

AUXICO RESOURCES CANADA INC.
MANAGEMENT’S DISCUSSION AND ANALYSIS – QUARTERLY HIGHLIGHTS
FOR THE THREE AND NINE-MONTH PERIOD ENDED JUNE 30, 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 nine-month period ended June 30, 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 nine-month period ended June 30, 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 August 29, 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 unaudited 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 JUNE 30, 2022

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 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. All of the results from the samples provided below are from concentrates except sample number S0035755 described below is from a rock sample, and it is not a concentrate.

Sample No.	Waypoint No.	Pit No.	Area	Sample Type	Head Grade Au	Head Grade Pt
S00357775	0020	MIN-02	TA Area	coarse gravel concentrates	4.59	18.71
S00357776			TA Area	coarse gravel concentrates	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 concentrates	7.26	6.32
S00357778	0037	MIN-08	TA Area	coarse gravel concentrates	18.35	12.37
S00357779	0038	MIN009	TA Area	coarse gravel concentrates	29.05	6.92
S00357780	0038	MIN009	TA Area	coarse gravel concentrates	13.36	5.96
S00357781	0023	MIN010	TA Area	coarse gravel concentrates	6.97	/
S00357782	0040	MIN011	Area 50	coarse gravel concentrates	12.71	/
S00357785	0043	MIN-014	Area 50	coarse gravel concentrates	0.32	/
S00357787	0046	MIN-017	Area 50	coarse gravel concentrates	14.00	3.33
S00357789	0048	MIN-019	Area 50	coarse gravel concentrates	2.36	/
S00357791	0050	MIN-021		coarse gravel concentrates	1.67	/
S00357792	0051	MIN-022		coarse gravel concentrates	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 fine concentrate	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 visible 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 (not NI 43-101 compliant) is represented by this Ferricrete layer in the first metre or so from surface at Area 50 and the TA Area. The Qualified Person recently completed a 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.

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 aluminum, 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 polymerization 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	USDS /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, which includes the Minastyc and Agua Linda Properties, where the Company made discoveries of high-grade concentrates with total rare earth oxide content exceeding 55%. Auxico has an agreement to acquire the Agua Linda Property.

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, which occurred in early July 2022.

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.

Work at the Minastyc Property

Under the supervision of Auxico’s Qualified Person, Joel Scodnick, P. Geo., an exploration program was recently completed on the Minastyc Property. A systematic initiative of digging approximately 250 pits using shovels was conducted on a selected grid system, and samples have been shipped to an accredited lab. The purpose of this exercise is to test the first several 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.

On June 7, 2022, Auxico announced that a final agreement had been signed (“Agreement”) with Cooperativa Estanifera de Mineradores da Amazônia Legal Ltda. (“CEMAL”) concerning the production of tin, niobium and rare earths from the Massangana tailings estimated to contain 30,000,000 tonnes in the State of Rondônia, Brazil. A study prepared by the German Mineral Resources Agency and the Geological Survey of Brazil 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.

Massangana Tin Tailings	TREO	Sn	Th	U	Ta	Nb
	%	%	%	%	%	%
Tailings	4.56	0.65	0.49	0.07	0.07	0.37
Monazite Concentrate	37.74	9.61	3.37	0.13	0.42	0.19
Columbite Concentrate	5.67	0.97	0.47	0.09	4.83	34.07
Cassiterite Concentrate	0.09	54.92	0.09	0.03	1.70	2.87

** Note: Studies prepared by the German Mineral Resources Agency and Geological Survey of Brazil can be accessed at: <https://www.auxicoresources.com/reports>*

The Company is launching a feasibility study to process 3,000,000 tonnes a year of tailings at a rate of 10,000 tonnes per day, in order to produce the concentrates outlined in the table above as the first phase of the project.

Phase 1 of this project will be launched within the next 12 months. During this phase, the Company will be conducting a pre-production study which includes on-site visits and sampling to verify the current resource and validate the present indications.

Phase 2 will involve the construction of the ultrasound-based processing facility capable of eliminating the radioactive elements that are contained in the tailings. The plant will have a capacity of 100,000 tonnes per year in order to produce rare earth concentrates that meet the international norms for the transportation of these materials.

In Phase 3 these rare earth concentrates from Brazil (50,000 tonnes) will be shipped to the United States of America (“US”) for final separation of the rare earth elements. The Company has prepared a scoping study for the refining of rare earths in Little Rock, Arkansas, US.

The total capital expenditure for the concentration plant in Brazil, and the elemental separation in the US, has been estimated at US\$300,000,000. The Company received a term sheet from Broughton Capital for US\$300,000,000 debt financing, which is subject to due diligence and an off-take agreement, of which the Company is in the process of negotiating.

Terms of the Agreement

Auxico will earn 85% of the profits of the Joint Venture (“JV”) by first, paying US\$2,000,000 over the next year, and second, by providing the JV with the necessary capital to engage in the production of the above-mentioned concentrates.

Payments are scheduled as follows: the first payment of US\$500,000 will be made within 30 days of the date that the Agreement was signed; the second payment of US\$250,000 will be made on or before September 30, 2022; the third payment of US\$250,000 will be made on or before December 31, 2022; and final payment of US\$1,000,000 will be made on the anniversary of the first payment.

Radioactivity

The Company has successfully removed the thorium content, making the concentrate non-radioactive and eligible for international shipping. Using the ultrasound-assisted extraction (“UAEx”) process, the thorium content in the concentrate was reduced to less than 0.1%. For reference, please see the following table.

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

**Coalia Research Institute in Thetford Mines, Quebec, analyzed the samples of the concentrates and performed the metallurgical testing referred to above*

The feed material from the tailings received by Auxico averaged 4.56% total rare earth oxide content (TREO), indicating a content of rare earths in the tailings in the order of 1,370,000 tonnes. The provided concentrate contained 63.49% TREO. Please see the table below.

Element	Symbol	Grade (%)	UAEx 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	

Coalia Research Institute in Thetford Mines, Quebec, analyzed the samples of the concentrates and performed the metallurgical testing referred to above.

On June 22, 2022, the Company announced the signing of an off-take agreement with the Lasell Company Ltd. (“Lasell”) for a supply of up to 1,000 tonnes per month of tantalum ore (“Ta”) with a targeted purity of 30% Ta₂O₅ content. Lasell will have a right of first refusal on production exceeding 1,000 tonnes per month. Initial trial shipments of 25 tonnes per month are expected to begin in Q4 2022, with plans to expand into commercial production over the course of 2023.

The tantalum ore for this off-take will be sourced and executed by the Company’s joint venture partner, Kibara Minerals, of which Auxico holds a 70% stake under a profit-share agreement. Kibara Minerals has access to high-grade tantalite mineral deposits in the Democratic Republic of the Congo (“DRC”) and an exclusive supply agreement with a cooperative for the purchase of tantalite ore from the Bafwasende Tantalum deposit, located 200 km from the city of Kisangani in the north-central part of the DRC. A full exploration permit covering an area of approximately 45.87 km² has been issued by the Ministry of Mines of the DRC.

Tantalite ore from the Bafwasende deposit, a traceable non-conflict artisanal site, has been tested by two independent groups. Impact Global Solutions, based in Delson, Quebec, performed laboratory tests on samples from the Bafwasende deposit, which produced the following grades: 46% Ta₂O₅ (tantalum pentoxide) and 22%

Nb₂O₅ (niobium pentoxide). In 2020, one of the Company's potential buyers of this tantalite ore also performed its respective tests, which resulted in 42.04% Ta₂O₅ and 22.93% Nb₂O₅, which identified the Bafwasende Tantalum deposit as a high-grade columbite mineral source. Both tantalum and niobium are on the Government of Canada's published [2021 Critical Minerals List](#) as well as the United States Geological Survey 2022 new list of 50 mineral commodities critical to the U.S. economy and national security after an extensive multi-agency assessment.

In 2020, initial geological surveys were carried out at the Bafwasende Tantalum deposit on foot, focusing on a known source of Ta₂O₅ in an area of 400-metres in length by 200-metres in width. A total of seven exploration pits were dug over the identified mineralization zone and columbite concentrates recovered from the site have shown an average grade of tantalum pentoxide (Ta₂O₅) in excess of 30%. An aerial study of the permit and the surrounding areas was conducted by JAPOSAT in March 2021 which reconfirmed the initial mineralization and has identified three additional areas of interest within the same basin.

Terms of the Agreement

The pricing will be based on the Asian Metal Index or a similar industry benchmark, with delivery on CIF terms. The initial term of the agreement will be 10 years, automatically renewing for a second term of 10 years subject to mutual agreement.

Recently, the market price of tantalum concentrates at 30% Ta₂O₅ was approximately US\$107,000 per metric tonne (data sourced from ISE).

Lasell Company Ltd.

Lasell Company Ltd. is a globally diversified investor-operator founded in Thailand in 2007. Lasell specializes in the natural resources industry and has recently diversified into commercial real estate. In 2007, Lasell started to trade minerals by collecting and recycling a range of rare metals such as tungsten, nickel, cobalt, titanium, and some rare-earth elements. Since 2007, Lasell has grown from just trading minerals and now operates two processing plants in Thailand. With the upcoming off-take agreement for Ta₂O₅ from the DRC, Lasell intends to dedicate one plant entirely to tantalum processing, using their engineering expertise to produce high-grade tantalum concentrates.

Issuance of Finder's Warrants

Also on June 22, 2022, Auxico issued 1,000,000 warrants to finders in connection with the Company's joint venture on the Massangana tin tailings project in Brazil (please see Auxico's news release dated June 7, 2022). These warrants have a strike price of \$0.90 and expire on June 21, 2025 and are subject to a four-month hold as per Canadian securities regulations.

SUBSEQUENT EVENTS

On July 7, 2022, Auxico announced the successful execution of the Company's second trade of 192 tonnes of rare earth ore (monazite sands) from the DRC. As the exclusive sales agent in the trade, Auxico will retain a commission equal to 15% of the sales price. Please see below the highlights of the trade:

- The material was sold at a final price of US\$ 6,500 per metric tonne for a value of US\$ 1,248,000. A total of US\$ 561,600 representing 45% of the sales price has been paid, while the balance will be settled as following: 45% upon delivery of relevant contractual documents, and remaining 10% once the material arrives at the final destination.

- Samples of the material, analyzed by SGS South Africa, had on average 14.95% Neodymium and 3.4% Praseodymium. The lab analysis confirmed that the samples had a ~60% total rare earth oxide content (TREO). The ores represent non-radioactive monazite sands.
- The Company is targeting to reach a monthly export of 1,000 tonnes of material from the DRC in the next few months. At current market prices this represents a yearly sale value of ~US\$ 78 million.
- The trade was executed as per the sales agency agreement that the Company has signed with Central America Nickel. The terms of the agreement and the details of the first trade from the DRC were previously disclosed in the news releases the Company published on March 30, 2022 and April 19, 2022.

On July 8, 2022, Auxico announced that a current debenture holder, Caroline Freymond, had informed the Company that she recently acquired convertible participating debentures (“Debentures”) from another debenture holder who is a family member of hers so that she now owns \$2,000,000 principal amount of Debentures. These Debentures were issued on October 24, 2020 and convert into units (“Units”) at a price of \$0.20 per Unit. Each Unit is comprised of one common share (“Common Share”) and one warrant (“Warrant”). Each Warrant is exercisable into one Common Share at a price of \$0.25 per Common Share for a period of three years from issuance. The \$2,000,000 principal amount of Debentures also carry a 10% profit interest in the operations of the Company. The term of these Debentures is three years (expiring on October 24, 2023).

This \$2,000,000 principal amount of Debentures would convert into 10,000,000 Common Shares and 10,000,000 Warrants. Auxico currently has 71,162,295 Common Shares issued and outstanding. On a partially diluted basis, Ms. Freymond would have 21.94% of the Common Shares of the Company, and this material transaction could be perceived as resulting in a significant control of Auxico.

Auxico has agreed with Ms. Freymond the following:

- This acquisition of Debentures on her part does not constitute a change in control of Auxico on the part of Ms. Freymond. She does not intend to seek board representation or other management changes. Ms. Freymond has acquired these Debentures strictly for investment purposes. The acquisition of these Debentures from another family member was done for family financial planning purposes only.
- Ms. Freymond has agreed that she will not convert Debentures into Units and/or exercise Warrants into Common Shares if that would put her into a position where she would own 20% or more of the Common Shares of the Company.

Ms. Freymond has been an Auxico debenture holder since October 24, 2020.

On August 23, 2022, Auxico announced the signing of an offtake agreement with the company Cuex Metal AG (“Cuex”), for the purchase of commercial tin concentrates (cassiterite) from the Company’s Massangana tin tailings project located in the state of Rondônia, Brazil. The agreement represents a purchase of 3,600 tonnes per year, over a period of five years, for a total of 18,000 tonnes of commercial tin concentrates. At current London Metal Exchange prices, the material is valued at US\$330 million. Cuex is the Swiss subsidiary of Shanghai Qunxian Industrial (Group) Co., Ltd., a bulk commodity Chinese trading company.

Auxico intends to build a 2,500 tonne-per-day processing facility in Rondônia that will produce on a yearly basis: 6,000 tonnes of cassiterite, 90,000 tonnes of ilmenite, 13,500 tonnes of columbite, 90,000 tonnes of zirconium and 37,500 tonnes of monazite. A recent economic forecast commissioned by the Company and prepared by the Brazilian independent company PrimeStar has projected yearly revenues of US\$300 million, and an annual EBITDA of US\$198 million. The Company is in the process of negotiating additional offtake agreements for cassiterite, columbite, zirconium and rare earths. The start of commercial production is planned for the second quarter of 2023.

The Massangana tailings are estimated to contain 30,000,000 tonnes (non-compliant NI 43-101), and they have been an object of the study titled 'Investigation of tin and tantalum ores from the Rondônia Tin Province, northern Brazil, to develop optimized processing technologies', prepared by the German Mineral Resources Agency and Geological Survey of Brazil. The study is available on the following link: <https://www.auxicoresources.com/reports>.

"We are extremely pleased to announce the signing of the agreement with Cuex, another important milestone in the development of the Massangana Tin Tailings project", said Pierre Gauthier, Chairman & CEO of Auxico. "With a scalable and sustainable project such as Massangana, along with the Company's valued partnerships, we aim to become a consistent long-term provider of tin, titanium, rare earths and other critical minerals to global markets. We continue to explore other strategic partnerships and look forward to updating the markets on further developments."

The monazite concentrate originating from the tailings and provided to Auxico by CEMAL was analyzed by Coalia Research Institute in Thetford Mines, Quebec, and contained 63.49% total rare earth oxide content (TREO).

Share Information

As at the date of this MD&A, there are 71,573,596 common shares issued and outstanding of Auxico. Between June 30, 2022 and the date of this MD&A, a total of 150,000 common shares were issued as follows:

- 150,000 common shares were issued upon the exercise of 150,000 stock options at a strike price of \$0.105 per share, for gross proceeds to Auxico of \$15,750.

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 Minastyc and Massangana Properties 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

The estimate of 30,000,000 tonnes mentioned in this MD&A of tin tailings on Massangana is non NI 43-101 compliant as well as any other information on Massangana provided herein since none of the work has yet been verified by the QP. As described on page 7, the feed material from the tailings received by Auxico averaged 4.56% total rare earth oxide content (TREO), indicating a content of rare earths in the tailings in the order of 1,370,000 tonnes. This sample described herein which averaged 4.56% TREO was not selected under the supervision of the QP, and therefore the chain of custody cannot be independently established for the sample and is non-compliant with NI 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 June 30, 2022 (unaudited) and September 30, 2021 (audited) is presented below:

Interim Consolidated Statements of Financial Position

As at	June 30, 2022 (unaudited)	September 30, 2021 (audited)
	\$	\$
ASSETS		
<i>Current assets</i>		
Cash & cash equivalents	3,473,615	2,563,533
Receivables	343,467	254,810
Promissory notes to third party	200,000	-
Prepaid expenses	1,764,617	1,546,960
Inventory	126,776	126,776
Advance to directors	3,098	3,098
Advance to companies controlled by a director	404,764	-
	6,316,337	4,495,177
<i>Non-current assets</i>		
Equipment	91,366	-
Prepaid expenses	500,000	500,000
Exclusive sales agency distribution agreement	954,353	-
Conversion right	156,311	-
	1,702,030	500,000
TOTAL ASSETS	8,018,367	4,995,177
Liabilities		
<i>Current liabilities</i>		
Accounts payable and accruals	813,925	335,644
Income tax payable	4,441	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	3,705,291	66,232
	4,748,645	647,794
<i>Non-current liabilities</i>		
Long-term finder's fees payable	38,178	159,601
Convertible debentures	17,081,793	28,121,815
	17,119,971	28,281,416
TOTAL LIABILITIES	21,868,616	28,929,210
DEFICIENCY		
Deficiency attributable to shareholders	(13,851,471)	(23,935,120)
Equity attributable to non-controlling interest	1,222	1,087
TOTAL DEFICIENCY	(13,850,249)	(23,934,033)
TOTAL LIABILITIES & DEFICIENCY	8,018,367	4,995,177

Cash and cash equivalents at June 30, 2022 were \$6,340,364, compared to \$2,563,533 at September 30, 2021, an increase of \$910,082. This is due primarily to the private placements that the Company closed in January and March 2022.

At June 30, 2022, Auxico had prepaid expenses (current portion) of \$1,764,617, which was an increase of \$217,657, 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 \$228,883 at June 30, 2022 (September 30, 2021 – \$225,090). The remainder of the prepaid expenses (current portion) relates to deposits on other properties in Colombia, Brazil and Bolivia.

At June 30, 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 exclusive sales agency distribution agreement (\$954,353) and a conversion right (\$156,311). This is amortized on the statement of loss as well; a charge of \$156,311 was recorded for the three-month period ended June 30, 2022.

At June 30, 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 \$813,925 as at June 30, 2022, compared to \$335,644 at September 30, 2021, an increase of \$478,281. 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).

Transactions – three-month period ended June 30, 2022

For the three-month period ended June 30, 2022, there was a conversion of \$25,000 of the initial Debentures plus \$1,130 of interest into 261,301 units (261,301 shares and 261,301 warrants that can be exercised at \$0.15 over a three-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 as well as the participating feature 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 June 30, 2022, the Company reviewed the estimated fair value of the conversion options and adjusted the initial fair value to \$14,459,140 (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 June 30, 2022.

For the nine-month period ended June 30, 2022, the change in fair value of derivatives resulted in a decrease of expense of \$10,844,068 (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 June 30, 2022, the Debentures have a nominal value of \$7,500,000 (September 30, 2021 – \$3,650,000).

RESULTS OF OPERATIONS

For the three-month period ended June 30, 2022, the Company recorded a net loss and comprehensive loss of \$6,415,436, compared to a net loss and comprehensive loss of \$5,691,323 for the three-month period ended June 30, 2021, representing a difference of \$724,113. Details for the three-month periods ended June 30, 2022 and 2021 are presented below:

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

For the three-month periods ended June 30 (unaudited)	2022 \$	2021 \$	Variance \$
Sales	-	609,288	(609,288)
Sales commissions	82,000	-	82,000
Cost of sales	-	466,834	(466,834)
Gross margin	82,000	142,454	(60,454)
<u>Selling and administrative expenses</u>			
Exploration and evaluation expenditures	1,165,704	455,094	710,610
Share-based compensation	1,324,575	89,451	1,235,124
Professional fees	1,052,776	361,094	691,682
Management fees	90,000	145,000	(55,000)
Legal fees	100,940	10,388	90,552
Travel expenses	80,835	-	80,835
Amortization of exclusive rights	136,336	-	136,336
Public listing fees	26,298	15,978	10,320
Advertising	23,921	27,724	(3,803)
Write-off of sales tax receivable	7,738	-	7,738
Bad debts	-	-	-
Rent	9,000	9,000	-
Depreciation	9,705	-	9,705
Loss (gain) on foreign exchange	9,894	(5,519)	15,413
Office expenses	3,753	67,007	(63,254)
Taxes and permits	504	1,237	(733)
Telecommunications	376	-	376
Commissions	-	-	-
	4,042,355	1,176,454	2,865,901
Loss before finance income, finance costs and income taxes	(3,960,355)	(1,034,000)	(2,926,355)
Finance income	5,056	-	5,056
<u>Finance costs (earnings)</u>			
Accreted interest on convertible debentures	222,755	118,700	104,055
Interest on convertible debentures	128,429	118,702	9,727
Interest and bank fees	5,033	2,666	2,367
Transaction costs	-	-	-
Unrealized loss on derivative financial instrument	-	-	-
Fair value adjustment of the embedded derivatives	2,103,920	4,417,255	(2,313,335)
Total finance costs (earnings)	2,460,137	4,657,323	(2,197,186)
Net finance earnings (costs)	(2,455,081)	(4,657,323)	2,202,242
Net income (loss) and comprehensive income (loss)	(6,415,436)	(5,691,323)	(724,113)
Net income (loss) and comprehensive income (loss) attributable to:			
Shareholders	(6,415,154)	(5,691,073)	(724,081)
Non-controlling interest	(282)	(250)	(32)
	(6,415,436)	(5,691,323)	(724,113)
Earnings (Loss) per share – basic and diluted	(0.090)	(0.097)	
Weighted average number of shares outstanding	70,946,937	58,414,879	

Sales and sales commissions

There were no sales recorded in the three-month period ended June 30, 2022. In the three-month period ended June 30, 2021, the Company recorded revenues of \$609,288, which were earned as a result from the sale of manganese ore from Brazil.

In the three-month period ended June 30, 2022, Auxico recorded sales commissions of \$82,000 (June 30, 2021 – \$Nil) in connection with its agreement with CAN as the exclusive sales agent of rare earth elements from the DRC, as described above.

Selling and Administrative Expenses

In the quarter ended June 30, 2022, selling and administrative expenses amounted to \$4,042,355, which was an increase of \$2,865,901, compared to selling and administrative expenses of \$1,176,454 for the quarter ended June 30, 2022.

In the three-month period ended June 30, 2022, the Company recorded share-based compensation expense of \$1,324,575, which was an increase of \$1,235,124 compared to share-based compensation expense of \$89,451 in the three-month period ended June 30, 2021. This is a non-cash expense associated with the granting of options.

Exploration and evaluation expenditures increased by \$710,610, as Auxico conducted more geological work on the Minastyc Property in Colombia, primarily. Professional fees also increased by \$691,682. In the quarter, the Company booked an expense of \$704,200 associated with consulting fees paid in warrants; this is a non-cash charge to Auxico. Legal fees increased by \$90,552, as the Company was involved in securing the Minastyc property in Colombia, in negotiating the joint venture of the Massangana tailings in Brazil and in concluding the sales agency agreement with CAN, among others. Travel expenses increased by \$80,835, given the increased activity in Colombia.

In the quarter ended June 30, 2022, the Company recorded amortization of the exclusive rights (as described above) of \$136,336 (June 30, 2021 – \$Nil).

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 June 30, 2022, the Company recorded an expense of \$2,103,920 on the fair value adjustment on the embedded derivative (June 30, 2021 – \$4,417,255).

The Company recorded a net loss and comprehensive loss for the quarter ended June 30, 2022 of \$6,415,154 (June 30, 2021 – \$5,691,323).

Results of Operations – Nine-Month Period Ended June 30, 2022

For the nine-month period ended June 30, 2022, the Company recorded net income and comprehensive income of \$3,084,195, compared to a net loss and comprehensive loss of \$12,557,232 for the nine-month period ended June 30, 2021, representing a difference of \$15,641,427. Details for the nine-month periods ended June 30, 2022 and 2021 are presented below:

For the nine-month periods ended June 30 (unaudited)	2022 \$	2021 \$	Variance \$
Sales	-	797,055	(797,055)
Sales commissions	82,000	-	82,000
Cost of sales	-	597,880	(597,880)
Gross margin	82,000	199,175	(117,175)
<u>Selling and administrative expenses</u>			
Exploration and evaluation expenditures	2,092,260	914,246	1,178,014
Share-based compensation	1,954,285	433,071	1,521,214
Professional fees	1,903,855	846,534	1,057,321
Management fees	170,000	265,000	5,000
Legal fees	201,976	50,723	151,253
Travel expenses	173,157	-	173,157
Amortization of exclusive rights	136,336	-	136,336
Public listing fees	71,860	56,982	14,878
Advertising	47,048	30,000	17,048
Write-off of sales tax receivable	40,727	-	40,727
Bad debts	37,479	-	37,479
Rent	27,000	27,000	-
Depreciation	25,085	-	25,085
Loss (gain) on foreign exchange	21,477	(13,572)	35,049
Office expenses	9,438	67,007	(57,569)
Taxes and permits	7,697	10,656	(2,959)
Telecommunications	2,203	-	2,203
Commissions	-	15,688	(15,688)
	7,021,883	2,703,335	4,318,548
Loss before finance income, finance costs and income taxes	(6,939,883)	(2,504,160)	(4,435,723)
Finance income	7,286	-	7,286
<u>Finance costs (earnings)</u>			
Accreted interest on convertible debentures	558,724	472,251	86,473
Interest on convertible debentures	255,032	468,582	(213,550)
Interest and bank fees	13,520	7,684	5,836
Transaction costs	-	123,907	(123,907)
Unrealized loss on derivative financial instrument	-	977,261	(977,261)
Fair value adjustment of the embedded derivatives	(10,844,068)	8,003,387	(18,847,455)
Total finance costs (earnings)	(10,016,792)	10,053,072	(20,069,864)
Net finance earnings (costs)	10,024,078	(10,053,072)	20,077,150
Net income (loss) and comprehensive income (loss)	3,084,195	(12,557,232)	15,641,427
Net income (loss) and comprehensive income (loss) attributable to:			
Shareholders	3,084,060	(12,556,681)	15,640,741
Non-controlling interest	135	(551)	686
	3,084,195	(12,557,232)	15,641,427
Earnings (Loss) per share – basic and diluted	0.045	(0.241)	
Weighted average number of shares outstanding	68,032,692	52,015,941	

Sales and sales commissions

There were no sales recorded in the nine-month period ended June 30, 2022. In the nine-month period ended June 30, 2021, the Company recorded revenues of \$797,055, which were earned as a result primarily from the sale of manganese ore from Brazil.

In the nine-month period ended June 30, 2022, Auxico recorded sales commissions of \$82,000 (June 30, 2021 – \$Nil), as described above.

Selling and Administrative Expenses

In the nine-month period ended June 30, 2022, selling and administrative expenses amounted to \$7,021,883, which was an increase of \$4,318,548, compared to selling and administrative expenses of \$2,703,335 for the nine-month period ended June 30, 2021. The reasons for this increase in selling and administrative expenses have been presented above.

Finance Income and Finance Costs

In the nine-month period ended June 30, 2022, the Company recorded a gain of \$10,844,068 on the fair value adjustment on the embedded derivatives (June 30, 2021 – loss of \$8,003,387). Because of this gain, the Company recorded net income and comprehensive income for the nine-month period ended June 30, 2022 of \$3,084,195 (June 30, 2021 – loss of \$12,557,232).

CASH FLOWS AND LIQUIDITY

The following table outlines the Company's cash flows for the nine-month periods ended June 30, 2022 and 2021:

Interim Consolidated Statements of Cash Flows

For the nine-month periods ended June 30

(unaudited)

	2022	2021
	\$	\$
Cash used in operating activities		
Net income (loss) and comprehensive income (loss)	3,084,195	(12,557,232)
Depreciation	25,085	-
Amortization of exclusive rights	136,336	-
Share-based compensation	1,954,285	433,071
Bad debts	37,479	-
Write-off of sales tax receivable	7,204	-
Consulting fees paid with warrants	704,200	-
Unrealized loss on derivative financial instrument	-	977,261
Fair value adjustment of the conversion option	(10,844,068)	8,003,387
Accreted interest	490,286	472,251
Amortization of issuance costs	-	10,833
<i>Net changes in non-cash working capital items</i>		
Receivables	(145,015)	(168,015)
Subscription receivable	11,675	(75,000)
Prepaid expenses	(217,657)	(1,565,764)
Inventory	-	(299,120)
Accounts payable and accruals	478,281	(71,122)
Income tax payable	127	(4,314)
	(4,277,587)	(4,843,764)
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	(404,764)	1,646
Promissory notes to third party	(200,000)	-
Acquisition of exclusive distribution agreement and conversion right	(1,247,000)	-
Acquisition of equipment	(116,451)	-
	(1,968,215)	(180,482)
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)
Finder's fees payable	(168,741)	-
Exercise of warrants	163,116	-
Exercise of options	325,001	-
Proceeds from issuance of units, net of issuance costs	3,343,124	7,372,690
Proceeds from issuance of convertible debentures, net of issuance costs	3,510,000	1,093,499
	7,155,884	8,398,757
Increase in cash and cash equivalents	910,082	3,374,511
Cash and cash equivalents, beginning of period	2,563,533	288,780
Cash and cash equivalents, end of period	3,473,615	3,663,291

For the nine-month period ended June 30, 2022, Auxico generated an increase of cash of \$910,082, compared to an increase of cash of \$3,374,511 for the nine-month period ended June 30, 2021.

Cash used in operating activities amounted to \$4,277,587 in the nine-month period ended June 30, 2022, compared to cash used in operating activities of \$4,843,764 for the nine-month period ended June 30, 2021.

In the nine-month period ended June 30, 2022, cash used in investing activities amounted to \$1,968,215, compared to cash used in investing activities of \$180,482 for the nine-month period ended June 30, 2021.

In the nine-month period ended June 30, 2022, the Company generated cash flows from financing activities of \$7,155,884, compared to \$8,398,757 for the nine-month period ended June 30, 2021. In both periods, the Company closed private placements, which represented cash inflows to Auxico.

At June 30, 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 June 30, 2022, there were 71,162,295 issued and fully paid common shares (September 30, 2021 – 65,014,000).

Warrants

At June 30, 2022, the Company had 10,907,724 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
Jun. 15, 2022	Jun. 15, 2025	\$0.15	261,301
Jun. 22, 2022	Jun. 21, 2025	\$0.90	<u>1,000,000</u>
			10,907,724

Stock options

At June 30, 2022, there were 7,085,000 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
Apr. 19, 2022	Apr. 19, 2027	\$0.85	<u>2,250,000</u>
			7,085,000

SUMMARY OF QUARTERLY RESULTS

The following is a summary of selected financial information from the quarterly interim unaudited consolidated financial statements for the eight quarters ending June 30, 2022.

Quarter ending	June 30, 2022	Mar. 31, 2022	Dec. 31, 2021	Sep. 30, 2021
	\$	\$	\$	\$
Revenue	82,000	-	-	(24,315)
Net income (loss)	(6,415,436)	9,751,280	(251,649)	(18,144,855)
Net income (loss) per share	(0.090)	(0.019)	(0.004)	(0.287)

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

RELATED PARTY TRANSACTIONS AND BALANCES

The Company's related parties include an entity with significant influence, companies controlled by a director, as well as key management personnel and directors. Unless otherwise stated, none of the transactions incorporates special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash. All balances of advances receivable and advances payable are measured at fair value and occurred in the normal course of business. Transactions with related parties for the period ended June 30, 2022 were as follows:

For the three-month periods ended June 30	2022	2021
	\$	\$
<u>Management fees</u>		
Company controlled by a director	60,000	60,000
Key management personnel and directors	30,000	30,000
<u>Share-based compensation</u>		
Key management personnel and directors	353,220	343,620
<u>Rent</u>		
Company controlled by a director	9,000	9,000
<u>Consulting fees</u>		
Company controlled by a director	12,000	30,000
<u>Interest on convertible debentures</u>		
Directors	9,240	11,797

For the nine-month periods ended June 30	2022	2021
	\$	\$
<u>Management fees</u>		
Company controlled by a director	180,000	180,000
Key management personnel and directors	90,000	90,000
<u>Share-based compensation</u>		
Key management personnel and directors	353,220	343,620
<u>Rent</u>		
Company controlled by a director	27,000	27,000
<u>Consulting fees</u>		
Company controlled by a director	36,899	90,000
<u>Interest on convertible debentures</u>		
Directors	28,979	36,230

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	June 30, 2022	3,098	-
	September 30, 2021	3,098	3,883
Companies controlled by a director	June 30, 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.

Joint Venture Agreement with Cooperativa Estanifera de Mineradores da Amazônia Legal Ltda. (“CEMAL”)

On June 3, 2022, Auxico signed a joint venture agreement (“Agreement”) with CEMAL concerning the production and sale of concentrates from the Massangana tailings in the state of Rondônia, Brazil. As part of this Agreement, Auxico has agreed to make the following cash payments to CEMAL in relation to the joint venture:

- A first payment of US\$300,000 within five days of signing of the Agreement (this payment was made during the period ended June 30, 2022);
- A second payment of US\$200,000 within 30 days of the execution of the Agreement (this payment was made in the second week of August 2022);
- A third payment of US\$250,000 on or before September 30, 2022;
- A fourth payment of US\$250,000 on or before December 31, 2022; and
- A fifth and final payment of US\$1,000,000 on the anniversary date of the first payment (for a total of US\$2,000,000).

RISKS AND UNCERTAINTIES

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

Dated this 29th day of August, 2022

“signed”

Mark Billings
President
Auxico Resources Canada Inc.