

AUXICO RESOURCES CANADA INC.
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
SIX-MONTH PERIODS ENDED MARCH 31, 2022 AND 2021
UNAUDITED, EXPRESSED IN CANADIAN DOLLARS

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NOTICE OF NO AUDITOR REVIEW OF 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 March 31, 2022 and 2021 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, Chartered Accountants, 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.

May 30, 2022

/s/ Mark Billings
President

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

AUXICO RESOURCES CANADA INC.
INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

As at,	March 31, 2022	September 30, 2021 (audited)
ASSETS		
<i>Current assets</i>		
Cash & cash equivalents	6,340,364	2,563,533
Receivables (note 6)	460,929	254,810
Promissory notes to third party (note 7)	200,000	-
Prepaid expenses (note 8)	1,948,128	1,546,960
Inventory (note 9)	126,776	126,776
Advances to directors	3,098	3,098
Advance to companies controlled by a director	50,498	-
	9,129,793	4,495,177
<i>Non-current assets</i>		
Equipment (note 10)	101,070	-
Prepaid expenses (note 8)	500,000	500,000
Exclusive sales agency distribution agreement (note 11)	1,090,689	-
Conversion right (note 11)	156,311	-
TOTAL ASSETS	10,977,863	4,995,177
LIABILITIES		
<i>Current liabilities</i>		
Accounts payable and accruals	411,402	335,644
Payable under exclusive sales agency distribution agreement (note 11)	1,247,000	-
Income tax payable	4,358	4,314
Due to companies controlled by a director	-	12,733
Due to directors	-	3,883
Current portion of finder's fees payable (note 12)	224,988	224,988
Convertible debentures (note 13)	3,588,781	66,232
	5,476,529	647,794
<i>Non-current liabilities</i>		
Long-term finder's fees payable (note 12)	80,574	159,601
Convertible debentures (note 13)	15,078,685	28,121,815
Total Liabilities	20,635,788	28,929,210
SHAREHOLDERS' EQUITY		
Deficiency attributable to shareholders	(9,659,428)	(23,935,120)
Equity attributable to non-controlling interests	1,503	1,087
Total equity (deficiency)	(9,657,925)	(23,934,033)
TOTAL LIABILITIES & EQUITY	10,977,863	4,995,177

Going Concern (note 2), Commitments (note 23) and subsequent events (note 25)

Approved on behalf of the Board:

Pierre Gauthier, Director

Mark Billings, Director

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

AUXICO RESOURCES CANADA INC.

INTERIM CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

(Expressed in Canadian Dollars)

	Three-month periods		Six-month periods	
	ended March 31		ended March 31	
	2022	2021	2022	2021
Sales	-	187,767	-	187,767
Cost of sales	-	131,046	-	131,046
Gross margin	-	56,721	-	56,721
Selling and administrative expenses (note 20)	1,637,201	1,003,460	2,979,528	1,526,881
Loss before finance income, finance costs and income taxes	(1,637,201)	(946,739)	(2,979,528)	(1,470,160)
Finance income	2,230	-	2,230	-
Finance earnings (costs) (note 21)	11,386,251	(61,514)	12,476,929	(5,395,749)
Net finance earnings (costs)	11,388,481	(61,514)	12,479,159	(5,395,749)
Net income (loss) and comprehensive income (loss)	9,751,280	(1,008,253)	9,499,631	(6,865,909)
<i>Net income (loss) and comprehensive income (loss) attributable to:</i>				
Shareholders	9,750,854	(1,008,209)	9,499,215	(6,865,608)
Non-controlling interest	426	(44)	416	(301)
	9,751,280	(1,008,253)	9,499,631	(6,865,909)
Income (loss) per share to equity holders of Auxico Resources Canada Inc. basic & diluted (note 15)	0.144	(0.019)	0.143	(0.141)
Weighted average number of shares outstanding	67,645,174	52,734,756	66,575,570	48,816,473

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

AUXICO RESOURCES CANADA INC.
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Expressed in Canadian Dollars)

	SHARE CAPITAL (note 14)		WARRANTS (note 14)	CONTRIBUTED SURPLUS	EQUITY COMPONENT OF THE CONVERTIBLE DEBENTURES	DEFICIT	TOTAL EQUITY	NON CONTROL INTEREST
	#	\$	\$	\$	\$	\$	\$	\$
Balance, as at September 30, 2020	44,885,000	4,972,177	399,223	1,080,372	-	(10,106,724)	(3,654,952)	2,032
Shares and warrants issued in a private placement	9,744,000	2,641,254	2,010,782	-	-	-	4,652,036	-
Conversion of debentures	300,000	84,000	61,281	-	-	-	145,281	-
Stock-options exercised	345,000	122,750	-	-	-	-	122,750	-
Warrants exercised	1,900,000	710,000	-	-	-	-	710,000	-
Share-based compensation	-	-	-	343,620	-	-	343,620	-
Net loss and comprehensive loss	-	-	-	-	-	(6,865,608)	(6,865,608)	(301)
Balance, as at March 31, 2021	57,174,000	8,530,181	2,471,286	1,423,992	-	(16,972,332)	(4,546,873)	1,731
Balance, as at September 30, 2021	65,014,000	12,202,196	2,431,549	2,239,001	-	(40,807,866)	(23,935,120)	1,087
Shares and warrants issued in a private placement	3,538,776	2,504,721	1,279,007	-	-	-	3,783,728	-
Conversion of debentures	254,109	103,146	94,430	-	-	-	197,576	-
Stock-options exercised	1,300,000	555,719	-	(230,718)	-	-	325,001	-
Warrants exercised	794,109	442,610	(279,494)	-	-	-	163,116	-
Issuance costs - private placement	-	(304,329)	(136,274)	-	-	-	(440,603)	-
Equity component	-	-	-	-	117,949	-	117,949	-
Share-based compensation	-	-	-	629,710	-	-	629,710	-
Net income and comprehensive income	-	-	-	-	-	9,499,215	9,499,215	416
Balance, as at March 31, 2022	70,900,994	15,504,063	3,389,218	2,637,993	117,949	(31,308,651)	(9,659,428)	1,503

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

AUXICO RESOURCES CANADA INC.
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

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

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

AUXICO RESOURCES CANADA INC.
Notes to the Condensed Interim Consolidated Financial Statements
For the six-month periods ended March 31, 2022 and 2021
(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 Corporation Act on April 16, 2014.

Auxico has three subsidiaries, Auxico Resources S.A. de C.V., incorporated under the laws of Mexico on June 16, 2011, C.I. Auxico de Colombia S.A., incorporated under the laws of Colombia on April 9, 2019 and Minera Auxico Bolivia S.A., incorporated under the laws of Bolivia on December 8, 2021.

Auxico is a mineral exploration company with silver-gold properties in the state of Sinaloa, Mexico. The Company is also actively engaged in exploration mining opportunities in Colombia, the Democratic Republic of Congo (“DRC”) as well as Brazil and Bolivia.

The Company’s head office and primary place of business are located at 500-201 Notre-Dame Street West, Montréal, Québec, H2Y 1T4, Canada.

2. GOING CONCERN

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 Company’s continued existence is dependent upon the preservation of its interest in its mining 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. 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. For the six-month period ended March 31, 2022, the Company did not generate revenues (March 31, 2021 - \$187,767) from its operations, it recorded a net comprehensive income of \$9,499,631 (March 31, 2021 – loss of \$6,865,909) and a deficit of \$31,308,651 (September 30, 2021 – deficit of \$40,807,866). 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. In that regard, the Company has created a joint venture in the Democratic Republic of the Congo (“DRC”) for the supply of tantalite. The Company has also entered into agreements with Brazilian suppliers to purchase a quantity of columbite. In addition, the Company signed an agreement with an entity in Colombia that will lead to a joint venture for the production of rare earth elements.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a global pandemic, which continues to spread in Canada and around the world. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services for some periods have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility. During this recent fiscal year, the Company purchased material as inventory and made advances to other companies for material to be delivered; this includes manganese, columbite and tantalite. The Company’s management expects that this material will be sold in the upcoming months and enable the Company to increase significantly its revenues. In addition, the easing of the COVID-19 pandemic restrictions will free up the ports in Brazil, which have either been closed or subject to serious backlogs since the beginning of the pandemic. These factors should have a material positive impact on the commodities trading business.

These 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.

AUXICO RESOURCES CANADA INC.
Notes to the Condensed Interim Consolidated Financial Statements
For the six-month periods ended March 31, 2022 and 2021
(Unaudited, expressed in Canadian Dollars)

3. BASIS OF PREPARATION

Statement of compliance

These interim consolidated financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), considering the accounting policies adopted by the Company for its consolidated audited financial statements for the year ended September 30, 2021.

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, 2021. 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 six-month period ended March 31, 2022 may not be indicative of the results that may be expected for the year ending September 30, 2022.

These condensed interim consolidated financial statements were approved and authorized for issuance by the Company’s Board of Directors on May 30, 2022.

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

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has the right to, variable returns from its involvement with the entity and has the ability to affect those through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries are aligned with the policies adopted by the Company. The Company’s subsidiaries are:

	2022	2021
Auxico Resources S.A. de C.V. (« Auxico Mexico »)	100%	100%
C.I. Auxico de Colombia S.A (« Auxico Colombia »)	96%	96%
Minera Auxico Bolivia S.A (« Auxico Bolivia »)	100%	

Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the consolidated financial statements.

Non-controlling interests represent equity interests in the subsidiary owned by outside parties. The share of net assets of the subsidiary attributable to non-controlling interests is presented as a component of equity. Their share of net loss and comprehensive loss is recognized directly in equity.

Operating segments are reported in a manner consistent with the internal reporting of the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing the performance of the operating segments, has been identified as the management team, which makes strategic decisions.

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Company’s functional and presentation currency.

AUXICO RESOURCES CANADA INC.
Notes to the Condensed Interim Consolidated Financial Statements
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(Unaudited, expressed in Canadian Dollars)

4. SIGNIFICANT ACCOUNTING POLICIES

Readers should refer to the September 30, 2021 annual audited consolidated financial statements for the accounting policies used in the preparation of these interim consolidated financial statements. The IASB (International Accounting Standards Board) continues to amend and add to current IFRS standards and interpretations with several projects underway. Accordingly, the accounting policies adopted by the Company for the Company's IFRS annual consolidated financial statements will be determined as at September 30, 2022. In the event that accounting policies adopted at September 30, 2022 differ materially from the accounting policies used in the preparation of these Financial Statements, these Financial Statements will be restated to retrospectively account for the application of those policies adopted at September 30, 2022.

See annual consolidated financial statements for the year ended September 30, 2021 for a list of accounting policies considered significant by management.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Future accounting changes

Information on new standards, amendments and interpretations that are expected to be relevant to these interim consolidated financial statements is provided in the Company's annual consolidated financial statements for the year ended September 30, 2021. Certain other amendments and interpretations have been issued but had no material impact on the Company's interim consolidated financial statements ended March 31, 2022.

See annual consolidated financial statements for the year ended September 30, 2021 for a list of accounting pronouncements.

6. RECEIVABLES

As at,	March 31, 2022	September 30, 2021
	\$	\$
Sales tax receivables	315,587	205,656
Subscription receivables	130,500	11,675
Supplier reimbursement (a)	-	37,479
Other receivable	14,842	-
	460,929	254,810

(a) The supplier receivable consists of a prepayment of inventory for which the Company and the supplier agreed on a reimbursement schedule. As of September 30, 2021, the gross amount receivable totals \$39,390 on which a \$1,911 provision was recorded. The provision was estimated based on facts known to the Company for the year ended September 30, 2021. As of March 31, 2022, the company wrote off the remaining amount of \$37,479.

7. PROMISSORY NOTES

In February 2022, the Company advanced \$200,000 through promissory notes to a third-party. The promissory notes bear interest at the rate of 10% and will be reimbursed June 30, 2022.

AUXICO RESOURCES CANADA INC.
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(Unaudited, expressed in Canadian Dollars)

8. PREPAID EXPENSES

As at,	March 31, 2022	September 30, 2021
	\$	\$
Inventory prepayment (a)	1,200,785	1,200,785
Prepaid to related company (b)	500,000	500,000
Deposit on Minastyc property (c)	225,090	225,090
Deposit on Acquisition of Americanbol (d)	53,975	-
Deposit on Agualinda property (e)	53,000	-
Deposit on acquisition of Luz Angelica Concession (f)	79,857	-
Deposit on Cooperativa Estanifera Mineradores (g)	126,672	-
Other prepaids	208,749	121,085
	2,448,128	2,046,960
Current portion	1,948,128	1,546,960
Long-term portion	500,000	500,000

(a) Inventory prepayment

According to the term of contracts with its suppliers, these prepayments do not qualify as inventory as per IAS 2. However, they will eventually transfer to inventory and the Company measured these prepayments at the lower of the cost and net realizable value. The net realizable value of some of the inventory prepayments had a net realizable value inferior to their cost and this resulted in a provision of \$116,000. This provision was recorded in the consolidated statement of loss and comprehensive loss under cost of sales.

(b) Prepaid to related company

On July 28, 2021, the Company signed an agreement with a related company to use the license developed by the related company for a period of 10 years. The Company had to pay a deposit of \$500,000 that will be applied against future license royalties. Both parties agreed that the royalty will represent 2% on all gross revenues on all the sales derived from the projects of metal production using the licensed technology. Management does not expect to use this license for the upcoming year.

(c) Deposit on Minastyc property

On December 14, 2020, the Company signed an agreement to purchase a parcel of land in Colombia. As at March 31, 2022, the Company paid a total deposit of \$225,090. However, the transfer of property of the land has not been completed at the date of these financial statements. The Company has a commitment of \$49,635 as of March 31, 2022 to complete the purchase of that land.

(d) Deposit on acquisition of Americanbol

On December 4, 2021, the Company signed a contract with Michel Goncalves Pacheco and Angelica Martinez Flores, the principal shareholders of Americanbol. Under the terms of this agreement, the Company agreed to buy 99% of the common shares of Americanbol from Mr. Goncalves and Mrs. Martinez for a total amount of US\$442,500. An initial payment of US\$42,500 (or \$53,975) was made to Mr. Goncalves and Mrs. Martinez upon signature of the agreement. Additional payments are contingent upon the Company's due diligence on Americanbol and the mining assets it has in Bolivia.

(e) Deposit on 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, 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. As of March 31, 2022, the Company has made an initial payment of US\$41,100 (or \$53,000).

AUXICO RESOURCES CANADA INC.
Notes to the Condensed Interim Consolidated Financial Statements
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(f) Deposit on acquisition of Luz Angelica concession

On November 3, 2021, the Company signed an MOU with Ronaldo Chavez Serrate concerning the development of the 825-hectare Luz Angelica concession in Bolivia, which has showings of rare earth elements, tantalum and niobium. The Company and Mr. Chavez will form a joint venture if the Company's due diligence on this concession is acceptable to the Company. The Company will retain 70% of the profits generated on this concession by providing all the capital necessary to begin operations; Mr. Chavez will retain the other 30%. As of March 31, 2022, the Company has made an initial payment of US\$7,000 (or \$8,971) in December 2021 and additional payments of US\$55,000 (or \$70,886) during the quarter ended March 31, 2022.

(g) Deposit on acquisition of Cooperativa Estanifera Mineradores

On December 30, 2021, the Company signed an MOU with CEMAL, concerning the development of tin tailings in Masangana, Brazil, which have showings of rare earth elements. The Masangana property is estimated to have 30,000,000 metric tonnes of such tailings. As per this MOU, the Company will have 180 days to complete its due diligence, after which, if acceptable to the Company, a joint venture will be formed. The Company will have 51% of the profits by providing the necessary capital to fund the operations of the joint venture, with CEMAL having the remaining 49%. In January 2021, the Company paid to CEMAL US\$100,000 (\$126,672) to ensure a period of exclusivity during this 180-day due diligence period.

9. INVENTORY

As at,	March 31, 2022	September 30, 2021
	\$	\$
Ore concentrate	126,776	126,776

The cost of inventory recognized as an expense in the consolidated statement of income (loss) and comprehensive income (loss) under cost of sales during the six-month period ended March 31, 2022 was \$Nil (September 30, 2021 - \$583,635). For the year ended September 30, 2021, a write-down of \$26,535 was recorded in the cost of sales.

10. EQUIPMENT

	\$
Equipment - at cost:	
As at October 1, 2021	-
Additions	106,930
As at December 31, 2021	106,930
Additions	9,520
As at March 31, 2022	116,450
Depreciation and impairment:	
As at October 1, 2021	-
Depreciation	5,941
As at December 31, 2021	5,941
Depreciation	9,439
As at March 31, 2022	15,380
Net carrying amount as at March 31, 2022	101,070

Equipment is measured at its cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to acquiring the asset and preparing the asset for its intended use. The cost of the equipment is depreciated straight-line over the estimated useful lives being 3 years.

AUXICO RESOURCES CANADA INC.
Notes to the Condensed Interim Consolidated Financial Statements
For the six-month periods ended March 31, 2022 and 2021
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11. EXCLUSIVE SALES AGENCY DISTRIBUTION AGREEMENT

On March 30, 2022, the Company signed an exclusive sales agency distribution agreement with Central America Nickel "CAN" (a company with common directors) 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 (\$1,000,000 USD). The term of the contract is for two years. The contract entitles the Company to receive a 15% commission on CAN'S rare earth gross revenues. Anytime during the two year's contract period, the Company can convert the \$1,247,000 into common shares of CAN at a conversion price of \$2. The contract was recorded into two assets: an intangible asset and a conversion right. The fair value of the conversion right was calculated using Black-Scholes pricing model, assuming a share price of \$0.80 and an exercise price of \$2.00, risk free rate of 2.04128%, volatility of 100%, vesting immediately and expected life of 2 years from the date of the agreement, resulting in a fair value of \$156,311. As of March 31, 2022, the payable under the exclusive sales distribution agreement is \$1,247,000. The amount was paid subsequently after the end of the quarter.

12. FINDER'S FEES PAYABLE

Following the issuance of convertible debentures (note 13), the Company signed a contract on December 30, 2020, with a third party to pay monthly finder's fees until the maturity date of the convertible debentures issued in October 2020. The monthly payment for those finder's fees represents 10% of the total financing under the scope of this contract.

The finder's fees are payable if the investors remain holders of the convertible debentures. As soon as an investor converts their debentures into units of the Company or actions of Central America Nickel, the monthly payment will be adjusted to reflect that conversion. The maturity of this long term-debt is identical to the convertible debentures, which is October 23, 2023.

At inception, the initial monthly payment was \$23,190, bearing no interest. Under IFRS 9 guidance, the Company determined the initial carrying amount using the discounted fair value and, following initial measurement, the liability will be amortized over the term of maturity using the effective interest rate method. The interest rate used for the calculation of the discounted fair value was 19%. Upon conversion of debentures, the Company derecognizes the associated gross carrying amount of the liability and will be transferred to profit and loss as a "gain on debt settlement".

For the three-month period ended March 31, 2022 no convertible debentures were converted into units of the Company. For the year ended September 30, 2021, there were \$533,000 worth of convertible debentures converted into units of the Company resulting in a gain of \$98,147 on the long term-debt.

As at,	March 31, 2022	September 30, 2021
	\$	\$
Financing fees, payable by monthly instalments of \$18,749, bearing no interest, nominal of \$463,509, maturing in October, 2023.	305,562	384,589
Current portion	224,988	224,988
Long-term portion	80,574	159,601

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For the six-month periods ended March 31, 2022 and 2021
(Unaudited, expressed in Canadian Dollars)

13. CONVERTIBLE DEBENTURES

Transactions – three-month period ended December 31, 2021

For the three-month period ended December 31, 2021 no transactions occurred.

Transactions – three-month period ended March 31, 2022

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

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

Accounting treatment and evaluation

In accordance with IAS 32, Financial Instruments: Presentation (“IAS 32”), the issuer of a non-derivative financial instrument shall evaluate the terms of the financial instrument to determine whether it contains both a liability and an equity component. In application of this standard, the issuer of a financial instrument shall classify the instrument, or its component parts, on initial recognition as a financial liability, a financial asset or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, a financial asset and an equity instrument. At the issuance of the debentures, the Company determined that the conversion options as well as the participating feature constitute an embedded derivative financial instrument. Upon a conversion into units of the Company, the carrying amount of the host debt instrument recorded at amortized cost and the fair value of the related embedded derivative will be transferred to equity. Upon a conversion into common shares of CAN, the carrying amount of the host debt instrument and the fair value of the related embedded derivative will be transferred to profit and loss.

The convertible debentures are a hybrid instrument, which are in their entirety regarded as a financial liability. The initial carrying amount for the debt host issued in October 2020 was valued at \$1,624,355 and represents the residual debt instrument. The Company determined the initial carrying amount using the discounted fair value of the debt host and, following initial measurement, the host component will be amortized over the term of maturity using the effective interest rate method. The interest rate used for the calculation of the discounted fair value was 19%. Any directly attributable transaction costs are allocated to the host and derivative components in proportion to their initial carrying amounts.

At the date of these consolidated financial statements, the Company reviewed the estimated fair value of the conversion options and adjusted the initial fair value to \$12,525,655 (September 30, 2021 - \$25,648,406) using the same valuation technique. The fair value of the Conversion Options was estimated using Monte Carlo simulation (using the Black-Scholes framework). Monte Carlo simulation is a procedure for randomly sampling changes in market variables in order to value derivatives. For the six-month period ended March 31, 2022, the change in fair value of derivatives resulted in a decrease of expense of \$12,947,988 (September 30, 2021 increase of \$23,734,924) and was recorded in the consolidated statements of loss and comprehensive loss.

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The following table summarizes the information on debentures as at:

	Host Component	Embedded	Total
	Component	Derivatives	
	\$	\$	\$
Balance as at September 30, 2020 (a)	1,381,143	2,443,590	3,824,733
Initial proceeds - October's issuance	2,788,000	-	2,788,000
Fair value adjustment at inception	(1,163,645)	2,098,843	935,198
Transaction costs allocated to host component	(426,402)	-	(426,402)
Accretion (b)	475,643	-	475,643
Conversion into units of the Company	(515,098)	(2,628,951)	(3,144,049)
Change in fair value of the derivative	-	23,734,924	23,734,924
Balance as at September 30, 2021	2,539,641	25,648,406	28,188,047
Accretion (b)	79,740	-	79,740
Change in fair value of the derivative	-	(1,271,274)	(1,271,274)
Balance as at December 31, 2021	2,619,381	24,377,132	26,996,513
Proceeds - quarter's issuance	3,900,000	-	3,900,000
Equity component of the debenture	(131,054)	-	(131,054)
Transaction costs allocated to host component	(376,895)	-	(376,895)
Accretion (b)	153,192	-	153,192
Conversion into units of the Company	(22,813)	(174,763)	(197,576)
Change in fair value of the derivative	-	(11,676,714)	(11,676,714)
Balance as at March 31, 2022	6,141,811	12,525,655	18,667,466
Current portion (c)	3,392,051	196,730	3,588,781
Long-term portion	2,749,760	12,328,925	15,078,685

(a) The Company reviewed the classification of the participating feature during the year ended September 30, 2021. There was an error of presentation in the consolidated financial statements for the year ended September 30, 2020. The participating feature was valued at \$803,830 and was previously presented under the host component and was evaluated at amortized cost. Following the reclassification, the participating feature is now presented under the embedded derivatives in the opening balance and is now evaluated at fair value. There was no material difference between the amortized cost and the fair value as at September 30, 2020. Therefore, no restatement was needed.

(b) The amortization of transaction costs was presented as an expense with the accreted expenses and was recorded in the consolidated statements of loss and comprehensive loss.

(c) For the six-month period ended March 31, 2022, the Company estimated the current portion of the debentures payable for an amount of \$66,232, which represent payments for the participating feature.

As at March 31, 2022, the debentures have a nominal value of \$7,525,000 (September 30, 2021 - \$3,650,000)

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

Issuances through private placement or conversion of debentures

On January 19, 2022, the Company completed a non-brokered private placement, raising gross proceeds of \$1,771,200 by issuing 1,476,000 units of the capital of the Company at a price of \$1.20 per unit. Each unit consists of one common share and one-half common share purchase warrant. Each full warrant entitles the holder to acquire one additional common share of the Company at a price of \$1.50 per common share for three years from the date of issuance. In connection with the private placement, the Company issued an aggregate of 80,080 broker's warrants. Issuance costs of \$142,056 were incurred for this private placement. Those issuance costs were allocated respectively to the relative fair value of each component of the private placement.

On March 21, 2022, the Company completed a non-brokered private placement, raising gross proceeds of \$1,856,500 by issuing 2,062,776 units of the capital of the Company at a price of \$0.90 per unit. Each unit consists of one common share and one-half common share purchase warrant. Each full warrant entitles the holder to acquire one additional common share of the Company at a price of \$1.20 per common share for three years from the date of issuance. In connection with the private placement, the Company issued an aggregate of 158,355 broker's warrants. Issuance costs of \$142,520 were incurred for this private placement. Those issuance costs were allocated respectively to the relative fair value of each component of the private placement. As of March 31, 2022, \$130,500 of the raising gross proceeds was still receivable.

Issuance through exercise of options and warrants

During the three-month period ended December 31, 2021, the Company issued 150,000 common shares of the capital of the Company following the exercise of 150,000 options in exchange of \$37,500. The options exercised had an exercise price of \$0.25. Following the exercise of those options, \$27,307 was reclassified from contributed surplus to share capital.

During the three-month period ended December 31, 2021, the Company issued 540,000 common shares of the capital of the Company following the exercise of 540,000 warrants in exchange of \$125,000. The warrants exercised had an exercise price of \$0.25 for 440,000 warrants and \$0.15 for 100,000 warrants. Following the exercise of those warrants, \$185,064 was reclassified from warrants reserve to share capital.

During the three-month period ended March 31, 2022, the Company issued 1,150,000 common shares of the capital of the Company following the exercise of 1,150,000 options in exchange for \$287,500. The options exercised had an exercise price of \$0.25. Following the exercise of those options, \$203,411 was reclassified from contributed surplus to share capital.

During the three-month period ended March 31, 2022, the Company issued 254,109 common shares of the capital of the Company following the exercise of 254,109 warrants in exchange for \$38,116. The warrants exercised had an exercise price of \$0.15. Following the exercise of those warrants, \$94,430 was reclassified from warrants reserve to share capital.

Warrants

Issuance through finders' fees

On January 19, 2022, the Company issued 80,080 warrants. The fair value of these warrants was calculated using Black-Scholes pricing model using a share price of \$1.10 and an exercise price of \$1.50, risk free rate of 1.5168%, volatility of 125.70%, vesting immediately and expected life of 3 years from date of grant resulting in a fair value of \$60,412. 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 \$1.50 at any time until the third-year anniversary of the date of their issuance.

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On March 21, 2022, the Company issued 158,355 warrants. The fair value of these warrants was calculated using Black-Scholes pricing model using a share price of \$0.96 and an exercise price of \$0.90, risk free rate of 2.1072%, volatility of 98%, vesting immediately and expected life of 3 years from date of grant resulting in a fair value of \$95,615. 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 \$0.90 at any time until the third-year anniversary of the date of their issuance.

Issuance through private placement

On January 19, 2022, the Company issued 738,000 warrants. The fair value of these warrants was calculated using Black-Scholes pricing model using a share price of \$1.10 and an exercise price of \$1.50, risk free rate of 1.5168%, volatility of 125.70%, vesting immediately and expected life of 3 years from date of grant resulting in a fair value of \$556,747. 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 \$1.50 at any time until the third-year anniversary of the date of their issuance.

On March 21, 2022, the Company issued 1,031,388 warrants. The fair value of these warrants was calculated using Black-Scholes pricing model using a share price of \$0.96 and an exercise price of \$1.20, risk free rate of 2.1072%, volatility of 98%, vesting immediately and expected life of 3 years from date of grant resulting in a fair value of \$566,232. 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 \$1.20 at any time until the third-year anniversary of the date of their issuance.

Issuance through conversion of debentures

During the period, the Company issued 254,109 warrants following the conversion of debentures issued in June 2020. The fair value of those warrants was calculated under the relative fair value method. The Company allocated the total proceeds from the conversion in proportion to their relative fair values. Those relative fair values were estimated using the share price at the date of issuance for the common shares of the capital of Company issued and using a Black-Scholes pricing model for the warrants. The assumptions used in the Black-Scholes pricing model are: estimated life 3 years, actual stock price \$1.00, strike price \$0.15, volatility 125.4%, risk free rate 1.5551% and dividend yield at Nil. The fair value for the warrants calculated under the relative fair value method was estimated at \$94,430. Changes in the number of warrants outstanding for the period are as follows:

	Warrants #	Weighted average exercise price \$
Balance - September 30, 2020	3,279,100	0.40
Issued	10,562,000	0.57
Exercised	(4,300,000)	0.28
Expired	(1,362,500)	0.40
Balance - September 30, 2021	8,178,600	0.68
Exercised	(440,000)	0.25
Exercised	(100,000)	0.15
Balance - December 31, 2021	7,638,600	0.71
Issued	818,080	1.50
Issued	158,355	0.90
Issued	1,031,388	1.20
Issued	254,109	0.15
Exercised	(254,109)	0.15
Balance - March 31, 2022	9,646,423	0.84

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The following table summarizes the information on outstanding warrants as at:

Exercise price	Number outstanding and exercisable	Weighted average remaining contractual life (years)	Expiry
\$0.25	16,600	0.41	August 2022
\$0.15	200,000	1.67	December 2023
\$1.00	4,872,000	1.84	February 2024
\$0.15	400,000	2.21	June 2024
\$0.25	1,650,000	2.36	August 2024
\$0.15	500,000	2.40	August 2024
\$1.50	818,080	2.81	January 2025
\$0.90	158,355	2.97	March 2025
\$1.20	1,031,388	2.97	March 2025

Stock options

In 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.

On November 24, 2021, the Board of Directors issued 450,000 stock options to consultants of the Company. These stock options have a strike price of \$1.39, no vesting period and expire in 5 years. The fair value of the options was estimated at \$0.796 per option at the grant date for a total of \$358,110 using the Black-Scholes option pricing-model with the following assumptions: risk-free interest rate of 1.235%, expected volatility of 99 % and expected option life of five years.

On March 2, 2022, the Board of Directors issued 1,000,000 stock options to consultants of the Company. These stock options have a strike price of \$1.00, no vesting period and expire in 1 year. The fair value of the options was estimated at \$0.2716 per option at the grant date for a total of \$271,600 using the Black-Scholes option pricing-model with the following assumptions: risk-free interest rate of 1.2770%, expected volatility of 68.20% and expected option life of one year. Changes in the number of options outstanding for the period are as follows:

	Options #	Weighted average exercise price \$
Balance - September 30, 2020	4,475,000	0.27
Issued	2,585,000	0.76
Exercised	(895,000)	0.27
Cancelled	(625,000)	0.18
Balance - September 30, 2021	5,540,000	0.49
Issued	450,000	1.39
Exercised	(150,000)	0.25
Expired	(500,000)	0.75
Cancelled	(150,000)	0.105
Balance - December 31, 2021	5,190,000	0.56
Issued	1,000,000	1.00
Exercised	(1,150,000)	0.25
Expired	(205,000)	0.25
Balance - March 31, 2022	4,835,000	0.74

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During the six-month period ended March 31, 2022, the issuance of stock options resulted in a recognition of an expense by the Company of \$629,710 (September 30, 2021 - \$1,202,836).

The following table summarizes the information on outstanding and exercisable options at

Exercise price	Number outstanding and exercisable	Weighted average remaining contractual life (years)	Expiry
\$0.40	300,000	0.56	October 2022
\$0.40	200,000	0.95	March 2023
\$1.00	1,000,000	0.92	March 2023
\$0.25	100,000	1.39	August 2023
\$0.25	300,000	1.99	March 2024
\$0.105	400,000	3.46	September 2025
\$0.45	900,000	3.96	March 2026
\$0.79	675,000	4.30	July 2026
\$1.26	510,000	4.42	September 2026
\$1.39	450,000	4.65	November 2026

15. INCOME (LOSS) PER SHARE

Basic EPS

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

Diluted EPS

Diluted EPS is computed by dividing net income (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 income (loss) for the periods ended March 31, 2022, and 2021. The Company has accordingly presented basic and diluted EPS, which are the same, on a single line in the consolidated statements of loss and comprehensive loss.

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16. SEGMENTATION INFORMATION

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

	For the period ended,		
	March 31, 2022	September 30, 2021	September 30, 2020
	\$	\$	\$
Canada	9,252,616	3,357,422	556,813
Mexico	23,493	25,192	371
Columbia	227,936	227,938	3,542
DRC	-	-	288,360
Brazil	1,473,818	1,384,625	47,171
Total assets	10,977,863	4,995,177	896,257
Canada	20,594,361	28,878,115	4,355,379
Mexico	40,924	50,594	193,697
Columbia	503	501	101
Total liabilities	20,635,788	28,929,210	4,549,177
Canada	(5,969,166)	(20,488,111)	(1,941,200)
Mexico	(2,236,774)	(1,993,468)	(1,680,514)
Columbia	(845,495)	(845,548)	-
DRC	(28,030)	(28,030)	-
Brazil	(543,139)	(543,139)	-
Bolivia	(36,824)	(36,824)	(33,238)
Total deficiency	(9,659,428)	(23,935,120)	(3,654,952)
Canada	(9,742,884)	28,967,885	3,020,406
Mexico	243,306	312,954	166,918
Columbia	(53)	813,255	3,490
DRC	-	28,030	-
Brazil	-	543,139	-
Bolivia	-	36,824	-
Net (income) loss and comprehensive (income) loss	(9,499,631)	30,702,087	3,190,814

17. 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 subsidiaries 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.

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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,	March 31, 2022	September 30, 2021
	\$	\$
Cash & cash equivalents	6,340,364	2,563,533
Advance to directors	3,098	3,098
Advance to companies controlled by a director	50,498	-
Due to directors	-	3,883
Due to companies controlled by directors	-	12,733
Share capital	15,504,063	12,202,196

18. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

As at March 31, 2022, the Company's financial instruments include cash and cash equivalents, receivables (excluding sales tax), advance to directors, advance to companies controlled by a director, accounts payable and accruals, payable under exclusive sales agency distribution agreement, due to directors, due to companies controlled by directors and the convertible debentures – host component, 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 16 of the audited consolidated financial statements for the year ended September 30, 2021.

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, in Mexican Pesos and in Colombian 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:

As at,	March 31, 2022	September 30, 2021
	\$	\$
Cash & cash equivalents	6,340,364	2,563,533
Receivables, excluding sales tax	145,342	49,154
Advance to directors	3,098	3,098
Advance to companies controlled by a director	50,498	-
Accounts payable and accruals	411,402	335,644
Payable under exclusive sales agency distribution right	1,247,000	-
Due to directors	-	3,883
Due to companies controlled by directors	-	12,733
Finder's fees payable	305,562	384,589
Convertible debentures – host component	6,141,811	2,539,641

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

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i) Fair value interest rate risk:

Interest rate risk is defined as the risk that the fair value or future cash flows of a financial instrument held by the Company will fluctuate, because of changes in interest rates. The Company's financial liabilities other than current liabilities, are comprised of medium to long-term fixed interest rate debt.

Cash & cash equivalents	Fixed interest rates
Advance to directors	Non-interest bearing
Advance to companies controlled by a director	Non-interest bearing
Accounts payables and accruals	Non-interest bearing
Due to companies controlled by a director	Non-interest bearing
Due to directors	Non-interest bearing
Convertible debentures	Fixed interest rates

A 1% change in the interest rate would not have a significant impact on the Company's net loss.

ii) 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.

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 March 31, 2022, the Company has working capital of \$3,653,264 (September 30, 2021 - \$3,847,383). The following are the contractual maturities of the financial liabilities' amounts:

March 31, 2022	Less than		
	1 year	1 to 5 years	> 5 years
	\$	\$	\$
Accounts payable and accruals	411,402	-	-
Due to companies controlled by a director	-	-	-
Finder's fees payable	224,988	80,574	-
Convertible debentures - Host component	3,392,051	2,749,760	-
Convertible debentures - Embedded derivative	196,730	12,328,925	-

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19. RELATED PARTY TRANSACTIONS

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 receivables and advances payable are measured at fair value and occurred in the normal course of business. Transactions with related parties for the period ended March 31, 2022 were as follows:

For the three-month periods,	March 31, 2022	March 31, 2021
	\$	\$
<u>Management fees</u>		
Company controlled by a director	60,000	60,000
Key management personnel and director	30,000	30,000
<u>Share-based compensation</u>		
Key management personnel and director	-	343,620
<u>Rent</u>		
Company controlled by a Director	9,000	9,000
<u>Consulting fees</u>		
Company controlled by a director	12,000	30,000
For the six-month periods,	March 31, 2022	March 31, 2021
	\$	\$
<u>Management fees</u>		
Company controlled by a director	120,000	120,000
Key management personnel and director	60,000	60,000
<u>Share-based compensation</u>		
Key management personnel and director	-	343,620
<u>Rent</u>		
Company controlled by a Director	18,000	18,000
<u>Consulting fees</u>		
Company controlled by a director	36,899	60,000

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

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

The dues and advances to directors are unsecured, payable on demand and bears no interest. The dues and advances to companies controlled by a director unsecured, payable on demand and bears no interest.

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20. SELLING AND ADMINISTRATIVE EXPENSES

	Three-month periods ended March 31		Six-month periods ended March 31	
	2022	2021	2022	2021
Exploration and evaluation expenditures (note 22)	467,508	238,041	926,556	459,152
Professional fees	540,270	269,041	851,079	485,440
Share-based compensation (note 14)	271,600	343,620	629,710	343,620
Management fees	90,000	60,000	180,000	120,000
Legal fees	72,745	32,256	101,036	40,335
Travel expenses	41,087	-	92,322	-
Public listing fees	36,377	41,004	45,562	41,004
Bad debts	37,479	-	37,479	-
Write-off of sales tax receivable	25,785	-	32,989	-
Advertising	16,804	2,276	23,127	2,276
Rent	9,000	9,000	18,000	18,000
Depreciation	9,439	-	15,380	-
Loss (gain) on foreign exchange	9,078	(16,885)	11,583	(8,053)
Taxes and permits	2,517	9,419	7,193	9,419
Office expenses	5,685	-	5,685	-
Telecommunication	1,827	-	1,827	-
Commissions	-	15,688	-	15,688
Total selling and administrative expenses	1,637,201	1,003,460	2,979,528	1,526,881

21. FINANCE COSTS

	Three-month periods ended March 31		Six-month periods ended March 31	
	2022	2021	2022	2021
Accreted interest	238,565	113,896	335,969	353,551
Interest on convertible debentures	46,864	202,518	126,603	349,880
Interest and bank fees	5,034	4,029	8,487	5,018
Transaction costs	-	-	-	123,907
Unrealized loss on derivative financial instrument (note 13)	-	42,063	-	977,261
Fair value adjustment of the embedded derivatives (note 13)	(11,676,714)	(300,992)	(12,947,988)	3,586,132
Total finance (earnings) costs	(11,386,251)	61,514	(12,476,929)	5,395,749

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22. EXPLORATION AND EVALUATION EXPENDITURES

	Geology and prospecting	Mining claims	Total E&E Expenditures
	\$	\$	\$
Balance at September 30, 2020	1,115,694	365,023	1,480,717
Expenditures for the year	949,993	221,608	1,171,601
Balance at September 30, 2021	2,065,687	586,631	2,652,318
Expenditures for the period	414,025	45,023	459,048
Balance at December 31, 2021	2,479,712	631,654	3,111,366
Expenditures for the period	306,385	161,123	467,508
Balance at March 31, 2022	2,786,097	792,777	3,578,874

23. 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.

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 sixty 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.

Net royalty – Central America Nickel

On May 25, 2018, the Company agreed to pay Central America Nickel Inc. ("CAN") a 2% net royalty on the production of gold on any deposit in the world where 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 ("IGS")

On February 1, 2021, the Company signed an agreement with École Polytechnique and IGS concerning the recovery of critical minerals from ore tailings. As per the terms of this contract, the Company has agreed to provide to École Polytechnique \$15,000 in each of 2022 and 2023.

Joint Venture 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, Quebec, as well as providing funds for the purchase of equipment and working capital. In return, the Company will receive 80% of the net profits from the sale of these minerals, with the remaining 20% going to IGS.

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Agreement with AMCO Consultores (“AMCO”) in Colombia

On August 30, 2021, the Company signed an agreement with AMCO, which agreed to provide environmental consulting services to the Company with respect to the Minastyc property in Colombia. The Company will pay to AMCO 126,171,457 Colombian pesos (approximately \$41,000) upon the delivery of the final environmental study on Minastyc. A further and final payment of 126,171,457 Colombian pesos will be paid to AMCO by Auxico upon approval and acceptance of this environmental study by the governmental and regulatory authorities in Colombia.

24. COMPARATIVE FIGURES

Certain prior year figures in 2020 have been reclassified to make their presentation identical to that adopted in 2021 and these reclassifications had no effect on the reported result of operations.

25. SUBSEQUENT EVENTS

Grant of Stock Options

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