AUXICO RESOURCES CANADA INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS – QUARTERLY HIGHLIGHTS
FOR THE THREE AND SIX-MONTH PERIOD ENDED MARCH 31, 2022

OVERVIEW

This following management's discussion and analysis (quarterly highlights) of the financial condition and results of operations ("MD&A") covers the operations of Auxico Resources Canada Inc. ("Auxico" or the "Company") for the three and six-month period ended March 31, 2022. All currency amounts referred to herein are in Canadian dollars unless otherwise stated. The MD&A has been prepared in accordance with Regulation 51-102 and should be read in conjunction with: the Company's unaudited condensed interim consolidated financial statements for the three and six-month period ended March 31, 2022; the Company's audited consolidated financial statements for the year ended September 30, 2021; and the Company's MD&A for the year ended September 30, 2021. The accompanying audited and unaudited consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). The consolidated financial statements and this MD&A are intended to provide investors with a reasonable basis for assessing the financial performance of the Company.

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

This MD&A is dated May 30, 2022.

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 three subsidiaries: Auxico Resources S.A. de C.V. ("Auxico Mexico"), which was incorporated under the laws of Mexico on June 16, 2011; C.I. Auxico de Colombia S.A., which was incorporated under the laws of Colombia on April 9, 2019; and Minera Auxico Bolivia S.A., which was incorporated under the laws of Bolivia on December 8, 2021. 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 PERIOD ENDED MARCH 31, 2022

On January 6, 2022, Auxico announced that it had entered into a Memorandum of Understanding ("MOU") with the Brazilian mining cooperative Cooperativa Estanífera 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 Massangana, 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 (%)**	**UAEx Recovery (%)**
Cerium	CeO_2	35.90	94.43
Dysprosium	Dy_2O_3	0.28	83.54
Gadolinium	Gd_2O_3	0.17	100.00
Lanthanum	La_2O_3	15.17	94.24
Neodymium	Nd_2O_3	9.04	92.51
Praseodymium	Pr_6O_{11}	0.89	100.00
Samarium	Sm_2O_3	0.90	93.28
Yttrium	Y_2O_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. As of the date of this MD&A, Auxico is still in the process of completing its due diligence and in finalizing the terms of the joint venture agreement 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.

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.

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 June 30, 2022. Originally, the promissory notes were to be repaid on March 31, 2022.

On March 11, 2022, Auxico closed a non-brokered private placement (the “Private Placement”), raising aggregate gross proceeds of $3,900,000 in convertible debentures (the “Debentures”).

Each Debenture consists of $1 principal amount of unsecured, non-redeemable 10% convertible debentures, maturing on March 11, 2023 (the “Maturity Date”) and convertible at the option of the Debenture holder into common shares of Auxico (the “Common Shares”) at a conversion price of $2.50 per Common Share. If all Debentures were converted, this would result in the issuance of 1,560,000 Common Shares.

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

The Company paid finder's fees of $390,000 in connection with the Private Placement. The Debentures issued pursuant to the Private Placement are subject to a four-month hold period in Canada.

The net proceeds of the Private Placement will be used for general working capital purposes.

On March 16, 2022, the Company provided the results of the metallurgical testing done on the samples from the Massangana project located in the state of Rondonia, Brazil. The Massangana properties cover an area of 18,000 hectares and have been the object of important tin production over the last 100 years. The Massangana project contains 30 million tonnes of tailings, as estimated by a study titled 'Investigation of tin and tantalum ores from the Rondonia Tin Province, northern Brazil, to develop optimized processing technologies' prepared by the German Mineral Resources Agency and the Geological Survey of Brazil. The study indicates that three types of products could be generated from the tin tailings: columbite concentrate containing 34.07% niobium, monazite concentrate containing 37.74% total rare earth oxide (TREO), and cassiterite concentrate containing 54.92% tin. For reference, please see below the table outlining the products as provided within the study. The Company intends to build a concentration facility in order to produce these concentrates, generating sales of niobium, tin, and rare earths. To view the study referenced above, please visit the Company's website (www.auxicoresources.com/reports).

Massangana Tin Tailings	TREO %	Sn %	Th %	U %	Ta %	Nb %
Tailings	4.56	0.65	0.49	0.07	0.07	0.37
Columbite Concentrate	5.67	0.97	0.47	0.09	4.83	34.07
Monazite Concentrate	37.74	9.61	3.37	0.13	0.42	0.19
Cassiterite Concentrate	0.09	54.92	0.09	0.03	1.7	2.87

The property owners provided the Company with the concentrate from the tailings that has been produced by magnetic separation and gravity methods from feed material averaging 2.83% total rare earth oxide content (TREO). The provided concentrate contained 63.49% TREO, therefore having a rare earth content in the value of ±US$ 19,626 per tonne at current market prices. For reference, please see table in the second part of this news release. This concentrate has been treated using the Company's licensed ultrasound extraction process (UAEx), achieving recoveries exceeding 90% of most rare earth oxides, as per the table below. The rare earth content in the tailings is in the order of 1,000,000 tonnes, according to the study referenced to above.

The Company is pleased to announce that it has successfully removed the thorium content, making the concentrate non-radioactive and eligible for international shipping. Using the UAEx process, the thorium content in the concentrate was reduced to less than 0.1%. For reference, please see the table below.

Brazil	
Thorium Grade (%)	**Thorium Grade (%)**
Before UAEx	After UAEx
6.23	< 0.1

The Company intends to build a processing plant in Brazil in order to create a non-radioactive rare earths concentrate, by extracting thorium and uranium using the ultrasound extraction process and precipitating the thorium as a separate concentrate that could be sold independently.

Please see below the estimated value per tonne based on the rare earth oxide grades and the achieved recoveries.

Element	Symbol	Brazil Concentrate Grade (%)	Brazil UAEx Recovery (%)	Effective % Recovery	USD $/MT 2022-03-03	USD $ Element/ tonne
Cerium	CeO_2	35.90	94.43	33.90	1,465	496
Dysprosium	Dy_2O_3	0.28	83.54	0.23	492,000	1,150
Gadolinium	Gd_2O_3	0.17	100.00	0.17	99,905	169
Lanthanum	La_2O_3	15.17	94.24	14.30	1,425	203
Neodymium	Nd_2O_3	9.04	92.51	8.36	190,000	15,889
Praseodymiu m	Pr_6O_{11}	0.89	100.00	0.89	173,000	1,539
Samarium	Sm_2O_3	0.90	93.28	0.84	4,735	39
Yttrium	Y_2O_3	1.14	80.80	0.92	14,850	136
	TREO (%)	**63.49**				**19,626**

Auxico's QP is preparing a program involving bulk sampling in several areas as well as a LIDAR survey which would give a more precise map to calculate the tailings area. LIDAR stands for Light Detection and Ranging, which is a remote sensing technique utilizing light in the form of pulsed laser.

The metallurgical testing described in this news release was done on behalf of the Company by the research institute Coalia in Thetford Mines, Quebec.

On March 22, 2022, Auxico closed a non-brokered private placement (the "Private Placement"), issuing a total of 2,062,776 units (the "Units") at a price of $0.90 per Unit raising gross proceeds of $1,856,500.

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 $1.20 for a period of 3 years from the date of issuance (the "Closing Date").

The Company paid finder's fees of $142,520 in connection with the Private Placement and issued 158,355 broker warrants ("Broker Warrants"). The Broker Warrants is exercisable at $0.90 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 management of the Company intends to use the proceeds from the Offering as general working capital, as well as to advance the rare earth property in Vichada, Colombia and the commodities trading business.

On March 28, 2022, Auxico filed on SEDAR its National Instrument (NI) 43-101 Technical Evaluation Report ("Report") on the Minastyc Property in Vichada, Colombia. Provided below are highlights from the Report:

- In August of 2021, Joel Scodnick, P.Geo., & Qualified Person ("QP") for Auxico took a representative 3.2 tonne bulk sample from two locations of the Area 50 pit. A 7.7 kg fine concentrate returned Total Rare Earth Oxides (TREO) grading 68.32% and 65.67% respectively from the two locations;
- The presence of radioactive Thorium has always been an issue with many rare earth deposits, however, working with Impact Global Solutions (IGS), the Thorium is precipitated from the monazite concentrate using acid bake, which results in recoveries of 99%+ rendering the rare earth concentrate safe for transportation, thus virtually eliminating the Thorium;

- Auxico initiated a project with Central America Nickel to develop a metallurgical process using acid bake and the Ultrasound Assisted Extraction technology ("UAEx"). Recoveries of over 80% have been demonstrated at IGS on the Rare Earth Elements (REE's);
- In February 2022, AMCO Consultants from Bogota submitted a PTO-work program to the Colombian National Mining Agency. Acceptance of the work program will result in a small-scale mining permit to be issued. Once the permit is issued, Auxico will initiate the program proposed by the QP and will mobilize a mobile concentrator onsite to do all of the testing of the concentrates in the field, and will then send the samples to an accredited lab for analyses;
- A budget of USD 800,000 is proposed, which includes detailed mapping of the alluvials, and an auger drilling program covering the TA Area and Area 50 which will be used to build a resource and develop a mining plan;
- The TA Area and Area 50 are approximately 1.6 km apart, with both areas returning various high-grades in concentrates including the following elements:

Element	Symbol	Industrial Use
Cerium	Ce	Catalytic converters, ceramics, glass
Dysprosium	Dy	Permanent magnets, data storage, lasers
Erbium	Er	Fibre optics, optical amplifiers, lasers
Gadolinium	Gd	Medical imaging, permanent magnets
Hafnium	Hf	Nuclear control rods, alloys & high-T ceramics
Lanthanum	La	catalyst ceramics, glass polishing, metallurgy & batteries
Neodymium	Nd	permanent magnets, rubber catalysts, medical & industrial lasers
Niobium	Nb	Steel and superalloys
Palladium	Pd	Catalytic converters & catalyst agent
Platinum	Pt	Catalytic converters
Praseodymium	Pr	Permanent magnets, batteries, aerospace alloys, ceramics & colorants
Samarium	Sm	Permanent magnets, absorber in nuclear reactors & cancer treatments
Tantalum	Ta	Electronic components & superalloys
Tin	Sn	Protective coatings & alloys
Titanium	Ti	White pigment & metal alloys
Ytterbium	Yb	Catalysts, scintillometers, lasers & metallurgy
Yttrium	Yt	Ceramic, catalysts, lasers, metallurgy & phosphors
Zirconium	Zr	High-T ceramics & corrosion-resistant alloys

- Gold, Silver, Platinum, and Palladium were also detected in coarse concentrates in the TA Area, returning values as high as 63 g/t Gold, 32 g/t Silver, 53 g/t Platinum, and 19 g/t Palladium. One sample from a 5.7 kg laterite in the main TA Area pit returned 15 g/t Gold and 38 g/t Platinum. The presence of these precious metals indicates a relationship with upstream basements or serpentine or olivine or pyroxene-rich ultramafic rocks.
- The company Japosat produced various images of Minastyc and the surrounding area, which encompasses the recently acquired 1,293 hectare Agualinda Property, also referred to as Minastyc South. Multispectral geobotany and litho-structural mineral targeting was applied to map the spectral anomalies of the vegetation and the surface geochemistry, to map the litho-structural features in the rock types, to combine the geobotanical and soil results with the litho-structural interpretation and to identify mineral exploration target areas. Many targets were identified on both properties which will be followed up in the next

program. Two of the targets are over the TA Area and Area 50 showing good correlation of the imagery to the known mineralized areas.

SUBSEQUENT EVENTS

On April 7, 2022, Auxico announced the gold, platinum, titanium, zirconium and hafnium test results on samples taken from the Area 50 and TA area from the Company-controlled Minastyc property in the department of Vichada, Colombia. The samples were taken from pits in the first metre from surface, and in a Ferricrete formation that is pervasive in several areas on the property. Fourteen samples from both areas gave an average head grade of 9.5 grams of gold and 13.5 grams of platinum from 8 of the 14 samples that returned grade. For reference, please see the table below.

Sample No.	Waypoint No.	Pit No.	Area	Sample Type	Head Grade Au	Head Grade Pt
S00357775	0020	MIN-02	TA Area	coarse gravel	4.59	18.71
S00357776			TA Area	coarse gravel	5.61	16.41
S00357755	0020	MIN-02	TA Area-main pit	rock sample	15.00	38.00
S00357777	0031	MIN-03	TA Area	coarse gravel	7.26	6.32
S00357778	0037	MIN-08	TA Area	coarse gravel	18.35	12.37
S00357779	0038	MIN009	TA Area	coarse gravel	29.05	6.92
S00357780	0038	MIN009	TA Area	coarse gravel	13.36	5.96
S00357781	0023	MIN010	TA Area	coarse gravel	6.97	/
S00357782	0040	MIN011	Area 50	coarse gravel	12.71	/
S00357785	0043	MIN-014	Area 50	coarse gravel	0.32	/
S00357787	0046	MIN-017	Area 50	coarse gravel	14.00	3.33
S00357789	0048	MIN-019	Area 50	coarse gravel	2.36	/
S00357791	0050	MIN-021		coarse gravel	1.67	/
S00357792	0051	MIN-022		coarse gravel	1.77	/
				Average Value (g/t)	**9.50**	**13.50**

Current market prices of these metals are US$1,925 per ounce of gold and US$952 per ounce of platinum. (Source: kitco.com)

In addition, the Company is pleased to report the discovery of 24.5% titanium, 7.8% zirconium, and 2.4 kilograms of hafnium. These results are from the concentrates of fines taken at various sample points. For reference, please see the table below.

Sample No.	Waypoint No.	Pit No.	Area	Sample Type	Ti (%)	ZrO2 (g/t)	HfO2 (g/t)
S00357751	0030	MIN-01	TA Area	fine concentrate	19.50	3.94	0.17
S00357752	0021		TA Area	fine concentrate	23.24	5.33	0.08
S00357753	0020	MIN-02	TA Area	fine concentrate	28.00	7.58	0.16
S00357754	0020	MIN-02	TA Area	fine concentrate	33.16	12.36	0.39
S00357756	0031	MIN-03	TA Area	fine concentrate	28.73	7.36	0.15
S00357757	0037	MIN-08	TA Area	fine concentrate	26.38	5.45	0.10
S00357758	0038	MIN009	TA Area	fine concentrate	30.22	11.55	0.15
S00357759	0038	MIN009	TA Area	fine concentrate	23.32	5.61	0.13
S00357760	0023	MIN010	TA Area	5g fines	18.61	26.05	0.67
S00357762	0040	MIN011	Area 50	fine concentrate	19.20	5.46	0.28
S00357763	0041	MIN012	Area 50	fine concentrate	22.30	7.08	0.24
S00357764	0042	MIN-013	Area 50	fine concentrate	23.61	8.00	0.27
S00357765	0043	MIN-014	Area 50	fine concentrate	29.31	5.59	0.28
S00357766	0044	MIN-015	Area 50	fine concentrate	26.09	5.20	0.19
S00357767	0046	MIN-017	Area 50	fine concentrate	16.36	3.09	0.08
				Average Value (g/t)	**24.54**	**7.98**	**0.22**

Current market prices of these metals are: US$3,250 per tonne of titanium, US$2,215 per tonne of zirconium, and US$1,025,000 per tonne of hafnium. (Source: Rare Earth Industry Association)

The sampling program was conducted by the Company's Qualified Person ("QP"), Joel Scodnick, P.Geo, who recently completed a National Instrument (NI) 43-101 Technical Evaluation Report ("Report") on the Minastyc Property. The above sampling results lend a new interpretation and consolidation of information with regard to the information presented in the Report. The coarse gravel samples presented here were analyzed by the Alpha 1 laboratory in Bogota, Colombia. Most of the current exploration pits that were sampled in the TA Area have been identified within an area of 2.3 hectares, and Area 50 is represented over an area of 6.5 hectares. These measurements were based on field observations of the Ferricrete on surface characterized by a reddish colour or gossan.

The Ferricrete formation, which is essentially a massive sulphide iron cap with ilmenite and pyrite, is found in several extensive areas on the Minastyc property. Recent satellite imagery interpretation from the company Japosat suggests that 150 hectares are represented by the Ferricrete formation, having the same signature as the sample areas from Area 50, the TA Area, and the two other areas. Based on these observations in the field and from the satellite interpretation, it is fair to say that an estimated minimum of 250,000 tonnes of material is represented by this Ferricrete layer in the first metre from surface at Area 50 and he TA Area. The Qualified Person is planning a more detailed sampling program in order to build up a resource in these areas leading to a production decision. From the sampling so far, the values in Ti-Zr-Hf-Au-Pt appear to be rather homogeneous and are producing a high-grade concentrate. It is quite important to note as well that the head grade of the gold at 9.50 g/t and 13.50 g/t Pt are so high for this type of geological environment.

Uses of Titanium, Zirconium and Hafnium

All three elements are on the list of critical minerals published by the US The Department of the Interior and are considered critical to the economic and national security of the United States.

Titanium is important as an alloying agent with many metals including aluminium, molybdenum and iron. These alloys are mainly used in aircraft, spacecraft and missiles because of their low density and ability to withstand extremes of temperature. Additionally, titanium is used in the automotive industry, particularly where low weight and high strength rigidity are required. Power plant condensers use titanium pipes because of their resistance to corrosion. Titanium is also used in desalination plants and to protect the hulls of ships, submarines and other structures exposed to seawater.

One of the major applications of Zirconium is as a corrosion-resistant material of construction for the chemical processing industry. Some of the more important areas in the chemical processing industry where Zirconium is being used include reboilers, evaporators, tanks, packings, trays, reactor vessels, pumps, valves and piping. Zirconium is also used to make superconducting magnets, which are electromagnets that are used to produce electricity. Additional uses include surgical instruments, photographic flashbulbs and in making glass for televisions.

Hafnium is a good absorber of neutrons and is used to make control rods, such as those found in nuclear submarines. Hafnium has been successfully alloyed with several metals including iron, titanium and niobium. Another use of hafnium is for microprocessors, which are important parts of computers, cell phones, tablets and other electronics. Hafnium is combined with other elements to make compounds that can endure extreme temperatures. Hafnium oxide is used as an electrical insulator in microchips, while hafnium catalysts have been used in polymerisation reactions.

On April 19, 2022, Auxico announced the successful execution of the Company's first trade of 96 tonnes of rare earth concentrates from the Democratic Republic of Congo ("DRC") as per the signed sales agency agreement with Central America Nickel ("CAN"), which has been finalized this week. As the exclusive sales agent, Auxico will retain a commission equal to 15% of the sales price. Please see below the highlights of the first trade:

- The material was sold at a final price of US$4,784 per metric tonne for a value of US$458,899.52. A total of US$367,119.62 representing 80% of the sales price has been paid, while the balance of 20% and final pricing will be settled once the material arrives at the final destination;
- The offtake agreement assumes a minimum of 18,000 tonnes of rare earth concentrates to be sold during the next five years, i.e. 300 tonnes per month, with the objective of increasing the quantities to 1,000 tonnes of concentrates per month, for a total of up to 60,000 tonnes of concentrates during the next five years. At current market prices, this represents a value of ~US$ 278 million;
- The rare earth concentrates, contained in the non-radioactive monazite sands, are purchased from various cooperatives in the province of North Kivu, DRC.

For more details on the transaction, please reference the table below.

Provisional Invoice No 1							
Provisional Invoice date:		2022-04-07				**Quantity (kg)**	**95,908.80**
Provisional quantity		95,908.80	Kg		**Provisional purchase @20% of value**		
Pricing Element	Oxide	**% in Concentrate**	TREO	RE/TREO	**Ask price**	**USD$ /1000 Kg of Concentrate**	**20%**
Praseodymium	Pr	**2.618%**	99%	99.5%	**146.09**	3,824.44	**764.89**
Neodymium	Nd	**11.596%**	99%	99.5%	**147.66**	17,122.47	**3,424.49**
Terbium	Tb	**0.083%**	99%	99.99%	**2,073.55**	1,720.01	**344.00**
Dysprosium	Dy	**0.140%**	99%	99.5%	**408.43**	572.72	**114.54**
Gadolinium	Gd	**0.889%**	99%	99.5%	**76.97**	684.11	**136.82**
			Preliminary price per Metric Ton (USD)				**4,784.75**
			Preliminary total (USD)				**458,899.52**
			Provisional Purchase Invoice Amount (USD) 80% of total				**367,119.62**

Pierre Gauthier, Chairman and CEO of Auxico commented: "We are very pleased to see the first trade of rare earth concentrates from DRC being finalized. This is an important step towards positioning Auxico as a major player in the global rare earths market, as we have been strategically working on developing diversified sources of critical minerals. Now that the procedures for export have been established and CAN has been successful in selling the first lot, we expect the sale of rare earth concentrates from DRC to ramp-up to 1,000 tonnes per month".

Auxico controls a total of 1,482 hectares in the province of Vichada, Colombia, where the Company made discoveries of high-grade concentrates with total rare earth oxide content exceeding 55%. In addition, Auxico is in the process of finalizing a joint venture agreement for a tin tailings project in the province of Rondonia, Brazil, estimated to contain 30,000,000 tonnes of tailings averaging 2.83% total rare earth oxide (TREO) content i.e. 840,000 tonnes of rare earth content in the tailings.

Also on April 19, 2022, Auxico granted 2,250,000 stock options to officers, directors and consultants to the Company. These options have a strike price of $0.85, no vesting period and an expiry date of April 19, 2027.

On May 16, 2022, Auxico announced that the National Mining Agency of Colombia ("ANM" or *Agencia Nacional de Minería*) has granted a mining permit for the Minastyc Property in Vichada, Colombia, which is controlled by Auxico; more specifically, the ANM has authorized the Company's work plan ("PTO" or *Programa de trabajo y obras*).

This is a very significant development for the Company. Auxico will now be able to move forward with the formal purchase of the Minastyc Property from its current owner and continue the Company's work to develop the Property. The approval of the PTO was the last condition in the purchase agreement. Auxico has initiated the process of transferring the title of the Minastyc Property to the Company.

Earlier in May 2022, several members of the Auxico team were in Bogotá, Colombia, for meetings with the ANM, the Ministry of Mines, the Canadian Embassy and others. Auxico management is very encouraged by the support it has received from all parties in regards to its development plan at Minastyc.

In addition to the approval of the PTO, the Company is required to have the authorization from Corporinoquia, which is the Colombian environmental agency. The last step in this process is a site visit by representatives of this agency to the Minastyc Property. The Company is presently coordinating this visit with Corporinoquia and expects the visit to occur near term.

Once the authorization from Corporinoquia is obtained, the Company will be able to move equipment on site, including heavy machinery for bulk sampling and a processing facility, which will enable Auxico to move towards making a production decision for small-scale mining operations.

The goal of the Company is to produce and export rare-earth elements, transition metals, post-transition metals and actinoid concentrates from the Minastyc Property.

Update on Work at the Minastyc Property

Under the supervision of Auxico's Qualified Person, Joel Scodnick, P. Geo., an exploration program is currently being conducted on the Minastyc Property. A systematic initiative of digging approximately 250 pits using shovels is being executed via a grid system. This program is estimated to span about four weeks, after which the samples will be shipped to an accredited lab. The purpose of this exercise is to test the first couple metres depth of the mineralized gravels, specifically for transition metals (gold, platinum, palladium, tantalum, niobium, hafnium, zirconium and scandium), actinoids (thorium and uranium), alkali metals (lithium, rubidium and cesium), post-transition metals (tin and aluminum) and rare earth elements (lanthanum, cerium, praseodymium and neodymium). All of the above-mentioned metals have been discovered and previously sampled at Minastyc. Once the results are returned from the lab, a resource will be established, and the current NI 43-101 technical report will be updated. A mining plan can then be adopted.

Share Information

As at the date of this MD&A, there are 70,900,994 common shares issued and outstanding of Auxico.

Additional Information

Additional information on Auxico, the Zamora Property and the Company's opportunities in Colombia and Brazil can be accessed on the Company's website (www.auxicoresources.com) and on SEDAR (www.sedar.com).

Qualified Person

The technical content 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")..

Disclaimer

Since the QP of the Company did not supervise the sampling on the Massangana property located in Brazil (see the Company's news release of January 6, 2022), the QP therefore warns the reader that the results cannot be relied upon and do not conform to National Instrument 43-101.

FINANCIAL POSITION

The Company prepared its condensed consolidated financial statements in accordance with the International Financial Reporting Standards (''IFRS''). The Company's condensed interim consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the Company. For more detailed information, please refer to the Company's condensed interim consolidated financial statements for the periods then ended. The consolidated financial position of Auxico at March 31, 2022 (unaudited) and September 30, 2021 (audited) is presented below:

Interim Consolidated Statements of Financial Position

As at	March 31, 2022 (unaudited)	September 30, 2021 (audited)
	$	**$**
ASSETS		
Current assets		
Cash & cash equivalents	6,340,364	2,563,533
Receivables	460,929	254,810
Promissory notes to third party	200,000	-
Prepaid expenses	1,948,128	1,546,960
Inventory	126,776	126,776
Advance to directors	3,098	3,098
Advance to companies controlled by a director	50,498	-
	9,129,793	**4,495,177**
Non-current assets		
Equipment	101,070	-
Prepaid expenses	500,000	500,000
Exclusive sales agency distribution right	1,090,689	-
Conversion right	156,311	-
	1,848,070	**500,000**
TOTAL ASSETS	**10,977,863**	**4,995,177**
Liabilities		
Current liabilities		
Accounts payable and accruals	411,402	335,644
Payable under exclusive sales agency distribution right	1,247,000	-
Income tax payable	4358	4,314
Due to companies controlled by a director	-	12,733
Due to directors	-	3,883
Current portion of finder’s fees payable	224,988	224,988
Convertible debentures	3,588,781	66,232
	5,476,529	**647,794**
Non-current liabilities		
Long-term finder’s fees payable	80,574	159,601
Convertible debentures	15,078,685	28,121,815
	15,159,259	**28,281,416**
TOTAL LIABILITIES	**20,635,788**	**28,929,210**
DEFICIENCY		
Deficiency attributable to shareholders	(9,659,428)	(23,935,120)
Equity attributable to non-controlling interest	1,503	1,087
TOTAL DEFICIENCY	**(9,657,925)**	**(23,934,033)**
TOTAL LIABILITIES & DEFICIENCY	**10,977,863**	**4,995,177**

Cash and cash equivalents at March 31, 2022 were $6,340,364, compared to $2,563,533 at September 30, 2021, an increase of $3,776,831. This is due primarily to the private placements of Units and Debentures that the Company closed in January and March 2022, as described above.

At March 31, 2022, Auxico had prepaid expenses (current portion) of $1,948,128, which was an increase of $401,168, compared to prepaid expenses (current portion) of $1,546,960 at September 30, 2021. The biggest portion of this was the prepayment for manganese ore in Brazil; this amounted to $1,200,785 at both dates. The deposit on the Minastyc property amounted to $225,090 at both dates as well. The remainder of the prepaid expenses (current portion) relates to deposits on other properties in Colombia, Brazil and Bolivia.

At March 31, 2022 and at September 30, 2021, the Company had prepaid expenses (non-current portion) of $500,000. Auxico paid a deposit to Central America Nickel (“CAN”) to license the technology developed by CAN over a period of 10 years.

On March 30, 2022, the Company signed an exclusive sales agency distribution agreement with CAN (a company with common directors) for the sales of CAN's rare earth. The contract gives the Company the exclusive rights to distribute CAN's rare earths to Auxico in exchange for a payment of $1,247,000 ($1,000,000 USD). The term of the contract is for two years. The contract entitles the Company to receive a 15% commission on CAN'S gross revenues from rare earths. Anytime during the two year's contract period, the Company can convert the $1,247,000 into common shares of CAN at a conversion price of $2. The contract was recorded into two assets: an intangible asset ($1,090,689) and a conversion right ($156,311).

At March 31, 2022, the Company recorded inventory of $126,776 (September 30, 2021 – $126,776). This relates to columbite ore purchased by Auxico in Brazil for its commodities trading business.

Auxico had accounts payable and accruals of $411,402 as at March 31, 2022, compared to $335,644 at September 30, 2021, an increase of $75,758. These are trade payables in the normal course of the Company’s operations.

Convertible Debentures

For the three-month period ended December 31, 2021, no Debentures were issued.

Transactions – three-month period ended March 31, 2022

On March 8, 2022, the Company completed a non-brokered financing of $3,900,000 by way of issuance of unsecured, non-redeemable convertible debentures. The Debentures carry an interest rate of 10%, payable monthly, with a maturity date of March 11, 2023. The principal amount of the Debentures is convertible at any time at the election of the holder. The Debentures are convertible into common shares of the Company at a price of $2.50 per common share. If all debentures were converted, this would result in the issuance of 1,560,000 common shares. For accounting purposes, the Debentures are separated into their liability and equity components by first valuing the liability component. The fair value of the liability component at the time of issue was calculated as the discounted cash flows for the Debentures assuming a 14.5% discount rate, which was the estimated rate for a similar debenture without a conversion feature. The fair value of the equity component (conversion feature) was determined at the time of issue as the difference between the face value of the Debentures and the fair value of the liability component. Transaction costs of $390,000 were incurred and have been recorded pro rata against the liability and equity components. The liability balance of the transaction costs will be amortized over the life of the debenture.

For the three-month period ended March 31, 2022, there was a conversion of $25,000 of the initial Debentures plus $411 of interest into 254,109 units (254,109 shares and 254,109 warrants that can be exercised at $0.15 over a 3-year period).

Accounting treatment and evaluation of Convertible 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 March 31, 2022, the Company reviewed the estimated fair value of the conversion options and adjusted the initial fair value to $12,525,655 (September 30, 2021 – $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 13 of the condensed interim consolidated financial statements of the Company for the period ended March 31, 2022.

For the six-month period ended March 31, 2022, the change in fair value of derivatives resulted in a decrease of expense of $12,947,988 (September 30, 2021 – an increase of expense of $23,734,924) 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.

As at March 31, 2022, the Debentures have a nominal value of $7,525,000 (September 30, 2021 – $3,650,000).

RESULTS OF OPERATIONS

For the three-month period ended March 31, 2022, the Company recorded net income and comprehensive income of $9,751,280, compared to a net loss and comprehensive loss of $1,008,253 for the three-month period ended March 31, 2021, representing a difference of $10,759,533. Details for the three-month periods ended March 31, 2022 and 2021 are presented below:

Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)

For the three-month periods ended March 31 (unaudited)	2022 $	2021 $	Variance $
Sales	**-**	**187,767**	**(187,767)**
Cost of sales	-	131,046	(131,046)
Gross margin	-	56,721	(56,721)
Selling and administrative expenses			
Exploration and evaluation expenditures	467,508	238,041	229,467
Professional fees	540,270	255,297	284,973
Share-based compensation	271,600	343,620	(72,020)
Management fees	90,000	60,000	30,000
Legal fees	63,207	21,654	41,553
Travel expenses	41,087	-	41,087
Bad debts	37,479	-	37,479
Public listing fees	36,377	41,004	(4,627)
Write-off of sales tax receivable	32,989	-	32,989
Advertising	10,891	-	10,891
Insurance	9,538	10,121	(583)
Depreciation	9,439	-	9,439
Loss (gain)on foreign exchange	9,078	(9,814)	18,892
Rent	9,000	9,000	-
Office expenses	5,685	-	5,685
Taxes and permits	2,517	9,419	(6,902)
Telecommunications	1,827	-	1,827
Commissions	-	15,688	(15,688)
Other expenses	(1,291)	9,430	(10,721)
	1,637,201	1,003,460	633,741
Loss before finance income, finance costs and income taxes	(1,637,201)	(946,739)	(690,462)
Finance income	2,230	-	2,230
Finance costs (earnings)			
Accreted interest on convertible debentures	256,230	113,896	142,334
Interest on convertible debentures	29,199	202,518	(173,319)
Interest and bank fees	5,034	4,029	1,005
Transaction costs	-	-	-
Unrealized loss on derivative financial instrument	-	42,063	(42,063)
Fair value adjustment of the embedded derivative	(11,676,714)	(300,992)	(11,375,722)
Total finance costs (earnings)	(11,386,251)	61,514	(11,447,765)
Net finance earnings (costs)	11,388,481	(61,514)	11,449,995
Net income (loss) and comprehensive income (loss)	**9,751,280**	**(1,008,253)**	**10,759,533**
Net income (loss) and comprehensive income (loss) attributable to:			
Shareholders	9,750,854	(1,008,209)	10,759,063
Non-controlling interest	426	(44)	470
	9,751,280	(1,008,253)	10,759,533
Earnings (Loss) per share – basic and diluted	0.144	(0.019)	
Weighted average number of shares outstanding	67,645,174	52,734,756	

Sales

There were no sales recorded in the three-month period ended March 31, 2022 (March 31, 2021 – $187,767).

Selling and Administrative Expenses

In the three-month period ended March 31, 2022, selling and administrative expenses amounted to $1,637,201, which was an increase of $633,741, compared to selling and administrative expenses of $1,003,460 for the three-month period ended March 31, 2021.

Activity in the period ended March 2022 increased in comparison to the previous year, as COVID restrictions loosened in the jurisdictions in which the Company operates. Consequently, most of the expenses increased in the three-month period ended March 31, 2022.

Exploration and evaluation expenditures increased by $229,467, as Auxico conducted geological work primarily on the Minastyc Property in Colombia. Professional fees also increased by $284,973, legal fees increased by $41,553 and travel expenses increased by $41,087.

In the quarter ended March 31, 2022, the Company recognized share-based compensation expense of $271,600 (March 31, 2021 – $343,620). This is a non-cash expense associated with the granting of options.

Finance Income and Finance Costs

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

In the three-month period ended March 31, 2022, the Company recorded a gain of $11,676,714 on the fair value adjustment on the embedded derivative (March 31, 2021 – $300,992). Because of this gain, the Company recorded net income and comprehensive income for the quarter ended March 31, 2022 of $9,751,280 (March 31, 2021 – loss of $1,008,253). Readers should note that this is a non-cash gain for the Company associated with the accounting treatment of the Debentures.

Results of Operations – Six-Month Period Ended March 31, 2022

For the six-month period ended March 31, 2022, the Company recorded net income and comprehensive income of $9,499,631, compared to a net loss and comprehensive loss of $16,865,909 for the six-month period ended March 31, 2021, representing a difference of $16,365,540. Details for the six-month periods ended March 31, 2022 and 2021 are presented below:

Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)

For the six-month periods ended March 31 (unaudited)	2022 $	2021 $	Variance $
Sales	**-**	**187,767**	**(187,767)**
Cost of sales	-	131,046	(131,046)
Gross margin	-	56,721	(56,721)
Selling and administrative expenses			
Exploration and evaluation expenditures	926,556	459,152	467,404
Professional fees	851,079	485,440	365,639
Share-based compensation	629,710	343,620	286,090
Management fees	180,000	120,000	60,000
Legal fees	80,482	30,214	50,268
Travel expenses	92,322	-	92,322
Bad debts	37,479	-	37,479
Public listing fees	45,562	41,004	4,558
Write-off of sales tax receivable	32,989	-	32,989
Advertising	10,891	-	10,891
Insurance	20,554	10,121	10,433
Depreciation	15,380	-	15,380
Loss (gain)on foreign exchange	11,583	(8,053)	19,636
Rent	18,000	18,000	-
Office expenses	5,685	-	5,685
Taxes and permits	7,193	9,419	(2,226)
Telecommunications	1,827	-	1,827
Commissions	-	15,688	(15,688)
Other expenses	12,236	2,276	9,960
	2,979,528	1,526,881	1,452,647
Loss before finance income, finance costs and income taxes	(2,979,528)	(1,470,160)	(1,509,368)
Finance income	2,230	-	2,230
Finance costs (earnings)			
Accreted interest on convertible debentures	335,969	353,551	(17,582)
Interest on convertible debentures	126,603	349,880	(223,277)
Interest and bank fees	8,487	5,018	3,469
Transaction costs	-	123,907	(123,907)
Unrealized loss on derivative financial instrument	-	977,261	(977,261)
Fair value adjustment of the embedded derivative	(12,947,988)	3,586,132	(16,534,120)
Total finance costs (earnings)	(12,476,929)	5,395,749	(17,782,678)
Net finance earnings (costs)	12,479,159	(5,395,749)	17,874,908
Net income (loss) and comprehensive income (loss)	**9,499,631**	**(6,865,909)**	**16,365,540**
Net income (loss) and comprehensive income (loss) attributable to:			
Shareholders	9,499,215	(6,865,608)	16,364,823
Non-controlling interest	416	(301)	717
	9,499,631	(6,895,909)	16,365,540
Earnings (Loss) per share – basic and diluted	0.143	(0.141)	
Weighted average number of shares outstanding	66,575,570	48,816,473	

Sales

There were no sales recorded in the six-month period ended March 31, 2022 (March 31, 2021 – $187,767).

Selling and Administrative Expenses

In the six-month period ended March 31, 2022, selling and administrative expenses amounted to $2,979,528, which was an increase of $1,452,647, compared to selling and administrative expenses of $1,526,881 for the six-month period ended March 31, 2021.

Exploration and evaluation expenditures increased by $467,404, as Auxico conducted geological work primarily on the Minastyc Property in Colombia. Professional fees also increased by $365,639, legal fees increased by $50,268 and travel expenses increased by $92,322.

In the six-month period ended March 31, 2022, the Company recognized share-based compensation expense of $629,710 (March 31, 2021 – $343,620). This is a non-cash expense associated with the granting of options.

Finance Income and Finance Costs

In the six-month period ended March 31, 2022, the Company recorded a gain of $12,947,988 on the fair value adjustment on the embedded derivative (March 31, 2021 – loss of $3,586,132). Because of this gain, the Company recorded net income and comprehensive income for the six-month period ended March 31, 2022 of $9,499,631 (March 31, 2021 – loss of $6,865,909). Readers should note that this is a non-cash gain for the Company associated with the accounting treatment of the Debentures.

CASH FLOWS AND LIQUIDITY

The following table outlines the Company's cash flows for the six-month periods ended March 31, 2022 and 2021:

Interim Consolidated Statements of Cash Flows

For the six-month periods ended March 31 (unaudited)	2022	2021
	$	$
Cash used in operating activities		
Net income (loss) and comprehensive income (loss)	9,499,631	(6,865,909)
Depreciation	15,380	-
Share-based compensation	629,710	343,620
Bad debts	37,479	-
Write-off of sales tax receivable	7,204	-
Unrealized loss on derivative financial instrument	-	977,261
Fair value adjustment of the conversion option	(12,947,988)	3,586,132
Accreted interest	266,401	353,551
Amortization of issuance costs	-	10,833
Net changes in non-cash working capital items		
Receivables	(131,977)	(328,192)
Subscription receivable	(118,825)	(75,000)
Prepaid expenses	(401,168)	62,821
Inventory	-	(2,098,238)
Accounts payable and accruals	75,758	(51,540)
Income tax payable	44	(4,314)
	(3,068,351)	**(4,088,975)**
Cash used in investing activities		
Deposit La Franca	-	(56,068)
Advance to a joint operation	-	(126,060)
Advance to a company controlled by a director	(50,498)	(2,202,080)
Promissory notes to third party	(200,000)	-
Acquisition of equipment	(116,450)	-
	(366,948)	**(2,384,208)**
Cash flows from financing activities		
Advance to directors	-	3,098
Due to companies owned by a director	(12,733)	(34,000)
Due to directors	(3,883)	(36,530)
Long-term finder's fees payable	(112,494)	-
Exercise of warrants	163,116	-
Exercise of options	325,000	-
Proceeds from issuance of units, net of issuance costs	3,343,124	5,630,067
Proceeds from issuance of convertible debentures (net)	3,510,000	2,466,122
	7,212,130	**8,028,757**
Increase in cash and cash equivalents	3,776,831	1,555,574
Cash and cash equivalents, beginning of period	2,563,533	288,780
Cash and cash equivalents, end of period	**6,340,364**	**1,844,354**

For the six-month period ended March 31, 2022, Auxico generated an increase of cash of $3,776,831, compared to an increase of cash of $1,555,574 for the six-month period ended March 31, 2021.

Cash used in operating activities amounted to $3,068,351 in the six-month period ended March 31, 2022, compared to cash used in operating activities of $4,088,975 for the six-month period ended March 31, 2021.

In the six-month period ended March 31, 2022, cash used in investing activities amounted to $366,948, compared to cash used in investing activities of $2,384,208 for the six-month period ended March 31, 2021.

In the six-month period ended March 31, 2022, the Company generated cash flows from financing activities of $7,212,130, compared to $8,028,757 for the six-month period ended March 31, 2022. In both periods, the Company closed private placements of Units and Debentures, which represented cash inflows to Auxico.

At March 31, 2022, the cash balances and the working capital of the Company were positive. Auxico will continue to rely on access to equity and debt financings to cover operational expenses and geological work.

CAPITAL STRUCTURE

Shares issued

At March 31, 2022, there were 70,900,994 issued and fully paid common shares (September 30, 2021 – 65,014,000).

Warrants

At March 31, 2022, the Company had 9,646,423 warrants issued and outstanding, as presented below:

Date of Issue	Expiry Date	Strike Price	Balance
Aug. 29, 2017	Aug. 28, 2022	$0.25	16,600
Dec. 3, 2020	Dec. 2, 2023	$0.15	200,000
Feb. 3, 2021	Feb. 2, 2024	$1.00	4,872,000
Jun. 14, 2021	Jun 21, 2024	$0.15	400,000
Aug. 9, 2021	Aug. 9, 2024	$0.25	1,650,000
Aug. 25, 2021	Aug. 25, 2024	$0.15	500,000
Jan. 19, 2022	Jan. 19, 2025	$1.50	818,080
Mar. 21, 2022	Mar. 21, 2025	$0.90	158,355
Mar. 21, 2022	Mar. 21, 2025	$1.20	1,031,388
			9,646,423

Stock options

At September 30, 2021, there were 5,190,000 stock options issued and outstanding to consultants, officers, and directors of the Company, with no vesting period, as described below:

Date of Issue	Expiry Date	Strike Price	Balance
Oct. 23, 2017	Oct. 22, 2022	$0.40	300,000
Mar. 2, 2022	Mar. 2, 2023	$1.00	1,000,000
Mar. 13, 2018	Mar. 12, 2023	$0.40	200,000
Aug. 22, 2018	Aug. 21, 2023	$0.25	100,000
Mar. 28, 2019	Mar. 27, 2024	$0.25	300,000
Sep. 16, 2020	Sep. 15, 2025	$0.105	400,000
Mar. 17, 2021	Mar. 16, 2026	$0.45	900,000
Jul. 19, 2021	Jul. 19, 2026	$0.79	675,000
Sep. 1, 2021	Sep. 1, 2026	$1.26	510,000
Nov. 24, 2021	Nov. 24, 2026	$1.39	450,000
			4,835,000

SUMMARY OF QUARTERLY RESULTS

The following is a summary of selected financial information from the quarterly interim unaudited consolidated financial statements for the eight quarters ending March 31, 2022.

Quarter ending	Mar. 31, 2022 $	Dec. 31, 2021 $	Sep. 30, 2021 $	June 30, 2021 $
Revenue	-	-	(24,315)	609,288
Net income (loss)	9,751,280	(251,649)	(18,144,855)	(5,691,323)
Net income (loss) per share	(0.019)	(0.004)	(0.287)	(0.097)

Quarter ending	Mar. 31, 2021 $	Dec. 31, 2020 $	Sep. 30, 2020 $	June 30, 2020 $
Revenue	187,767	-	-	-
Net income (loss)	(1,008,253)	(5,857,656)	(1,326,441)	(1,551,087)
Net income (loss) per share	(0.019)	(0.130)	(0.030)	(0.035)

RELATED PARTY TRANSACTIONS AND BALANCES

The Company's related parties include an entity with significant influence, companies controlled by a director, as well as key management personnel and directors. Unless otherwise stated, none of the transactions incorporates special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash. All balances of advances receivable and advances payable are measured at fair value and occurred in the normal course of business. Transactions with related parties for the period ended March 31, 2022 were as follows:

For the three-month periods ended March 31	2022 $	2021 $
Management fees		
Company controlled by a director	60,000	60,000
Key management personnel and directors	30,000	30,000
Share-based compensation		
Key management personnel and directors	-	343,620
Rent		
Company controlled by a director	9,000	9,000
Consulting fees		
Company controlled by a director	12,000	30,000

For the six-month periods ended March 31	2022 $	2021 $
Management fees		
Company controlled by a director	120,000	120,000
Key management personnel and directors	60,000	60,000
Share-based compensation		
Key management personnel and directors	-	343,620
Rent		
Company controlled by a director	18,000	18,000
Consulting fees		
Company controlled by a director	36,899	60,000

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

		Amounts owed by related parties $	Amounts owed to related parties $
Key management personnel and directors	March 31, 2022	3,098	-
	September 30, 2021	3,098	3,883
Company with common directors	March 31, 2022	-	1,247,000
	September 30, 2021	-	-
Companies controlled by a director	March 31, 2022	45,000	11,498
	September 30, 2021	-	12,733

The dues and advances 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.

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.

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.

RISKS AND UNCERTAINTIES

For a detailed list of risks and uncertainties related to the business of Auxico, please consult the Company's MD&A for the year ended September 30, 2021.

Dated this 30th day of May, 2022

"signed"

Mark Billings
President
Auxico Resources Canada Inc.