

AUXICO RESOURCES CANADA INC.
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
THREE-MONTH PERIOD ENDED DECEMBER 31, 2017
UNAUDITED, EXPRESSED IN CANADIAN DOLLARS

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Notice of Disclosure of Non-auditor review of the Condensed Interim Financial Statements

Pursuant to National Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators, if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company for the interim periods ended December 31, 2017 and 2016 have been prepared in accordance with international accounting standards for interim financial reporting under IAS 34. The accompanying unaudited condensed interim consolidated financial statements are the responsibility of the Company's management.

The Company's independent auditors, Guimond Lavallée, CPA, have not performed a review of these interim financial statements in accordance with the standards established for a review of condensed interim financial statements by an entity's auditor.

March 1, 2018

/s/ Mark Billings
President

Auxico Resources Canada Inc.
Interim Consolidated Statements of Financial Position
December 31, 2017 and September 30, 2017 (audited)
(Unaudited, expressed in Canadian Dollars)

As at,	December 31, 2017 (unaudited) \$	September 30, 2017 (audited) \$
ASSETS		
<i>Current assets</i>		
Cash & cash equivalents	742,962	1,165,415
Sales tax receivable	80,383	43,737
Prepaid expenses	98,481	67,381
Consulting and advisory services to received	33,333	179,900
Advance to a director (note 13)	55,007	20,562
Advance to a company controlled by a director (note 13)	27,246	27,246
	1,037,412	1,504,241
<i>Non-current assets</i>		
Mining property acquisition costs (note 5)	181,400	181,400
Exploration and evaluation expenses (note 5)	829,238	651,622
TOTAL ASSETS	2,048,050	2,337,263
LIABILITIES		
<i>Current liabilities</i>		
Accounts payable and accruals	174,877	124,963
Provision (note 6)	156,600	156,600
Income taxes payable	2,186	2,186
	333,663	283,749
<i>Non-current liabilities</i>		
Deferred income tax liabilities	31,025	31,025
Total Liabilities	364,688	314,774
SHAREHOLDERS' EQUITY		
Share capital (note 7)	3,578,059	3,578,059
Contributed surplus (note 7)	793,550	450,570
Warrants (note 7)	3,235	3,235
Deficit	(2,691,482)	(2,009,375)
Total shareholders' equity	1,683,362	2,022,489
TOTAL LIABILITIES & SHAREOLDERS' EQUITY	2,048,050	2,337,263

Going Concern (note 2), Commitments and Contingencies (note 14) and Subsequent Events (note 16)

Approved on behalf of the Board:

Signed "Pierre Gauthier", Director

Signed "Mark Billings", Director

The accompanying notes form an integral part of the condensed interim consolidated financial statements.

Auxico Resources Canada Inc.
Interim Consolidated Statements of Loss and Comprehensive Loss
For the three- month period ended December 31, 2017
(Unaudited, expressed in Canadian Dollars)

For the period ended,	Three months ended	
	December 31, 2017	December 31, 2016
	(unaudited)	(unaudited)
	\$	\$
Revenues	-	-
Expenses		
Professional fees	230,853	71,774
Management fees	30,000	47,246
Legal fees	19,071	9,126
Travel expenses	22,104	16,176
Office expenses	1,334	1,436
Taxes and permits	2,770	-
Rent	9,000	23,741
Other expenses	6,729	-
Interest and bank fees	1,854	1,380
Stock-based compensation (note 7)	342,980	-
Losses (gains) on foreign exchange	15,412	18,523
	682,107	189,402
Loss before income taxes	(682,107)	(189,402)
Income taxes	-	-
Net loss and comprehensive loss	(682,107)	(189,402)
Loss per share - basic & diluted (note 8)	(0,019)	(0,008)
Weighted average number of shares outstanding	35,810,000	23,927,283

The accompanying notes form an integral part of the condensed interim consolidated financial statements.

Auxico Resources Canada Inc.
Interim Consolidated Statement of Changes in Equity
For the three-month period ended December 31, 2017
(Unaudited, expressed in Canadian Dollars)

	SHARE CAPITAL		RETAINED EARNINGS (DEFICIT)	WARRANTS	CONTRIBUTED SURPLUS	TOTAL EQUITY
	#	\$	\$	\$	\$	\$
Balance, as at October 1, 2015	21,500,000	234,087	67,822	-	-	301,909
Shares issued in private placement	2,400,000	600,000	-	-	-	600,000
Issuance costs	-	(40,000)	-	-	-	(40,000)
Net loss and comprehensive for the year	-	-	(318,276)	-	-	(318,276)
Balance, as at September 30, 2016	23,900,000	794,087	(250,454)	-	-	543,633
Shares issued in private placement	9,782,300	2,445,575	-	-	-	2,445,575
Shares issued for consulting and advertising services	2,000,000	500,000	-	-	-	500,000
Shares issued in private placement crowdfunding agreement	127,700	31,925	-	-	-	31,925
Issuance costs	-	(193,528)	-	-	-	(193,528)
Share-based compensation	-	-	-	-	450,570	450,570
Warrants	-	-	-	3,235	-	3,235
Net loss and comprehensive for the year	-	-	(1,758,921)	-	-	(1,758,921)
Balance, as at September 30, 2017	35,810,000	3,578,059	(2,009,375)	3,235	450,570	2,022,489
Share-based compensation	-	-	-	-	342,980	342,980
Net loss and comprehensive for the period	-	-	(682,107)	-	-	(682,107)
Balance, as at December 31, 2017	35,810,000	3,578,059	(2,691,482)	3,235	793,550	1,683,362

The accompanying notes form an integral part of the condensed interim consolidated financial statements.

Auxico Resources Canada Inc.
Interim Consolidated Statements of Cash Flows
For the three-month period ended December 31, 2017
(Unaudited, expressed in Canadian Dollars)

For the period ended,	Three months ended	
	December 31, 2017	December 31, 2016
	(unaudited) \$	(unaudited) \$
Operating activities		
Net loss	(682,107)	(189,402)
<i>Adjustment for:</i>		
Deferred income tax expense	-	(7,597)
Share-based compensation	342,980	-
<i>Changes in non-cash working capital items:</i>		
Deposit	-	(221,752)
Sales tax receivable	(36,646)	(13,263)
Prepaid expenses	(31,100)	(1,179)
Consulting and advisory services to be received	146,567	-
Accounts payable and accruals	49,914	231,846
Provision	-	-
Income taxes payable	-	(1,004)
	(210,392)	(202,351)
Investing activities		
Exploration and evaluation expenses	(177,616)	(1,510)
	(177,616)	(1,510)
Financing activities		
Advance to a shareholder	(34,445)	853
Advance to an entity with significant influence	-	7,500
Due to a company owned by a Director	-	(42,215)
Proceeds from the issue of equity	-	627,500
Share issuance cost paid	-	-
	(34,445)	593,638
Increase (decrease) in cash and cash equivalents	(422,453)	389,777
Cash and cash equivalents, beginning of the period	1,165,415	7,542
Cash and cash equivalents, end of the period	742,962	397,319
Supplemental information		
Interest paid	1,854	1,380

The accompanying notes form an integral part of the condensed interim consolidated financial statements.

Auxico Resources Canada Inc.
Notes to Condensed Interim Consolidated Financial Statements
For the three-month period ended December 31, 2017
(Unaudited, expressed in Canadian Dollars)

1. GENERAL INFORMATION AND NATURE OF OPERATIONS

Auxico Resources Canada Inc. (“Auxico” or the “Company”) was incorporated under the Canada Business Corporations Act on April 16, 2014. Auxico has a wholly-owned subsidiary, Auxico Resources S.A. de C.V., which was incorporated under the laws of Mexico on June 16, 2011. Auxico is a mineral exploration company with silver-gold properties in the state of Sinaloa, Mexico.

Since October 17, 2017, the Company’s shares are listed under the symbol AUAG on the Canadian Securities Exchange (CSE). The Company’s head office and primary place of business is located at 230 Notre-Dame Street West, Montréal, Québec, H2Y 1T3, Canada.

2. GOING CONCERN DISCLOSURE

The business of mining exploration involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of exploration properties and the Company’s continued existence are dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability to raise alternative financing, if necessary, or alternatively upon the Company’s ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values. Although the Company has taken steps to verify the title to the properties on which it is conducting exploration and has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company’s title. Property title may be subject to unregistered prior agreements, aboriginal claims and non-compliance with regulatory requirements.

Several adverse conditions and events cast substantial doubt upon the validity of this assumption. Auxico is not currently generating any revenue from its operations and for the three-month period ended December 31, 2017, the Company recorded a net loss and comprehensive loss of \$682,107 (December 31, 2016 - \$189,402) and deficit of \$2,691,482 (deficit of \$2,009,375 as at September 30, 2017). Its ability to continue as a going concern is uncertain and is dependent upon its ability to fund its working capital, complete the development of its explorations, and eventually to generate positive cash flows from operations. Management plans to explore all alternatives possible, including joint ventures, debt and equity financings, and merger opportunities.

These condensed interim consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

3. BASIS OF PREPARATION

Statement of compliance

These interim consolidated financial statements of the Company were prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting, of the International Financial Reporting Standards (IFRS, as published by the International Accounting Standards Board (IASB)), taking into account the accounting policies adopted by the Company for its consolidated financial statements for the year ended September 30, 2017. The accounting policies have been applied consistently for all the periods presented. They do not include all the information required by the IFRS for annual financial statements and should be read in conjunction with the annual audited consolidated financial statements for the year ended September 30, 2017.

In the opinion of management, all adjustments considered necessary for fair presentation have been included in these condensed interim consolidated financial statements. Operating results for the three-month period ended December 31, 2017 may not be indicative of the results that may be expected for the year ending September 30, 2018.

These condensed interim consolidated financial statements were approved and authorized for issuance by the Company’s Board of Directors on March 1, 2018.

Auxico Resources Canada Inc.
Notes to Condensed Interim Consolidated Financial Statements
For the three-month period ended December 31, 2017
(Unaudited, expressed in Canadian Dollars)

Basis of measurement

The condensed interim consolidated financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified for specific financial instruments carried at fair value where applicable.

Basis of consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Auxico Resources S.A. de C.V. ("Auxico Mexico"). Auxico Mexico was incorporated under the laws of Mexico. Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation.

Functional and presentation currency

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

4. CHANGES IN ACCOUNTING POLICIES

Future accounting changes

IFRS 2 Share based payments

In June 2016, the IASB issued an amendment to IFRS 2 to clarify the measurement for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. The mandatory effective date of the amendment to IFRS 2 is for annual periods beginning on or after January 1, 2018. The Company has not yet determined the effect of the adoption of this standard on its consolidated financial statements.

IFRS 9 Financial Instruments

In July 2014, the IASB published IFRS 9 to replace IAS 39 Financial Instruments: Recognition and Measurement (IAS 39). The improvements introduced by IFRS 9 include a logical model for financial asset classification and measurement, a single, forward-looking 'expected loss' impairment model based on expected credit losses, and a substantially-reformed approach to hedge accounting. This standard applies to fiscal years beginning on or after January 1, 2018; early adoption is permitted. The Company has not yet determined the effect of the adoption of this standard on its annual consolidated financial statements.

IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures

The amendments to IFRS 10 "Consolidated Financial Statements" (IFRS 10) and IAS 28 "Investments in associates and joint ventures" (IAS 28) deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognized in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. The amendments are effective for annual periods beginning on or after January 1, 2017. The Company has not yet determined the effect of the adoption of this standard on its consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB published IFRS 15 Revenue from Contracts with Customers, which replaces IAS 18 Revenue, IAS 11 Construction Contracts and some revenue related interpretations. IFRS 15 establishes a new control-based revenue recognition model, changes the basis for deciding when revenue is recognized at a point in time or over time, provides new and more detailed guidance on specific topics and expands and improves disclosures about revenue. IFRS 15 is effective for reporting periods beginning on or after January 1, 2018. Earlier application is permitted. The Company has not yet determined the effect of the adoption of this standard on its annual consolidated financial statements.

IAS 7 Statement of cash flows

On January 29, 2016, the IASB published an amendment to IAS-7 "Statement of Cash Flows". The amendment "Disclosure Initiative" clarifies that changes in liabilities arising from financing activities, including cash and non-cash changes, shall be disclosed in the Statement of Cash Flows. The provisions of this amendment will apply to financial statements beginning on or after January 1, 2017. Early adoption is permitted. The Company has not yet determined the effect of the adoption of this standard on its annual consolidated financial statements.

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Notes to Condensed Interim Consolidated Financial Statements
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IAS 12 Income taxes

On January 19, 2016, the IASB issued amendments to IAS 12 Income Taxes. The amendments, Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12), clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments are effective for annual periods beginning on or after January 1, 2017. Earlier application is permitted. The Company has not yet determined the effect of the adoption of this standard on its consolidated financial statements.

5. MINING PROPERTY AND EXPLORATION AND EVALUATION EXPENSES

Auxico, through its wholly-owned Mexican subsidiary, Auxico Resources S.A. de C.V., has a 100% interest in the Zamora Silver-Gold Property ("Zamora Property"), which is located 85 km southeast of the city of Culiacan in the state of Sinaloa, Mexico. The Zamora Property is comprised of five individual lots measuring a total of 3,376 hectares; these lots are labelled Zamora, Campanillas, San Felipe, Chio and Gaby. According to historical records, the Zamora Property is characterized by 15 historical mines / prospects. Historically, the ore was shipped directly to a processing plant at La Minita, approximately 25 km from Zamora. There has been little historical exploration work conducted on the Zamora Property.

Capitalized exploration and evaluation assets can be detailed as follows:

	Mining property acquisition costs \$	Exploration and evaluation expenses \$	Total \$
Balance - October 1, 2015	181,400	296,338	477,738
Additions	-	124,515	124,515
Balance - September 30, 2016	181,400	420,853	602,253
Additions	-	230,769	230,769
Balance - September 30, 2017	181,400	651,622	833,022
Additions	-	177,616	177,616
Balance - December 31, 2017 (unaudited)	181,400	829,238	1,010,638

Exploration and evaluation expenses by nature can be detailed as follows:

	December 31, 2017 (unaudited) \$	September 30, 2017 (audited) \$
Mineral rights maintenance	-	69,874
Geological	177,616	150,618
Labs expenses	-	10,277
	177,616	230,769
Balance, beginning of the period	651,622	420,853
Balance, end of the period	829,238	651,622

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Notes to Condensed Interim Consolidated Financial Statements
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(Unaudited, expressed in Canadian Dollars)

6. PROVISION

	December 31, 2017	September 30, 2017
	(unaudited)	(audited)
	\$	\$
Balance, beginning of the year	156,600	-
Additions	-	156,600
Balance, end of the period	156,600	156,600

The Company was served on March 8, 2017 with a legal proceeding from Telferscot Resources Inc. filed in the Superior Court of Quebec alleging that based on the Amendment to the Amalgamation Agreement signed June 30, 2016 and terminated January 5, 2017, a number of conditions would have not been met, and thus, the break-up fee is due and owing by the Company. The parties have agreed on and filed a case protocol. The exposure consists in the amount claimed in capital, interest and legal costs, which are limited to courts cost and fees and various disbursements but do not include counsel legal fees. The parties will also explore the possibility of an out of court settlement, as provided by the Quebec Code of civil procedure.

7. SHARE CAPITAL

Authorized share capital

The Company has authorized an unlimited number of common shares without par value and an unlimited number of preferred shares without par value. On December 31, 2017, there were 35,810,000 issued and fully paid common shares.

Shares issued

- 1) On May 31, 2016, the Company completed a non-brokered private placement, raising gross proceeds of \$600,000 by issuing 2,400,000 common shares of the Company's capital at a price of \$0.25 per common share. Issuance costs of \$40,000 were incurred for private placement closed in the year ended September 30, 2016.
- 2) On December 31, 2016, the Company completed a first tranche of a non-brokered private placement, raising gross proceeds of \$627,500 by issuing 2,510,000 common shares of the Company's capital at a price of \$0.25 per common share.
- 3) On February 17, 2017, the Company completed a second tranche of a non-brokered private placement, raising gross proceeds of \$825,000 by issuing 3,300,000 common shares of the Company's capital at a price of \$0.25 per common share.
- 4) On March 30, 2017, the Company completed a non-brokered private placement, raising net proceeds of \$275,000 by issuing 1,100,000 common shares of the Company's capital at a price of \$0.25 per common share.
- 5) On April 24, 2017, the Company completed a non-brokered private placement, raising net proceeds of \$100,000 by issuing 400,000 common shares of the Company's capital at a price of \$0.25 per common share.
- 6) In August 2017, the Company completed several non-brokered private placements, raising gross proceeds of \$1,150,000 by issuing 4,600,000 common shares of the capital of the Company at a price of \$0.25 per common share of which 2,000,000 common shares were issued for consulting and advisory services and 127,700 issued through a crowdfunding agreement.

Issuance costs of \$193,528 were incurred for these private placements as at December 31, 2017.

Auxico Resources Canada Inc.
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(Unaudited, expressed in Canadian Dollars)

Warrants

On August 28, 2017, the Company issued 16,600 warrants. The fair value of these warrants was calculated using Black-Scholes pricing model using a share and exercise price of \$0.25, risk free rate of 1.567%, volatility of 107.50%, vesting immediately and expected life of 5 years from date of grant resulting in a fair value of \$3,235. Each warrant will entitle its holder to subscribe for and purchase one fully paid and non-assessable common share of the Company at a price of \$0.25 at any time until the five-year anniversary of the date of their issuance. The Company currently estimates the volatility of the market price of its common shares based on comparable information derived from transactions carried out by public companies in a situation similar to its own. Changes in the number of warrants outstanding are as follows:

	Warrants #	Weighted average exercise price \$
Balance - September 30, 2016	-	-
Issued	16,600	0,25
Balance - September 30, 2017	16,600	0,25
No transaction	-	-
Balance - December 31, 2017	16,600	0,25

The following table summarizes the information on outstanding warrants as at December 31, 2017:

Exercise price	Number outstanding and exercisable	Weighted average remaining contractual life (years)	Expiry
\$0,25	16,600	4,67	August 2022

Stock options

On February 10, 2017, the Board of Directors of the Company adopted an incentive stock option plan (the "Plan"), for the benefit of employees, consultants, officers and directors. The Plan allows the Company to issue stock options up to a maximum of 10% of the issued and outstanding shares of the Company at the date of grant. The exercise price payable for each option is determined by the Board of Directors at the date of grant, and may not be less than the closing market price during the trading day immediately preceding the date of the grant of the options on the Exchange, for a minimum amount of \$0.10 per option. The vesting period and expiry date are determined by the Board of Directors for each vesting.

At the same time, the Board of Directors issued 2,475,000 stock options to consultants, officers and directors of the Company. These stock options have a strike price of \$0.25, no vesting period and expire in 5 years. The fair value of the options was estimated at \$0.182 per option at the grant date for a total of \$450,570 using the Black-Scholes option pricing-model with the following assumptions: risk-free interest rate of 1.12%, expected volatility of 97% and expected option life of five years. The Company currently estimates the volatility of the market price of its common shares based on comparable information derived from transactions carried out by public companies in a situation similar to its own.

On October 23, 2017, the Board of Directors issued 1,100,000 stock options to consultants, officers and directors of the Company. These stock options have a strike price of \$0.40, no vesting period and expire in 5 years. The fair value of the options was estimated at \$0.3118 per option at the grant date for a total of \$342,980 using the Black-Scholes option pricing-model with the following assumptions: risk-free interest rate of 1.5665%, expected volatility of 107.5% and expected option life of five years. The Company currently estimates the volatility of the market price of its common shares based on comparable information derived from transactions carried out by public companies in a situation similar to its own.

Auxico Resources Canada Inc.
Notes to Condensed Interim Consolidated Financial Statements
For the three-month period ended December 31, 2017
(Unaudited, expressed in Canadian Dollars)

Changes in the number of options outstanding are as follows:

	Options #	Weighted average exercise price \$
Balance - September 30, 2016	-	-
Issued	2,475,000	0,25
Balance - September 30, 2017	2,475,000	0,25
Issued	1,100,000	0,40
Balance - December 31, 2017	3,575,000	0,30

The following table summarizes the information on outstanding options at December 31, 2017:

Exercise price	Number outstanding and exercisable	Weighted average remaining contractual life (years)	Expiry
\$0,25	2,475,000	4,17	February 2022
\$0,40	1,100,000	4,83	October 2022

8. EARNINGS PER SHARE (“EPS”)

(a) Basic EPS

Basic EPS is computed by dividing net loss for a period by the weighted average number of common shares outstanding during that period.

(b) Diluted EPS

Diluted EPS is computed by dividing net loss for a period by the diluted number of common shares. Diluted common shares includes the effects of instruments, such as share options, which could cause the number of common shares outstanding to increase.

The Company reported net losses for the three-month period ended December 31, 2017. The Company has accordingly presented basic and diluted EPS, which are the same, on a single line in the statements of loss and comprehensive loss.

Auxico Resources Canada Inc.
Notes to Condensed Interim Consolidated Financial Statements
For the three-month period ended December 31, 2017
(Unaudited, expressed in Canadian Dollars)

9. SEGMENTATION INFORMATION

The Company operates in one reportable operating segment, being the acquisition and exploration of mineral property interests and in two geographical segments, Canada and Mexico. The total assets and the capital assets identifiable with these geographic areas are as follows:

	For the period ended,		
	December 31, 2017 (unaudited) \$	December 31, 2016 (unaudited) \$	September 30, 2017 (audited) \$
Canada	1,106,820	611,470	1,545,420
Mexico	941,230	688,408	791,843
Total assets	2,048,050	1,299,878	2,337,263
Canada	350,034	317,475	260,284
Mexico	14,654	672	54,490
Total liabilities	364,688	318,147	314,774
Canada	1,683,851	986,694	2,024,314
Mexico	(489)	(4,963)	(1,825)
Net equity	1,683,362	981,731	2,022,489
Canada	679,356	180,352	1,685,578
Mexico	2,751	9,050	73,343
Net loss	682,107	189,402	1,758,921

10. CAPITAL MANAGEMENT

The Company considers its capital structure to include net residual equity of all assets, less liabilities. The Company currently manages its capital structure and makes adjustments to it, based on cash resources expected to be available to the Company, in order to support the planned exploration and development of mineral property interests. Management has not established a quantitative capital structure. Capital needs are reviewed on a regular basis by management relative to the stage of development of the business entity. The Company currently is dependent on externally provided equity financing to fund its future exploration activities. In order to carry out planned exploration and development and fund administrative costs, the Company will allocate its existing capital and plans to raise additional amounts as needed through equity and related party advances if available.

The Company and its subsidiary are not subject to any capital requirements imposed by a lending institution or regulatory body. Management reviews its capital management approach on an ongoing basis and believes that this approach is reasonable, given the relative size of the Company, the current state of the markets and exploration industry. There were no changes in the Company's approach to capital management during the years. The Company's capital items are the following:

	For the period ended,	
	December 31, 2017 (unaudited) \$	September 30, 2017 (audited) \$
Cash & cash equivalents	742,962	1,165,415
Advance to a shareholder without interest	55,007	20,562
Due to a company owned by a Director	27,246	27,246
Share capital	3,578,059	3,578,059

Auxico Resources Canada Inc.
Notes to Condensed Interim Consolidated Financial Statements
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(Unaudited, expressed in Canadian Dollars)

11. FINANCIAL INSTRUMENTS

As at December 31, 2017, the Company's financial instruments include cash and cash equivalents, restricted cash, advance to a shareholder without interest and repayment terms, accounts payable and accruals, provision and due to a company owned by a Director, for which there are no differences in the carrying values and fair values, due to their short-term nature. The types of risk exposures are detailed in Note 12.

12. FINANCIAL RISK FACTORS

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

Market risk

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

	For the period ended,	
	December 31, 2017	September 30, 2017
	(unaudited)	(audited)
	\$	\$
Cash & cash equivalents in United States dollars (USD)	61,407	70,435
Cash & cash equivalents in Mexican Pesos (MXN)	92,799	66,567

A 10% change in the exchange rate would not have a significant impact.

Cash flows and fair value interest rate risk: the Company is exposed to fair value interest rate risk arising from assets and liabilities negotiated at a fixed rate such as are cash and cash equivalents, advance to a shareholder without interest, advance to an entity with significant influence and the due to a company owned by a Director.

However, as these financial instruments mature in a short time, the impact is unlikely to be significant.

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

Credit risk

Credit risk arises from cash with banks and financial institutions. The Company reduces this risk by dealing with creditworthy financial institutions. Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is subject to concentrations of credit risk through cash and cash equivalents.

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Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuance. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments. At December 31, 2017, the Company has a working capital of \$703,749 (September 30, 2017 - \$1,220,492).

The following are the contractual maturities of the financial liabilities amounts:

	Less than 1 year	1 to 5 years	> 5 years
Accounts payable and accruals	174,877	-	-
Provision	156,600	-	-

13. RELATED PARTY TRANSACTIONS

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

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

	Three months ended	
	December 31, 2017 (unaudited)	December 31, 2016 (unaudited)
	\$	\$
<u>Management fees</u>		
Companies controlled by a Director	-	17,246
Key management personnel and Director	30,000	30,000
<u>Share-based compensation</u>		
Key management personnel and Director	342,980	
<u>Rent</u>		
Company controlled by a Director	9,000	23,742

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

	Year	Interest received (paid) \$	Amounts owned by related parties \$	Amounts owned to related parties \$
Key management personnel and Director	December 31, 2017	-	55,007	-
	September 30, 2017	-	20,562	-
Companies controlled by a Director	December 31, 2017	-	27,246	-
	September 30, 2017	-	27,246	-

14. COMMITMENTS AND CONTINGENCIES

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.

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 ninety days after the start of the 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 \$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 \$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 \$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 April 7, 2017, in accordance with the Memorandum of Understanding ("MOU") signed on October 17, 2016, a Gold Loan Settlement Agreement was signed and provides that the Company will pay to the Lender a total of US\$400,000 in cash on or before October 16, 2017 and will issue a total of 1,000,000 common shares of the Company at a price of \$0.25 per share for a total consideration of \$250,000 on or before October 16, 2017.

On September 26, 2017, an amending agreement was made to the Gold Loan Settlement Agreement signed April 7, 2017 in which the parties agreed to extend the repayment of the settlement to December 31, 2017. Refer to Note 18 for detailed second amending agreement.

15. COMPARATIVE FIGURES

Certain figures for 2016 have been reclassified to make their presentation identical to that adopted in 2017.

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16. SUBSEQUENT EVENTS

On January 1, 2018, the Company signed a second amending agreement to the Gold Loan Settlement Agreement as described in Note 14. As repayment of the settlement, the Company will pay to the Lender a total of US\$400,000 in cash payable on or before June 30, 2018 and a total of 1,000,000 common shares of the Company.