

AUXICO RESOURCES CANADA INC.
MANAGEMENT’S DISCUSSION AND ANALYSIS – QUARTERLY HIGHLIGHTS
FOR THE THREE AND NINE-MONTH PERIOD ENDED JUNE 30, 2021

OVERVIEW

This following management’s discussion and analysis (quarterly highlights) of the financial condition and results of operations (“MD&A”) covers the operations of Auxico Resources Canada Inc. (“Auxico” or the “Company”) for the three and nine-month period ended June 30, 2021. 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 and nine-month period ended June 30, 2021; 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 August 30, 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 JUNE 30, 2021

On April 19, 2021, the Company announced that it had entered into a memorandum of understanding (“MOU”) with the companies Minceracao Tantaline Im. & Exp. E Beneficiamento Ltda (“Minceracao Tantaline”) and Fantasia Mineracao R&M – Import Export (“Fantasia Mineracao”), and the Bolivian mining cooperative Cooperativa Minera Aurifera “El Cerrito la Codiciada” Ltda (the “Cooperative”), with regard to the exploitation and commercialization of

tantalum, niobium, and tin from industrial sands originating from a 2,500-hectare property located in the municipality of La Concepción, Santa Cruz Department, province of Ñuflo de Chavez, Bolivia.

The Cooperative has mining claims for a 2,500-hectare property in the Santa Cruz Department and has obtained the necessary license for the export of industrial sands. Mineracao Tantaline has signed a partnership agreement with the Cooperative for the exclusive mandate to explore and commercialize the ore from the properties claimed by the Cooperative.

Samples from the property were recently analyzed by Coalia Research Institute in Thetford Mines, Quebec. The results of the first sample are presented in the table below:

Ta2O5	Nb2O5	Fe2O3	MnO	SiO2	TiO2	Al2O3	MgO	WO3	CaO	ZrO2	Ir *	SnO2	HfO2	UO2	K2O	PbO	ZnO	SrO
%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%
59.79	17.31	7.72	6.46	4.00	1.09	0.91	0.80	0.49	0.30	0.26	0.268	0.20	0.16	0.15	0.06	0.05	0.03	0.01

* With the exception of iridium (Ir), the above sample results were provided with the use of XRF (X-ray fluorescence) by Coalia, which subsequently retested the sample with the use of inductively coupled plasma, or ICP.

The ICP sample results of the coltan ore received by Auxico yielded a grade of 2.68 kg of iridium (Ir) per metric tonne (0.268%), or approximately 86 ounces of Ir per MT.

Iridium is a silver-white transition metal of the platinum group and is considered to be the second densest metal after osmium. It is the most corrosion-resistant metal, even at temperatures of 2000 °C. Given these properties, iridium is used as a hardening agent for platinum alloys. It is also employed in high-performance spark plugs, crucibles for recrystallization of semiconductors at high temperatures, and electrodes for the production of chlorine in the chloralkali process. Tantalum belongs to a class of metals known as refractory metals, which are defined by their strong resistance to heat and wear. Tantalum is used in the electronics industry for capacitors and high-power resistors. When combined with other metals, it can produce alloys with enhanced strength, ductility, and corrosion resistance.

The current market price of iridium is approximately US\$6,400 per ounce; the price of iridium has increased significantly over the past year due to supply deficits. The Company is currently undertaking metallurgical testing of the samples with Central America Nickel Inc. in order to extract iridium from the coltan ore.

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 property in Bolivia. Auxico will have a 60% share of the net profits of the JV for committing 100% of the capital required for the technical operations, exploration, exploitation, concentration, transport and commercialization of industrial sands (tantalum) from the property in Bolivia. Mineracao Tantaline, Fantasia Mineracao and the Cooperative will jointly retain 40% of the net profits of the JV, and Auxico will have the option to purchase another 20% interest in the JV (for a total of 80%). Auxico will have the exclusive marketing rights for all metals emanating from the property.

On April 20, 2021, Auxico announced that it had signed a letter of intent (“LOI”) to finance the production and export of high-grade tantalum and iridium ore from an 800-hectare property located 400 metres from a deep seaport, in the sub-prefecture of Bouandougou, department of Mankono, Ivory Coast.

Samples from the property were recently analyzed by Coalia Research Institute in Thetford Mines, Quebec. Test results yielded a grade of 59.58% tantalum (Ta) per metric tonne, along with 1.7 kg of iridium (Ir) per metric tonne,

or approximately 53 ounces of iridium per metric tonne. The price of tantalum is US\$150,000 per tonne, and the price of iridium is US\$6,400 per ounce.

The results of the first sample are presented in the table below:

Ta2O5	Nb2O5	Fe2O3	MnO	TiO2	SiO2	Al2O3	MgO	CaO	ZrO2	Ir*	HfO2	UO2	SnO2	ZnO	PbO
%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%
59.58	20.41	10.87	5.21	1.00	0.94	0.74	0.28	0.21	0.18	0.17	0.15	0.07	0.07	0.04	0.03

* With the exception of iridium, the above sample results were provided with the use of XRF (X-ray fluorescence) by Coalia, which subsequently retested the sample with the use of inductively coupled plasma, or ICP. The Company is currently undertaking metallurgical testing of the samples with Central America Nickel Inc. in order to extract iridium from the coltan ore.

The LOI was signed between Auxico and the companies La Société Minière pour la Côte d'Ivoire SA ("Somci") and Clean-T. Under the terms of the LOI, Auxico has 60 days to conduct due diligence, after which the parties agree to enter into a joint venture ("JV"). The parties agreed that under the terms of the JC, Auxico will have a 63% share of the net profits of the JV for committing 100% of the capital required for the initial satellite interpretation study which will be conducted in order to target potential areas of interest in the property, as well as for the equipment required for the concentration of ore and transportation of concentrates from the property. Somci and Clean-T will retain 27% of the net profits of the JV, while the 10% will be allocated for fees defined by the *state mining code*. Auxico will have the exclusive marketing rights for all metals emanating from the property.

On May 11, 2021, Auxico announced that it had become a member of the Tantalum-Niobium International Study Center (TIC). TIC is an international, non-profit association that was established in 1973 to support, develop and promote the global tantalum and niobium industries.

Last year, Auxico signed a joint venture for the concentration and export of tantalum and niobium ores from the Democratic Republic of the Congo, as well as an agreement to purchase mineral rights of a tantalum property in Colombia. The Company is preparing the first trade of tantalum ore with its Congolese partner. Auxico recently signed an MOU for the exploitation and trading of high-grade tantalum and iridium ore in Bolivia. The Company also signed a letter of intent for the purpose of entering into a joint venture for the exploitation and trading of high-grade tantalum and iridium ore from Ivory Coast.

Pierre Gauthier, Chairman and CEO of Auxico, commented, "Auxico's objective was to diversify the sources of tantalum and niobium ore in order to meet the needs of its clients and ensure a stable supply, and the Company is now in a unique position to source the material from four countries. The membership in TIC, the world's largest association focused on the tantalum and niobium industries, gives Auxico the opportunity to connect with a network of industry experts and gain valuable information from all levels in the industry: miners, traders, processors and producers. As a public mining company, we are committed to purchasing the material from legitimate and ethical sources and we fully support the ongoing efforts of TIC to break the link between mineral trade and conflict finance."

Today the TIC has around 80 member companies from 30 countries involved with all aspects of the tantalum and niobium industry supply chain, including mining, processing, recycling, metal fabrication, capacitor manufacturing, medical and aerospace applications. Central to the TIC's mission is to increase awareness and promote the remarkable properties of tantalum and niobium in all their forms and disseminate relevant information to stakeholders. One of the TIC objectives is to address major issues and challenges facing the industry such as conflict minerals' legislation, artisanal and small-scale mining, and transport of radioactive materials. For more information, visit the website <https://www.tanb.org/index>.

On May 25, 2021, Auxico announced that it had signed a joint venture agreement (“JV” or “Agreement”) with Impact Global Solutions Inc. (“IGS”) for the processing of tantalum ores that may also contain niobium, iridium and other minerals.

Under the terms of the Agreement, Auxico will provide ores to IGS and bear all of the transportation costs for delivery to the IGS facility located in Delson, Quebec, just south of Montreal. Auxico will also provide the working capital necessary to launch this joint venture, including the financing of equipment and infrastructure, all of which will be located at the Delson facility. In return, IGS will provide the location for the JV operations in Delson, as well as the metallurgical and processing expertise.

Auxico had previously signed a technology and licensing agreement with Central America Nickel (“CAN”) for the use of CAN’s proprietary technology for the extraction of metals, call the Ultrasound Assisted Extraction (“UAEx”) process. Through Auxico, IGS will have access to UAEx for the processing of ores.

As per the Agreement, Auxico will retain 80% of the net profits of the JV, and IGS will retain the remaining 20%. Net profits are defined as total earnings from the JV less all expenses (including depreciation and taxes), as well as a 2% royalty payable to CAN for the use of the UAEx process.

On April 19 and 20, 2021, the Company issued news releases concerning agreements that it had signed with parties in Bolivia and Ivory Coast, respectively, for the export of high-grade tantalum ores. These samples also had significant grades of niobium and iridium. (Please consult these news releases on SEDAR or on the Company’s website.)

Auxico will send ore from Bolivia and Ivory Coast to IGS for metallurgical analysis.

On May 28, 2021, Auxico announced the significant discovery of high-value rare earth ore in Colombia, with a total rare earth content of 56.87%. Subsequent to a sampling program on 23 pits, samples from the Company-controlled property were sent to Canada and analyzed by Coalia Research Institute in Thetford Mines. The results from sample number 18 are presented in the table below. A chart below provides information on other rare earth projects.

Rare Earth Element	Symbol	Grade (%)
Cerium	CeO2	31.09
Neodymium	Nd2O3	9.49
Lanthanum	La2O3	9.40
Praseodymium	Pr6O11	2.44
Samarium	Sm2O3	1.81
Gadolinium	Gd2O3	0.75
Dysprosium	Dy2O3	0.72
Yttrium	Y2O3	0.50
Ytterbium	Yb2O3	0.40
Erbium	Er2O3	0.21
Hafnium	HfO2	0.06
Total Rare Earth Oxide Content		56.87

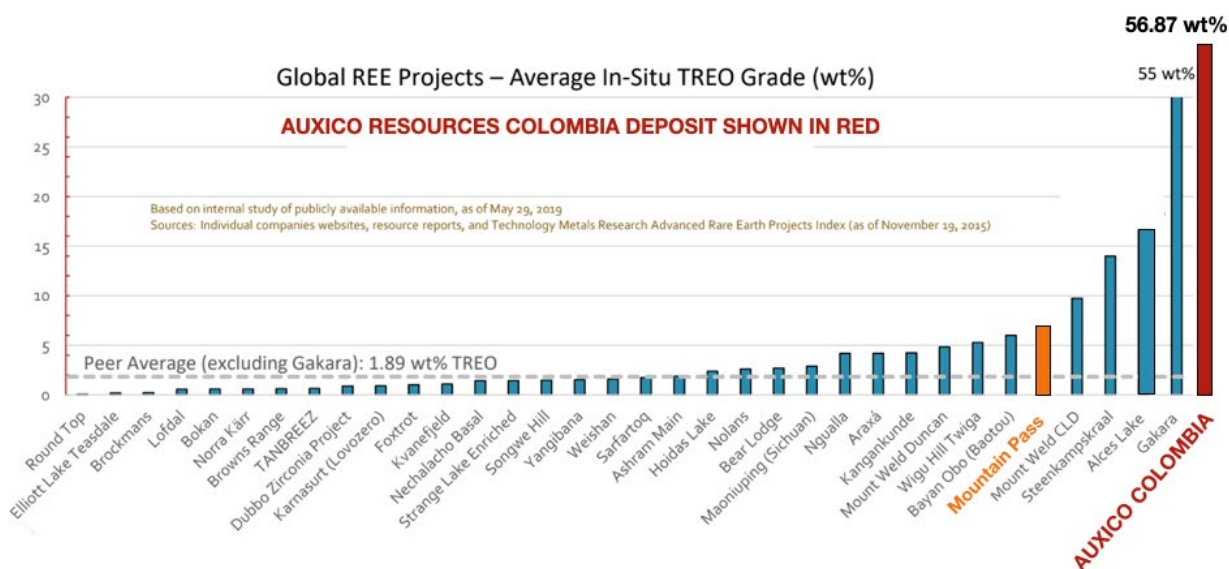
The Company also reported the discovery of tantalum, niobium, scandium and selected rare earths from another pit on the property. For reference, please see the results below (Sample number 2).

Tantalum (Ta2O5) %	Niobium (Nb2O5) %	Scandium (Sc2O3) %	Ytterbium (Yb2O3) %	Hafnium (HfO2O) %
30.41	23.3	0.44	0.13	0.12

Furthermore, test results on a sample from a different pit on the property resulted with 47% of tin content, along with tantalum, niobium, scandium and rare earth credits. For reference, please see the results below (Sample number 23).

Tin (SnO2) %	Tantalum (Ta2O5) %	Niobium (Nb2O5) %	Cerium (CeO2) %	Scandium (Sc2O3) %	Hafnium (HfO2) %	Yttrium (Y2O3) %
47.2	9.29	3.24	0.14	0.13	0.06	0.02

The pitting program was conducted on the property subsequent to a satellite imagery interpretation study which identified in excess of 20 priority exploration targets that are in the process of being sampled.



On June 1, 2021, the Company announced it had become a member of the Rare Earths Industry Association (REIA). REIA is a global organization with partners representing the rare earths elements (REE) value chain, aiming to develop a transparent, sustainable and integrated value chain for REEs.

REIA, an international non-profit organization representing the global REE industry, was founded in June 2019 out of the EIT Raw Materials Internationalization project GloREIA. Today, REIA has around 40 member companies from 20 countries. Central to the REIA's mission is to gather the key REE stakeholders, best practices and data to state a common vision for developing a circular economy in the rare earth industry. For more information, visit the website <https://www.global-reia.org>.

On June 21, 2021, Auxico granted to a consultant to the Company 500,000 stock options to purchase 500,000 common shares of Auxico at a strike price of \$0.75 and expiring on December 21, 2021.

On June 24, 2021, Auxico announced that the Company made an additional discovery of a high-grade tin-tantalum target area in Colombia, with titanium, niobium, scandium and hafnium credits. The target area is located one kilometre north from the high-grade rare earth area on a Company-controlled property in the department of Vichada in Colombia, from which samples resulted with 56.78% total rare earth oxide content.

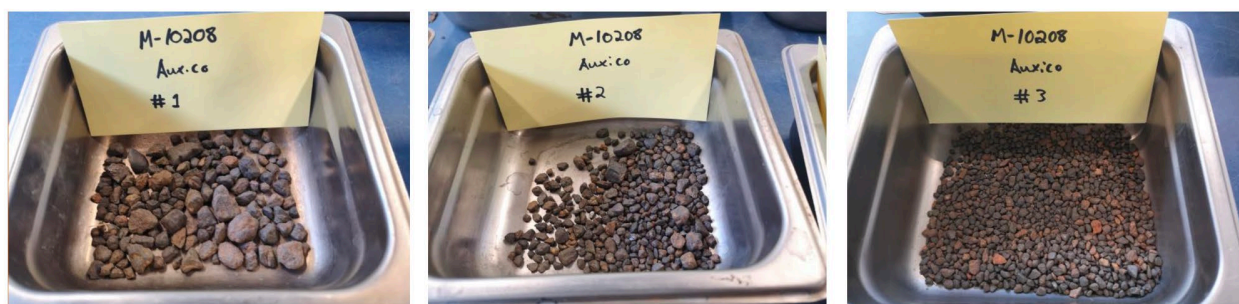
Subsequent to an ongoing trenching program, the samples from the tin-tantalum target area are the results of pan concentration and screening. Samples were sent to Canada and analyzed by Coalia Research Institute in Thetford Mines. For reference, please see below the table with the latest results on three selected samples from the tin-tantalum area, as well as two samples from the same area that were previously announced by the Company in May of this year.

Tin-Tantalum Target Area							
	SnO2	Ta2O5	TiO2	Nb2O5	Sc2O3	HfO2	Yb2O3
	%	%	%	%	%	%	%
Sample #1	33.75	25.08	15.50	7.45	0.59	0.34	0.12
Sample #2	44.60	18.71	11.46	8.15	0.38	0.24	0.21
Sample #3	62.13	12.58	6.40	5.35	0.29	0.16	0.21
	%	%	%	%	%	%	%
Sample #2*	1.61	30.41	24.47	23.3	0.44	0.12	0.13
Sample #18*	47.2	9.29	0.07	3.24	0.13	0.06	0.4

* The initial set of samples from the tin-tantalum area were sent to Canada for analysis, with some of the samples such as Sample #2 and Sample #18, showing the presence of tin, tantalum, niobium, titanium, scandium, hafnium and ytterbium. For details, please see the Company's news release published on May 28, 2021.

Of particular interest is the scandium content in the tin-tantalum area that averages over 3.6 kilograms of scandium oxide per tonne. When combined with aluminum, scandium oxide makes alloys lighter and stronger and can significantly reduce the weight of cars, aircrafts and ships, helping reduce costs, increasing range, and reducing emissions. Tantalum is widely used in every kind of electronic device, such as phones, computers, automotive electronics and cameras. Tantalum alloys can be extremely strong and have been used for turbine blades, rocket nozzles and nose caps for supersonic aircrafts.

The current sampling program is ongoing for both the tin-tantalum area and the rare earth area of the property. Pits are being excavated with the use of a backhoe as the mineralization has been identified at a depth of 3 metres. The Company will be conducting metallurgical testing using the ultrasound extraction process (UAEx) on these samples.



Photos from the selected samples from the tin-tantalum target area

For more information on the property, please consult the available geological reports on the Company's website: <https://www.auxicoresources.com/reports>.

SUBSEQUENT EVENTS

On July 15, 2021, Auxico held its annual meeting of shareholders. All motions presented to shareholders were adopted overwhelmingly by shareholders, including the election of Richard Boudreault to the board of directors of Auxico.

A successful serial entrepreneur and C-level executive, Mr. Boudreault has held top corporate executive positions in organizations of all sizes in both the private, public and governmental sectors and has sat on over 30 boards of public organizations and crown agencies. He is recognized for his governance, regulations and ESG (environmental, social and governance) issues. Mr. Boudreault has led organizations across a variety of sectors, including advanced materials, natural resources and metallurgy, clean technology and energy (hydrocarbon and nuclear). From 2005 to 2014, Mr. Boudreault was CEO of the cleantech metallurgical process and mining company, Orbite Aluminae, where he raised over \$140 million in financing from institutional and government sources and grew the firm from start-up to publicly traded company with a valuation of \$500 million at exit. He has developed green natural resources separation processes for multiple projects, including novel rare earth element (REE) processes specializing in heavy elements extraction, separation and purification. He developed 12 successful companies and effected the turnaround of three corporations. The ventures he formulated went through liquidity events, either in being fused with GE, Microsoft, Textron or Essilor, or by becoming publicly traded in Canada or in the US. He is presently the CEO of a Dymedso medical device corporation involved with COVID-19 and at Awn Nanotech, a corporation having developed a technology for the extraction of potable water from the atmosphere at low energy costs.

Mr. Boudreault holds a bachelor's in applied physics, an MBA and a professional master's degree in engineering, which he earned at Cornell University. He continues to be involved in academia, having published in a variety of peer-reviewed journals and scientific publications; he also holds hundreds of patents. Mr. Boudreault is adjunct professor in chemical engineering at École Polytechnique in Montreal and in Earth sciences at the University of Waterloo, where he teaches and performs applied research on environmental chemical engineering, green chemistry processes, geophysics, planetary and earth sciences and clean tech innovation. He is also a visiting scholar in chemical engineering at McGill University.

The board of directors and management of Auxico welcome Mr. Boudreault to the board and are pleased that someone with his academic and professional background is now part of the Auxico team. The board would also like to thank Jun He for his contributions to the board over the past several years; Mr. He did not stand for re-election at the recent shareholders' meeting.

In addition to Mr. Boudreault, the board of directors is comprised of Pierre Gauthier, Mark Billings, Sheldon Inwentash, Joseph Lau and Buzz West, who were all re-elected at the meeting. The board confirmed that Mr. Gauthier will continue as Chairman and CEO, with Mark Billings as President and Jacques Arsenault as CFO.

In addition, shareholders approved the Company's rolling 10% stock option plan and the confirmed the appointment of Guimond Lavallée as the Company's auditors.

On July 19, 2021, the board of directors of Auxico granted 675,000 stock options to directors and consultants of the Company. Each option entitles its holder to purchase one common share of Auxico at a price of \$0.79 for a period of five years, expiring on July 19, 2026.

On July 30, 2021, Auxico announced that the Company had signed a technology license agreement (the "Agreement") with Central America Nickel ("CAN") for the use of CAN's patent-pending ultrasound assisted extraction process ("UAEx") for mineral extraction.

The UAEx process is a sustainable metallurgical process for the refining of critical minerals using ultrasound technology. The laboratory results demonstrate that when combined with certain acids and used at various frequencies, this ultrasound process breaks up the ore into finer particles in a much quicker time than conventional methods. This reduces the cycle times significantly for the leaching of ores, leading to lower operating and capital costs.

As per the Agreement, Auxico has a non-exclusive right to use the UAEx process on ore from any property owned or controlled by Auxico. The term of the agreement is 10 years and can be renewed by both parties. Auxico agrees to pay to CAN a 2% royalty on all revenues derived from any of Auxico's projects that will use the UAEx process. In addition, as part of the agreement, Auxico has agreed to pay to CAN upon signature of the Agreement an advance royalty payment of \$500,000.

This Agreement follows results on the efficiency of the UAEx process on high-value rare earth samples from Colombia that the Company announced in a previous news release dated May 28, 2021. The recent results provided by CAN show 80%+ recoveries of selected rare earth elements during a 2-hour long leaching time, as presented in the chart below.

Element	Symbol	Grade	Recovery
		(%)	(%)
Cerium	CeO ₂	31.09	82.92
Neodymium	Nd ₂ O ₃	9.49	83.27
Lanthanum	La ₂ O ₃	9.40	82.97
Praseodymium	Pr ₆ O ₁₁	2.44	82.98
Samarium	Sm ₂ O ₃	1.81	83.26
Gadolinium	Gd ₂ O ₃	0.75	83.09
Dysprosium	Dy ₂ O ₃	0.72	80.79
Yttrium	Y ₂ O ₃	0.50	71.57
Ytterbium	Yb ₂ O ₃	0.40	66.64
Erbium	Er ₂ O ₃	0.21	73.16

By using the UAEx process, the level of radioactivity of 994 nanoSieverts per hour (nSv/h) recorded before the 2-hour leach was reduced to a dose rate of 3 nSv/h.

As per the Company's recent announcements, Auxico has access to ore from Colombia, Bolivia, Ivory Coast and other jurisdictions that demonstrate high grades of tantalum, niobium, iridium and rare-earth elements. It is Auxico's intention to use the UAEx process on the ore from these deposits in order to separate more efficiently these and other critical minerals from the ore.

CAN and Auxico are related companies as Pierre Gauthier and Mark Billings are directors of both corporations. Messrs. Gauthier and Billings abstained from voting on this Agreement, which has been approved by the independent directors of both corporations.

On August 25, 2021, the Company announced new test results that confirm the presence of high-grade rare earth metals at a distance of 1.6 kilometres from the initial discovery point on the Company-controlled property in the department of Vichada in Colombia. For reference, please see the new results under Sample #1 in the table below with a **total rare earth oxide content of 55.03%**. Results from the initial discovery point were the subject of a previous news release published by the Company on May 28,

2021, and they are presented in the table below under Sample #18 with a **total rare earth oxide content of 56.81%**.

Rare Earth Element	Symbol	Sample #18 Grade (%)	Sample #1 Grade (%)	Sample #2 Grade (%)
Cerium	CeO ₂	31.09	33.53	38.70
Neodymium	Nd ₂ O ₃	9.49	7.64	7.73
Lanthanum	La ₂ O ₃	9.40	6.87	7.36
Praseodymium	Pr ₆ O ₁₁	2.44	2.02	4.53
Samarium	Sm ₂ O ₃	1.81	1.78	2.27
Gadolinium	Gd ₂ O ₃	0.75	0.97	1.38
Dysprosium	Dy ₂ O ₃	0.72	0.68	0.71
Yttrium	Y ₂ O ₃	0.50	0.14	0.05
Ytterbium	Yb ₂ O ₃	0.40	1.05	0.35
Erbium	Er ₂ O ₃	0.21	0.35	0.13
Total Rare Earth Oxide Content		56.81	55.03	63.21

Auxico signed a memorandum of understanding 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. Auxico's partner has an exclusive purchase agreement for industrial sands with the indigenous community Guacamayas-Maipore. The Company is pleased to report the discovery of high-grade rare earth metals at a distance of 9 kilometres from the Company-controlled property, within the 20,000-hectares permit area held by the indigenous community Guacamayas-Maipore. For reference, please see Sample #2 in the table above, with a **total rare earth oxide content of 63.21%**.

In the past week, the Company's Qualified Person ("QP"), Joel Scodnick, P.Geo., has taken 22 samples from 15 prospect pits, of which almost all of them contain red sands and gravels, as well as varying degrees of altered pegmatitic material. This area within the limits of the property measures 1.6 km long by 750 m wide and is open in all directions, thus measuring a minimum of 1.2 million square metres in area. Most of the pits bottomed out in water with the red sands and gravels still visible. Sample number 1 in this news release was selected from Area 50. The author re-sampled the two pits in Area 50 yesterday. The two channel samples taken were both in red sands and gravels and measured 1.35 metre thick and 3.6 metre thick, and both of these zones continue at depth.

Auxico owns a license to a processing technology based on ultrasound, which has achieved 80%+ recoveries of both selected rare earth elements and the thorium content during a 2-hour long leaching time, as presented in the chart below.

Element	Symbol	Grade	Recovery
		(%)	(%)
Cerium	CeO2	31.09	82.92
Neodymium	Nd2O3	9.49	83.27
Lanthanum	La2O3	9.40	82.97
Praseodymium	Pr6O11	2.44	82.98
Samarium	Sm2O3	1.81	83.26
Gadolinium	Gd2O3	0.75	83.09
Dysprosium	Dy2O3	0.72	80.79
Yttrium	Y2O3	0.50	71.57
Ytterbium	Yb2O3	0.40	66.64
Erbium	Er2O3	0.21	73.16
Thorium	ThO2	8.60	85.27

These results were the subject of a previous news release published by the Company on July 30, 2021. By using the ultrasound-assisted process, the level of radioactivity of 994 nanoSieverts per hour (nSv/h) recorded before the 2-hour leach was reduced to a dose rate of 3 nSv/h.

Sample #1 and sample #2 were analyzed by the laboratory Alpha 1 in Bogota, Colombia. All samples are panned concentrates of gravels, where sand has been washed away with water. The results presented in this news release are the grades of these panned concentrates and not of the total samples.

Uses of Cerium and Neodymium

Cerium is the most abundant of the rare earth elements and is used as a pigment and in incandescent mantles for gas lighting. The most important use for neodymium is in an alloy of iron and boron to make very strong permanent magnets. These neodymium magnets are used specifically in hard disc drives, mobile phones and video and audio systems.

Share Information

As at the date of this MD&A, there are 63,724,000 common shares issued and outstanding of Auxico. Between June 30, 2021 and the date of this MD&A, a total of 2,150,000 common shares were issued, as follows:

- 1,650,000 common shares were issued as a result of conversion of \$330,000 principal amount of debentures at a conversion price of \$0.20 per common share; and
- 500,000 common shares were issued as a result of conversion of \$50,000 principal amount of debentures at a conversion price of \$0.10 per common share.

Additional Information

Additional information on Auxico, the Zamora Property and the Company's opportunities in Colombia, Brazil and elsewhere 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.Geol., 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; the manganese ore in Brazil; the tantalite samples from Bolivia; and the tantalite samples from Ivory Coast. 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 June 30, 2021 (unaudited) and at September 30, 2020 (audited) is presented below:

Condensed Interim Consolidated Statements of Financial Position

As at	June 30, 2021 (unaudited)	September 30, 2020 (audited)
	\$	\$
Assets		
<i>Current assets</i>		
Cash & cash equivalents	3,663,291	288,780
Accounts receivable	114,882	-
Subscription receivable	75,000	-
Sales tax receivable	156,866	103,733
Prepaid expenses	91,638	156,469
Deposit on acquisition	56,068	-
Inventory	1,976,886	47,171
Advance to directors	-	3,098
Advance to companies controlled by a director	7,000	8,646
Advance to a joint operation	414,420	288,360
Total assets	6,556,051	896,257
Liabilities		
<i>Current liabilities</i>		
Accounts payable and accruals	507,506	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
	905,682	868,905
<i>Non-current liabilities</i>		
Deferred income tax liabilities	70,972	70,972
Convertible debentures	13,983,788	3,609,300
	14,054,760	3,680,272
Total liabilities	14,960,442	4,549,177
Deficiency		
Deficiency attributable to shareholders	(8,405,872)	(3,654,952)
Equity attributable to non-controlling interest	1,481	2,032
Total deficiency	(8,404,391)	(3,652,920)
Total liabilities & deficiency	6,556,051	896,257

Cash and cash equivalents at June 30, 2021 were \$3,663,291, compared to \$288,780 at September 30, 2020, an increase of \$3,374,511. The private placements of Debentures and units that were closed in October 2020 and February 2021, respectively, as described in this MD&A, provided the Company with financial liquidity.

At June 30, 2021, the company had a deposit on acquisition of \$56,068 (September 30, 2020 – \$Nil). 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 repurchased 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 June 30, 2021, the Company recorded inventory of \$1,976,886, compared to inventory of \$47,171 at September 30, 2020, an increase of \$1,929,715; this relates to ore purchased by Auxico in Brazil for its commodities trading business.

At June 30, 2021, Auxico had an advance to a joint operation of \$414,420, compared to \$288,360 at September 30, 2020, representing an increase of \$126,060. 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 June 30, 2021, the amount advanced by the Company remained an advance to a joint operation without interest.

Auxico had accounts payable and accruals of \$507,506 as at June 30, 2021, compared to \$578,628 at September 30, 2020, a decrease of \$71,122. These are trade payables in the normal course of the Company's operations.

As of June 30, 2021, Auxico had working capital of \$5,650,369, compared to working capital of \$27,352 at September 30, 2020, representing an increase of \$5,623,017.

Participating Convertible Debentures

At June 30, 2021, the Company recorded an amount of \$398,176 of convertible debentures under current liabilities (September 30, 2020 – \$215,433) and \$13,983,788 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 will 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 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 \$3,539,672. The following assumptions were used to determine the fair value: estimated life: 3 years, stock price: \$0.54, volatility: 99.1%, risk free rate: 3.55% and dividend yield: Nil.

For the three-month period ended June 30, 2021, the change in fair value of derivatives resulted in a non-cash expense for the Company of \$4,417,255 (June 30, 2020 – \$Nil); this was recorded in the consolidated statements of loss and comprehensive loss. For the nine-month period ended June 30, 2021, the change in fair value of derivatives resulted in a non-cash expense of \$8,003,387 (June 30, 2020 – \$Nil).

Accretion and accrued interest payable on the Debentures are included in financing expense in the consolidated statements of loss and comprehensive loss. For the three-month period ended June 30, 2021, accreted interest on convertible debentures amounted to \$118,700 (June 30, 2020 – \$Nil). For the nine-month period ended June 30, 2021, accreted interest on convertible debentures amounted to \$472,251 (June 30, 2021 – \$Nil).

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 June 30, 2021.

RESULTS OF OPERATIONS

For the three-month period ended June 30, 2021, the Company recorded a net loss and comprehensive loss of \$5,691,323, compared to a net loss and comprehensive loss of \$212,556 for the three-month period ended June 30, 2020. Details for the three-month periods ended June 30, 2021 and 2020 are presented below:

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

For the three-month periods ended June 30 (unaudited)	2021 \$	2020 \$	Variance
Revenues	609,288	-	609,288
Costs and Expenses			
Cost of sales	466,834	-	466,834
Professional fees	238,023	74,220	163,803
Management fees	145,000	80,000	65,000
Legal fees	20,509	-	20,509
Exploration and evaluation expenditures	455,094	38,903	416,191
Insurance	20,243	-	20,243
Rent	9,000	-	9,000
Loss (Gain) on foreign exchange	(5,519)	1,735	(7,254)
Interest and bank fees	2,666	5,411	(2,745)
Interest on convertible debentures	118,702	-	118,702
Share-based compensation	89,451	-	89,451
Accreted interest on convertible debentures	118,700	-	118,700
Fair value adjustment of the conversion option	4,417,255	-	4,417,255
Other expenses	204,653	12,287	192,366
	6,300,611	212,556	6,088,055
Net loss and comprehensive loss	(5,691,323)	(212,556)	(5,478,767)
Net loss and comprehensive loss attributable to:			
Shareholders	(5,691,073)	(204,054)	(5,487,019)
Non-controlling interest	(250)	(8,502)	8,252
	(5,691,323)	(212,556)	(5,478,767)
Loss per share – basic and diluted	(0.097)	(0.005)	
Weighted average number of shares outstanding	58,414,879	44,885,000	

For the three-month period ended June 30, 2021, the Company recorded revenues of \$609,288 (June 30, 2020 – \$Nil), which was earned as a result from the sale of manganese ore from Brazil.

For the three-month period ended June 30, 2021, the Company recorded a net loss and comprehensive loss of \$5,691,323, compared to net loss and comprehensive loss of \$212,556 for the three-month period ended June 30, 2020, an increase of \$5,478,767.

Total costs and expenses for the quarter ended June 30, 2021 were \$6,300,611, compared to total costs and expenses of \$212,556 for the quarter ended June 30, 2020, an increase of \$6,088,055.

There are two significant events that explain the differences in costs incurred during these two quarters. First, the quarter ended June 30, 2020 was the beginning of the COVID-19 pandemic. In response, the Company scaled back its operations as much as it could, as the economy was in lock down.

Second, in October 2020, the Company issued Debentures, as described above; Auxico also issued debentures in June and July 2020 with similar terms. In the quarter ended June 30, 2021, the Company recorded interest and

accreted interest on convertible debentures of \$118,702 and \$118,700, respectively, for a total of \$237,402 (June 30, 2020 – \$Nil). In addition, as explained above, in the three-month period ended June 30, 2021, Auxico recognized a fair value adjustment of the conversion option, also associated with the Debentures, which resulted in an expense of \$4,417,255 (June 30, 2020 – \$Nil).

Aside from the expenses associated with the Debentures, other expenses incurred by the Company in the quarter ended June 30, 2021 were higher than those in the previous year. In the quarter ended June 30, 2021, the Company recognized revenues of \$609,288 (June 30, 2020 – \$Nil), as well as cost of sales of \$466,834 (June 30, 2020 – \$Nil), which were associated with the commodities trading business.

As indicated in the table above, professional expenses increased by \$163,803 and legal fees increased by \$20,509. These increases can be attributed to additional costs incurred in connection with the increased activity of the Company in Brazil, Colombia and Mexico in Q3 2021.

Exploration and evaluation expenditures increased by \$416,191 as the Company did some exploration work primarily in Brazil and Mexico during the three-month period ended June 30, 2021.

In the three-month period ended June 30, 2021, Auxico issued stock options and recognized a share-based compensation expense of \$89,451 (June 30, 2020 – \$Nil). The stock-based compensation expense is a non-cash charge associated with the granting of options.

For the nine-month period ended June 30, 2021, the Company recorded a net loss and comprehensive loss of \$12,557,232, compared to a net loss and comprehensive loss of \$525,842 for the nine-month period ended June 30, 2020. Details for the nine-month periods ended June 30, 2021 and 2020 are presented below:

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

For the nine-month periods ended June 30 (unaudited)	2021 \$	2020 \$	Variance
Revenues	797,055	-	797,055
Costs and Expenses			
Cost of sales	597,880	-	597,880
Commissions	15,688	-	15,688
Professional fees	648,298	213,962	434,336
Management fees	265,000	150,000	115,000
Legal fees	50,723	12,740	37,983
Exploration and evaluation expenditures	914,246	39,378	874,868
Insurance	30,364	-	30,364
Rent	27,000	12,000	15,000
Loss (Gain) on foreign exchange	(13,572)	4,409	(17,981)
Financing fees	123,907	-	123,907
Interest and bank fees	7,684	7,305	379
Interest on convertible debentures	468,582	-	468,582
Share-based compensation	433,071	-	433,071
Accreted interest on convertible debentures	472,251	-	472,251
Unrealized loss on derivative financial instrument	977,261	-	977,261
Fair value adjustment of the conversion option	8,003,387	-	8,003,387
Other expenses	332,517	86,048	246,469
	13,354,287	525,842	12,828,445
Net loss and comprehensive loss	(12,557,232)	(525,842)	(12,301,390)
Net loss and comprehensive loss attributable to:			
Shareholders	(12,556,681)	(504, 807)	(12,051,874)
Non-controlling interest	(551)	(21 035)	20,484
	(12,557,232)	(525,842)	(12,031,390)
Loss per share – basic and diluted	(0.241)	(0.012)	
Weighted average number of shares outstanding	52,015,941	44,885,000	

For the nine-month period ended June 30, 2021, the Company recorded a net loss and comprehensive loss of \$12,557,232, compared to net loss and comprehensive loss of \$525,842 for the nine-month period ended June 30, 2020, an increase of \$12,301,390.

As described above, this increase in costs and expenses is due primarily to the accounting treatment of the Debentures.

In the three and nine-month period ended June 30, 2021, 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. 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 and its activities in other jurisdictions.

CASH FLOWS AND LIQUIDITY

The following table outlines the Company's cash flows for the nine-month periods ended June 30, 2021 and 2020:

Condensed Interim Consolidated Statements of Cash Flows

For the nine-month periods ended June 30 (unaudited)	2021 \$	2020 \$
Operating activities		
Net loss and comprehensive loss	(12,557,232)	(525,842)
Share-based compensation	433,071	-
Unrealized loss on derivative financial instrument	977,261	-
Fair value adjustment of the conversion option	8,003,387	-
Accreted interest	472,251	-
Amortization of issuance costs	10,833	-
<i>Net changes in non-cash working capital items</i>		
Accounts receivable	(114,882)	-
Subscription receivable	(75,000)	(150,000)
Sales tax receivable	(53,133)	(53,392)
Prepaid expenses	64,831	47,814
Inventory	(1,929,715)	-
Accounts payable and accruals	(71,122)	231,394
Income tax payable	(4,314)	(2,740)
	(4,843,764)	(452,766)
Investing activities		
Deposit on acquisition	(56,068)	-
Advance to a joint operation	(126,060)	(223,791)
Advance to a company controlled by a director	1,646	(5,000)
	(180,482)	(228,791)
Financing activities		
Advance to a director	3,098	3,098
Advance to companies controlled by a director	(34,000)	(95,817)
Due to directors	(36,530)	(21,606)
Proceeds from the issue of equity	7,372,690	-
Proceeds from the issue of debentures	1,093,499	1,554,000
	8,398,757	1,439,675
Increase in cash and cash equivalents	3,374,511	758,118
Cash and cash equivalents, beginning of the period	288,780	9,139
Cash and cash equivalents, end of the period	3,663,291	767,257

For the nine-month period ended June 30, 2021, Auxico generated an increase of cash of \$3,374,511, compared to an increase of cash of \$758,118 for the nine-month period ended June 30, 2020.

Cash used in operating activities amounted to \$4,843,764 in the nine-month period ended June 30, 2021, compared to cash used in operating activities of \$452,766 for the nine-month period ended June 30, 2020. In both periods, cash was used for operating expenses. In addition, in the nine-month period ended June 30, 2021, the Company increased significantly its inventory of ore in Brazil.

Cash used in investing activities amounted to \$180,482 in the nine-month period ended June 30, 2021, compared to cash used in investing activities of \$228,791 in the nine-month period ended June 30, 2020. The advance to a joint operation concerns funds advanced to Kibara, as explained above. The deposit on acquisition was made for the acquisition of the La Franca property in Mexico, as previously explained.

In the nine-month period ended June 30, 2021, Auxico generated cash of \$7,372,690 the issuance of equity (June 30, 2020 – \$Nil) and \$1,093,499 (June 30, 2020 – \$1,554,000) through the issuance of Debentures, as described above.

At June 30, 2021, the working capital position of the Company was positive. As a mining exploration company, Auxico relies on access to equity and debt financings to cover operational expenses and geological work at the Zamora Property and its other business initiatives.

CAPITAL STRUCTURE

Shares issued

At June 30, 2021, there were 61,574,000 issued and fully paid common shares (June 30, 2020 – 44,885,000).

Warrants

At June 30, 2021, the Company had 6,088,600 warrants issued and outstanding, as presented below:

Warrants Issued	Date of Issue	Expiry Date	Strike Price	Warrants Exercised	Warrants Expired	Balance
16,600	Aug. 29, 2017	Aug 28, 2022	\$0.25	-	-	16,600
300,000	Dec. 3, 2020	Dec. 2, 2023	\$0.15	-	-	300,000
4,872,000	Feb. 3, 2021	Feb. 2, 2024	\$1.00	-	-	4,872,000
<u>900,000</u>	June 11, 2021	June 11, 2024	\$0.15	-	-	<u>900,000</u>
6,088,600				-	-	6,088,600

Stock options

At June 30, 2021, there were 5,155,000 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
500,000	June 21, 2021	Dec. 21, 2021	\$0.75	-	-	500,000
2,475,000	Feb. 10, 2017	Feb. 9, 2022	\$0.25	(495,000)	(325,000)	1,655,000
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	(50,000)	-	550,000
<u>900,000</u>	Mar. 17, 2021	Mar. 16, 2026	\$0.45	-	-	<u>900,000</u>
6,875,000				(545,000)	(1,175,000)	5,155,000

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 June 30, 2021.

Quarter ending	June 30, 2021	Mar. 31, 2021	Dec. 31, 2020	Sep. 30, 2020
	\$	\$	\$	\$
Revenue	609,288	187,767	-	-
Net loss and comprehensive loss	(5,691,323)	(1,008,253)	(5,857,656)	(1,326,441)
Net loss per share	(0.097)	(0.019)	(0.130)	(0.030)

Quarter ending	June 30, 2020	Mar. 31, 2020	Dec. 31, 2019	Sep. 30, 2019
	\$	\$	\$	\$
Revenue	-	-	-	-
Net loss and comprehensive loss	(1,551,087)	(157,089)	(156,197)	(125,340)
Net loss per share	(0.035)	(0.003)	(0.003)	(0.003)

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 directors. Unless otherwise stated, none of the transactions incorporates special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash. All balances of advances receivable and advances payable are measured at fair value and occurred in the normal course of business. Transactions with related parties for the period ended June 30, 2021 were as follows:

For the three-month period ended June 30 (unaudited)	2021	2020
	\$	\$
<u>Management fees</u>		
Companies controlled by a director	60,000	2,177
Key management personnel and directors	30,000	10,000
<u>Share-based compensation</u>		
Key management personnel and directors	-	-
<u>Rent</u>		
Company controlled by a director	9,000	-
<u>Consulting fees</u>		
Company controlled by a director	30,000	-
For the nine-month period ended June 30 (unaudited)	2021	2020
	\$	\$
<u>Management fees</u>		
Companies controlled by a director	120,000	70,000
Key management personnel and directors	60,000	12,000
<u>Share-based compensation</u>		
Key management personnel and directors	343,620	-
<u>Rent</u>		
Company controlled by a director	18,000	-
<u>Consulting fees</u>		
Company controlled by a director	60,000	-

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	June 30, 2021	-	-
	Sep. 30, 2020	3,098	36,350
Companies controlled by a director	June 30, 2021	7,000	12,360
	Sep. 30, 2020	8,646	34,000
Joint operation	June 30, 2021	414,420	-
	Sep. 30, 2020	288,360	-

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 30 day of August, 2021.

"signed"

Mark Billings
President