AUXICO RESOURCES CANADA INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS – QUARTERLY HIGHLIGHTS
FOR THE NINE-MONTH PERIOD ENDED JUNE 30, 2023

OVERVIEW

The 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 periods ended June 30, 2023. 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 nine-month period ended June 30, 2023; the Company's audited consolidated financial statements for the year ended September 30, 2022; and the Company's MD&A for the year ended September 30, 2022.

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.sedarplus.ca) under "Auxico Resources Canada Inc."

This MD&A is dated August 29, 2023.

FORWARD-LOOKING INFORMATION

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

COMPANY DESCRIPTION

The Company was incorporated under the Canada Business Corporations Act on April 16, 2014.

The Company has four 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; Sociedad Minera Auxico S.A.S., incorporated under the laws of Colombia on May 11, 2022; 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 and mining opportunities in Colombia, Brazil, the Democratic Republic of the Congo ("DRC"), and Bolivia. The following are descriptions of the Company's activities in these jurisdictions.

MEXICO: THE ZAMORA SILVER-GOLD PROPERTY IN SINALOA

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

A description of the lots is shown in the table below.

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

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

Net Smelter Return Royalty ("NSRR")

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

Option to Purchase La Franca Property

On November 9, 2020, the Company announced that it had been granted an exclusive option to acquire the historic high-grade silver-gold La Franca mine, located in the state of Sinaloa, Mexico for US$500,000 payable quarterly over a 5-year period and is subject to a 2% Net Smelter Return Royalty ("NSRR"), which can be re-purchased at any time from the owners for US$500,000 for each percentage point. The La Franca claim, measuring 12 hectares, is located within Auxico 's Zamora gold-silver property.

BRAZIL: THE MASSANGANA TIN TAILING PROJECT

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.

Independent analysis published jointly by the German Mineral Resources Agency (DERA) and the Geological Survey of Brazil (CPRM) in 2018 estimated that the property could contain 30,000,000 tonnes of tin tailings (not NI 43-101 compliant), however the data for this estimate has neither 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) resources.

Samples of the concentrates taken by the property owners from the Massangana property, and therefore are not NI 43-101 compliant. The samples were analyzed in 2022 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 (%)**
Cerium	CeO_2	35.90
Dysprosium	Dy_20_3	0.28
Gadolinium	Gd_2O_3	0.17
Lanthanum	La_2O_3	15.17
Neodymium	Nd_2O_3	9.04
Praseodymium	Pr_6O_{11}	0.89
Samarium	Sm_2O_3	0.90
Yttrium	Y_2O_3	1.14
Total Rare Earth Oxide (TREO)		**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 had an exclusive 180-day period to conduct due diligence, for which the Company paid a one-time fee of US$100,000 to CEMAL. On June 7, 2022, Auxico announced that a final agreement had been signed with CEMAL concerning the production of tin, niobium and rare earths from the Massangana tailings. 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.

Under the agreement, Auxico made payments as follows: a first payment of US$300,000 within five days of signing 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) and a third payment of US$250,000 was made on or before September 30, 2022. A further payment of US$250,000 was made shortly after December 31, 2022 and a final payment of US$1,000,000 is due on the anniversary of the first payment.

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 Massangana. 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 Shangai 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 may produce on a yearly basis (actual outputs will be subject to a 2023 field sampling program): 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. Of note, the monazite contains radioactive thorium and Central America Nickel 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%. This procedure was done in the lab. It has not yet been done in a commercial application.

COLOMBIA: THE MINASTYC PROPERTY IN VICHADA

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 selected 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);

- 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	Fiber 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.

On May 16, 2022, Auxico announced that the National Mining Agency of Colombia ("ANM" or *Agencia Nacional de Minería*) had 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*).

On April 12, 2023, Auxico announced that it had received approval of the Environmental Impact Assessment ("EIA") for the Minastyc Property from Corporinoquia, which is the Colombian environmental agency. the Company is now 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.

In the summer of 2022, Auxico conducted an exploration program on the Minastyc Property. A systematic initiative of digging approximately 250 pits using shovels was executed via a grid system. The samples were sent to an accredited lab. The purpose of this exercise was to test the first couple meters 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).

On June 5, 2023, Auxico announced that it had received approval for a temporary, 2-year, environmental license for small-scale open-pit mining from the Colombian Environmental Authority, the Regional Autonomous Corporation of the Orinoquía (Corporinoquia). This follows the recent approval of the Environmental Impact Assessment study ("EIA") for the Company's Minastyc property, as announced on April 12, 2023.

The ability to exploit and commercialize the Minastyc property is a key advancement, with timing that coincides well with recent metallurgical testing developments for the separation of light and heavy rare earths. Auxico has demonstrated the ability to process concentrate samples taken from the Minastyc property into light and heavy rare earth commercial concentrates; dysprosium up to 16.1% (concentrated 20 times from its initial feed), and terbium up to 3.42% (refer to press release dated April 20, 2023). Dysprosium, one of the world's most magnetically susceptible elements, along with terbium, are two heavy rare earths crucial for weapons systems as well as EV motors, in order to maintain an electric powertrain magnet's coercivity through repeat cycles of heating and cooling. Only automotive manufacturers with access to heavy rare earths could expect to produce EVs in 2030, while those without them may be selling their EVs factories. Auxico 's Minastyc property has one of the highest-grade heavy rare earth deposits globally according to industry expert, Jack Lifton.

	Nd	**Pr**	**Dy**	Tb	**Y**	**La**	**Ce**	**Sm**	**Gd**	**Er**
Light REE	**46.9%**	**14.0%**	1.0%	0.49%	1.1%	23.1%	1.3%	8.7%	2.8%	0.2%
Heavy REE	14.9%	0.0%	**16.1%**	**3.42%**	12.4%	0.0%	8.5%	9.8%	10.3%	7.5%

Table 1: Results of the testing on Colombian Minastyc property demonstrate the ability to produce commercial concentrates of light and heavy rare earths, per press release dated April 20, 2023.

The Minastyc Project has received approvals for the exploitation and beneficiation of minerals including Niobium, Tantalum, Vanadium, Zirconium, Tin and Gold, and the noted minerals respective concentrates, per resolution number 500.36.22.2089 from the Colombian Environmental Authority, Corporinoquia, dated December 30, 2022.

This approval and resolution number 500.36.22.2089 authorizes Auxico to execute its first phase of the Minastyc Project, as per regulatory decree No. 1666 issued October 21, 2016, by the Colombian Ministry of Mines and Energy, related to the following mining classification as reference in Table 2.

Classification - Mineral	**Small scale – Open pit – Less than 150 Hectares**
Metallics (Tonnes/Year)	Up to 50,000
Non Metallics (Tonnes/Year)	Up to 50,000
Precious Metals (Gold, Silver, Platinum)	Up to 250,000 M^3/Year
Construction Material	Up to 30,000 M^3/Year

Table 2: Small-scale mining license classification per the Presidential Decree number 1666 issued on October 21, 2016

Auxico intends to commence a comprehensive and systematic planning phase to initiate operations on the Minastyc property, given the presence of critical minerals including coltan, rare earth elements, tin, along with precious metals. With previously announced test results on samples from pits located on and adjacent to the Minastyc property indicating 33.75-62.13% Tin Oxide content *(refer to news release dated June 24, 2021),* and following the recent environmental license approval, the Company will focus on further developing tin concentrate operations in Colombia with material sourced from its own property. This development provides the Company with greater material sourcing independence, as a producer, and the ability to swiftly execute on already established off-take agreements such as the previously announced tin concentrate sales agreement with Cuex Metal AG *(refer to news release dated August 22, 2023).*

The temporary environmental license issued to Auxico has a validity of two years, pending the approval of a Global Environmental License, that will be valid for the life span of the project. Following the issuance of the environmental license for small-scale open-pit mining from the Colombian Environmental Authority, all conditions precedent has been met in order to commence the title transfer of the Minastyc property to Auxico *(refer to news release dated May 16, 2022),* making it a wholly-owned asset of the Company.

DEMOCRATIC REPUBLIC OF THE CONGO: SALES AGENT FOR RARE EARTH CONCENTRATES

In April 2022, Auxico signed a sales agency agreement with Central America Nickel ("CAN"), whereby Auxico will be the exclusive sales agency for rare earth concentrates from the Democratic Republic of the Congo ("DRC").

As the exclusive sales agent, Auxico will retain a commission equal to 15% of the sales price.

As of the date of this MD&A, a total of four trades have been concluded, the highlights of which are below:

- A total of 949 metric tonnes of rare earth concentrates have been sold and shipped from the DRC. An additional shipment of 96 metric tonnes is currently in the process of being sold.
- This material was sold for approximately US$5 million.
- This represents an average price of approximately US$5,275 per metric tonne.
- The rare earth concentrates, contained in the non-radioactive monazite sands, are purchased from various cooperatives in the province of North Kivu, DRC.
- Samples of the material, analyzed by SGS South Africa, had on average over 14% neodymium and 3% praseodymium. The lab analysis confirmed that the samples had approximately 60% total rare earth oxide content (TREO).
- Based on the demand from existing and potential customers of these rare earth concentrates, Auxico and CAN are targeting to reach a monthly export of 1,000 to 1,500 tonnes of material from the DRC.

BOLIVIA: THE LUZ ANGELICA CONCESSION

On November 3, 2021, a Memorandum of Understanding ("MOU") was signed between Auxico and Mr. Rolando Chavez, the sole owner of the concession Luz Angelica, consisting of 825 hectares located in the region of Santa Cruz in Bolivia, province of Nuflo de Chávez.

Based on Auxico 's due diligence, the Luz Angelica concession lacks basic infrastructure needed to develop a mining project, and there were no geological merits to continue with this project. Auxico has therefore abandoned this project.

Auxico will continue, however, to monitor other opportunities in Bolivia, given its rich mining history and potential.

OTHER CORPORATE HIGHLIGHTS

Issuances of shares through conversion of debentures

On October 17, 2022, the Company issued 514,794 units of the capital of the Company following the conversion of debentures issued in June 2020 at a price of $0.10 per unit. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one additional common share of the Company at a price of $0.15 per common share for three years from the date of issuance.

On October 31, 2022, the Company issued 516,712 units of the capital of the Company following the conversion of debentures issued in June 2020 at a price of $0.10 per unit. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one additional common share of the Company at a price of $0.15 per common share for three years from the date of issuance.

On November 2, 2022, the Company issued 1,033,972 units of the capital of the Company following the conversion of debentures issued in June 2020 at a price of $0.10 per unit. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one additional common share of the Company at a price of $0.15 per common share for three years from the date of issuance.

On November 16, 2022, the Company issued 518,904 units of the capital of the Company following the conversion of debentures issued in June 2020 at a price of $0.10 per unit. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one additional common share of the Company at a price of $0.15 per common share for three years from the date of issuance.

On February 28, 2023, the Company issued 4,125,000 units of the capital of the Company following the conversion of debentures issued in October 2020 at a price of $0.20 per unit. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one additional common share of the Company at a price of $0.25 per common share for three years from the date of issuance.

On June 9, the Company issued 1,500,000 units of the capital of the Company following the conversion of debentures issued in June 2020 at a price of $0.10 per unit. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one additional common share of the Company at a price of $0.15 per common share for three years from the date of issuance.

On June 19, 2023, the Company issued 9,942,463 units of the capital of the Company following the conversion of debentures issued in June 2020 at a price of $0.10 per unit. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one additional common share of the Company at a price of $0.15 per common share for three years from the date of issuance.

Issuance of shares through exercise of options and warrants

During the period, the Company issued 155,000 common shares of the capital of the Company following the exercise of 155,000 options in exchange for $60,525. The options exercised had an exercise price of $0.40 and $0.105. Following the exercise of those options, $47,301 was reclassified from contributed surplus to share capital.

During the period, the Company issued 2,493,150 common shares of the capital of the Company following the exercise of 2,493,150 warrants in exchange for $373,973. The warrants exercised had an exercise price of $0.15. Following the exercise of those warrants, $454,717 was reclassified from warrants reserve to share capital

Issuance of warrants through conversion of debentures

On October 17, 2022, the Company issued 514,794 warrants following the conversion of debentures issued in June 2020. The fair value for the warrants calculated under the relative fair value method was estimated at $270,185.

On October 31, 2022, the Company issued 516,712 warrants following the conversion of debentures issued in June 2020. The fair value for the warrants calculated under the relative fair value method was estimated at $198,708.

On November 2, 2022, the Company issued 1,033,972 warrants following the conversion of debentures issued in June 2020. The fair value for the warrants calculated under the relative fair value method was estimated at $402,704.

On November 16, 2022, the Company issued 518,904 warrants following the conversion of debentures issued in June 2020. The fair value for the warrants calculated under the relative fair value method was estimated at $114,762.

On February 28, 2023, the Company issued 4,125,000 warrants following the conversion of debentures issued in October 2020. The fair value of the warrants calculated under the relative fair value method was estimated at $1,056,091.

On June 9, 2023, the Company issued 1,500,000 warrants following the conversion of debentures issued in October 2020. The fair value of the warrants calculated under the relative fair value method was estimated at $265,673.

On June 19, 2023, the Company issued 9,942,463 warrants following the conversion of debentures issued in October 2020. The fair value of the warrants calculated under the relative fair value method was estimated at $1,686,323.

Issuance of options

On November 15, 2022, the Board of Directors issued 750,000 stock options to directors and officers of the Company. These stock options have a strike price of $0.42, no vesting period and expire in 5 years. The fair value of the options was estimated at $0.3019 per option at the grant date for a total of $226,425 using the Black-Scholes option pricing-model with the following assumptions: risk-free interest rate of 3.2336%, expected volatility of 106.0% and expected option life of five years.

On December 20, 2022, the Board of Directors issued 300,000 stock options to consultants of the Company. These stock options have a strike price of $0.45, no vesting period and expire in 5 years. The fair value of the options was estimated at $0.3809 per option at the grant date for a total of $114,270 using the Black-Scholes option pricing-model with the following assumptions: risk-free interest rate of 2.9647%, expected volatility of 107.30% and expected option life of five years.

Share Information

As at the date of this MD&A, there are 92,390,191 common shares issued and outstanding of Auxico.

Additional Information

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

Qualified Person

The technical content for the Zamora Property in this MD&A has been reviewed and approved by Ricardo Sierra, B.Sc., a Qualified Person ("QP") as defined by Canadian Securities Administration National Instrument 43-101 "Standards of Disclosure for Mineral Projects" ("NI 43-101").

FINANCIAL POSITION OVERVIEW JUNE 30, 2023

The Company prepared its interim 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, 2023 (unaudited) and September 30, 2022 (audited) is presented below:

Interim Consolidated Statements of Financial Position

As at,	**June 30, 2023**	September 30, 2022
	$	$
ASSETS		
Current assets		
Cash	**65,087**	2,115,889
Receivables	**153,903**	676,939
Promissory notes	**-**	200,000
Prepaid and deposits	**326,152**	185,526
Advances to directors	**3,098**	3,098
Advance to companies controlled by a director	**-**	364,464
	548,240	3,545,916
Non-current assets		
Equipment	**52,550**	81,662
Prepaid and deposits	**500,000**	500,000
Other assets	**684,120**	680,019
Exclusive sales agency distribution agreement	**280,575**	561,150
Conversion right	**662,000**	693,000
TOTAL ASSETS	**2,727,485**	6,061,747
LIABILITIES		
Current liabilities		
Accounts payable and accruals	**1,414,412**	1,977,326
Due to companies owned by a director	**148,857**	-
Farm-out agreement debt	**779,600**	798,280
Finder's fees payable	**45,676**	218,724
Convertible debentures	**6,274,651**	20,639,170
	8,663,196	23,633,500
Non-current liabilities		
Convertible debentures	**-**	12,716,048
Total Liabilities	**8,663,196**	36,349,548
SHAREHOLDERS' DEFICIENCY		
Issued capital	**39,863,768**	29,947,709
Deficit	**(45,800,570)**	(60,236,601)
Equity attributable to non-controlling interests	**1,091**	1,091
Total equity (deficiency)	**(5,935,711)**	(30,287,801)
TOTAL LIABILITIES & EQUITY	**2,727,485**	6,061,747

As of June 30, 2023, Auxico had negative working capital of $8,114,956, compared to $20,087,584 at September 30, 2022, representing a difference of $11,972,628 in Auxico 's working capital position.

Cash at June 30, 2023 were $65,087, compared to $2,115,889 at September 30, 2022, a decrease of $2,050,802. This is due primarily to more explorations and investing activities during the period when compared to year ended September 31, 2022.

Receivables as at June 30, 2023 are $153,903 (September 30, 2022 - $676,939), a decrease of $523,036. Receivables contain various items such as sales tax receivable ($140,640) and other receivables ($13,263).

At June 30, 2023, Auxico had prepaid expenses (current portion) of $326,152, which was a decrease of $140,626, compared to prepaid expenses (current portion) of $185,526 at September 30, 2022.

At June 30, 2023 and September 30, 2022, the Company had prepaid expenses (non-current portion) of $500,000. On July 28, 2021, the Company signed an agreement with Central America Nickel ''CAN'' (a related company) to use the license developed by CAN for a period of 10 years upon the signing of the agreement. The Company had to pay a deposit of $500,000 that will be applied against future license royalties.

At June 30, 2023, the Company had other assets of $684,120 (September 30, 2022 - $680,019). A deposit on the Minastyc property was made on December 14, 2020, the Company signed an agreement to purchase a parcel of land in Colombia. As at June 30, 2023, the Company paid a total deposit of $235,375 ($225,090 as of September 30, 2021). However, the transfer of property of the land has not been completed at the date of these consolidated financial statements. The Company has made a payment of US$3,000 ($4,101) during the quarter ended March 31, 2023.

On December 8, 2021, the Company announced the acquisition of the surface rights to 1,293 hectares of land titled Agualinda, located in the municipality of Puerto Carreño, in the department of Vichada, Colombia. The land adjoins the Minastyc property, which the Company agreed to purchase in December 2020. As per the signed agreement, the Company has the obligation to pay to the vendors a purchase price of US $315,000, which was payable as US$35,000 upon signature and $US280,000 upon completion of the succession documents.

As of September 30, 2022, the Company has made an initial payment of US$41,100 (or $53,000) and a payment of US$7,000 (or $7,848), for taxes and legal fees. The succession documents were completed therefore the amount of $US280,000 (or $383,796) is payable as of June 30, 2023 and was recorded accordingly. In addition, the Company has committed to pay a yearly fee in the amount of US$100,000 for a period of three years following the beginning of production.

On March 30, 2022, the Company signed an exclusive sales agency distribution agreement with Central America Nickel Inc. ''CAN'' (a related company) for the sales of CAN's rare earths. The contract gives the Company the exclusive rights to distribute CAN's rare earths in exchange for a payment of $1,247,000 (US$1,000,000) that was paid on April 1, 2022. The term of the contract is for two years. The contract entitles the Company to receive a 15% commission on CAN'S rare earth gross revenues. The commission revenues for the quarter ended June 30, 2023 were $175,517 (December 31, 2021 - $Nil). Anytime during the two year's contract period, the Company has the right to convert the full value of the $1M USD into the number of common shares of CAN resulting from a conversion ratio of $2CAD/common share based on the exchange rate on conversion date, otherwise this amount is not repayable by CAN. No additional payment is required to convert.

The fair value as at June 30, 2023 of the intangible assets, amortized over the 2 years period, was $748,200 (September 30, 2022- $748,200). The net carrying amount as at June 30, 2023 was $280,575 (September 30, 2022 - $561,150). The amortization for the period ended June 30, 2023 was $280,575 (September 30, 2022 - $187,050).

At inception, the fair value of the conversion right was estimated assuming a share price of $0.80 CAD for CAN and a number of shares of 623,500 resulting in an initial fair value of $498,800. At June 30, 2023 the fair value of the conversion was $662,000 (September 30, 2022 - $693,000), due to the variability in the number of shares resulting from changes in foreign exchange, resulting in a foreign exchange loss of $31,000 which was recorded within selling and administrative expenses as a foreign exchange loss.

Auxico had accounts payable and accruals of $1,414,412 as at June 30, 2023, compared to $1,977,326 at September 30, 2022, a decrease of $562,914. These are trade payables in the normal course of the Company's operations.

On April 7, 2017, the Company entered into a Gold Loan Settlement Agreement (the "Settlement Agreement") related to the June 13, 2013 Farmout Agreement. Pursuant to the Settlement Agreement, the Company agreed to pay US$400,000 and issue 1,000,000 common shares in settlement of the Farm-Out Agreement in exchange for cash consideration of $250,000. The Settlement Agreement was revised several times, with the most recent amendment being on September 1, 2019 pursuant to which the Company was to pay the amount on or before August 30, 2020. The amount remains unpaid and the shares have not yet been issued. The total liability at June 30, 2023 was $779,600 (September 30, 2022 – $798,280)

Convertible Debentures

The most significant item that has impacted the interim consolidated financial statements for the period ended June 30, 2023, is the participating convertible debentures ("Debentures"). The accounting treatment for these Debentures is complex and has resulted in the Company recognizing a significant total liability of $6,274,651 as at June 30, 2023, a decrease of $27,080,567 over the amount of $33,355,218 recognized as at September 30, 2022, which had a serious impact on the interim consolidated financial statements as at June 30, 2023 and 2022. This is attributable primarily to the fluctuation in the share price of Auxico, Since the share price is significantly higher than the conversion price of the Debentures, a significant liability is recognized, which is highly sensitive to variations in the share price of the Company.

The current liability of the convertible debentures was $6,274,651 as at June 30, 2023, a decrease of $14,364,519 over the amount of $20,639,170 recognized as at September 30, 2022.

The non-current liability was $Nil as at June 30, 2023, a decrease of $12,716,048 over the amount of $12,716,048 recognized as at September 30, 2022.

As at June 30, 2023, the debentures have a nominal value of $6,425,000 (September 30, 2022 - $7,500,000).

For the nine-month period ended June 30, 2023 no convertible debentures were issued.

Convertible debenture

Management of the Company has determined that the methodology used to calculate the fair value of the conversion option of the convertible debentures issued during the September 30, 2020 and September 30, 2021 years (Note 14 of the audited annual financial statements) was inappropriate. The fair values of the embedded derivative liabilities were not adequately determined. Furthermore, the Company recognized a loss at inception by measuring the host component at fair value rather than an allocation of the residual amount of the transaction price.

Following that restatement, the Company has determined that a correction was required, for the comparative period as of June 30, 2022 which resulted in an increase of $13,495,516 ($49,815,198 – September 30, 2021) in the carrying value of the convertible debenture as at June 30, 2022. The correction is a direct result of the restatement in opening balance for $49,815,198 and a decrease to the fair value adjustment on embedded derivatives of $53,450,099 and an increase in accreted interests for $256,516 during the nine-month period ended June 30, 2022.

Farm-out agreement debt

Management of the Company has determined that there was an erroneous extinguishment of a liability related to the Farm-out agreement (note 14). An amount of US$400,000 for the agreed upon cash settlement and the liability to issue the number of common shares that aggregates to a value of $250,000 based on market price of the shares on that date has been reincorporated on the October 1, 2020.

The correction resulted in an increase to the liability of $765,440 (September 30, 2021 - $759,640) at June 30, 2022. The correction is a direct result of the restatement in opening balance for $759,640 and an increase in selling and administrative expenses of $5,800, related to foreign currency translation during the period.

Consolidated Statement of Financial Position as at June 30, 2022

	As restated	As previously reported	Restatement
	$	$	$
Farm-out agreement debt	748,800	-	748,800
Convertible debentures	34,282,600	20,787,084	13,495,516
Total Liabilities	36,999,722	21,868,616	15,131,106
Deficiency attributable to shareholders	(52,534,595)	(37,723,806)	(14,810,789)
Issued capital	26,511,649	23,872,335	2,639,314
Total equity (deficiency)	(26,021,859)	(13,850,249)	(12,171,610)

Consolidated statement of Income (Loss) and Comprehensive Income (Loss) for the three-month period ended June 30, 2022

	As restated	As previously reported	Restatement
	$	$	$
Selling and administrative expenses	4,403,070	4,042,355	360,715
Loss before finance income, finance costs and income taxes	(4,321,070)	(3,960,355)	(360,715)
Finance earnings (costs)	(488,825)	(356,217)	(132,608)
Fair value adjustment on embedded derivatives	(3,874,616)	2,103,920	(5,978,536)
Net income (loss) and comprehensive income (loss)	(8,679,455)	6,415,436	(15,094,891)
Loss per share (basic)	(0.12)	(0.09)	

Consolidated statement of Income (Loss) and Comprehensive Income (Loss)
for the nine-month period ended June 30, 2022

	As restated $	As previously reported $	Restatement $
Selling and administrative expenses	7,501,232	7,021,883	479,349
Loss before finance income, finance costs and income taxes	(7,419,232)	(6,939,883)	(479,349)
Finance earnings (costs)	(1,083,792)	(827,276)	(256,516)
Fair value adjustment on embedded derivatives	42,606,031	10,844,068	31,761,963
Net income (loss) and comprehensive income (loss)	34,110,293	3,084,195	31,026,098
Loss per share (basic)	0.50	0.05	

RESULTS OF OPERATIONS

THREE-MONTH PERIOD ENDED JUNE 30, 2023 AND 2022

For the three-month periods ended June 30, 2023, the Company recorded a net income and comprehensive income of $7,099,613, compared to a net income and comprehensive income of $37,001,646 for the three-month period ended June 30, 2022, representing a difference of $29,902,033. Details for the three-month periods ended June 30, 2023 and 2022 are presented below:

Interim Consolidated Statements of Income and Comprehensive Income

For the three-month period ended June 30,	**2023**	2022	Variance
	$	$	$
Sales commissions	**-**	82,000	(82,000)
Selling and administrative expenses	**850,067**	4,403,070	(3,553,003)
Loss before finance income, finance costs and income taxes	**(850,067)**	(4,321,070)	3,471,003
Finance income	**-**	5,056	(5,056)
Finance costs	**(599,683)**	(488,825)	(110,858)
Fair value adjustment of the embedded derivatives	**(687,176)**	(3,874,616)	3,187,440
Net finance earnings (losses)	**(1,286,859)**	(4,358,385)	3,071,526
Net income (loss) and comprehensive income (loss)	**(2,136,926)**	(8,679,455)	6,542,529
Net comprehensive income (loss) attributable to:			
Shareholders	**(2,136,926)**	(8,680,952)	6,544,026
Non-controlling interest	**-**	1,497	(1,497)
	(2,136,926)	(8,679,455)	6,542,529
Income (loss) per share to equity holders of Auxico Resources Canada Inc.			
Basic	**(0.03)**	(0.12)	
Diluted	**(0.02)**	(0.13)	
Weighted average number of shares outstanding			
Basic	**80,695,613**	70,944,066	
Diluted	**90,808,208**	69,173,995	

Sales and sales commissions

There were no sales recorded in the three-month period ended June 30, 2023 and 2022.

In the three-month period ended June 30, 2023, Auxico recorded sales commissions of $Nil (June 30, 2022 – $82,000) 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, 2023, selling and administrative expenses amounted to $850,067, which was a decrease of $3,553,003, compared to selling and administrative expenses of $4,403,070 for the quarter ended June 30, 2022.

For the three-month period ended June 30,	2023	2022	Variance
	$	$	$
Professional fees	**370,053**	1,117,776	(747,723)
Exploration and evaluation expenditures (note 24)	**87,580**	1,165,704	(1,078,124)
Share-based compensation (note 15)	**-**	1,663,101	(1,663,101)
Legal fees	**94,448**	100,940	(6,492)
Management fees	**116,429**	90,000	26,429
Amortization exclusive sales agency distribution agreement	**93,525**	93,525	-
Travel expenses	**2,325**	80,835	(78,510)
Advertising	**7,000**	23,921	(16,921)
Public listing fees	**34,263**	26,298	7,965
Office expenses	**10,402**	3,753	6,649
Loss (gain) on foreign exchange	**9,310**	9,894	(584)
Rent	**15,000**	9,000	6,000
Depreciation	**9,704**	9,705	(1)
Write-off of sales tax receivable	**28**	7,738	(7,710)
Kibara Minerals' advance reimbursement	**-**	-	-
Bad debt	**-**	-	-
Other expenses	**-**	880	(880)
Total selling and administrative expenses	**850,067**	4,403,070	(3,553,003)

Professional fees decreased by $747,723 in 2023 if compared to 2022 as the Company spent less on consultants, professionals and investor relations in the quarter ended June 30, 2023.

In the three-month period ended June 30, 2023, the Company recorded share-based compensation expense of $Nil, which was a decrease of $1,663,101 compared to share-based compensation expense of $1,663,101 in the three-month period ended June 30, 2022. This is a non-cash expense associated with the granting of options.

Exploration and evaluation expenditures decreased by $1,078,124 for the quarter. The Company recorded amortization of the exclusive rights (as described above) of $93,525 (June 30, 2022 – $93,525). Legal fees increased by $6,492, as the Company was involved in studying and negotiating several options and opportunities. Travel expenses decreased by $75,510.

Finance Income and Finance Costs

Details of the finance costs for the three-month periods ended June 30, 2023 and 2022 are presented below:

For the three-month period ended June 30,	2023	2022	Variance
	$	$	$
Accreted interest	**475,338**	355,363	119,975
Interest on convertible debentures	**120,890**	128,429	(7,539)
Interest and bank fees	**3,455**	5,033	(1,578)
Total finance costs	**599,683**	488,825	110,858

Total finance costs for the three-month period ended June 30, 2023 are $599,683, an increase of $110,858 over the same period in Fiscal 2022, a total amount of $488,825.

The accreted interest increased by $119,975 in this quarter and interest on convertible debentures decreased by $7,539.

Fair value adjustment of the embedded derivatives

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

In the three-month period ended June 30, 2023, the Company recorded an expense of $687,176 on the fair value adjustment on the embedded derivative (June 30, 2022 – $3,874,616).

Earnings (loss) per share

The diluted weighted average number of shares has been calculated as follows:

	June 30, 2023	September 30, 2022	June 30, 2022
Weighted average number of common shares – basic	**80,695,613**	68,904,453	67,645,174
Addition to reflect the dilutive effect of stock options	**264,936**	1,899,980	149,038
Addition to reflect the dilutive effect of warrants	**9,847,658**	2,956,048	1,379,782
Weighted average number of common shares - diluted	**90,808,208**	73,760,481	69,173,995

Options and warrants that are anti-dilutive because the exercise price was greater than the average market price of the common shares is not included in the computation of net earnings per share. For the three-month period ended June 30, 2023, 4,785,000 options (September 30, 2022 – 960,000) and 7,879,823 warrants (September 30, 2022 – 818,080) were excluded from the above computation.

Net income is the measure of the income used to calculate the earnings per share. Convertible debenture is anti-dilutive due to the impact of adjustments related to them would have on net income.

NINE-MONTH PERIOD ENDED JUNE 30, 2023 AND 2022

For the nine-month periods ended June 30, 2023, the Company recorded a net income and comprehensive income of $14,436,031, compared to a net income and comprehensive income of $34,110,293 for the nine-month period ended June 30, 2022, representing a difference of $19,674,262. Details for the nine-month periods ended June 30, 2023 and 2022 are presented below:

Interim Consolidated Statements of Income and Comprehensive Income

For the nine-month period ended June 30,	**2023**	2022	Variance
	$	$	$
Sales commissions	**264,091**	82,000	182,091
Selling and administrative expenses	**3,468,918**	7,501,232	(4,032,314)
Loss before finance income, finance costs and income taxes	**(3,204,827)**	(7,419,232)	4,214,405
Finance income	**4,822**	7,286	(2,464)
Finance costs	**(1,853,239)**	(1,083,792)	(769,447)
Gain on debentures conversion	**51,269**	-	51,269
Gain on debentures extension	**67,179**	-	67,179
Fair value adjustment of the embedded derivatives	**19,370,827**	42,606,031	(23,235,204)
Net finance earnings	**17,640,858**	41,529,525	(23,888,667)
Net income (loss) and comprehensive income (loss)	**14,436,031**	34,110,293	(19,674,262)
Net comprehensive income (loss) attributable to:			
Shareholders	**14,436,031**	34,108,796	(19,672,765)
Non-controlling interest	**-**	1,497	(1,497)
	14,436,031	34,110,293	(19,674,262)
Income (loss) per share to equity holders of Auxico Resources Canada Inc.			
Basic	**0.19**	0.50	
Diluted	**0.17**	0.50	
Weighted average number of shares outstanding			
Basic	**76,715,646**	68,031,735	
Diluted	**82,917,516**	67,814,543	

Sales and sales commissions

There were no sales recorded in the nine-month period ended June 30, 2023 and 2022.

In the nine-month period ended June 30, 2023, Auxico recorded sales commissions of $264,091 (June 30, 2022 – $82,000) 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 period ended June 30, 2023, selling and administrative expenses amounted to $3,468,918, which was a decrease of $4,032,314, compared to selling and administrative expenses of $7,501,232 for the period ended June 30, 2022.

For the nine-month period ended June 30,	2023	2022	Variance
	$	$	$
Professional fees	**1,293,078**	1,968,855	(675,777)
Share-based compensation	**516,808**	2,092,260	(1,575,452)
Exploration and evaluation expenditures	**340,695**	2,422,285	(2,081,590)
Amortization exclusive sales agency distribution agreement	**334,821**	201,976	132,845
Legal fees	**326,429**	270,000	56,429
Management fees	**280,575**	93,525	187,050
Travel expenses	**118,076**	173,157	(55,081)
Advertising	**90,213**	47,048	43,165
Loss (gain) on foreign exchange	**97,734**	71,860	25,874
Public listing fees	**47,313**	9,438	37,875
Rent	**43,637**	10,637	33,000
Office expenses	**45,000**	27,000	18,000
Depreciation	**29,112**	25,085	4,027
Write-off of sales tax receivable	**1,019**	40,727	(39,708)
Kibara Minerals' advance recovery	**(95,592)**	-	(95,592)
Bad debts	**-**	37,479	(37,479)
Other expenses	**-**	9,900	(9,900)
Total selling and administrative expenses	**3,468,918**	7,501,232	(4,032,314)

Professional fees decreased by $675,777 in 2023 if compared to 2022 as the Company spent less on consultants, professionals and investor relations in the nine-month period ended June 30, 2023.

In the nine-month period ended June 30, 2023, the Company recorded share-based compensation expense of $516,808, which was a decrease of $1,575,452 compared to share-based compensation expense of $2,092,260 in the nine-month period ended June 30, 2022. This is a non-cash expense associated with the granting of options.

Exploration and evaluation expenditures decreased by $2,081,590. In the nine-month period ended June 30, 2023, the Company recorded amortization of the exclusive rights (as described above) of $334,821 (June 30, 2022 – $201,976). Legal fees increased by $56,429, as the Company was involved in studying and negotiating several options and opportunities. Travel expenses decreased by $55,081, given the decreased activity outside of Canada.

Finance Income and Finance Costs

Details of the finance costs for the nine-month periods ended June 30, 2023 and 2022 are presented below:

For the nine-month period ended June 30,	2023	2022	Variance
	$	$	$
Accreted interest	**1,465,083**	815,240	649,843
Interest on convertible debentures	**372,342**	255,032	117,310
Interest and bank fees	**15,814**	13,520	2,294
Total finance costs	**1,853,239**	1,083,792	769,447

Total finance costs for the nine-month period ended June 30, 2023 are $1,853,239, an increase of $769,447 over the same period in Fiscal 2022, a total amount of $1,083,792.

The accreted interest increased by $649,843 in this period and interest on convertible debentures increased by $117,310.

Fair value adjustment of the embedded derivatives

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

In the nine-month period ended June 30, 2023, the Company recorded an earning of $19,370,827 on the fair value adjustment on the embedded derivative (June 30, 2022 – $42,606,031).

In the nine-month period ended June 30, 2023, the Company recorded a gain on debenture conversion of $51,269 and a gain on debenture extension of $67,179.

Earnings (loss) per share

The diluted weighted average number of shares has been calculated as follows:

	June 30, 2023	September 30, 2022	June 30, 2022
Weighted average number of common shares – basic	**76,715,646**	68,904,453	66,575,570
Addition to reflect the dilutive effect of stock options	**(124,741)**	1,899,980	988,608
Addition to reflect the dilutive effect of warrants	**6,326,611**	2,956,048	250,365
Weighted average number of common shares - diluted	**82,917,516**	73,760,481	67,814,543

Options and warrants that are anti-dilutive because the exercise price was greater than the average market price of the common shares is not included in the computation of net earnings per share. For the nine-month period ended June 30, 2023, 4,785,000 options (September 30, 2022 – 960,000) and 7,879,823 warrants (September 30, 2022 – 818,080) were excluded from the above computation.

Net income is the measure of the income used to calculate the earnings per share. Convertible debenture is anti-dilutive due to the impact of adjustments related to them would have on net income.

CASH FLOWS AND LIQUIDITY

The following table outlines the Company's cash flows for the nine-month periods ended June 30, 2023 and 2022:

For the nine-month period ended June 30,	**2023**	2022
	$	$
Cash used in operating activities		
Net income (loss)	**14,436,031**	34,110,293
Depreciation	**29,112**	25,085
Share-based compensation	**340,695**	2,422,285
Bad debts	**-**	37,479
Amortization exclusive sales agency distribution agreement	**280,575**	93,525
Write-off of sales tax receivable	**-**	7,204
Unrealized foreign exchange gain	**12,320**	(10,840)
Consulting fees paid with warrants	**-**	769,200
Accreted interest	**1,517,768**	746,802
Gain on debentures conversion	**(51,269)**	-
Gain on debentures extension	**(67,179)**	-
Fair value adjustment of the conversion option	**(19,370,827)**	(42,606,031)
Net changes in non-cash working capital items	**(180,504)**	127,411
	(3,053,278)	(4,277,587)
Cash flows used in investing activities		
Acquisition of exclusive distribution agreement and conversion right	**364,464**	(1,247,000)
Advance to companies controlled by a director	**200,000**	(404,764)
Promissory notes to third party	**-**	(200,000)
Other assets	**(4,101)**	-
Acquisition of equipment	**-**	(116,450)
	560,363	(1,968,214)
Cash flows from financing activities		
Due to directors	**-**	(3,883)
Due to companies controlled by a director	**148,857**	(12,733)
Finder's fees payable	**(141,241)**	(168,741)
Exercise of warrants	**373,972**	163,116
Exercise of options	**60,525**	325,000
Proceeds from issuance of units, net of issuance cost	**-**	3,343,124
Proceeds from issuance of convertible debentures, net of issuance cost	**-**	3,510,000
	442,113	7,155,883
(Decrease)/Increase in cash	**(2,050,802)**	910,082
Cash beginning of the period	**2,115,889**	2,563,533
Cash end of the period	**65,087**	3,473,615

For the nine-month period ended June 30, 2023, Auxico generated a decrease in cash of $3,408,528. Cash at end of the period as at June 30, 2023 was $65,087 compared to $3,473,615 for the nine-month period ended June 30, 2022.

Cash used in operating activities amounted to $3,053,278 in the nine-month period ended June 30, 2023, compared to cash used in operating activities of $4,277,587 for the same period ended June 30, 2022. In the nine-month period ended June 30, 2023, generated cash in investing activities amounted for $563,363, compared to cash used in investing activities of $1,968,214 for the same period ended June 30, 2022. In the nine-month period ended June 30, 2023, the Company generated cash used from financing activities of $442,113, compared to cash flows of $7,155,883 for the nine-month period ended June 30, 2022.

Auxico will continue to rely on access to equity and debt financings to cover operational expenses and geological work.

CAPITAL STRUCTURE

Shares issued

The Company has authorized an unlimited number of common shares without par value and an unlimited number of preferred shares without par value.

As at June 30, 2023, there were 92,390,191 (71,590,196 as at September 30, 2022) issued and fully paid common shares.

Warrants

At June 30, 2023, the Company had 26,288,518 warrants issued and outstanding, as presented below:

Date of Issue	Expiry Date	Strike Price	Balance
February 3, 2021	February 2, 2024	$1.00	4,872,000
June 14, 2021	June 13, 2024	$0.15	400,000
August 9, 2021	August 8, 2024	$0.25	1,650,000
August 25, 2021	August 24, 2024	$0.15	500,000
January 19, 2022	January 18, 2025	$1.50	818,080
March 21, 2022	March 20, 2025	$0.90	158,355
March 21, 2022	March 20, 2025	$1.20	1,031,388
June 22, 2022	June 20, 2025	$0.90	1,000,000
October 17, 2022	October 16, 2025	$0.15	514,794
October 31, 2022	October 30, 2025	$0.15	516,712
November 2, 2022	November 1, 2025	$0.15	833,972
November 16, 2022	November 14, 2025	$0.15	518,904
February 28, 2023	February 27, 2026	$0.25	4,125,000
June 9, 2023	June 8, 2026	$0.15	1,500,000
June 19, 2023	June 18, 2026	$0.15	7,849,313
			26,288,518

Stock options

At June 30, 2023 there were 6,180,000 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
August 22, 2018	August 21, 2023	$0.25	100,000
March 28, 2019	March 27, 2024	$0.25	300,000
September 16, 2020	September 15, 2025	$0.105	245,000
March 17, 2021	March 16, 2026	$0.45	900,000
July 19, 2021	July 18, 2026	$0.79	575,000
September 1, 2021	September 1, 2026	$1.26	510,000
November 24, 2021	November 23, 2026	$1.39	450,000
April 19, 2022	April 18, 2027	$0.85	2,050,000
November 15, 2022	November 14, 2027	$0.42	750,000
December 20, 2022	December 19, 2027	$0.45	300,000
			6,180,000

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, 2023 were as follows:

For the three-month periods,	June 30, 2023 $	June 30, 2022 $
Management fees		
Company controlled by a director	**86,429**	60,000
Key management personnel and director	**30,000**	30,000
Share-based compensation		
Key management personnel and director	**-**	1,324,575
Rent		
Company controlled by a director	**15,000**	9,000
Consulting fees		
Key management personnel and director	**19,500**	12,000
Interest on private placement		
Key management personnel and directors	**2,192**	-

For the nine-month periods,	June 30, 2023 $	June 30, 2022 $
Management fees		
Company controlled by a director	**236,429**	180,000
Key management personnel and director	**90,000**	90,000
Share-based compensation		
Key management personnel and director	**226,425**	1,324,575
Rent		
Company controlled by a director	**45,000**	27,000
Consulting fees		
Key management personnel and director	**78,047**	36,899
Interest on private placement		
Key management personnel and directors	**9,315**	-

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, 2023**	**3,323**	**-**
	September 30, 2022	3,098	-
Company with common directors	**June 30, 2023**	**-**	**148,857**
	September 30, 2022	879,609	-
Companies controlled by a director	**June 30, 2023**	**-**	**40,889**
	September 30, 2022	-	28,675

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 products proceed 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.

Net royalty – Central America Nickel Inc.

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 process is used by the Company. 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

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 agreement with Impact Global Systems

On May 25, 2021, the Company signed a joint venture agreement with Impact Global Systems ("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, Québec, 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.

Joint venture agreement with Cooperativa Estanifera de Mineradores da Amazonia Legal Ltda.

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 Rondonia, Brazil. During Fiscal 2022, the Company has made payments of $648,435 (US$500,000) and subsequent to year-end made payments of $682,510 (US$500,000), which was accrued at September 30, 2022. A payment of $344,250 (US$250,000) was made in October 2022 and a second payment of $338,260 (US$250,000) was completed in January 2023, for a combined amount of $682,510 (US$500,000). These have been recorded as exploration and evaluation expenditures.

Pursuant to the Agreement, the Company is to obtain licenses and permits by June 20, 2023 and has a commitment to make a final payment of US$1,000,000 in August 2023. The Company has the right to terminate the agreement prior to the final payment being due.

Purchase of Agualinda Property

On December 8, 2021, the Company announced the acquisition of the surface rights to 1,293 hectares of land titled Agualinda, located in the municipality of Puerto Carreño, in the department of Vichada, Colombia. The land adjoins the Minastyc property, which the Company purchased in December 2020. As per the signed agreement, the Company will pay to the vendors a purchase price of US$315,000 (of which US$35,000 was paid as of September 30, 2022 and US$280,0000 is due as of September 30, 2022), in addition to a yearly fee in the amount of US$100,000 for a period of three years following the signing of the agreement upon revenues generated from production.

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, 2022.

SUBSEQUENT EVENTS

On July 6, 2023 Auxico granted 2,700,000 stock options to directors, officers and consultants of the company. These options have no vesting period, a strike price of $10.30 and expire in 5 years.

This MD&A is dated the 29th day of August, 2023

"signed" Mark Billings
Executive Chairman

Auxico Resources Canada Inc