

AUXICO RESOURCES CANADA INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

OVERVIEW

This following management's discussion and analysis of the financial condition and results of operations ("MD&A") covers the operations of Auxico Resources Canada Inc. ("Auxico" or the "Company") for the year ended September 30, 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 audited consolidated financial statements for the year ended September 30, 2021. The accompanying audited consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). The consolidated financial statements and this MD&A are intended to provide investors with a reasonable basis for assessing the financial performance of the Company.

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

This MD&A is dated February 24, 2022.

FORWARD-LOOKING INFORMATION

This MD&A includes certain forward-looking statements or information. All statements other than statements of historical fact included in this MD&A are forward-looking statements that involve various risks and uncertainties. Forward-looking statements in this MD&A include: statements with respect to drilling, bulk sampling and geological work at the Company's Zamora Property in Sinaloa, Mexico; the potential mineralization and geological merits of the Zamora Property and the Company's prospects in Colombia, Brazil, the Democratic Republic of the Congo, Bolivia and elsewhere; and other future plans, objectives, or expectations of the Company. There can be no assurance that such statements will prove to be accurate. Actual results and future events could differ materially from those anticipated in such statements. Important factors that could cause actual results to differ materially from the Company's plans or expectations include the risk that actual results of planned exploration activities will not be consistent with the Company's expectations; the geology, grade and continuity of any mineral deposits and the risk of unexpected variations in mineral resources, grade and/or recovery rates; fluctuating metals prices; possibility of accidents, equipment breakdowns and delays during exploration; exploration cost overruns or unanticipated costs and expenses; uncertainties involved in the interpretation of drilling results and geological tests; availability of capital and financing required to continue the Company's future exploration programs and preparation of geological reports and studies; delays in the preparation of geological reports and studies; the metallurgical characteristics of mineralization contained within the Zamora Property are yet to be fully determined; general economic, market or business conditions; competition and loss of key employees; regulatory changes and restrictions including in relation to required permits for exploration activities (including drilling permits) and environmental liability; timeliness of government or regulatory approvals; and other risks detailed herein and from time to time in the filings made by the Company with securities regulators. In connection with the forward-looking information contained in this MD&A, the Company has made numerous assumptions. Auxico expressly disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except as otherwise required by applicable securities legislation.

INCIDENCE OF COVID-19

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a global pandemic, which continues to spread in Canada and around the world. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services for some period have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility. There have been business closures and a substantial reduction in economic activity in a large number of countries. Management is closely monitoring the situation and believes that any disturbance may be temporary; however, there is uncertainty about the length and potential impact of the

disturbance. Beside the fact that longer delays are to be expected for upcoming sales and purchases transactions, there was no other material impact on the Company's operations at the date of the Company's audited consolidated financial statements.

COMPANY DESCRIPTION

The Company was incorporated under the Canada Business Corporations Act on April 16, 2014. The Company has two subsidiaries, Auxico Resources S.A. de C.V. ("Auxico Mexico"), which was incorporated under the laws of Mexico on June 16, 2011, and C.I. Auxico de Colombia S.A., which was incorporated under the laws of Colombia on April 9, 2019. The Company has an office at 201 Notre-Dame Street West, 5th Floor, Montreal, Quebec, H2Y 1T4, Canada.

Auxico is a mineral exploration company with silver-gold properties in the state of Sinaloa, Mexico; the Company owns 100% of the Zamora silver-gold property in Mexico ("Zamora Property"). The Company is also actively engaged in exploration mining opportunities in Colombia, Brazil, the Democratic Republic of the Congo ("DRC"), and Bolivia.

OVERVIEW OF THE ZAMORA SILVER-GOLD PROPERTY IN SINALOA, MEXICO

Auxico has a 100% interest in the Zamora Silver-Gold Property, which is located 85 km southeast of the city of Culiacan and some 9 km northeast of the village of El Espinal in the state of Sinaloa, Mexico. The Zamora Property is comprised of five individual lots measuring a total of 3,376.6265 hectares or 8,343.6441 acres. A description of the lots is shown in the table below.

Lot Name	Lot Number	Area (He)
Campanillas	224618	105.6427
Chio	227400	92.1787
Gaby	277399	80.0000
San Felipe	224654	100.000
Zamora	225182	2,998.8051
Total		3,376,6265

The Zamora Silver-Gold Property, according to historical records, is characterized by 25 mines / prospects, all of which have varying degrees of exploration, development, and production. There has never been a concentrating plant on this property; the ore was so rich that it was direct shipping ore to the La Minita plant located approximately 25 km from Zamora.

Net Smelter Return Royalty ("NSRR")

Auxico has a 100% undivided interest in the Zamora Property, pursuant to an assignment agreement signed on July 17, 2013 involving two vendors and Auxico Mexico, the Company's wholly-owned Mexican subsidiary. As per the terms of this agreement, the Zamora Property is subject to a 2% NSRR; half of this NSRR can be purchased by Auxico at any time for US\$500,000.

OVERVIEW OF THE YEAR ENDED SEPTEMBER 30, 2021

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

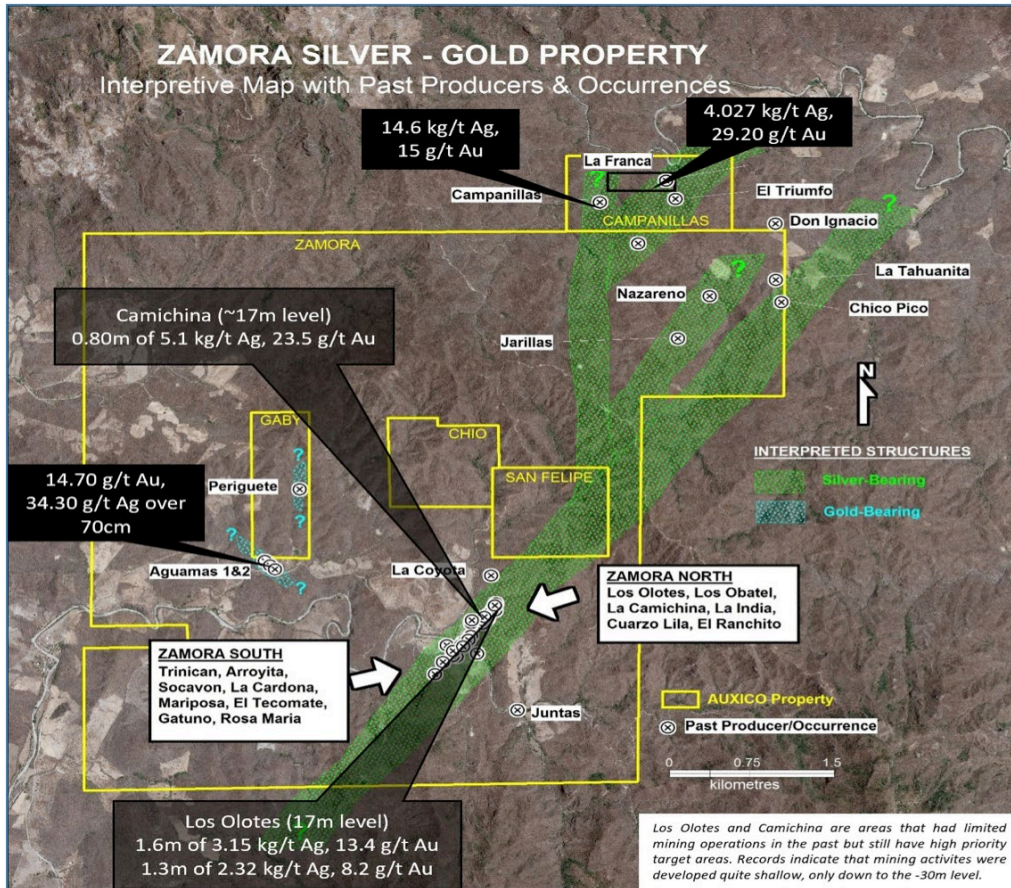
- (ii) the number of common shares of Central America Nickel Inc. ("CAN") (a private company based in Montreal, Canada) at a conversion price of \$1.00 per CAN share; and
- (iii) a cash payment equal to the principal amount that such holder would receive if the holder held the Debenture from the date 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 will apply to any profits generated for Auxico from the sale of tantalum and niobium 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 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 9, 2020, 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 Minería 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. As of the date of this MD&A, Auxico has paid a total of \$109,504 to acquire the La Franca mine.



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

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

On 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.

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 the rights to conduct 60 days of 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.

To date, Auxico has spent \$586,977 on this opportunity with Minampro in Colombia. In December 2021, the Company determined that it had spent a total of 60 days of due diligence on the Minastyc property, which means that Auxico and Minampro are in a joint venture with respect to the Minastyc property in Colombia. The parties are in the process of completing a joint venture agreement, which has not been signed as of the date of this MD&A.

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.

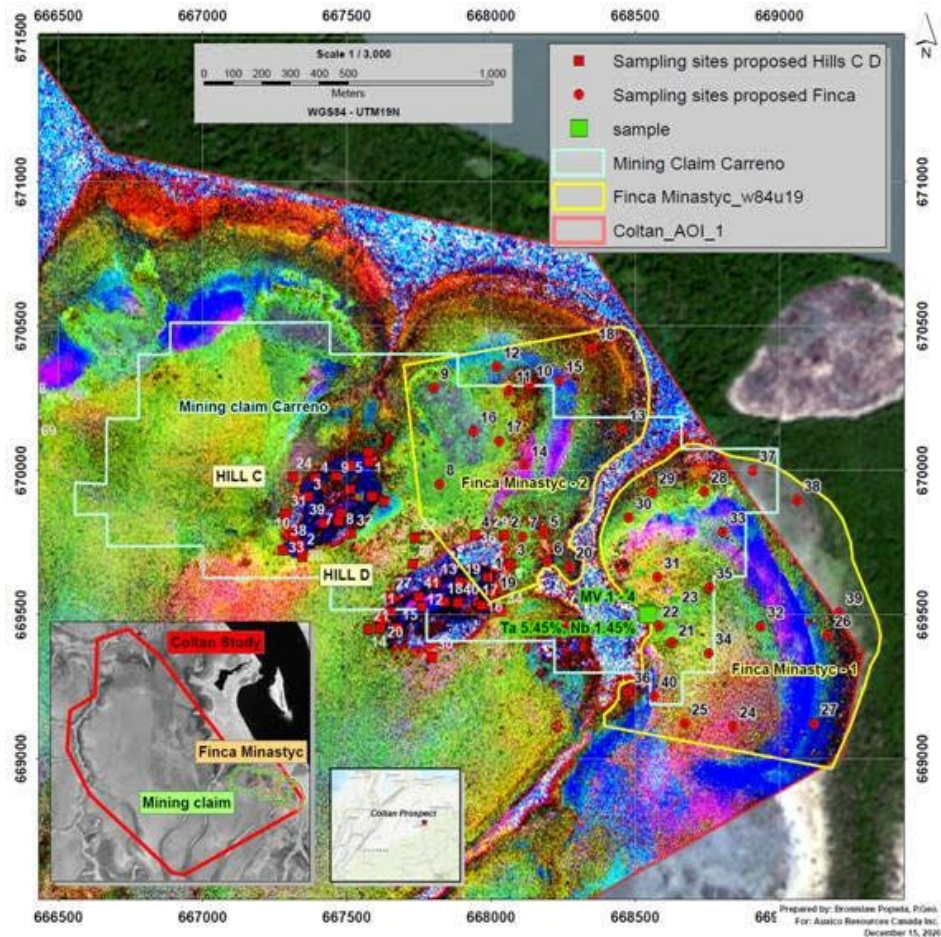
Pierre Gauthier, Chairman and CEO of Auxico, commented, “I am delighted that Sheldon has agreed to join the board of Auxico. He has a proven track record of creating shareholder value throughout his career, a great understanding of the natural resource sector and an impressive network. Since Sheldon 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 16, 2020, Auxico announced that the Company will acquire mineral rights and surface rights to a property located in the municipality of Puerto Carreño, department of Vichada, Colombia (the “Minastyc property”). 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 189 hectares, is located along

the Orinoco River, which separates Colombia and Venezuela. It is conveniently located only 10 kilometres from the airport of Puerto Carreño. 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.

To date, the Company has made a total deposit of \$225,090 on the Minastyc property. Auxico has agreed to pay to the vendor a final payment of 150,000,000 Colombian pesos (approximately \$49,000) when a mining concession is granted by the National Mining Agency of Colombia in favour of the vendor and when the public deed is given to Auxico recognizing formally the transfer of the Minastyc property to Auxico.

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 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.

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. CAN was not successful in its bid for North American Lithium. Consequently, the deposit of \$2,150,000 was returned to Auxico in May 2021.

On February 3, 2021, Auxico announced that it had closed its non-brokered private placement (the “Private Placement”), issuing a total of 9,442,000 units (the “Units”) at a price of \$0.50 per Unit raising gross proceeds of \$4,721,000. In addition, the Company issued an aggregate of 302,000 Units for services rendered valued at \$151,000.

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”).

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.

On March 17, 2021, Auxico granted 900,000 options to three consultants and a director of the Company. These options have a strike price of \$0.45, no vesting period and an expiry date of March 16, 2026.

On March 30, 2021, Auxico announced that it had made its first sales of manganese ore from Brazil to three customers in India, China, and the United Arab Emirates. Auxico had purchased and sold a total of 5,000 metric tonnes of manganese ore, with a minimum grade of 46% Mn. The Company has also made a prepayment for an additional 10,000 metric tonnes of manganese, which have not yet been delivered to the Company, as of the date of this MD&A.

Pierre Gauthier, Chairman and CEO of Auxico, commented, “These first shipments of high-grade manganese ore from Brazil mark a significant milestone for Auxico and its commodity trading business. The markets for manganese and other commodities have picked up recently due to increased interest in global commodities. Our goal is to increase the volume of monthly shipments of manganese ore and to begin shortly the shipments of other products, including tantalum and niobium, all of which will generate returns for Auxico’s investors.”

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 had 60-days to conduct due diligence, after which the parties agreed to enter into a joint venture (“JV”) for the property in Bolivia. Auxico would 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. Minceracao Tantaline, Fantasia Mineracao and the Cooperative would jointly retain 40% of the net profits of the JV, and Auxico would have the option to purchase another 20% interest in the JV (for a total of 80%). Auxico would have the exclusive marketing rights for all metals emanating from the property. This 60-day due diligence period has expired, and the parties are not in a joint venture arrangement.

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 had 60 days to conduct due diligence, after which the parties agreed to enter into a joint venture ("JV"). The parties agreed that under the terms of the JC, Auxico would 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 would retain 27% of the net profits of the JV, while the 10% would be allocated for fees defined by the *state mining code*. Auxico would have the exclusive marketing rights for all metals emanating from the property. This 60-day due diligence period has expired, and the parties are not in a joint venture arrangement.

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. 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. As of the date of this MD&A, this joint venture between Auxico and IGS is in force, but no transactions have occurred between the parties under the scope of this JV.

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 (“UAE”) process. Through Auxico, IGS will have access to UAE 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 UAE process.

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 (HfO2) %
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.

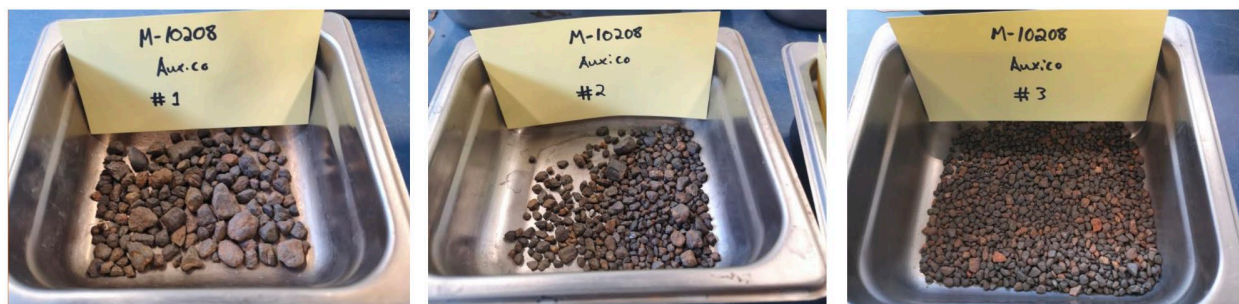
Subsequent to an ongoing trenching program, the samples from the tin-tantalum target area are the results of pan concentration and screening. Samples were sent to Canada and analyzed by Coalia Research Institute in Thetford Mines. For reference, please see below the table with the latest results on three 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 (UAE) 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>.

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

The Company's Qualified Person ("QP"), Joel Scodnick, P.Ge., 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.

On September 1, 2021, Auxico granted 510,000 stock options to consultants to the Company. These options have a strike price of \$1.26, no vesting period and an expiry date of September 1, 2026.

On September 9, 2021, Auxico announced the initial results from a 15-pit sampling program carried out by the Company's Qualified Person ("QP"), Joel Scodnick, P.Geo., on the Company-controlled property in the department of Vichada in Colombia. The initial four concentrate samples had a Total Rare Earth Oxide (TREO) content exceeding 61%, as presented in the table below. Sample numbers S00357795 and S00357796 were selected by the QP from concentrates previously sampled by the property owner in both fine and coarse (previously reported as samples 1 and 18). A bulk sample from Area 50 was independently taken by the QP in the same pits that were previously sampled by the property owner. Sample numbers S00357793A and S00357793B returned 68.32% TREO and 65.67% TREO respectively. Area 50 which represents an area of 50m x 50m has been validated by Mr. Scodnick.

Rare Earth Element	Symbol	Sample# S00357795	Sample# S00357796	Sample S00357793A	Sample# S00357793B
		Grade (%)	Grade (%)	Grade (%)	Grade (%)
Cerium	CeO2	36.75	38.82	43.93	40.74
Neodymium	Nd2O3	7.38	8.39	8.44	7.84
Lanthanum	La2O3	9.37	6.80	7.77	8.56
Praseodymium	Pr6O11	1.82	2.74	2.25	2.13
Samarium	Sm2O3	2.08	2.59	2.37	2.12
Gadolinium	Gd2O3	2.17	2.39	2.67	2.46
Dysprosium	Dy2O3	0.70	0.96	0.49	0.91
Yttrium	Y2O3	0.12	1.03	0.07	0.10
Ytterbium	Yb2O3	0.38	0.40	0.22	0.61
Erbium	Er2O3	0.25	0.09	0.11	0.20
Total Rare Earth Oxide Content		61.02	64.21	68.32	65.67

A total of 22 samples were taken from 15 prospect pits, of which almost all of them contain red sands and gravels, as well as varying degrees of altered pegmatitic material. The sampling 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.

In addition, the Company received an X-ray fluorescence report from Alpha 1 confirming the nature of the deposits to be comprised of the following minerals and elements: monazite, cheralite, huttonite, xenotime, coesite, and gadolinium neodymium dizirconate, most of which have high densities recoverable by gravity methods, and contain substantial rare earth elements, which are provided in the above table. A lot of these minerals form in phosphatic pegmatites which were observed in the field within the alluvial deposits.

Samples 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.

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.

Following this geological work done on the Company-controlled property in Vichada, Colombia, Auxico has asked Mr. Scodnick to prepare a technical report in compliance with National Instrument 43-101, Standards of Disclosure for Mineral Projects.

On September 21, 2021, the Company announced additional results of a recent sampling program that was conducted by the Company's Qualified Person ("QP"), Joel Scodnick, P.Geo, on the Company-controlled property in the department of Vichada, in Colombia. Recent sample result confirmed a total rare earth oxide content of 59.70%, as presented in the table below (Sample no. S00357793). This new sample is a 2.5-kilogram composite bulk concentrate sample taken from two different trenches and produced a concentrate of 7.7 kg of material from approximately 3.2 tonnes of material from two pits at Area 50. It is therefore more representative than previous selected samples.

Rare Earth Element	Symbol	Grade (%)
Cerium	CeO2	38.68
Neodymium	Nd2O3	7.27
Lanthanum	La2O3	6.91
Samarium	Sm2O3	2.20
Praseodymium	Pr2O3	2.07
Gadolinium	Gd2O3	1.10
Ytterbium	Yb2O3	0.95
Dysprosium	Dy2O3	0.48
Yttrium	Y2O3	0.04
Erbium	Er2O3	0.01
Total Rare Earth Oxide Content		59.70

Additionally, 15 samples representing concentrates were taken during the same sampling program on the property and averaged as follows:

Element	Titanium	Iron	Zirconium	Niobium	Hafnium
Symbol	TiO2	Fe2O3	ZrO2	Nb2O5	HfO2
Average Grade (%)	24.53	23.09	7.97	0.20	0.24

These samples were taken from surface down to 2-3 metres. Most of the pits contained significant amounts of water due to the monsoon season, with a rise in the water table, therefore prohibiting sampling of the lower part of the alluvial beds where the denser minerals such as niobium, tantalum and rare earths are more likely to be found. These 15 samples are located 1.3 kilometres southeast of Area 50, where high-grade rare earth elements have been found on the Company-controlled property, with a total rare earth content of 56.87%.

Recent samples were analyzed by the laboratory Alpha 1 in Bogota, Colombia. All samples except one are panned concentrates of gravels, where most of the lighter minerals have been washed away with water. The results presented in this news release are grades of these panned concentrates and not head grades except for one of the samples.

In addition, the independent lab Coalia, based in Thetford Mines, Quebec, conducted initial small-scale metallurgical tests on these samples. These tests demonstrated a potential for magnetic separation, with almost 85% of the titanium recovered in the concentrate.

Uses of titanium

Titanium is as strong as steel but weighs about half as much. It is twice as strong as aluminum but only about 60% heavier. Titanium combines with iron, aluminum, vanadium, nickel, molybdenum, and other metals to produce high-performance alloys. Jet engines, spacecraft, military equipment, bearings, body armor, and other high-tech products need parts made with these alloys. Titanium is on the List of 35 minerals deemed critical to U.S. National Security and the Economy, released by the U.S. Department of Interior in 2018.

SUBSEQUENT EVENTS

On October 20, 2021, Auxico announced the discovery of platinum group metals (PGM's) in samples from the Company-controlled property in the department of Vichada, Colombia, and the optioned property in Ivory Coast. The samples from Colombia were taken within the first metre from the surface, above the rare earth occurrences that the Company previously announced, containing a total rare earth oxide content exceeding 50%. The work program on the Company-controlled property is continuing, with the goal of finalizing a NI 43-101 report.

For the latest PGM's results, please see the table below.

	Platinum (Pt) Grade (ppm)	Palladium (Pd) Grade (ppm)	Rhodium (Rh) Grade (ppm)	Ruthenium (Ru) Grade (ppm)	Iridium (Ir) Grade (ppm)
M-10155 (Sample 1) - Colombia	22.45	0.10	<DL	13.97	53.53
M-10155 (Sample 2) - Colombia	0.76	<DL	<DL	0.49	1.06
M-10255 (Sample B1) - Ivory Coast	103.61	78.69	20.70	88.89	32.62
M-10255 (Sample B2) - Ivory Coast	95.69	73.80	19.60	84.88	31.04

Sample 1 is contained in a high-grade titanium rock sample, with 42.85% titanium, 25.44% niobium, and 8.28% tantalum. Sample 2 is found in a different zone on the property, originating from a rock sample containing 30.41% tantalum, 23.30% niobium and 24.47 titanium. Both of these samples are not concentrates. For reference, please see the table below.

	Tantalum (Ta) Grade (%)	Niobium (Nb) Grade (%)	Titanium (Ti) Grade (%)	Tin (Sn) Grade (%)	Vanadium (V) Grade (%)	Scandium (Sc) Grade (%)
M-10155 (Sample 1) - Colombia	8.28	25.44	42.85	0.58	0.34	/
M-10155 (Sample 2) - Colombia	30.41	23.30	24.47	1.61	/	0.44
M-10255 (Sample B1) - Ivory Coast	/	0.16	49.71	/	/	/
M-10255 (Sample B2) - Ivory Coast	59.58	20.41	1.00	0.07	/	/

Samples were analyzed by two independent laboratories in Canada, the Coalia in Thetford Mines and Impact Global Solutions in Delson. In addition, Impact Global Solutions conducted ultrasound extraction tests on one of the samples from Ivory Coast. Auxico owns a license to a processing technology based on ultrasound, which has achieved 99%+ recoveries of the PGM's during two 1-hour long leaching stages, as presented in the table below.

	Platinum (Pt) Recovery (%)	Palladium (Pd) Recovery (%)	Rhodium (Rh) Recovery (%)	Ruthenium (Ru) Recovery (%)	Iridium (Ir) Recovery (%)
M-10255 (Sample B2) - Ivory Coast	99.95	99.89	99.83	99.99	99.68

On November 3, 2021, the Company signed an MOU with Ronaldo Chavez Serrate concerning the development of the 825-hectare Luz Angelica concession in Bolivia, which has showings of rare earth elements, tantalum, and niobium. Auxico and Mr. Chavez will form a joint venture if Auxico's due diligence on this concession is acceptable to the Company. Auxico will retain 70% of the profits generated on this concession by providing all the capital necessary to begin operations; Mr. Chavez will retain the other 30%.

On November 24, 2021, Auxico granted 450,000 stock options to consultants to the Company. These options have a strike price of \$1.39, no vesting period and an expiry date of November 24, 2026.

On November 26, 2021, the Company incorporated a wholly-owned subsidiary in Bolivia, Minera Auxico Bolivia S.A. Auxico, the parent company, provided an initial capital of US\$10,000 to Minera Auxico Bolivia.

On November 29, 2021, the Company announced that it plans to build a 10,000 square metre rare earth refining facility in the free-trade zone in the city of Santa Marta, Colombia, capable of processing 36,000 tonnes of ore per year. The Company signed a lease agreement with an option to purchase four lots of land within the [Zona Franca Tayrona](#) industrial park. The estimated Capex for the refinery is US\$116.2 million. The rare earth refinery, the first of its kind in the western hemisphere, will incorporate standard metallurgical processes with innovative extraction technologies, resulting in lower energy consumption, significantly shorter and cost-effective processing cycles, and an overall lower environmental impact. The concentrates of rare earths will be sourced from the properties the Company is currently developing in Colombia and the Democratic Republic of the Congo. Additional concentrates will be sourced from properties in Brazil and Bolivia, for which the Company is finalizing supply agreements.

Over the last 12 months, Auxico has completed a series of metallurgical tests using the ultrasound assisted extraction process ("UAEx") for mineral extraction, for which the Company signed a technology license agreement earlier this year. The tests showed that the UAEx process is very efficient on high-value rare earth samples, achieving 80%+ recoveries of selected rare earth elements over a two-hour long leaching time.

Element	Symbol	Brazil Grade (%)	DR Congo Grade (%)	Colombia Grade (%)	Bolivia Grade (%)	Average Recovery (%)
Cerium	CeO2	35.90	31.61	31.09	20.86	85.72
Dysprosium	Dy2O3	0.28	0.09	0.72	0.49	86.63
Gadolinium	Gd2O3	0.17	0.73	0.75	4.68	87.47
Lanthanum	La2O3	15.17	9.41	9.40	5.49	85.41
Neodymium	Nd2O3	9.04	12.34	9.49	10.77	84.74
Praseodymium	Pr6O11	0.89	2.58	2.44	1.57	85.94
Samarium	Sm2O3	0.90	1.99	1.81	8.66	86.02
Yttrium	Y2O3	1.14	0.49	0.50	1.63	76.26
Total RE (%)		63.49	59.24	56.20	54.15	

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 fine particles in a more accelerated time over conventional methods. This reduces the cycle times significantly for the leaching of ores, leading to lower operating and capital costs.

Auxico will acquire mineral rights and surface rights to the Minastyc Property located in the municipality of Puerto Carreño, department of Vichada, Colombia. The Company made a discovery of high-value rare earth ore on the property, with a total rare earth content of 56.87% in concentrates, as well as an additional discovery at a distance of 1.6 kilometres from the initial discovery (total rare earth content of 55.03% in concentrates), confirming the presence of a host of rare earth minerals along this mineralized zone.

Free-trade zones in Colombia

Colombia's competitive free-trade regime was established to promote industrial processing of goods and services primarily for export, and is regulated under a special customs, exchange, and fiscal regime offering various benefits to businesses. The Santa Marta free-trade zone, one of 12 free-trade zones in the country, is located near the port of Santa Marta on the Caribbean Sea, in the northern Colombian department of Magdalena. The port transports the third highest bulk volume in Colombia. The Zona Franca Tayrona industrial park is located within the free-trade zone

and 12 kilometres from the port, and has excellent access to roads, including a railway line that connects the port to the interior of Colombia.

On December 4, 2021, Auxico signed a contract with Michel Goncalves Pacheco and Angelica Martinez Flores, the principal shareholders of Americanbol. Under the terms of this agreement, Auxico agreed to buy 99% of the common shares of Americanbol from Mr. Goncalves and Mrs. Martinez for a total amount of US\$442,500. An initial payment of US\$42,500 was made to Mr. Goncalves and Mrs. Martinez upon signature of the agreement. Additional payments are contingent upon Auxico's due diligence on Americanbol and the mining assets it has in Bolivia.

On December 8, 2021, the Company announced the acquisition of the surface rights to 1,293 hectares of land titled Agualinda, located in the municipality of Puerto Carreño, in the department of Vichada, Colombia. The land adjoins the Minastyc property, which the Company purchased in December 2020. The Minastyc property has been the subject of several previous news releases announcing the discovery of rare earths, tantalum, tin, and platinum group metals. The Company made a discovery of high-grade rare earth concentrates on the Minastyc property, with a total rare earth oxide content of 56.87% in concentrates, as well as an additional discovery at a distance of 1.6 kilometres from the initial discovery (total rare earth oxide content of 55.03% in concentrates). This purchase significantly increases the Company's land position in Colombia, from the initial 189 hectares to 1,482 hectares. The two properties, both now controlled by the Company, are located within a strategic area that has been defined by the Colombian Government for their potential for tantalum, niobium, and rare earths.

As per the signed agreement, the Company will pay to the vendors a purchase price of US\$315,000, in addition to a yearly fee in the amount of US\$100,000 for a period of three years following the signing of the agreement.

The Agualinda property has been the subject of a satellite imagery interpretation study (remote sensing study), which resulted in the identification of 20 sampling and exploration targets based on the artificial intelligence interpretation of the satellite data. These targets have the same signature as those on the Minastyc property.

The properties are located along the Orinoco River, which separates Colombia and Venezuela, and are conveniently located only 10 kilometres from the airport of Puerto Carreño.

On January 6, 2022, Auxico announced that it had entered into a Memorandum of Understanding ("MOU") with the Brazilian mining cooperative Cooperativa Estanifera de Mineradores da Amazônia Legal Ltda ("CEMAL"), with regard to the exploitation and commercialization of rare earths from the tin tailings originating from deposits located over an estimated area of 18,000 hectares in Masangana, counties of Ariquemes and Monte Negro, in the state of Rondonia, Brazil. The properties are estimated to contain 30,000,000 tonnes of tin tailings, however the data for this estimate has not yet been reviewed nor verified on the ground by Auxico's Qualified Person. The deposits are located within the Rondonia Tin Province, which hosts one of the world's largest cassiterite (tin ore) reserves.

Samples of the concentrates taken by the property owners from the property were recently analyzed by Coalia Research Institute in Thetford Mines, Quebec. The results of selected concentrate samples are presented in the table below, indicating a total rare earth oxide content of 63.49%.

Element	Symbol	Grade (%)	UAE Recovery (%)
Cerium	CeO ₂	35.90	94.43
Dysprosium	Dy ₂ O ₃	0.28	83.54
Gadolinium	Gd ₂ O ₃	0.17	100.00
Lanthanum	La ₂ O ₃	15.17	94.24
Neodymium	Nd ₂ O ₃	9.04	92.51
Praseodymium	Pr ₆ O ₁₁	0.89	100.00
Samarium	Sm ₂ O ₃	0.90	93.28
Yttrium	Y ₂ O ₃	1.14	80.80
Total REO (%)		63.49	

The above sample results were provided with the use of XRF (X-ray fluorescence) by Coalia.

Under the terms of the MOU, Auxico has an exclusive 180-day period to conduct due diligence, for which the Company will pay a one-time fee of US\$100,000 to CEMAL. After the due diligence is completed and to Auxico's satisfaction, the parties will then sign a definitive contract and enter into a joint venture ("JV") for the development of the properties in Brazil, whereby Auxico will have a minimum of 51% of the net profits of the JV. Auxico will be committing 100% of the capital required for the technical operations, exploration, exploitation, concentration, transport, and commercialization of rare earths from the tailings from the properties in Brazil. Auxico will have the option to purchase or lease the properties, at a price to be agreed upon with CEMAL.

On January 19, 2022, Auxico closed a non-brokered private placement (the "Private Placement"), issuing a total of 1,476,000 units (the "Units") at a price of \$1.20 per Unit raising gross proceeds of \$1,771,200. This Private Placement is the first tranche of a \$3,000,000 financing authorized by the Board of Directors of Auxico.

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 \$1.50 for a period of 3 years from the date of issuance (the "Closing Date").

The Company paid finder's fees of \$117,336 in connection with the Private Placement and issued 80,080 broker warrants ("Broker Warrants"). The Broker Warrants have the same terms as the Warrants mentioned above.

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 for general working capital, as well as to advance the Company's rare earth opportunity in Colombia.

On January 31, 2022, Auxico announced that, as a result of a recent sampling program conducted by Joel Scodnick, the Company's Qualified Person ("QP"), the Company has decided to sign a joint venture agreement for the acquisition of a 70% interest in the Luz Angelica property located in the municipality of Concepcion, in the province of Ñuflo de Chavez, in the region of Santa Cruz in Bolivia. The recent due diligence process has confirmed the presence of pegmatite veins containing lithium mineralization, as well as high-grade cesium and rubidium mineralization, and various rare earths. The results of selected samples are presented in the table below.

Samples	Lithium Grade (ppm)	Cesium Grade (ppm)	Rubidium Grade (ppm)	Neodymium Grade (ppm)	Yttrium Grade (ppm)	Dysprosium Grade (ppm)	Gadolinium Grade (ppm)	Praseodymium Grade (ppm)
S00357807	348.91	1,019.73	56.07	530.97	9.05	2.45	2.88	4.66
S00357810	10.30	2.25	33.42	594.46	25.17	5.27	5.20	451.82
S00357811	<DL	3.88	11.08	378.91	4,354.87	308.17	164.05	199.66
S00357816	1,475.87	100.60	2,694.27	530.09	8.71	1.72	1.41	119.08

The property covers an area of 825 hectares and is classified as a mining concession according to the laws of Bolivia. The Company paid a one-time fee of US\$103,000 for the work done to date on the property. In addition, the Company has an option to purchase an additional 15% of the joint venture interest for an amount of CA\$500,000. Auxico will be committing 100% of the capital required for the technical operations, exploration, exploitation, concentration, transport, and commercialization of ore from the property.

Cesium applications are critical for modern technologies, including advances in healthcare, defense, and the 5G revolution. The "cesium standard" allows the accurate measuring of time, which means that cesium is the key to mobile networks, the internet, and GPS. The average cesium content in the samples referenced above is 281 grams per tonne. The current price of cesium is US\$79 per gram.

Rubidium is used in vapor turbines, in vacuum tubes, in photocells, in atomic clocks, in some types of glass, the production of superoxide by burning oxygen, and with potassium ions in several biological uses. The average rubidium content in the samples referenced above is 698 grams per tonne. The current market price of rubidium is US\$25 per gram.

Cesium and rubidium are not mined in the United States, and the metal and its compounds are produced from imported ores. Both minerals are included on the list of critical minerals released by the US Department of the Interior.

Samples from the Luz Angelica property were analyzed by Impact Global Solutions in Delson.

Following the due diligence on the concession, the Company decided to move forward with a joint venture agreement. As at the date of this MD&A, no joint venture agreement has been completed between the two parties.

Promissory notes

In February 2022, the Company advanced \$200,000 through promissory notes to a third-party. The promissory notes will bear interest at the rate of 10% and will be reimbursed March 31, 2022.

Share Information

As at the date of this MD&A, there are 67,180,000 common shares issued and outstanding of Auxico. Between September 30, 2021 and the date of this MD&A, a total of 2,166,000 common shares were issued, as follows:

- 150,000 common shares were issued as a result of an exercise of 150,000 stock options at a price of \$0.25 per common share;
- 100,000 common shares were issued as a result of an exercise of 100,000 warrants at a price of \$0.15 per common shares;
- 440,000 common shares were issued as a result of an exercise of 440,000 warrants at a price of \$0.25 per common share; and

- 1,476,000 common shares were issued at a price of \$1.20 in the Private Placement that closed on January 19, 2022 (and 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 ("QP") 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 prior to his site visit in December 2021; the property in Puerto Carreño, Vichada, Colombia prior to his site visit in August 2021; and the manganese ore in Brazil. Mr. Scodnick did not supervise or visit any of these properties described hereto, other than the Zamora Property, the Vichada property in December 2021 and the Minastyc property near Puerto Carreño in his first visit to the site in August 2021.

Disclaimer

The QP of the Company did not supervise the sampling on the following properties:

- The property located in the municipality of La Concepción, Santa Cruz Department, province of Ñuflo de Chavez, Bolivia (see the Company's news release of April 19, 2021);
- The property in the Ivory Coast (see the Company's news releases of April 20, 2021 and October 20, 2021);
- The tantalum and niobium property in the DRC (see the Company's news release of May 11, 2021);
- The Minastyc property in Colombia (see the Company's news releases of May 28, 2021, June 24, 2021, July 30, 2021, August 25, 2021, and October 20, 2021); and
- The Masangana property located in Brazil (see the Company's news release of January 6, 2022).

Therefore, the QP warns the reader that the results cannot be relied upon and do not conform to National Instrument 43-101.

Subsequent to the sampling results being made public from the Minastyc property in Colombia, the QP conducted independent sampling, which confirmed the results.

FINANCIAL POSITION

The Company prepared its consolidated financial statements in accordance with the International Financial Reporting Standards ("IFRS"). The Company's consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the Company. For more detailed information, please refer to the Company's consolidated financial statements for the years then ended. The audited consolidated financial position of Auxico at September 30, 2021 and 2020 is presented below:

Consolidated Statements of Financial Position

As at September 30 (audited)	2021	2020
	\$	\$
ASSETS		
<i>Current assets</i>		
Cash & cash equivalents	2,563,533	288,780
Receivables	254,810	103,733
Prepaid expenses	1,546,960	156,469
Inventory	126,776	47,171
Advance to directors	3,098	3,098
Advance to companies controlled by a director	-	8,646
Advance to a joint operation	-	288,360
	4,495,177	896,257
<i>Non-current assets</i>		
Prepaid expenses	500,000	-
TOTAL ASSETS	4,995,177	896,257
Liabilities		
<i>Current liabilities</i>		
Accounts payable and accruals	335,644	578,628
Income tax payable	4,314	4,314
Due to companies controlled by a director	12,733	34,000
Due to directors	3,883	36,530
Current portion of finder's fees payable	224,988	-
Convertible debentures	66,232	52,298
	647,794	705,770
<i>Non-current liabilities</i>		
Deferred income tax liabilities	-	70,972
Long-term finder's fees payable	159,601	-
Convertible debentures	28,121,815	3,772,435
	28,281,416	3,843,407
TOTAL LIABILITIES	28,929,210	4,549,177
DEFICIENCY		
Deficiency attributable to shareholders	(23,935,120)	(3,654,952)
Equity attributable to non-controlling interest	1,087	2,032
TOTAL DEFICIENCY	(23,934,033)	(3,652,920)
TOTAL LIABILITIES 7 DEFICIENCY	4,995,177	896,257

Cash and cash equivalents at September 30, 2021 were \$2,563,533, compared to \$288,780 at September 30, 2020, an increase of \$2,274,753. As described above, in October 2020, the Company closed a private placement of Debentures for gross proceeds of \$2,788,000, and in February 2021, Auxico closed a private placement of Units for gross proceeds of \$4,721,000. These two private placements provided the Company with additional cash for the year ended September 30, 2021.

At September 30, 2021, Auxico had prepaid expenses (current portion) of \$1,546,960, which was an increase of \$1,390,491, compared to prepaid expenses (current portion) of \$156,469 at September 30, 2020. At September 30, 2021, the Company had \$1,200,785 in inventory prepayment (September 30, 2020 - \$149,759). This relates to manganese ore that the Company had purchased in Brazil. In the recent unaudited quarterly financial statements during the nine-month period ended June 30, 2021, Auxico has recognized this as inventory. During the audit for the year ended September 30, 2021, the Company determined that this was a prepayment, and not inventory, as the manganese ore was not in the Company's possession or control at September 30, 2021. Since the COVID-19 pandemic, the Brazilian ports have been either shut or at reduced capacity. Consequently, there is significant backlog

in these ports, which explains the delay in transferring ownership of the manganese to Auxico. Finally, as at September 30, 2021, the Company took a provision of \$116,000 to present the inventory prepayment to the lower of cost and net realizable value.

Another prepaid expense concerns the deposit on the Minastyc property in Colombia, which amounted to \$225,090 at September 30, 2021 (September 30, 2020 – \$Nil). As at September 30, 2021, the transfer of the property had not been completed, and, for this reason, this amount has been booked as a prepaid expense and not as property.

At September 30, 2021, the Company had prepaid expenses (non-current portion) of \$500,000 (September 30, 2020 – \$Nil). As described above, on July 28, 2021, the Company signed an agreement with Central America Nickel (“CAN”) to license the technology developed by CAN over a period of 10 years. Auxico paid a deposit of \$500,000 that will be applied against future license royalties. The Company agreed to pay to CAN a royalty of 2% on all gross revenues derived from projects of mineral production using the licensed technology. Since Auxico management does not expect to use this licensing in the upcoming year ending September 30, 2022, this amount has been booked as a non-current prepaid expense.

At September 30, 2021, the Company recorded inventory of \$126,776, which is an increase of \$79,605 compared to inventory of \$47,171 at September 30, 2020. This relates to columbite ore purchased by Auxico in Brazil for its commodities trading business.

At September 30, 2020, Auxico had an advance to a joint operation of \$288,360 (September 30, 2021 – \$Nil). On June 2, 2020, the Company entered into a joint venture with Kibara, based in the DRC, for the export of tantalum and niobium-bearing ores. During the year ended September 30, 2021, the Company assessed this advance and other funds advanced during the year ended September 30, 2021 for impairment. Given the uncertainty of the future cash flows to be generated from this business in the DRC, the Company decided to write-down this asset to \$Nil; the total impairment amounted to \$400,067. If future cash flows will be generated by this joint operation with Kibara, the Company will re-assess this investment at that time.

Auxico had accounts payable and accruals of \$335,644 as at September 30, 2021, compared to \$578,628 at September 30, 2020, a decrease of \$242,984. These are trade payables in the normal course of the Company's operations.

Long-term finder's fees payable

Following the issuance of the participating convertible debentures (as described below), the Company signed a contract on December 30, 2020 with a third-party to pay finder's fees on a monthly basis until the participating convertible debentures mature in October 2023. As at September 30, 2021, the current portion of finder's fees payable was \$224,988 (September 30, 2020 – \$Nil), and the long-term portion of finder's fees payable was \$159,601 (September 30, 2020 – \$Nil).

As of September 30, 2021, Auxico had working capital of \$3,847,383, compared to working capital of \$190,487 at September 30, 2020, representing an increase of \$3,656,896 in Auxico's working capital position.

Participating Convertible Debentures

The most significant item that has impacted the audited consolidated financial statements for the year ended September 30, 2021 is the participating convertible debentures (“Debentures”). The accounting treatment for these Debentures is complex and has resulted in the Company recognizing a significant non-current liability of \$28,121,815 as at September 30, 2021, an increase of \$24,349,380 over the amount of \$3,772,435 recognized as at September 30, 2020.

In October 2020, as described above, the Company closed a private placement of Debentures for a principal amount of \$2,788,000 of Debentures. In the year ended September 30, 2020, the Company issued \$1,650,000 principal amount of Debentures, on similar terms.

Issuance – Year ended September 30, 2020

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

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

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

In addition, Debenture holders will receive a total of 16.5% of the net profits generated by the Company from the sale of tantalum and niobium-bearing ores, to be paid quarterly in arrears; this represents 1% of the profits for every \$100,000 principal amount of Debentures (“Participating Feature”).

Issuance – Year ended September 30, 2021

On October 26, 2020, the Company announced that it had completed a non-brokered private placements, raising aggregate gross proceeds of \$2,788,000 in 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 and an amount corresponding to the interest that such holder would receive if the holder held the Debenture from the date of conversion until the Maturity Date.

In addition, Debenture holders will receive a total of 13.94% of the net profits generated by the Company from the sale of tantalum and niobium-bearing ores, to be paid quarterly in arrears; this represents 1% of the profits for every \$200,000 principal amount of Debentures (“Participating Feature”).

Accounting treatment and evaluation of Debentures

In accordance with IAS 32, Financial Instruments: Presentation (“IAS 32”), the issuer of a non-derivative financial instrument shall evaluate the terms of the financial instrument to determine whether it contains both a liability and an equity component. In application of this standard, the issuer of a financial instrument shall classify the instrument, or its component parts, on initial recognition as a financial liability, a financial asset, or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, a financial asset, and an equity instrument.

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

The convertible debentures are a hybrid instrument, which are in their entirety regarded as a financial liability. The initial carrying amount of for the debt host issued in October 2020 was valued at \$1,624,355 and represents the residual debt instrument. The Company determined the initial carrying amount using the discounted fair value of the debt host and, following initial measurement, the host component will be amortized over the term of maturity using the effective interest rate method. The interest rate used for the calculation of the discounted fair value was 19%. Any directly attributable transaction costs are allocated to the host and derivative components in proportion to their initial carrying amounts.

At September 30, 2021, the Company reviewed the estimated fair value of the conversion options and adjusted the initial fair value to \$25,648,406 using the same valuation technique.

The fair value of the Conversion Options was estimated using Monte Carlo simulation (using the Black-Scholes framework). Monte Carlo simulation is a procedure for randomly sampling changes in market variables in order to value derivatives. Information on the assumptions used by the Company in this regard can be found in Note 11 of the annual audited consolidated financial statements of the Company for the year ended September 30, 2021.

One of the factors having an influence on the fair value of the conversion options is the share price of Auxico. At September 30, 2021, the closing price of the common shares of the Company on the Canadian Securities Exchange was \$1.56 (September 30, 2020 – \$0.19), which was significantly higher than the conversion prices of \$0.10 and \$0.20 when the Debentures were issued.

For the year ended September 30, 2021, the change in fair value of derivatives resulted in an increase of expense of \$23,734,924 (September 30, 2020 – \$789,621) and was recorded in the consolidated statements of loss and comprehensive loss.

Readers of this MD&A should note that this is a non-cash expense of the Company, resulting from the accounting treatment of the Debentures.

RESULTS OF OPERATIONS

For the year ended September 30, 2021, the Company recorded a net loss and comprehensive loss of \$30,702,087 compared to a net loss and comprehensive loss of \$3,190,814 for the year ended September 30, 2020, representing a decrease of \$27,511,273. Details for the years ended September 30, 2021 and 2020 are presented below:

Consolidated Statements of Loss and Comprehensive Loss

For the years ended September 30 (audited)	2021	2020	Variance
	\$	\$	\$
Sales	768,544	-	768,544
Cost of sales	1,252,240	-	1,252,240
Gross loss	(483,696)	-	(483,696)
<u>Selling and administrative expenses</u>			
Professional fees	932,163	499,195	482,968
Management fees	375,000	210,000	165,000
Legal fees	154,124	61,950	92,174
Exploration and evaluation expenditures	1,171,601	103,038	1,068,563
Travel expenses	6,267	2,344	3,923
Office expenses	11,017	1,872	9,145
Rent	36,000	36,000	-
Advertising	30,633	44,849	(14,216)
Taxes and permits	2,818	94	2,724
Telecommunication	1,253	2,681	(1,428)
Public listing fees	71,418	51,141	20,277
Bad debts	10,352	-	10,352
Subscriptions	5,878	-	5,878
Gain on debt settlement	(98,147)	-	(98,147)
Loss (Gain) on foreign exchange	47,745	(9,532)	57,277
Impairment on advance of joint operation	400,067	-	400,067
Settlement of payables	-	(99,310)	99,310
Share-based compensation	1,202,836	63,772	1,139,064
Write-off of sales tax receivable	18,634	2,715	15,919
Total selling and administrative expenses	4,379,659	920,809	3,458,850
Loss before finance income, finance costs and income taxes	(4,863,355)	(920,809)	(3,942,546)
Finance income	4,196	-	4,196
<u>Finance costs</u>			
Interest and bank fees	10,897	4,071	6,826
Interest and penalties	23,383	25,329	(1,946)
Interest on convertible debentures	153,192	3,943	149,249
Transaction costs	544,718	15,336	529,382
Accreted interest	511,588	100,977	410,611
Unrealized loss on derivative financial instrument	935,198	1,314,801	(379,603)
Fair value adjustment of the embedded derivatives	23,734,924	789,621	22,945,303
Total finance costs	25,913,900	2,254,078	(23,659,822)
Net finance costs	(25,909,704)	(2,254,078)	(23,655,626)
Loss before income taxes	(30,773,059)	(3,174,887)	(27,598,172)
<u>Income taxes</u>			
Income tax expense	-	1,842	(1,842)
Deferred (Recovered) income taxes	(70,972)	14,085	(85,057)
Net loss and comprehensive loss	(30,702,087)	(3,190,814)	(27,511,273)
Net loss and comprehensive loss attributable to:			
Shareholders	(30,701,142)	(3,190,674)	(27,510,468)
Non-controlling interest	(945)	(140)	(805)
	(30,702,087)	(3,190,814)	(27,511,273)
Loss per share	(0.560)	(0.071)	
Weighted average number of shares outstanding	54,815,945	44,885,000	

Sales

In the year ended September 30, 2021, the Company generated sales of \$768,544 from the sale of commodities, primarily manganese from Brazil; the Company recorded no sales in the year ended September 30, 2020. Cost of sales for the year ended September 30, 2021 amounted to \$1,252,240, resulting in a gross loss of \$483,696. As explained previously, the Company has inventory and prepaid inventory of manganese and columbite ore.

Selling and administrative expenses

In the year ended September 30, 2021, the selling and administrative expenses of the Company were \$4,379,659, compared to \$920,809 for the year ended September 30, 2020, an increase of \$3,458,850. Almost all of the selling and administrative expense categories had increases year-over-year. The year ended September 30, 2020 was marked by the beginning of the COVID-19 pandemic and associated restrictions; consequently, the operations of the Company were curtailed in that year. In the year ended September 30, 2021, the Company began its commodities trading operations, concluded two private placements of Debentures and Units (as described above) and began to develop the Minastyc property in Colombia. This resulted in an increase in expenses of the Company.

Professional fees increased by \$482,968 year-over-year as the Company spent more on consultants, professionals and investor relations in the year ended September 30, 2021. Management fees increased by \$165,000, and legal fees increased by \$92,174. Exploration and evaluation expenditures increased by \$1,068,563. In the year ended September 30, 2020, the Company stopped most geological activity due to the COVID-19 pandemic. This resumed in the year ended September 30, 2021. In addition, following the Company's agreements concerning the purchase of the Minastyc property in Colombia, geological work has increased there as the Company intends to permit this property with rare earth showings and to bring it to production.

In the year ended September 30, 2021, the Company recognized an impairment on the advance of joint operations with Kibara Minerals in the DRC; this amounted to \$400,067 (September 30, 2020 – \$Nil) for the reasons mentioned above.

In the year ended September 30, 2021, share-based compensation was \$1,202,836, representing an increase of \$1,139,064 over share-based compensation of \$63,772 in the year ended September 30, 2020. This is a non-cash expense associated with the granting of options to directors, officers and consultants of the Company.

Finance income and costs

As stated previously, the Debentures have had the most significant impact on the Company's financial statements, due to the complex accounting treatment of this financial instrument.

The Company generated finance income of \$4,196 in the year ended September 30, 2021 (September 30, 2020 – \$Nil). In the year ended September 30, 2021, the Company incurred finance costs of \$25,913,900, representing an increase of \$23,659,822 over finance costs of \$2,254,078 incurred in the year ended September 30, 2020. As indicated previously, the fair value adjustment of the embedded derivatives associated with the Debentures was \$23,734,924 for the year ended September 30, 2021, compared to \$789,621 for the year ended September 30, 2020, representing an increase of \$22,945,303. This is a non-cash charge associated with the accounting treatment of the Debentures and represents the single largest expense of the Company.

The unrealized loss on the derivative financial instrument decreased by \$379,603 year-over-year. The interest on convertible debentures increased by \$149,249, the transaction costs increased by \$529,382 and accreted interest increased by \$410,611.

Net loss and comprehensive loss

The net loss and comprehensive loss of the Company for the year ended September 30, 2021 was \$30,702,087, compared to \$3,190,814 for the year ended September 30, 2020, representing a difference of \$27,511,273.

In the year ended September 30, 2021, five significant non-cash expenses – impairment on advance of joint operation (\$400,067), share based compensation (\$1,202,836), accreted interest (\$511,588), unrealized loss on derivative financial instrument (\$935,198) and fair value adjustment of the embedded derivatives (\$23,734,924) – accounted for \$26,784,613 of the total expenses generated by the Company, representing 87.24% of the net loss and comprehensive loss of the Company.

Auxico is a mining exploration company. Although it has no mining operations, the Company is generating sales and revenues with its commodities trading business. In the upcoming fiscal year, Auxico will focus on the commodities trading business in Latin America (principally Colombia, Brazil and Bolivia) to generate revenues for the Company. In addition, the Company intends to permit and to bring into production the rare earth element opportunity on the Minastyc property in Colombia. The Company may also have to rely on private placements of equity and/or debt in order to cover its operating expenses and geological work in Brazil, Colombia, Mexico, the DRC and Bolivia.

CASH FLOWS AND LIQUIDITY

The following table outlines the Company's cash flows for the years ended September 30, 2021 and 20:

Consolidated Statements of Cash Flows

For the years ended September 30 (audited)

	2021 \$	2020 \$
Cash used in operating activities		
Net loss and comprehensive loss for the year	(30,702,087)	(3,190,814)
<i>Adjustments for:</i>		
Share-based compensation	1,202,836	63,772
Unrealized foreign exchange loss	15,094	17,522
Write-off of sales tax receivable	18,634	2,715
Bad debts	10,352	-
Impairments on advance to a joint operation	400,067	-
Gain on debt settlement	(98,147)	-
Write-down of inventory	26,535	-
Deferred income tax expense	(70,972)	14,085
Unrealized loss on derivative financial instrument	935,198	1,314,801
Fair value adjustment of the embedded derivatives	23,734,924	789,621
Accreted interest	511,588	103,181
Settlement of payables	-	99,310
Transaction costs	462,375	-
Provision on prepayment of inventory	116,000	-
<i>Net changes in non-cash working capital items</i>		
Receivables	(168,388)	(86,391)
Income tax payable	-	1,842
Prepaid expenses	(2,006,491)	(108,655)
Inventory	(106,140)	(47,171)
Accounts payable and accruals	(95,646)	32,082
	(5,814,268)	(994,100)
Cash used in investing activities		
Advances to a joint operation	(126,060)	(288,360)
Advances to companies controlled by a director	8,646	(35,973)
	(117,414)	(324,333)
Cash flows from financing activities		
Due to directors	(32,647)	14,924
Due to companies controlled by a director	(21,267)	(34,490)
Net proceeds from issuance of convertible debentures	2,603,528	1,617,130
Net proceeds from issuance of units	4,409,528	-
Finder's fees payable repayment	(198,561)	-
Exercise of options	240,750	-
Exercise of warrants	1,205,000	-
	8,206,331	1,597,564
Increase in cash and cash equivalents	2,274,649	279,131
Cash and cash equivalents, beginning of the year	288,780	9,139
Effect of foreign exchange rate fluctuations on cash and cash equivalents	104	510
Cash and cash equivalents, end of the year	2,563,533	288,780

For the year ended September 30, 2021, Auxico generated an increase of cash of \$2,274,649, compared to an increase of cash of \$279,131 for the year ended September 30, 2020.

Cash used in operating activities amounted to \$5,814,268 in the year ended September 30, 2021, compared to cash used in operating activities of \$994,100 for the year ended September 30, 2020, representing a decrease of \$4,820,168. In both years, most of the cash used was for operating expenses, as described above.

In the year ended September 30, 2021, cash used in investing activities amounted to \$117,414 (September 30, 2020 – \$324,333). Most of this (\$126,060) was used for the Company’s joint operation with Kibara in the DRC, as described above; this amount was written off, following the Company’s impairment analysis of this joint operation.

In the year ended September 30, 2021, the Company generated cash flows from financing activities of \$8,206,331, compared to \$1,597,564 for the year ended September 30, 2020, representing an increase of \$6,608,767. The Company generated gross proceeds of \$2,788,000 through the issuance of Debentures and gross proceeds of \$4,721,000 through the issuance of Units, as described above. Despite the COVID-19 pandemic, the Company was successful in raising funds.

At September 30, 2021, the cash balances and the working capital of the Company were positive. Although the Company has begun to generate revenues from its commodities trading business, this is not sufficient to cover all of the expenses incurred by the Company. Auxico will continue to rely on access to equity and debt financings to cover operational expenses and geological work.

CAPITAL STRUCTURE

Shares issued

At September 30, 2021, there were 65,014,000 issued and fully paid common shares, with the exception of the \$11,675 subscription receivables (September 30, 2020 -\$Nil). (September 30, 2020 – 44,885,000).

Warrants

At September 30, 2021, the Company had 8,178,600 warrants issued and outstanding, as presented below:

Warrants Issued	Date of Issue	Expiry Date	Strike Price	Warrants Exercised	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
900,000	Jun. 14, 2021	Jun 21, 2024	\$0.15	(500,000)	400,000
1,650,000	Aug. 9, 2021	Aug. 9, 2024	\$0.25	-	1,650,000
500,000	Aug. 25, 2021	Aug. 25, 2024	\$0.15	-	500,000
<u>440,000</u>	Sep. 2, 2021	Sep. 2, 2024	\$0.25	=	<u>440,000</u>
8,678,600				(500,000)	8,178,600

Stock options

At September 30, 2021, there were 5,540,000 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	(695,000)	(475,000)	1,305,000
1,100,000	Oct. 23, 2017	Oct. 22, 2022	\$0.40	(150,000)	(650,000)	300,000
200,000	Mar. 13, 2018	Mar. 12, 2023	\$0.40	-	-	200,000
600,000	Aug. 22, 2018	Aug. 21, 2023	\$0.25	-	(500,000)	100,000
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
900,000	Mar. 17, 2021	Mar. 16, 2026	\$0.45	-	-	900,000
500,000	Jun. 21, 2021	Dec. 21, 2021	\$0.75	-	-	500,000
675,000	Jul. 19, 2021	Jul. 19, 2026	\$0.79	-	-	675,000
<u>510,000</u>	Sep. 1, 2021	Sep. 1, 2026	\$1.26	-	-	<u>510,000</u>
8,060,000				(895,000)	(1,625,000)	5,540,000

SELECTED ANNUAL INFORMATION

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

As at September 30 (audited)	2021	2020	2019
Revenues (total)	772,740	-	-
Net loss and comprehensive loss	(30,702,087)	(3,190,814)	(1,811,982)
Net loss per share (basic and diluted)	(0.560)	(0.071)	(0.042)
Total assets	4,995,177	896,257	80,108

SUMMARY OF QUARTERLY RESULTS

The following is a summary of selected financial information from the quarterly interim unaudited consolidated financial statements for the eight quarters ending September 30, 2021.

Quarter ending	Sep. 30, 2021	June 30, 2021	Mar. 31, 2021	Dec. 31, 2020
	\$	\$	\$	\$
Revenue	(24,315)	609,288	187,767	-
Net loss and comprehensive loss	(18,144,855)	(5,691,323)	(1,008,253)	(5,857,656)
Net loss per share	(0.287)	(0.097)	(0.019)	(0.157)

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

RESULTS OF THE FOURTH QUARTER

The following is a summary of the results of the three-month periods ended September 30, 2021 and September 30, 2020:

Financial Summary

For the three-month periods ended September 30 (unaudited)	2021 \$	2020 \$	Variance \$
Revenues (total)	(24,315)	-	(24,315)
Net loss and comprehensive loss	(18,144,855)	(1,326,441)	(16,818,414)
Loss per share	(0.287)	(0.030)	
Weighted average number of shares outstanding	63,124,652	44,885,000	

In the three-month period ended September 30, 2021, the Company made certain adjustments to revenue and various expense items in connection with its annual audit; for this reason, the revenue figure is negative. The net loss and comprehensive loss for the quarter ended September 30, 2021 is \$18,144,855 (September 30, 2020 – \$1,326,441). There are a number of non-cash expenses booked in this quarter, including those related to the accounting treatment of the Debentures, which, as outlined above, explain this loss.

RELATED PARTY TRANSACTIONS AND BALANCES

The Company's related parties include an entity with significant influence, companies controlled by a director, as well as key management personnel and a director.

Unless otherwise stated, none of the transactions incorporates special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash. All balances of advances receivable and advances payable are measured at fair value and occurred in the normal course of business.

For the year ended September 30 (audited)	2021 \$	2020 \$
<u>Management fees</u>		
Company controlled by a director	145,000	120,000
Key management personnel and directors	230,000	90,000
<u>Share-based compensation</u>		
Key management personnel and directors	383,622	37,200
<u>Rent</u>		
Company controlled by a director	36,000	36,000
<u>Consulting fees</u>		
Company controlled by a director	6,000	31,500
<u>Interest on private placement</u>		
Key management personnel and directors	18,581	-

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

	Year	Amounts owed by related parties \$	Amounts owed to related parties \$
Key management personnel and directors	2021	3,098	3,883
	2020	3,098	36,350
Company controlled by a director	2021	-	12,733
	2020	8,646	34,000

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

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

COMMITMENTS

Net Smelter Return Royalty ("NSRR")

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

Farm-out Agreement

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

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

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. commitment to approximate \$322,000.

Agreement with the École Polytechnique and Impact Global Systems ("IGS")

On February 1, 2021, the Company signed an agreement with École Polytechnique and IGS concerning the recovery of critical minerals from ore tailings. As per the terms of this contract, the Company has agreed to provide to École Polytechnique \$15,000 in each of 2022 and 2023.

Joint Venture with Impact Global Systems

On May 25, 2021, the Company signed a joint venture agreement with IGS concerning the processing of ores bearing tantalum, niobium, iridium and possibly other minerals. As per the terms of this agreement, the Company will assume all costs related to the purchase and transport of ores to the IGS facility in Delson, Quebec, as well as

providing funds for the purchase of equipment and working capital. In return, the Company will receive 80% of the net profits from the sale of these minerals, with the remaining 20% going to IGS. As at September 30, 2021, no transactions occurred under this joint venture.

Agreement with AMCO Consultores (“AMCO”) in Colombia

On August 30, 2021, the Company signed an agreement with AMCO, which agreed to provide environmental consulting services to the Company with respect to the Minastyc property in Colombia. The Company will pay to AMCO 252,342,914 Colombia pesos (approximately \$82,000) upon filing of the temporary environmental study, 126,171,457 Colombian pesos (approximately \$41,000) upon the delivery of the final environmental study on Minastyc. A further and final payment of 126,171,457 Colombian pesos will be paid to AMCO by Auxico upon approval and acceptance of this environmental study by the governmental and regulatory authorities in Colombia.

BASIS OF PREPARATION

Statement of compliance

The annual audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

Basis of measurement

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

- Derivative instrument is measured at fair value.

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

Basis of consolidation

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

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

	2021	2020
Auxico Resources S.A. de C.V. (“Auxico Mexico”)	100%	100%
C.I. Auxico de Colombia S.A (“Auxico Colombia”)	96%	96%

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

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

Operating segments are reported in a manner consistent with the internal reporting of the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing the

performance of the operating segments, has been identified as the management team, which makes strategic decisions.

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional and presentation currency.

SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

The revenue from sale of ore concentrate is recognized at an amount that reflects the consideration that the Company expects to receive. The Company established a five-step model to account for revenue arising from contracts with customers: to identify the contract(s) with the customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to each performance obligation and recognize revenue as each performance obligation is satisfied. The Company exercises judgement, taking into consideration all of the relevant facts and circumstances when applying each step of revenue recognition model to contracts with customers.

The revenue from the sale of ore concentrate is recognized at the point in time when control of the ore concentrate passes to the customer which occurs when title transfer to the customer which is generally at the moment where the full provisional payment has been received by the Company.

Issuance costs

Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred issue costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise, they are expensed as incurred. The Company charges share issue costs to share capital and debentures when the related financial instruments are issued. Deferred issue costs related to financing transactions that are not completed are charged to expenses as well as issuance cost affected to financial instruments classified at fair value through profit or loss.

Share-based compensation

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

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

Equity-settled share-based compensation transactions with parties other than employees are measured at the fair value of the goods or services received, except where fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the services.

Loss per share

Basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of common shares outstanding during the period. The Company applies the treasury stock method in calculating diluted loss per share. Diluted loss per share excludes all dilutive potential common shares if their effect is anti-dilutive.

Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of comprehensive income in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income in the statement of comprehensive income to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

Mining properties and exploration and evaluation expenditures

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

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

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

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

The E&E expenses are recorded in the consolidated statement of loss and comprehensive loss until such time as the technical feasibility and commercial viability has been established that supports the future development of the property.

Financial instruments

(i) Financial assets

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

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

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

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

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

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

Financial Assets	Classification	Subsequent Measurement
Cash and cash equivalents	Debt instruments	Amortized cost
Receivables	Debt instruments	Amortized cost
Advance to directors	Debt instruments	Amortized cost
Advance to companies controlled by directors	Debt instruments	Amortized cost
Advances to a joint operation	Debt instruments	Amortized cost

(ii) Impairment of financial assets

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

(iii) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues

to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

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

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

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

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

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

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

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

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

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

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

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

Financial Liability	Classification	Subsequent measurement
Accounts payable and accruals	Other financial liability	Amortized cost
Due to companies controlled by a director	Other financial liability	Amortized cost
Due to directors	Other financial liability	Amortized cost
Long-term debt	Other financial liability	Amortized cost
Convertible debentures – Host component	Other financial liability	Amortized cost
Convertible debentures – Conversion option	FVTPL	Fair value
Convertible debentures – Participating feature	FVTPL	Fair value

(vi) Derecognition of financial liabilities

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

(vii) Extinguishment of financial liabilities with equity instruments

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

Income taxes

i) Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically valuates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

ii) Deferred income tax

Deferred income taxes are recorded using the asset and liability method of tax allocation. Under this method, deferred income tax assets and liabilities are determined based on temporary differences at the reporting date between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Inventory and inventory prepayment

Inventory is measured at the lower of cost and net realizable value. Cost is determined using the FIFO (first in, first out) method. The cost of inventory comprises all cost of purchase incurred in bringing the inventory to their present location and condition. The costs of purchase include the purchase price, non-recoverable taxes, transport, handling and other costs directly attributable to the acquisition of finished goods. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. If the cost exceeds net realizable amount, a provision is recognized. The provision may be reversed in a subsequent period if the circumstances which caused the write down no longer exist.

Joint arrangements

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

with its share of the liabilities, revenues and expenses arising jointly or otherwise from those operations. All such amounts are measured in accordance with the terms of each arrangement.

Leases

Lease contracts which contain the legal form of a lease are classified as either finance or operating leases. Finance leases represent leases that transfer substantially all of the risks and rewards of ownership of the leased asset. To assess whether a contract transfer substantially all the risks and rewards of ownership of an identified asset, the Company assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified.
- The Company has the right to obtain substantially all the economic benefits from use of the asset throughout the period of use; and
- The Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

The Company recognizes a right-of-use asset and a lease liability at the commencement of the lease. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

The Company has elected to apply the practical expedient not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets (less than \$8,000). The lease payments associated with these leases are classified as operating lease and are recognized as an expense on a straight-line basis over the lease term.

Standards issued but not yet effective

At September 30, 2021, a number of new standards, amendments to standards and interpretations have been issued but are not yet effective. Accordingly, they have not been applied in preparing these consolidated financial statements. The Company is currently assessing the impact that these standards will have on the consolidated financial statements.

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

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

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

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

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

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

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

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

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

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

iii) Annual Improvements to IFRS Standards 2018–2020

The Annual Improvements include amendments to four Standards.

IFRS 1 First-time Adoption of International Financial Reporting Standards

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

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

IFRS 9 Financial Instruments

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

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

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

iv) IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform (Phase 2)

In August 2020, the IASB issued Interest Rate Benchmark Reform (Phase 2), which amends IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and measurement, IFRS 7 Financial Instruments: Disclosures and IFRS 16 Leases. The Phase 2 amendments address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. These amendments complement those issued in 2019 and focus on issues that might affect financial reporting during the reform of an interest rate benchmark, including the effects of changes to contractual cash flows arising from the replacement of an interest rate benchmark with an alternative benchmark rate.

The amendments are effective for annual periods beginning on or after January 1, 2021, with earlier application permitted. The Company is currently assessing the impact on its consolidated financial statements.

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting year. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from those estimates.

The areas which require management to make significant estimates and assumptions in determining carrying values include, but are not limited to:

i. Going concern

The assessment of the Company's ability to raise sufficient funds to finance its exploration and administrative expenses involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

ii. Convertible debentures

The convertible debentures issued by the Company include conversion options as well as a participating feature on net profits generated by the Company, which are considered as Level 3 financial instruments, both classified as liabilities components. The host component is initially recorded at fair value and subsequently at amortized cost using the effective interest rate method. The derivative component is measured at fair value through profit and loss, and its fair value must be measured at each reporting period, with subsequent changes in fair value recorded in the statement of loss and comprehensive loss. A derivative valuation model is used, and includes management's assumptions, to estimate the fair value. Detailed assumptions used in the model to determine the fair value of the embedded derivative as of September 30, 2020, are provided in Note 11 of the Company annual audited consolidated financial statements.

Also, the evaluation of the embedded derivatives contains a high level of incertitude and several estimates such as the price of the shares of a private company, the correlation between the two conversion options as well as the rationale that there will be no sub-optimal behaviour from holders of the convertible debentures.

iii. Determination of deferred income taxes

The carrying amount of deferred income tax assets is reviewed at each financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be used. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will be available to allow the deferred tax asset to be recovered. There is no certainty that future income tax rates will be consistent with current estimates. Changes in tax rates increase the volatility of the Company's earnings.

iv. Black & Scholes valuation

The calculation of the fair value of units, stock options and warrants granted require management to make estimates and assumptions about the fair value of the underlying common shares of the Corporation, expected volatility,

expected life, and expected forfeiture rates, which could affect the Corporation's results if the current estimates change. Expected volatility was based on the Company's historical volatility and the volatility of an equity market index in the mining sector for the same period. The credit spread used in the valuation was based on an index for CAD triple-C corporate bonds.

v. *Joint arrangements*

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

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

vi. *Net realizable value of inventory and inventory prepayment*

The Company reviews the carrying value of inventory regularly to ensure that their cost does not exceed net realizable value. In determining net realizable value, various factors are taken into account, including sales prices and costs to complete inventory to their final form.

FINANCIAL INSTRUMENTS

Classification of financial instruments

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

<i>Financial assets and liabilities recognized at amortized cost</i>	2021	2020
	\$	\$
Cash & cash equivalents	2,563,533	288,780
Receivables, excluding sales tax	49,154	-
Advance to directors	3,098	3,098
Advance to companies controlled by a director	-	8,646
Advance to a joint operation	-	288,360
Accounts payable and accruals	335,644	578,628
Due to directors	3,883	36,530
Due to companies controlled by directors	12,733	34,000
Finder's fee payable	384,589	-
Convertible debentures – host component	2,539,641	2,184,973

Fair value

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

The Company has determined that the carrying amount of its short-term financial assets and liabilities, including, cash & cash equivalents, receivables (excluding sales tax), advance to directors, advance to companies controlled by

a director, advance to a joint operation, accounts payable and accruals, due to directors and due to companies controlled by a director approximates their fair value because of the relatively short periods to maturity of these instruments.

The carrying amount of the convertible debentures – host component do not differ significantly from their fair value.

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

Fair value hierarchy

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

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices);
- Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

<i>Financial liabilities recognized at fair value:</i>	2021	2020
	\$	\$
Convertible debentures – Embedded derivative (level 3)	25,648,406	2,443,590

The determination of the fair value of the embedded derivative of the convertible debentures was calculated using a level 3 fair value hierarchy.

Risks

The Company's activities expose it to a variety of financial risks: market risk (including currency risk and cash flows and fair value interest rate risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of the financial market and seeks to minimize potential adverse effects on the Company's financial performance. The Company does not use derivative financial instruments to hedge these risks.

Market risk

Foreign exchange risk: Foreign exchange risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. A portion of the Company's financial assets is denominated in United States dollars, in Mexican Pesos and in Pound Sterling. Consequently, certain financial assets are exposed to exchange fluctuations. Most of the Company's operations are conducted in Canadian dollars. The Company does not hold derivative financial instruments to manage the fluctuation of exchange rate risk.

The financial assets denominated in United States dollars, in Mexican Pesos and in Pound Sterling, translated into Canadian dollars at the closing rate, which expose the Company to exchange risk are:

For the years ended September 30	2021	2020
	\$	\$
Cash & cash equivalents (United States)	741,067	2,589
Cash & cash equivalents (Mexico)	23,949	371
Receivables (United States)	37,479	-
Accounts payable and accruals (United States)	(106,567)	(29,648)
Accounts payable and accruals (United Kingdom)	-	(31,947)
Accounts payable and accruals (Mexico)	(46,252)	(189,384)
Net exposure	649,676	(248,019)

A 10% change in the exchange rate would result in a variation estimated at \$62,179 (September 30, 2020 – \$25,772).

i) Fair value interest rate risk:

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

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

If the variable interest rates had increased by 1% during the year ended September 30, 2021, the Company's net loss would have increased by \$18,387 (September 30, 2020 – \$5,484).

ii) Commodity price risk:

While the value of the Company's core mineral resource is related to the price of precious metals, the Company currently does not have any operating mines and hence does not have any hedging or other commodity-based risks in respect of its operational activities. Precious metal prices have historically fluctuated widely and are affected by numerous factors outside of the Company's control, including, but not limited to, industrial and retail demand, central bank lending, forward sales by producers and speculators, levels of worldwide production, short-term changes in supply and demand because of speculative hedging activities, and certain other factors. Adverse movements in the prices of precious metals may also negatively impact the Company's ability to raise capital and meet its financial commitments.

Credit risk

Credit risk arises from cash with banks and financial institutions. The Company reduces this risk by dealing with creditworthy financial institutions. Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is subject to concentrations of credit risk through cash and cash equivalents, receivables (excluding sales tax), advance to directors, advance to companies controlled by a director and advance to joint operations.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuance. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments. At September 30, 2021, the Company has working capital of \$3,847,383 (September 30, 2020 – \$190,487).

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

	Less than 1 year \$	1 to 5 years \$	> 5 years \$
Accounts payable and accruals	335,644	-	-
Due to companies controlled by a director	12,733	-	-
Due to directors	3,833	-	-
Finder's fees payable	224,988	238,521	-
Convertible debentures – Host component	-	3,650,000	-
Convertible debentures – Embedded derivative	66,232	25,704,929	-

RISKS AND UNCERTAINTIES

RISKS RELATED TO OUR BUSINESS:

Exploration Stage Mining Company with No History of Operation

The Company is in its exploration stage, has very limited operating history, and is subject to all the risks inherent in a new business enterprise. For example, to date the Company has had no revenues and has relied upon equity and debt financing to fund its operations. The likelihood of success of the Company must be considered in light of the problems, expenses, difficulties, complication, and delays frequently encountered in connection with a new business, and the competitive and regulatory environment in which the Company will operate, such as under-capitalization, personnel limitations, and limited revenue sources.

Due to Its History of Operating Losses, the Company is Uncertain That It Will Be Able to Maintain Sufficient Cash to Accomplish Its Business Objectives

The Company incurred a net loss and comprehensive loss of \$30,702,087 for the year ended September 30, 2021. At September 30, 2021, there was a deficiency of \$23,935,120 and working capital of \$3,847,383. There is no assurance that the Company can generate net income, generate revenues, or successfully explore and exploit its properties.

Significant amounts of capital will be required to continue to explore and then develop the Company's exploration projects. The Company is not engaged in any revenue producing activities and does not expect to do so in the near future. Currently, the Company's sources of funding consist of the sale of additional equity securities, borrowing funds, or selling a portion of its interests in its assets. There is no assurance that any additional capital that the Company will require will be obtainable on acceptable terms, if at all. Failure to obtain such additional financing could result in delays or indefinite postponement of further exploration and development of the Company's projects. Additional financing, if available, will likely result in dilution to existing stockholders.

Capital Requirements and Liquidity; Need for Subsequent Funding

Company management and its Board of Directors monitor the overall costs and expenses of the Company and, if necessary, adjust Company programs and planned expenditures in an attempt to ensure that the Company has sufficient operating capital. The Company continues to evaluate the costs and planned expenditures for its on-going exploration projects. Although the Company has raised significant capital in prior years, the continued exploration and development of its projects will require significant amounts of additional capital. As a result, the Company will need to raise additional capital so that it can continue to fund its planned operations. The uncertainties of the global economies and the volatile prices of gold and silver, combined with instability in capital markets, have impacted the availability of funding. If the disruptions in the global financial and capital markets continue, debt or equity financing may not be available to the Company on acceptable terms, if at all. Equity financing, if available, may result in

substantial dilution to existing stockholders. If the Company is unable to fund future operations by way of financing, including public or private offerings of equity or debt securities, its business, financial condition, and results of operations will be adversely impacted.

Disruptions in the Global Financial and Capital Markets May Impact the Company's Ability to Obtain Financing.

The global financial and capital markets have experienced on-going volatility and disruption. The Company continues to need further funding to achieve its business objectives. In the past, the issuance of equity securities has been the major source of capital and liquidity for the Company. The extraordinary conditions in the global financial and capital markets have currently limited the availability of this funding. If the disruptions in the global financial and capital markets continue, debt or equity financing may not be available to the Company on acceptable terms, if at all. If the Company is unable to fund future operations by way of financing, including public or private offerings of equity or debt securities, its business, financial condition, and results of operations will be adversely impacted.

The Company's Exploration Activities Require Significant Amounts of Capital that May Not Be Recovered.

Mineral exploration activities are subject to many risks, including the risk that no commercially productive or extractable resources will be encountered. There can be no assurance that the Company's activities will ultimately lead to an economically feasible project or that it will recover all or any portion of its investment. Mineral exploration often involves unprofitable efforts, including drilling operations that ultimately do not further the Company's exploration efforts, as well as operating and other costs. The cost of minerals exploration is often uncertain and cost overruns are common. The Company's drilling and exploration operations may be curtailed, delayed, or canceled as a result of numerous factors, many of which are beyond its control, including title problems, weather conditions, compliance with governmental requirements and shortages or delays in the delivery of equipment and services.

Risks Inherent in the Mining Industry

The Company is subject to all of the risks inherent in the minerals exploration and mining industry and including, without limitation, the following: competition from a large number of companies, many of which are significantly larger than the Company, in the acquisition, exploration, and development of mining properties; the Company might not be able raise enough money to pay the fees, taxes and perform labor necessary to maintain its concessions in good force; exploration for minerals is highly speculative and involves substantial risks, even when conducted on properties known to contain significant quantities of mineralization; the Company's exploration projects may not result in the discovery of commercially mineable deposits of ore; the probability of an individual prospect ever having reserves that meet regulatory requirements is extremely remote, or the properties may not contain any reserves, and any funds spent on exploration may be lost; the Company's operations are subject to a variety of existing laws and regulations relating to exploration and development, permitting procedures, safety precautions, property reclamation, employee health and safety, air quality standards, pollution and other environmental protection control and the Company may not be able to comply with these regulations and controls; and a large number of factors beyond the control of the Company, including fluctuations in metal prices, inflation, and other economic conditions, will affect the economic feasibility of mining.

THE BUSINESS OF MINERAL EXPLORATION IS SUBJECT TO MANY RISKS:

Fluctuating Price for Metals

The Company's operations will be greatly influenced by the prices of commodities, including gold, silver, and other metals. These prices fluctuate widely and are affected by numerous factors beyond the Company's control, including interest rates, expectations for inflation, speculation, currency values, in particular the strength of the United States dollar, global and regional demand, political and economic conditions, and production costs in major metal producing regions of the world.

Title to the Company's Mineral Properties May be Challenged

The Company attempts to confirm the validity of its rights to title to, or contract rights with respect to, each mineral property in which it has a material interest. However, the Company cannot guarantee that title to its properties will

not be challenged. Title insurance generally is not available, and the Company's ability to ensure that it has obtained secure claim to individual mineral properties or mining concessions may be severely constrained. The Company's mineral properties may be subject to prior unregistered agreements, transfers or claims, and title may be affected by, among other things, undetected defects and the actions or inactions of underlying property owners or holders. In addition, the Company may be unable to operate its properties as permitted or to enforce its rights with respect to its properties.

Risks Inherent With Foreign Operations

The Company's operations are currently conducted in Mexico, and as such the operations of the Company are exposed to various levels of political, economic, and other risks and uncertainties. These risks and uncertainties include, but are not limited to, terrorism, hostage taking, military repression, expropriation, extreme fluctuations in currency exchange rates, high rates of inflation, labour unrest, the risks of war or civil unrest, expropriation and nationalization, renegotiation or nullification of existing concessions, licenses, permits, approvals and contracts, illegal mining, changes in taxation policies, restrictions on foreign exchange and repatriation, and changing political conditions, currency controls and governmental regulations that favor or require the rewarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction.

Changes, if any, in mining or investment policies or shifts in political attitude in Mexico may adversely affect the operations or potential profitability of the Company. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, income taxes, expropriation of property, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety. Failure to comply strictly with applicable laws, regulations and local practices relating to mineral right applications and tenure, could result in loss, reduction or expropriation of entitlements, or the imposition of additional local or foreign parties as joint venture partners with carried or other interests. The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on the operations of the Company.

Environmental Controls

Compliance with statutory environmental quality requirements may necessitate significant capital outlays, may materially affect the earning power of the Company, or may cause material changes in the Company's intended activities. The Company's exploration operations require compliance with local and federal regulations. No assurance can be given that environmental standards imposed by either federal or state governments will not be changed or become more stringent, thereby possibly materially adversely affecting the proposed activities of the Company. In addition, if the Company is unable to fund fully the cost of remediation of any environmental condition, it may be required to suspend operations or enter into interim compliance measures pending completion of the required remediation.

Availability of Outside Engineers and Consultants

The Company is heavily dependent upon outside engineers and other professionals to complete work on its exploration projects. The mining industry has experienced significant growth over the last several years and as a result, many engineering and consulting firms have experienced a shortage of qualified engineering personnel. The Company closely monitors its outside consultants through regular meetings and review of resource allocations and project milestones. However, the lack of qualified personnel combined with increased mining projects could result in delays in completing work on the Company's exploration projects or result in higher costs to keep personnel focused on its project.

Operational Hazards; Uninsured Risks

The Company is subject to risks and hazards, including environmental hazards, industrial accidents, the encountering of unusual or unexpected geological formations, cave-ins, flooding, earthquakes, and periodic interruptions due to inclement or hazardous weather conditions. These occurrences could result in damage to, or destruction of, mineral properties or facilities, personal injury or death, environmental damage, reduced productivity and delays in exploration, asset write-downs, monetary losses, and possible legal liability. The Company may not be insured

against all losses or liabilities, which may arise from operations, either because such insurance is unavailable or because the Company has elected not to purchase such insurance due to high premium costs or other reasons. The realization of any significant liabilities in connection with the Company's exploration activities as described above could negatively affect its results of operations and the price of its common stock.

Need for Additional Key Personnel; Reliance on Officers and Directors

The Company relies in large part on the personal efforts of its officers and directors. The success of the Company's proposed business will depend, in part, upon the ability to attract and retain qualified employees. The Company believes that it will be able to attract competent employees, but no assurance can be given that the Company will be successful in this regard. If the Company is unable to engage and retain the necessary personnel, its business would be materially and adversely affected.

RISKS RELATED TO OUR COMMON STOCK:

Our Stock Price Can Be Extremely Volatile

The common shares of the Company began trading on the Canadian Securities Exchange on October 17, 2017. The trading price of our common stock has been and could continue to be subject to wide fluctuations in response to announcements of our business developments and drill results, progress reports, the metals markets in general, and other events or factors. In addition, stock markets have experienced extreme price volatility in recent years. This volatility has had a substantial effect on the market prices of companies, at times for reasons unrelated to their operating performance. Such broad market fluctuations may adversely affect the price of our common stock.

DIRECTORS

Certain directors of the Company are also directors, officers and/or shareholders of other companies. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required to act in good faith with a view to the best interests of the Company and to disclose any interest which they may have in any project opportunity of the Company. If a conflict of interest arises at a meeting of the board of directors, any directors in a conflict will disclose their interests and abstain from voting in such matters. In determining whether or not the Company will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Company may be exposed and its consolidated financial position at the time.

Dated this 24th day of February, 2022

"signed"

Mark Billings
President
Auxico Resources Canada Inc.