derivative financial instrument	935,198	-
Fair value adjustment of the conversion option	3,887,124	-
Accreted interest	239,655	-
Net changes in non-cash working capital items		
Sales tax receivable	(105,154)	(2,567)
Income tax payable	(4,314)	(2,740)
Prepaid expenses	44,333	-
Inventory	(1,422,560)	-
Accounts payable and accruals	561,415	148,451
	(1,721,959)	**(13,053)**
Investing activities		
Deposit on acquisition	(56,068)	-
Advance to a company controlled by a director	(15,862)	-
	(71,930)	**-**
Financing activities		
Advance to directors	3,098	3,098
Advance to companies controlled by a director	(34,000)	6,000
Due to directors	(36,530)	-
Proceeds from stock options exercised	43,750	-
Proceeds from issuance of debentures	2,668,000	-
	2,644,318	**9,098**
Increase (Decrease) in cash and cash equivalents	850,429	(3,955)
Cash and cash equivalents, beginning of the period	288,780	9,139
Cash and cash equivalents, end of the period	**1,139,209**	**5,184**

For the three-month period ended December 31, 2020, Auxico generated an increase of cash of $850,429, compared to a decrease of cash of $3,955 for the three-month period ended December 31, 2019.

Cash used in operating activities amounted to $1,721,959 in the three-month period ended December 31, 2020, compared to cash used in operating activities of $13,053 for the three-month period ended December 31, 2019. In both periods, cash was used for operating expenses. In addition, in the quarter ended December 31, 2020, the Company increased significantly its inventory of ore in Brazil.

Cash used in investing activities amounted to $71,930 in the three-month period ended December 31, 2020 (December 31, 2019 – $Nil). Most of this related to payments for the acquisition of the La France property in Mexico, as previously explained.

In the three-month period ended December 31, 2020, Auxico generated cash of $2,668,000 through the issuance of Debentures, as described above (December 31, 2019 – $Nil).

At December 31, 2020, the working capital position of the Company was 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 December 31, 2020, there were 45,360,000 issued and fully paid common shares (December 31, 2019 – 44,885,000).

Warrants

At December 31, 2020, the Company had 3,291,600 warrants issued and outstanding, as presented below:

Warrants Issued	Date of Issue	Expiry Date	Strike Price
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
16,600	August 29, 2017	August 28, 2022	$0.25
500,000	October 23, 2020	October 23, 2023	$0.20
300,000	December 3, 2020	December 2, 2023	$0.15
3,291,600			

Stock options

At December 31, 2020, there were 4,300,000 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 Exercised	Options Expired	Balance
2,475,000	Feb. 10, 2017	Feb. 9, 2022	$0.25	(175,000)	(150,000)	2,150,000
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
						4,300,000

SUMMARY OF QUARTERLY RESULTS

The following is a summary of selected financial information from the quarterly interim unaudited consolidated financial statements for the eight quarters ending December 31, 2020.

Quarter ending	**Dec. 31, 2020 $**	**Sep. 30, 2020 $**	**June 30, 2020 $**	**Mar. 31, 2020 $**
Revenue	-	-	-	-
Net loss and comprehensive loss	(5,857,656)	(1,326,441)	(1,551,087)	(157,089)
Net loss per share	(0.130)	(0.030)	(0.035)	(0.003)

Quarter ending	**Dec. 31, 2019 $**	**Sep. 30, 2019 $**	**June 30, 2019 $**	**Mar. 31, 2019 $**
Revenue	-	-	-	-
Net loss and comprehensive loss	(156,197)	(125,340)	(421,922)	(718,267)
Net loss per share	(0.003)	(0.003)	(0.009)	(0.017)

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.

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

For the three-month period ended December 31 (unaudited)	2020 $	2019 $
Management fees		
Companies controlled by a director	60,000	60,000
Key management personnel and directors	30,000	-
Rent		
Company controlled by a director	9,000	9,000
Consulting fees		
Company controlled by a director	30,000	-

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

	As at	Amounts owed by related parties $	Amounts owed to related parties $
Key management personnel and directors	Dec. 31, 2020	12,626	-
	Sep. 30, 2020	3,098	36,350
Companies controlled by a director	Dec. 31, 2020	24,508	-
	Sep. 30, 2020	8,646	34,000
Joint operation	Dec. 31, 2020	288,360	-
	Sep. 30, 2020	288,360	-

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 AND CONTINGENCIES

Net Smelter Return Royalty ("NSRR")

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

Farm-out Agreement

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

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

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

RISKS AND UNCERTAINTIES

For a detailed list of risks and uncertainties related to the business of Auxico, please consult the Company's MD&A for the year ended September 30, 2020.

Dated this 1st day of March, 2021.

"signed"

Mark Billings
President