

**AUXICO RESOURCES CANADA INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS – QUARTERLY HIGHLIGHTS**  
**FOR THE THREE AND NINE-MONTH PERIOD ENDED JUNE 30, 2020**

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**OVERVIEW**

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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, 2020. All currency amounts referred to herein are in Canadian dollars unless otherwise stated. The MD&A 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, 2020; the Company's audited consolidated financial statements for the year ended September 30, 2019; and the Company's MD&A for the year ended September 30, 2019. The accompanying audited and unaudited consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). The 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](http://www.auxicoresources.com) and on SEDAR ([www.sedar.com](http://www.sedar.com)) under "Auxico Resources Canada Inc."

This MD&A is dated August 31, 2020.

**COMPANY DESCRIPTION**

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The Company was incorporated under the Canada Business Corporations Act on April 16, 2014. The Company has two wholly-owned subsidiaries, Auxico Resources S.A. de C.V. ("Auxico Mexico"), which was incorporated under the laws of Mexico on June 16, 2011, and C.I. Auxico de Colombia S.A., which was incorporated under the laws of Colombia on April 9, 2019. The Company has an office at 230 Notre-Dame Street West, Montreal, Quebec, H2Y 1T3, Canada.

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

**OVERVIEW OF THE THREE-MONTH PERIOD ENDED JUNE 30, 2020**

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On June 3, 2020, Auxico announced that it had signed a joint venture agreement with Kibara Minerals ("Kibara") for the concentration and export of tantalum and niobium ores from the DRC.

Kibara has access to high-grade tantalite mineral deposits in the DRC. More specifically, Kibara has an exclusive supply agreement with a cooperative for the purchase of tantalite ore from the Bafwasende artisanal deposit located 200 km from the city of Kisangani in the north-central part of the DRC.

Tantalite ore from the Bafwasende deposit has been tested by two groups. Impact Global Solutions, based in Delson, Quebec, performed laboratory tests on samples from the Bafwasende deposit, which produced the following grades: 46% Ta<sub>2</sub>O<sub>5</sub> (tantalum pentoxide) and 22% Nb<sub>2</sub>O<sub>5</sub> (niobium pentoxide). One of the Company's potential buyers of this tantalite ore performed its own tests, which resulted in 42.04% Ta<sub>2</sub>O<sub>5</sub> and 22.93% Nb<sub>2</sub>O<sub>5</sub>. Auxico is finalizing a long-term supply agreement with this party for the sale of specific quantities of tantalite ore per year.

Given this opportunity, both Auxico and Kibara wish to work together to launch the trading operation of tantalum and niobium-bearing ores from the Bafwasende deposit. Kibara has the local connections and expertise in the DRC.

Auxico and its partner, Covemin, which is a commodities trading firm in Europe with an expertise in tantalum and niobium, have established relationships with the buyers of tantalite ore worldwide. As both parties complement each other, it seems logical to form a joint venture.

Under the terms of the joint venture, Auxico will provide the working capital to concentrate and export the tantalite ore from the DRC. This will include the purchase of ore from the cooperative, transportation of the tantalite ore from Kisangani to the port of Matadi, warehousing, sampling and shipping. In return, Auxico will receive 70% of the profits from the sale of the ore, while Kibara will retain 30%.

The DRC has the largest known reserves of tantalite ore in the world. The ore from the Bafwasende deposit is extracted from a traceable non-conflict artisanal site. Both tantalum and niobium are on the list of critical minerals of the United States government. Tantalum is used specifically in electrolytic capacitors for the electronics industry. Niobium is used in steel superalloys. Recently, the price of tantalum was US\$165,000 per metric tonne and the price of niobium was US\$40,000 per MT.

On June 22, 2020, Auxico announced that it had completed a non-brokered private placement, raising aggregate gross proceeds of \$1,600,000 in participating convertible debentures (the "Debentures").

Each Debenture consists of \$1 principal amount of participating, secured, non-redeemable 10% convertible debenture maturing on June 19, 2023 (the "Maturity Date") and convertible at the option of the Debenture holder into:

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

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

In addition, Debenture holders will receive a total of 16% of the net profits generated by Auxico from the sale of tantalum and niobium-bearing ores, to be paid quarterly in arrears; this represents 1% of the profits for every \$100,000 principal amount of Debentures ("Participating Feature"). As previously announced in its news release of June 3, 2020, the Company has entered into a joint venture with Kibara Minerals in the Democratic Republic of the Congo in this regard, and Auxico's share of the profits will be 70%. The Participating Feature will apply to any profits generated for Auxico from this joint venture, as well as from other jurisdictions (such as Brazil). This Participating Feature will expire on the earlier of the conversion of the Debentures into Shares of the Company, and the Maturity Date.

The Company paid finder's fees of \$46,000 in connection with the private placement. The Debentures issued pursuant to the private placement are subject to a four-month hold period in Canada.

The net proceeds of the private placement will be used to begin trading of tantalum and niobium-bearing ores from the Democratic Republic of the Congo and Brazil, as well as for general working capital purposes.

## **SUBSEQUENT EVENTS**

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On July 27, 2020, Auxico announced that it had completed a non-brokered private placement, raising aggregate gross proceeds of \$50,000 in participating convertible debentures (the “Debentures”).

Each Debenture consists of \$1 principal amount of participating, secured, non-redeemable 10% convertible debenture maturing on July 24, 2023 (the “Maturity Date”) and convertible at the option of the Debenture holder into:

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

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

In addition, Debenture holders will receive a total of 0.5% of the net profits generated by Auxico from the sale of tantalum and niobium-bearing ores, to be paid quarterly in arrears; this represents 1% of the profits for every \$100,000 principal amount of Debentures (“Participating Feature”). The Participating Feature will apply to any profits generated for Auxico from this joint venture, as well as from other jurisdictions (such as Brazil). This Participating Feature will expire on the earlier of the conversion of the Debentures into Shares of the Company, and the Maturity Date.

### ***Share Information***

As at the date of this MD&A, there are 44,885,000 common shares issued and outstanding of Auxico.

### ***Additional Information***

Additional information on Auxico, the Zamora Property and the Company’s opportunities in Colombia and Brazil can be accessed on the Company’s website ([www.auxicoresources.com](http://www.auxicoresources.com)) and on SEDAR ([www.sedar.com](http://www.sedar.com)).

### ***Qualified Person***

The technical content of this MD&A has been reviewed and approved by Joel Scodnick, P.Geo., a Qualified Person as defined by Canadian Securities Administration National Instrument 43-101 “Standards of Disclosure for Mineral Projects” (“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, 2020 (unaudited) and at September 30, 2019 (audited) is presented below:

### Condensed Interim Consolidated Statements of Financial Position

<b>As at</b>	<b>June 30, 2020 (unaudited)</b>	<b>September 30, 2019 (audited)</b>
	\$	\$
<b>Assets</b>		
<i>Current assets</i>		
Cash & cash equivalents	767,257	9,139
Sales tax receivable	73,449	20,057
Prepaid expenses	-	47,814
Advances to Kibara Minerals	223,791	-
Subscription receivable	150,000	-
Advance to directors	5,000	3,098
<b>Total assets</b>	<b>1,219,497</b>	<b>80,108</b>
<b>Liabilities</b>		
<i>Current liabilities</i>		
Accounts payable and accruals	660,330	428,936
Income tax payable	-	2,740
Due to companies controlled by a director	-	95,817
Due to directors	-	21,606
	<b>660,330</b>	<b>549,099</b>
<i>Non-current liabilities</i>		
Debentures	1,554,000	-
Deferred income tax liabilities	56,887	56,887
<b>Total liabilities</b>	<b>2,271,217</b>	<b>605,986</b>
<b>Equity (Deficiency)</b>		
Equity (Deficiency) attributable to shareholders	(1,032,858)	(528,050)
Equity (Deficiency) attributable to non-controlling interest	(18,862)	2,172
<b>Total equity (deficiency)</b>	<b>(1,051,720)</b>	<b>(525,878)</b>
<b>Total liabilities &amp; equity (deficiency)</b>	<b>1,219,497</b>	<b>80,108</b>

Cash and cash equivalents at June 30, 2020 were \$767,257, compared to \$9,139 at September 30, 2019, an increase of \$758,118. This was due to the financing of Debentures in June 2020, as described above.

Advances to Kibara Minerals were \$223,791 at June 30, 2020 (\$Nil – September 30, 2019), following the joint venture agreement between Auxico and Kibara, as described above.

The subscription receivable of \$150,000 at June 30, 2020 relates to the financing of Debentures.

As at June 30, 2020, Auxico had accounts payable and accruals of \$660,330, compared to \$428,936 at September 30, 2019, an increase of \$231,394. Accounts payable at June 30, 2020 were primarily trade payables.

In June 30, 2020, Auxico closed a private placement of Debentures for \$1,600,000. The statement of financial position at June 30, 2020 shows an amount of \$1,554,000, which is the gross proceeds from this financing, less finders' fees of \$46,000.

As of June 30, 2020, Auxico had working capital of \$559,167, compared to negative working capital of \$468,991 at September 30, 2019.

## RESULTS OF OPERATIONS

For the three-month period ended June 30, 2020, the Company recorded a net loss and comprehensive loss of \$212,556 compared to a net loss and comprehensive loss of \$421,922 for the three-month period ended June 30, 2019. Details for the three-month periods ended June 30, 2020 and 2019 are presented below:

### Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

For the three-month periods ended June 30 (unaudited)	2020 \$	2019 \$	Variance
<b>Expenses</b>			
Professional fees	74,220	204,218	(129,998)
Management fees	80,000	60,000	20,000
Legal fees	-	39,364	(39,364)
Exploration and evaluation expenditures	38,903	54,125	(15,222)
Travel expenses	-	12,391	(12,391)
Office expenses	2,381	4,618	(2,237)
Taxes and permits	-	91	(91)
Rent	-	9,000	(9,000)
Other expenses	9,906	45,382	(35,476)
Interest and bank fees	5,411	1,610	3,801
Losses (gains) on foreign exchange	1,735	(8,877)	10,612
	212,556	421,922	(209,366)
<b>Net loss and comprehensive loss</b>	<b>(212,556)</b>	<b>(421,922)</b>	<b>209,366</b>
<b>Net loss and comprehensive loss attributable to:</b>			
Shareholders	(204,054)	(421,922)	217,868
Non-controlling interest	(8,502)	-	(8,502)
	(212,556)	(421,922)	209,366
Loss per share	(0.005)	(0.009)	
Weighted average number of shares outstanding	44,885,000	44,885,000	

For the three-month period ended June 30, 2020, the Company recorded a net loss and comprehensive loss of \$212,556, compared to net loss and comprehensive loss of \$421,922 for the three-month period ended June 30, 2019, a decrease of \$209,366.

In the quarter ended June 30, 2020, the Company (as well as other companies and the economy in general) was impacted by the COVID-19 pandemic. In response, Auxico reduced costs as much as possible. Consequently, professional fees reduced significantly, and the Company did not incur any legal fees or travel expenses during the quarter.

For the nine-month period ended June 30, 2020, Auxico recorded a net loss and comprehensive loss of \$525,842, compared to a net loss and comprehensive loss of \$1,686,642 for the nine-month period ended June 30, 2019. Details for the nine-month periods ended June 30, 2020 and 2019 are presented below:

**Condensed Interim Consolidated Statements of Loss and Comprehensive Loss**

<b>For the nine-month periods ended June 30 (unaudited)</b>	<b>2020</b>	<b>2019</b>	<b>Variance</b>
	\$	\$	
<b>Expenses</b>			
Professional fees	213,962	751,678	(537,716)
Management fees	150,000	180,000	(30,000)
Legal fees	12,740	77,891	(65,151)
Exploration and evaluation expenditures	39,378	409,074	(369,696)
Travel expenses	2,467	69,970	(67,503)
Office expenses	3,460	11,620	(8,160)
Taxes and permits	-	753	(753)
Rent	12,000	27,000	(15,000)
Other expenses	80,121	132,450	(52,329)
Gains on settlement	-	(55,600)	55,600
Interest and bank fees	7,305	5,142	2,163
Stock-based compensation	-	72,466	(72,466)
Losses (gains) on foreign exchange	4,409	4,198	211
	525,842	1,686,642	(1,160,800)
<b>Net loss and comprehensive loss</b>	<b>(525,842)</b>	<b>(1,686,642)</b>	<b>1,160,800</b>
<b>Net loss and comprehensive loss attributable to:</b>			
Shareholders	(504,807)	(1,686,642)	1,181,835
Non-controlling interest	(21,035)	-	(21,035)
	(525,842)	(1,686,642)	1,160,800
Loss per share	(0.012)	(0.040)	
Weighted average number of shares outstanding	44,885,000	41,956,429	

For the nine-month period ended June 30, 2020, the Company recorded a net loss and comprehensive loss of \$525,842, compared to a net loss and comprehensive loss of \$1,686,642 for the nine-month period ended June 30, 2019, a decrease of \$1,160,800.

As described above, this decrease in operating expenses is due to less operational activity on the part of the Company, as well as the cost reduction incurred as a response to the COVID-19 pandemic.

Auxico is a mining exploration company and currently has no mining operations to generate sales and revenues. The Company will have to rely on private placements of equity and/or debt in order to cover its operating expenses and geological work at the Zamora Property in Mexico.

## CASH FLOWS AND LIQUIDITY

The following table outlines the Company's cash flows for the nine-month periods ended June 30, 2020 and 2019:

### Condensed Interim Consolidated Statements of Cash Flows

<b>For the nine-month periods ended June 30 (unaudited)</b>	<b>2020 \$</b>	<b>2019 \$</b>
<b>Operating activities</b>		
Net loss and comprehensive loss	(525,842)	(1,686,642)
<i>Adjustment for:</i>		
Share-based compensation	-	72,466
<i>Net changes in non-cash working capital items:</i>		
Sales tax receivable	(53,392)	(5,521)
Prepaid expenses	47,814	98,432
Subscription receivable	(150,000)	-
Accounts payable and accruals	231,394	271,998
Provision	-	(165,600)
Income taxes payable	(2,740)	-
	<b>(452,766)</b>	<b>(1,414,867)</b>
<b>Financing activities</b>		
Advance to a director	3,098	-
Advances to Kibara Minerals	(223,971)	-
Advances to a company owned by a director	(5,000)	-
Due to a company owned by a director	(95,817)	-
Due to directors	(21,606)	(9,323)
Proceeds from the issue of debentures	1,554,000	-
Proceeds from the issue of equity	-	1,305,000
Share issuance cost paid	-	(33,000)
	<b>1,210,884</b>	<b>1,262,677</b>
Increase (Decrease) in cash and cash equivalents	758,118	(152,190)
Cash and cash equivalents, beginning of the period	9,139	172,178
<b>Cash and cash equivalents, end of the period</b>	<b>767,257</b>	<b>19,988</b>

For the nine-month period ended June 30, 2020, Auxico generated an increase of cash of \$758,118, compared to a decrease of cash of \$152,190 for the nine-month period ended June 30, 2019.

Cash used in operating activities amounted to \$452,766 in the nine-month period ended June 30, 2020, compared to cash used in operating activities of \$1,414,867 for the nine-month period ended June 30, 2019. In both periods, cash was used for operating expenses.

In the nine-month period ended June 30, 2020, Auxico generated cash of \$1,554,000 through the issuance of Debentures, as described above. As per the joint venture agreement with Kibara Minerals, as described above, the Company advanced \$223,971 to Kibara. In the nine-month period ended June 30, 2019, the Company generated cash of \$1,305,000 through the issuance of common shares by way of private placement.

At June 30, 2020, the working capital position of the Company was positive. As a mining exploration company, Auxico does not currently generate any revenues from operations and relies on access to equity and debt financings to cover operational expenses and geological work at the Zamora Property.

## CAPITAL STRUCTURE

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### Shares issued

At June 30, 2020, there were 44,885,000 issued and fully paid common shares (June 30, 2019 – 44,885,000).

### Warrants

At June 30, 2020, the Company had 4,554,100 warrants issued and outstanding, as presented below:

Warrants Issued	Date of Issue	Expiry Date	Strike Price
16,600	August 29, 2017	August 28, 2022	\$0.25
1,275,000	August 20, 2018	August 20, 2020	\$0.40
787,500	November 2, 2018	November 2, 2020	\$0.40
1,000,000	February 7, 2019	February 7, 2021	\$0.40
1,000,000	March 11, 2019	March 11, 2021	\$0.40
<u>475,000</u>	March 27, 2019	March 27, 2021	\$0.40
<b>4,554,100</b>			

### Stock options

At June 30, 2020, there were 3,875,000 stock options issued and outstanding to consultants, officers and directors of the Company, with no vesting period, as described below:

Options Issued	Date of Issue	Expiry Date	Strike Price	Options Expired	Balance
2,475,000	Feb. 10, 2017	Feb. 9, 2022	\$0.25	(150,000)	2,325,000
1,100,000	Oct. 23, 2017	Oct. 22, 2022	\$0.40	(650,000)	450,000
200,000	Mar. 13, 2018	Mar. 12, 2023	\$0.40	-	200,000
600,000	Aug. 22, 2018	Aug. 21, 2023	\$0.25	(200,000)	400,000
500,000	Mar. 28, 2019	Mar. 27, 2024	\$0.25	-	<u>500,000</u>
					<b>3,875,000</b>

## SUMMARY OF QUARTERLY RESULTS

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The following is a summary of selected financial information from the quarterly interim unaudited consolidated financial statements for the eight quarters ending June 30, 2020. Please note that these quarterly figures have been restated due to the Company's change in accounting policy.

Quarter ending	June 30, 2020	Mar. 31, 2020	Dec. 31, 2019	Sep. 30, 2019
	\$	\$	\$	\$
Revenue	-	-	-	-
Net loss and comprehensive loss	(212,566)	(157,089)	(156,197)	(125,340)
Net loss per share	(0.005)	(0.003)	(0.003)	(0.003)

Quarter ending	June 30, 2019	Mar. 31, 2019	Dec. 31, 2018	Sep. 30, 2018
	\$	\$	\$	\$
Revenue	-	-	-	-
Net loss and comprehensive loss	(421,922)	(718,267)	(546,453)	(696,391)
Net loss per share	(0.009)	(0.017)	(0.014)	(0.019)

## RELATED PARTY TRANSACTIONS AND BALANCES

The Company's related parties include an entity with significant influence, companies owned 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, 2020 were as follows:

<b>For the three-month period ended June 30 (unaudited)</b>	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<b><u>Management fees</u></b>		
Key management personnel and directors	80,000	60,000
<b><u>Rent</u></b>		
Company controlled by a director	-	9,000
<b>For the nine-month period ended June 30 (unaudited)</b>	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<b><u>Management fees</u></b>		
Key management personnel and directors	150,000	120,000
<b><u>Rent</u></b>		
Company controlled by a director	12,000	27,000

As part of the private placement closed on June 22, 2020 (see Note 8), Pierre Gauthier, the CEO, Chairman and a director of the Company purchased 90,000 Debentures (\$90,000) through his company, Seed Capital Inc., Mark Billings, the President and a director of the Company purchased 50,000 Debentures (\$50,000) through his company, Gestion Marengo Management Inc., and Kenneth West, a director of the Company, purchased 50,000 Debentures (\$50,000). As a result, the Private Placement is a related party transaction (as defined under Multilateral Instrument 61-101 Protection of Minority Security Holders in Special Transactions ("MI 61-101")). The Company relied upon the "Issuer Not Listed on Specified Markets" exemption from the formal valuation and minority shareholder approval requirements, respectively, under MI 61-101.

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

	<b>As at</b>	<b>Amounts owed by related parties \$</b>	<b>Amounts owed to related parties \$</b>
Key management personnel and directors	June 30, 2020	5,000	-
	Sep. 30, 2019	3,098	21,606
Companies controlled by a director	June 30, 2020	-	-
	Sep. 30, 2019	-	95,817

The due to directors is unsecured, payable on demand and bears no interest. The advance to companies controlled by a director is unsecured, payable on demand and bears interest at 10% per annum.

## COMMITMENTS AND CONTINGENCIES

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### **Net Smelter Return Royalty (“NSRR”)**

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

### **Farm-out Agreement**

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

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

On October 17, 2016, the Company signed a Memorandum of Understanding (“MOU”) with the Lender involved in the Farm-out Agreement mentioned above. Under the terms of the MOU, the Company has the option, but not the obligation, to cancel the Farm-out Agreement by paying to the Lender a total of US\$400,000 in cash and by issuing a total of 1,000,000 common shares of the Company, upon or after the Company’s listing on a registered Canadian stock exchange. The Company can exercise this option within 12 months of the signing of the MOU, or until October 16, 2017.

On May 8, 2018, the Company and the Government of Bolivar in Colombia agreed to work together in partnership and to share the profits of the Company’s eventual gold production operations in Bolivar, with 75% of the net profits going to the Company and 25% going to the Government of Bolivar.

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.

On September 17, 2018, the Company and the Government of Guainia in Colombia agreed to work together in partnership and to share the profits of the Company’s eventual mineral production operations in Guainia, with 75% of the net profits going to the Company and 25% going to the Government of Guainia.

## RISKS AND UNCERTAINTIES

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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, 2019.

Dated this 31<sup>st</sup> day of August, 2020.

“signed”

Mark Billings  
President