OVERVIEW

This following management's discussion and analysis of the financial condition and results of operations ("MD&A") covers the operations of Auxico Resources Canada Inc. ("Auxico" or the "Company") for the three and nine-month period ended June 30, 2016. All currency amounts referred to herein are in Canadian dollars unless otherwise stated. The MD&A should be read in conjunction with the Company's audited consolidated financial statements ("Audited Financial Statements") for the year ended September 30, 2015 and the Company's unaudited condensed interim consolidated financial statements ("Interim Financial Statements") for the period ended June 30, 2016. The accompanying financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). The financial statements and this MD&A are intended to provide investors with a reasonable basis for assessing the financial performance of the Company.

Additional information related to the Company is available for viewing on the Company's website at www.auxicoresources.com.

This MD&A is dated November 18, 2016.

FORWARD LOOKING INFORMATION

This MD&A includes certain forward-looking statements or information. All statements other than statements of historical fact included in this MD&A are forward-looking statements that involve various risks and uncertainties. Forward-looking statements in this MD&A include: statements with respect to drilling, bulk sampling and geological work at the Company's Zamora Property in Sinaloa, Mexico; the potential mineralization and geological merits of the Zamora Property; and other future plans, objectives or expectations of the Company. There can be no assurance that such statements will prove to be accurate. Actual results and future events could differ materially from those anticipated in such statements. Important factors that could cause actual results to differ materially from the Company's plans or expectations include the risk that actual results of planned exploration activities will not be consistent with the Company's expectations; the geology, grade and continuity of any mineral deposits and the risk of unexpected variations in mineral resources, grade and/or recovery rates; fluctuating metals prices; possibility of accidents, equipment breakdowns and delays during exploration; exploration cost overruns or unanticipated costs and expenses; uncertainties involved in the interpretation of drilling results and geological tests; availability of capital and financing required to continue the Company's future exploration programs and preparation of geological reports and studies; delays in the preparation of geological reports and studies; the metallurgical characteristics of mineralization contained within the Zamora Property are yet to be fully determined; general economic, market or business conditions; competition and loss of key employees; regulatory changes and restrictions including in relation to required permits for exploration activities (including drilling permits) and environmental liability; timeliness of government or regulatory approvals; and other risks detailed herein and from time to time in the filings made by the Company with securities regulators. In connection with the forward-looking information contained in this MD&A, the Company has made numerous assumptions, including that the Company will complete its amalgamation with Telferscot Resources Inc. ("Telferscot"), as announced by Telferscot on June 30, 2016. Auxico expressly disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except as otherwise required by applicable securities legislation.

COMPANY DESCRIPTION

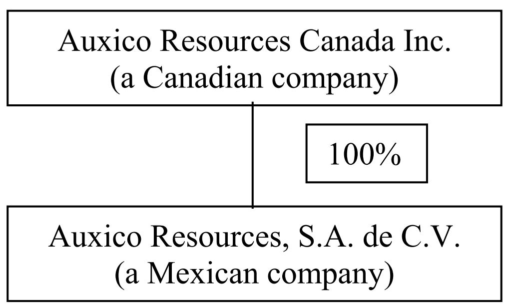
The Company was incorporated under the Canada Business Corporations Act on April 16, 2014. The Company has a wholly-owned subsidiary, Auxico Resources S.A. de C.V. ("Auxico Mexico"), which was incorporated under the laws of Mexico on June 16, 2011. The Company has an office at 230 Notre-Dame Street West, Montreal, Quebec, H2Y 1T3, Canada. Auxico is a mineral exploration company with silver-gold properties in the state of Sinaloa, Mexico; the Company owns 100% of the Zamora silver-gold property in Mexico (“Zamora Property”).

On June 30, 2016, the Company signed an amalgamation agreement (“Amalgamation Agreement”) with Telferscot, a public company listed on the Canadian Stock Exchange (“CSE”) (ticker: TFS). Pursuant to this Amalgamation Agreement, Telferscot will seek shareholder approval for a 1-for-35 share consolidation, so that there will be approximately 2,995,913 post-consolidation shares of Telferscot issued and outstanding. Telferscot shall then issue 23,900,000 common shares from its treasury to the shareholders of Auxico. This transaction constitutes a reverse take-over of Telferscot by the Company. Closing of this transaction is subject to a number of conditions, including the completion of satisfactory due diligence; receipt of any required shareholder, regulatory and third-party consents; the CSE having conditionally accepted the relisting of Telferscot common shares and the satisfaction of other customary closing conditions.

On August 31, 2011, Auxico Mexico entered into an agreement with two vendors to acquire a 50% interest in the mining concessions that comprise the Zamora Property.

On July 17, 2013, Auxico Mexico entered into an agreement with two vendors to acquire the remaining 50% interest in the mining concessions that comprise the Zamora Property.

Upon incorporation of Auxico on April 16, 2014, the shareholders of Auxico Mexico exchanged their shares of Auxico Mexico for shares of Auxico and Auxico Mexico thereby became a wholly-owned subsidiary of Auxico. The following outlines the corporate structure of the Company:



OVERVIEW OF THE ZAMORA SILVER-GOLD PROPERTY IN SINALOA, MEXICO

Auxico has a 100% interest in the Zamora Silver-Gold Property (“Zamora Property”), which is located 85 km southeast of the city of Culiacan and some 9 km northeast of the village of El Espinal in the state of Sinaloa, Mexico. The property is easily accessible year round via gravel roads. Historical underground workings date back to the 1800’s, during which an undetermined amount of ore was mined following the main vein structures. La Camichina and Los Olotes can be accessed by taking a secondary gravel road north for about 15 km from El Espinal, which goes through the Los Mecates ranch. There is another secondary gravel road, which connects from the Los Mecates ranch with highway No. 15, near the Las Tinas ranch, as per the figure below.

The northern part of the claims can also be accessed from taking highway No. 15 east just past El Espinal and then taking highway No.1 which leads north towards the mining town of Cosala. The turnoff to Campanillas is at Ibonia, which least northeastwards to the portal. The drive from the city of Culiacan to the portal at Campanillas takes about 3 hours.

Auxico Resources Inc.	Project Name Zamora Silver-Gold Property 43-101 Technical Report	Date of Issue February, 2016

The Zamora Property is comprised of five individual lots measuring a total of 3,376.6265 hectares or 8,343.6441 acres. A description of the lots is shown in the table below.

Lot Name	**Concession Number**	**Area (He)**	**Taxes Owing (Pesos/USD)**
Campanillas	224618	105.6427	70,500p / $4,019
Chio	227400	92.1787	40,900p / $2,331
Gaby	277399	80.0000	35,900p / $2,046
San Filipe	224654	100.0000	78,000p / $4,446
Zamora	225182	2998.8051	1,270,000p / $72,393
Total		**3376.6265**	**1,495,300p / $85,235**

The Zamora Property, according to historical records, is characterized by 15 mines / prospects, all of which have varying degrees of exploration, development and production. There has never been a concentrating plant on this property; the ore was so rich that it was direct shipping ore to the La Minita plant located approximately 25 km from Zamora.

The table below shows the various mines / prospects on the Zamora Property, listed from north to south. This table also provides information on the best samples generated from the 2014 exploration campaign and compared to the best historic samples.

No.	Mine/Prospect	Best Sample (2014)	Best Historic Sample	Comments	Description
1	La Franca	1.72 kg/t Ag, 12.96 g/t Au	2.08 kg/t Ag, 7.0 g/t Au	Not part of Auxico's Claims	Mine
2	Campanillas	14.56 kg/t Ag, 15.53 g/t Au	970 g/t Ag, 3.0 g/t Au	625m southwest of La Franca	Mine
3	El Triunfo	286 g/t Ag, 2.54 g/t Au	970 g/t Ag, 8.4 g/t Au		Mine
4	Periguete	5 g/t Ag, 0.01 g/t Au	NA	Did not locate the shaft, extensive propylitic alteration	Shaft not exposed
5	El Nazareno	9.65 g/t Ag, 0.03 g/t Au	193.3 g/t Ag, nil Au		Mine
6	Las Jarillas	15.59 g/t Ag, 0.07 g/t Au	231.5 g/t Ag, 1.4 g/t Au	N-S structure, intense Silicification	Mine
7	Tahuanita	Not sampled	NA	Intense shearing, gossaned	Showing
8	Chico Pico	429.09 g/t Ag, 0.12 g/t Au	NA	Vuggy Quartz, breccia	Prospect Pit
9	Aguamas	Not explored	NA	None	none
10	La India	Not sampled	NA	Adit	Adit
11	Obotel – 17m level	Not sampled	799 g/t Ag, 4.6 g/t Au	Collapsed pit? N-S Vein	Pit
12	Los Olotes-Surface	46.42 g/t Ag, 0.24 g/t Au	NA	Adit/Decline, caved in after 5 m	Mine
	Los Olotes - 17m level	NA	3.15 kg/t Ag, 13.4 g/t Au (Weighted Ave. East Vein 123.21 g/t Ag, 0.58 g/t Au) *(Weighted Ave. West Vein* *152.08 g/t Ag, 0.88 g/t Au)* *(Weighted Ave. Zamora Vein 475 g/t Ag, 3.36 g/t Au)*	Zamora Vein Los Olotes Vein Los Olotes Vein Zamora Vein	17m level – Mine
	Los Olotes – 23m level	NA	6.57 kg/t Ag, 44.0 g/t Au *(Weighted Ave. 797 g/t Ag, 6.14 g/t Au)*	Zamora Vein	23m level - Mine
13	La Camachina – 17m level	Not sampled	5.1 kg/t Ag, 23.5 g/t Au *(Weighted Ave. 609.2 g/t Ag, 3.1 g/t Au)*	Zamora Vein Vertical Shaft	17m level - Mine
14	Rosa Maria	Not explored	NA	None	None
15	Trincan	Not explored	NA	None	None
16	Juntas	Not explored	NA	None	None

(Note: La Franca was visited and sampled by the author of the technical report even though it does not belong to Auxico Resources Canada Inc. La Franca lies within the Campanillas claim and contains a high-grade sample of silver and gold and is presented for information only.)

History and Exploration

There are no detailed reports available for any exploration, development, or production on any of the mines located on the Zamora Property. At the La Camichina Mine, it appears, according to a report written in 1982 by Antonio B. Flores Martinez, Ing. for the Consejo de Recursos Minerales (CRM, or Mexican Mineral Resource Board, which is now referred to as the Servicio Geologico Mexicano, or SRM), that La Camichina was sunk down to about 100 metres below the surface and a fair amount of ore was extracted down to at least the -60-metre level. La Camichina was abandoned for unknown reasons.

There are no references to any technical work of the previous miners. The knowledge gained of La Camichina has been provided through restoration and exploration. In 1977, the first reconnaissance work was initiated, and they were mining high-grade ore and sending it directly to the smelter, which is believed to have been in Cosala. The lower grade material was shipped to the La Minita processing facility close by. La Minita is still in operation today.

The Campanillas Mine is located in the northern part of the Property. According to local miners from the town of Ibonia, who worked in the mine when it was in operation, they claim that the workings go down to the third level. Again, as in the case of La Camichina the stockpile outside the portal did not contain much material, so limited production appears to have been done. All of the other mines appear to have limited development only on one level, except La Franca which does not belong to Auxico.

Local Resources and Infrastructure

The Zamora Property has a well-developed infrastructure and a workforce from the local and neighbouring communities, which are familiar with mining operations. Culiacan, which is the state capital, is the largest population centre nearby, with approximately 860,000 inhabitants. Culiacan is connected by a four-lane freeway or a two-lane highway that passes through the town of El Espinal. Culiacan is 87 km northwest of the Property. A secondary road heading north through Los Mecates from El Espinal can be used to access the Property. Mazatlan, another major city, has a deep water port. Both of these major cities have international airports with daily flights to numerous cities throughout the United States and Canada, and major cities throughout Mexico.

1982 Campaign

The Los Olotes workings at Zamora, according to the work performed by the CRM, were supervised by Mr. Martinez in 1982 and contain an historical, non-compliant resource of 34,645 tonnes of 12.87 g/t gold and 1.52 kg/t silver, from close to surface down to the 120-metre level (Report on Exploration Work Carried out in the Zamora Silver Mine District, 1982).

The remaining infrastructure at La Camichina and Los Olotes was partially restored in the early 1980s by the CRM in order to evaluate the mineral potential of the Zamora structure. This structure, or what is referred to as the Zamora Vein runs through La Camichina and Los Olotes. The CRM conducted this work in order to promote the property and attract investors or mining companies with the intention of restoring the mine workings and bringing it back into commercial production. During this campaign, the main shaft was restored, over 100 metres of drifts were excavated and over 250 metres of crosscuts and drifts were restored and/or cleaned up. In all, the Zamora Property is host to over 400 metres of mapped underground workings; additional drifts are known to exist but, to this date, have not been mapped or documented.

The two major ore bodies are defined as "La Camichina", which was intensely mined and is characterized by the Zamora Vein, and the "Los Olotes" zone, which is formed by the intersection of two vein structures and represents the main exploration and development focus due to its high grade ore pockets. Los Olotes appears to be oriented more north-south (NS) than the Zamora Vein, which is northeast-southwest (NE-SW). It is believed that this ore still exists at Los Olotes and was not mined. The two are separated by a crosscut that runs from La Camichina to Los Olotes, approximately 115 metres apart.

2014 Campaign

During the 2014 exploration campaign, Mr. Joel Scodnick, P.Geo., the author of the Company's technical report, along with Antonio B. Flores Martinez, Eng., had the opportunity to sample 8 out of the 12 historical mines. This exploration program confirmed the high-grade nature of certain parts of the Property, where silver samples as high as 14.4 kg/t were returned. This particular sample of 14.4 kg/t silver was randomly selected from a stockpile just outside the portal at the Campanillas Mine.

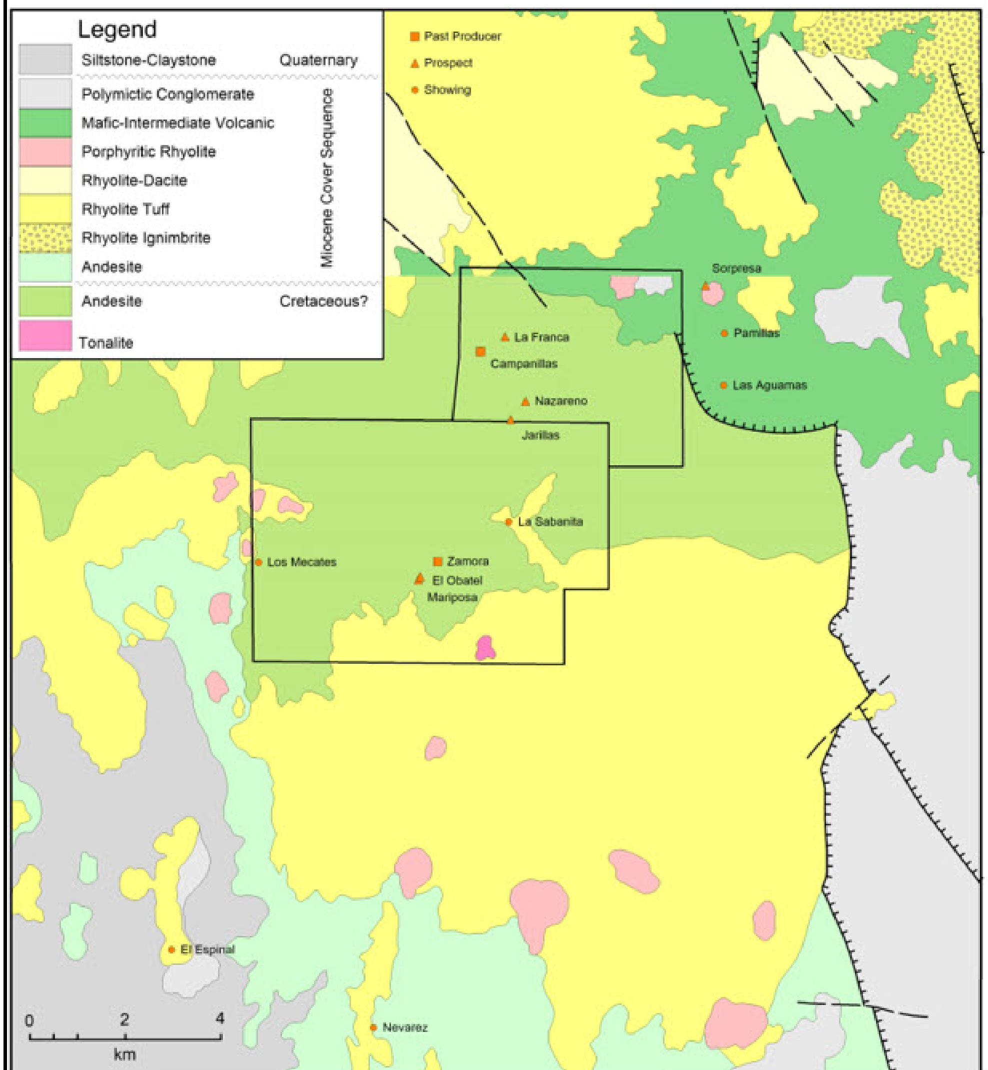
It also should be noted, according to Mr. Martinez, that only the vein material was channel sampled, not the hanging wall or foot wall. Volcanic breccia and stockwork zones adjacent to all the quartz veins were found on the Property during the 2014 campaign. Most of the higher grade samples were discovered in this material. Samples were channeled every metre along the drift.

The sampling campaign of 2014 throughout the Property validated the high-grade nature of the overall silver and gold value that can be expected to occur at Los Olotes and confirms the chances of establishing a high-grade resource of that particular mine. The 16 mines/prospects (including La Franca) occur over a distance of 10 km x 5 km and the exploration program of 2014 has identified what is believed to be a low-sulphidation epithermal system for most of the Property, which displays intense hydrothermal alteration patterns in every one of the historic mines visited and sampled. At the Chico Pico prospect, however, Vuggy quartz displaying sponge-like features indicating highly acidic hydrothermal solutions would indicate a high-sulphidation epithermal system.

Mining District Potential

Based on the work completed to date, the 15 historic mines, prospects, or showings (including newly discovered areas displaying mineralization, quartz veins, and alteration) demonstrate that a massive hydrothermal system trending in a N-S direction intersecting NE-SW structures are present within the claim boundaries and cover an area of interest of at least 8 km^2. This has never been demonstrated before and work done in the past only showed the presence of mostly NE-SW vein systems. At the Campanillas Mine, the best sample to date returned 14.4 kg/t Ag and 19.5 g/t Au, providing evidence for the presence of very high-grade ore shoots within the system. Based on the field evidence, which demonstrates that 90-95% of the mineralized zones line up, it could be demonstrated that a potential exists for the discovery of a deposit with considerable dimensions (possibly hundreds of millions of tonnes of ore). If the area between Los Olotes and Campanillas can prove its continuity, then the tonnage potential could increase exponentially. The distance between Los Olotes and Campanillas represents a strike length of almost 7 km, which could potentially include low to medium-grade ore with sections of high-grade ore.

Also, at Los Olotes, the 1982 work done by the CRM at Zamora, which was supervised by Auxico's Mexican consultant Antonio Bonifacio Flores Martinez (Camichina and Los Olotes), demonstrates a possible non-complaint resource of around 36,000 tonnes of high-grade silver grading 1.52 kg/t (~$800/t ore) and 12.87 g/t Au (~$480/t ore) located from surface to the 120-metre level. Access to Los Olotes would either be via a ramp or the existing infrastructure at La Camichina, including the vertical shaft, descending to the 30-metre level, then finally accessing Los Olotes via the existing crosscut which goes for about 115 metres.



Auxico Resources Inc. Zamora Silver-Gold Property 43-101 Technical Report	Local geology (modified from SGM Maps Conitaca G13-C84, 2006 and Cosalá G13-C74, 2002). February, 2016

Net Smelter Return Royalty ("NSRR")

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

Total taxes owing up to the end of the first quarter of 2016 as provided in the table below are 1,495,300 pesos / USD 85,235.

Foreign Ownership and Taxation

For the mining sector, restrictions on foreign ownership of Mexican companies have been removed. Mining-specific royalties and taxes were revoked in the 1990s to attract international investment in the mining industry. Current law merely requires mining companies to be incorporated under the laws of Mexico, include exploration or exploitation of minerals under their corporate purpose and establish their corporate domicile within the Mexican Republic. The country retains ownership of all mineral resources, and the government grants concessions to private mining companies for exploration and extraction. In terms of taxation, mining companies in Mexico are treated much the same as companies in other sectors. Corporate income tax is levied at a rate of 30 percent. Unlike other Latin American jurisdictions, Mexico does not currently have any specific mining taxes. There have been proposals of discussion for a new mining tax in Mexico; however, finalization of these rules are in progress at this point in time.

Recommendations and Budget

According to the Technical Report dated March 25, 2016, a budget of US$2,000,000 is recommended to: verify the historical resource at Los Olotes; dewater La Camichina in order to gain access to Los Olotes; rehabilitate La Camichina and Los Olotes; and conduct a 35,000 tonne bulk sample using a mobile gravity plant with a five-cell flotation circuit, producing both a gravity concentrate and flotation concentrate. The budget also includes funds for a 5,000 tonne bulk sample and rehabilitation at Campanillas, as well as defining additional resources.

The technical report also recommends that Auxico re-grade the roads to gain better access to Campanillas and Los Olotes; sampling, drilling, dewatering Los Olotes; and constructing a ladder at Camichina to access the Los Olotes level at -30 metres. If the ore zone at Los Olotes can be accessed and the ore verified by sampling and drilling from underground and possibly from surface, then this could become a very important source for production of previously demonstrated 1.52 kg/t Ag and 12.87 g/t Au. From surface to -120 metres, it is estimated there could be in the order of 36,644 tonnes of this high-grade material.

Based on the previous results from the Consejo de Recursos Minerales on the work conducted underground on Los Olotes and observations made at Campanillas and La Franca, it would be safe to say that mining underground at these mines could yield grades in excess of 1 kg/t Ag and up to 5 g/t Au. With additional exploration work, the author of the Company's technical report is confident that a new "district-size" mining camp may emerge, and if the theory holds according to what has been observed in the field and underground, then a deposit of significant tonnage could be achieved. The intensity of hydrothermal activity and the presence of extensive alteration zones provide evidence of a very large epithermal deposit, mostly low-sulphidation except in the case of Chico Pico where high-sulphidation seems to be the case. An extensive plumbing system allowing for fluid migration carrying auriferous and argentiferous metals appears to be the case, and to date only very limited exploration having been carried out, a lot of credible information has been obtained.

Budget

The following proposed budget was recommended in the Technical Report (in US$):

Description	**Cost**	**Comments**
Mobile Gravity & Flotation Plant	600,000	Can be delivered in 90-days
Rehabilitate Los Olotes	250,000	
Rehabilitate Campanillas	150,000	
Production Costs, Drilling, Blasting, Transportation, Exploration, Resource Development	1,000,000	
Total	**2,000,000**	

Additional Information

The Technical Report, as well as additional information on Auxico and the Zamora Property, can be accessed on the Company's website (www.auxicoresources.com).

Qualified Person

The technical content of this MD&A has been reviewed and approved by Joel Scodnick, P.Geo., a Qualified Person as defined by Canadian Securities Administration National Instrument 43-101 "Standards of Disclosure for Mineral Projects". The report titled "Technical Report on the Zamora Silver-Gold Property, Sinaloa, Mexico", with an effective date of March 25, 2016, was prepared by Joel Scodnick.

OVERVIEW OF THE PERIOD ENDED JUNE 30, 2016

Based on the sampling program conducted in 2014 and the upward movements in the prices of silver and gold in 2016, the management and board of Auxico decided that the best way to move forward the Zamora Property would be to take the Company public, so that it could access more easily the debt and equity markets. Earlier this year, the Auxico team undertook several initiatives to prepare the Company as a public entity.

On March 25, 2016, the Company completed a technical report ("Technical Report") on the Zamora Silver-Gold Property. The Technical Report, titled "Technical Report on the Zamora Silver-Gold Property, Sinaloa, Mexico", was authored by Joel Scodnick, P.Geo., a Qualified Person as defined by Canadian Securities Administration National Instrument 43-101, "Standards of Disclosure for Mineral Projects". The Technical Report can be accessed on the Company's website: www.auxicoresources.com. Highlights of the Technical Report were presently previously in this MD&A.

On May 30, 2016, the Company completed a non-brokered private placement, raising gross proceeds of $600,000 by issuing 2,400,000 common shares of the capital of the Company at a price of $0.25 per common share. Upon closing of this private placement, the Company had 23,900,000 common shares issued and outstanding.

On June 30, 2016, the Company signed an Amalgamation Agreement with Telferscot Resources Inc., a public company listed on the Canadian Stock Exchange. Pursuant to this Amalgamation Agreement, Telferscot will seek shareholder approval for a 1-for-35 share consolidation, so that there will be approximately 2,995,913 post-consolidation shares of Telferscot issued and outstanding. Telferscot shall then issue 23,900,000 common shares from its treasury to the shareholders of Auxico. This transaction constitutes a reverse take-over of Telferscot by the Company. Closing of this transaction is subject to a number of conditions, including the completion of satisfactory due diligence; receipt of any required shareholder, regulatory and third-party consents; the CSE having conditionally accepted the relisting of Telferscot common shares and the satisfaction of other customary closing conditions.

During the period ended June 30, 2016, a number of people were added to the board of directors and the management team of Auxico. As of the date of this MD&A, the board and management team of Auxico is comprised of:

<u>Pierre Gauthier, Chairman of the Board, Chief Executive Officer</u>
Pierre Gauthier holds a Bachelor of Commerce from the University of Ottawa and an MBA from Concordia University. He was the founder, President and CEO of Dundee Sustainable Technologies until December 2014. In the last 20 years, Mr. Gauthier has been involved in raising over $500 million in financing for various projects.

<u>Mark Billings, President & Director</u>
Mark Billings has an MBA from the Harvard Business School and is a Chartered Financial Analyst. He has been an investment banker, having raised hundreds of millions of dollars for small-cap companies. Mr. Billings also founded and managed companies in the junior resource sector.

Salvador Brouwer, Director
Salvador Brouwer holds a Bachelor of Science (Geology) from the University of Waterloo. He worked for Falconbridge for 30 years in Canada and the Dominican Republic. From 1996 to 1999, he was an exploration manager for Latin America.

Robin Conners, Director
Robin Conners has over 30 years of experience in corporate strategy, project development, operations and financing. He has extensive experience in venture financing, primarily in real estate and technology. He serves as Vice-President of Commercial Development with Intrawest Corporation.

Marc Filion, Director
Marc Filion holds a Ph.D. from the Royal School of Mines, Imperial College, London, UK and an MBA from the École des Hautes Études Commerciales of Montreal. Dr. Filion is also a professional geological engineer, having graduated from the École polytechnique in Montreal. He has more than 35 years of experience in the development and management of capital intensive projects.

Joseph Lau, Director
Joseph Lau has a B.Sc. (Chemistry) from Concordia University and an MBA from the University of Ottawa. A resident of Hong Kong, he has served as a senior executive in various industries, including financial services, real estate and telecom. Mr. Lau is a member of the Canadian Institute of Mining, Metallurgy and Petroleum.

Rick Whittaker, Director
Rick Whittaker was the founding Vice-President and Chief Technology Officer of Canada’s largest clean technology fund, where he helped grow the organization from $100 million to over $1 billion under management. He has a Bachelor of Applied Sciences from the University of Waterloo, with an option in Management Science.

Jacques Arsenault, Chief Financial Officer
Jacques Arsenault has a Bachelor’s degree in accounting from the Université du Québec à Montréal, as well as an MBA from the University of Sherbrooke. He has over 25 years’ experience as an accountant and consultant in the reorganization, acquisition, merger and sale of companies.

Joel Scodnick, Geologist and Qualified Person
Joel Scodnick, P.Geo., is the President and CEO of Sierra Geological Consultants Inc. He has 35 years of international experience in mineral exploration, project acquisition, mining development and financing. Mr. Scodnick has worked or lived in 28 countries and is fluent in English, French and Spanish.

FINANCIAL POSITION AND LIQUIDITY

The Company prepared its Interim Financial Statements in accordance with the International Financial Reporting Standards (''IFRS''). The Company's Interim Financial Statements are presented in Canadian dollars, which is also the functional currency of the Company. For more detailed information, please refer to the Company’s Interim Financial Statements and Audited Financial Statements. The financial position of Auxico at June 30, 2016 (unaudited) and at September 30, 2015 (audited) is presented below:

As at	**June 30, 2016** **$**	**September 30, 2015** **$**
Cash and cash equivalents	**84,103**	1,062
Other current assets	**135,733**	16,666
Exploration and evaluation assets	**581,058**	477,738
Total assets	**800,894**	495,904
Current liabilities	**101,425**	171,566
Total liabilities	**130,623**	193,995
Shareholders’ equity	**670,271**	301,909
Total liabilities and shareholders’ equity	**800,894**	495,904

Cash and cash equivalents at June 30, 2016 were $84,103 compared to $1,062 at September 30, 2015. As of June 30, 2016, Auxico had working capital of $118,411 compared to a working capital deficit of $153,838 at September 30, 2015.

Other current assets (excluding cash) at June 30, 2016 were $135,733 compared to $16,666 at September 30, 2015. Other current assets include a receivable of $76,644 (September 30, 2015 – $Nil), prepaid expenses of $28,927 (September 30, 2015 – $Nil), an advance to a shareholder without interest of $1,000 (September 30, 2015 – $1,000), and an advance to an entity with significant influence of $29,162 (September 30, 2015 – $15,666).

The Company was recently incorporated and acquired its 100% interest in the Zamora Property in 2014. Funds raised to date have been used primarily to purchase the Company's interest in the Zamora Property and to conduct a geological campaign in 2014. Expenses incurred in the nine-month period ended June 30, 2016 were as a result of the Company's planned reverse takeover of Telferscot; this amalgamation will allow the Company to have greater access to the equity and debt markets and therefore advance its business plan. As at June 30, 2016, cash remained low and the Company's ability to continue to operate is dependent on its ability to raise funds in the capital markets.

Under IFRS, the Company has chosen to capitalize all mining properties and exploration costs and assess the resulting asset for impairment on a periodic basis. Subsequent to the point of technical and economic feasibility, all costs must be evaluated against the capitalization criteria for property, plant and equipment and intangible assets. As at June 30, 2016, cumulative mining property acquisition costs and exploration and evaluation expenses incurred amounted to $581,058 (September 30, 2015 – $477,738). The details on the exploration and evaluation assets are presented below.

As at	**June 30 2016 $**	**September 30 2015 $**
Mining property acquisition costs		
Balance, beginning of period	**181,400**	181,400
Additions during the period	**-**	-
	181,400	181,400
Exploration and evaluation expenses		
Balance, beginning of the period	**296,338**	222,308
Costs incurred during the period:		
Mineral rights maintenance	**-**	41,228
Geological	**103,320**	32,484
Lab expenses	**-**	318
	399,658	296,338
Total - Zamora Property	**581,058**	477,738

Current liabilities were $101,425 at June 30, 2016, compared to $171,566 at September 30, 2015. Included in the current liabilities are the accounts payable and accruals for an amount of $64,445 (September 30, 2015 – $68,566), due to shareholders without interest of $400 (September 30, 2015 – $Nil) and due to a company owned by a Director of $36,580 (September 30, 2015 – $103,000). The due to a company owned by a Director is unsecured, payable on demand and bears interest at 10% per annum.

Shareholders' equity was $670,271 at June 30, 2016, compared to $301,909 at September 30, 2015. The difference is explained by the $600,000 private placement of common shares that the Company completed in May 2016, as described above. The details of the shareholders' equity are presented below:

As at	June 30 2016 $	September 30 2015 $
Share capital	**834,087**	234,087
(Deficit) Retained earnings	**(163,816)**	67,822
Total Shareholders’ equity	**670,271**	495,904

Cash flows

Cash used in operating activities for the 9-month period ended June 30, 2016 was $334,123, compared to cash used in operating activities of $1,194 for the 9-month period ended June 30, 2015. The net loss for the 9-month period ended June 30, 2016 was $231,638, compared to a net loss of $9,260 for the 9-month period ended June 30, 2015.

Cash used in investing activities for the 9-month period ended June 30, 2016 was $103,320, compared to $320 for the 9-month period ended June 30, 2015. All cash used in investing activities was associated with exploration and evaluation expenses at the Company’s Zamora Property.

Cash flows from financing activities for the 9-month period ended June 30, 2016 were $520,484, compared to $1,533 for the 9-month period ended June 30, 2015. In May 2016, the Company issued 2,400,000 common shares at a price of $0.25 for gross proceeds of $600,000 from the issuance of shares.

For the 9-month period ended June 30	2016 $	2015 $
Cash flows from (used in) operating activities		
Net loss	**(231,638)**	(9,260)
Changes in non-cash working capital items	**(102,485)**	8,066
	(334,123)	(1,194)
Cash used in investing activities		
Exploration and evaluation expenses	**(103,320)**	(320)
	(103,320)	(320)
Cash flows from financing activities		
Advance to an entity with significant influence	**(13,496)**	1,533
Due to shareholders	**400**	-
Due to a company owned by a Director	**(66,420)**	-
Proceeds from the issue of equity	**600,000**	-
	520,484	-
Increase in cash and cash equivalents	**83,041**	19
Cash and cash equivalents, beginning of period	**1,062**	1,374
Cash and cash equivalents, end of period	**84,103**	1,393

CAPITAL RESOURCES

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. At June 30, 2016, there were 23,900,000 issued and fully paid common shares.

Shares issued

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 capital of the Company at a price of $0.25 per common share.

On April 16, 2014, upon incorporation of the Company, Auxico Mexico became a wholly-owned subsidiary of the Company. Gencap Inc. ("Gencap"), the shareholder of Auxico Mexico, exchanged its shares of Auxico Mexico in return for 10,000,000 common shares of the Company. Auxico Mexico has title to the mining concessions that comprise the Zamora Property in Sinaloa, Mexico. The value of this share exchange was $4,087.

On May 1, 2014, the Company completed a non-brokered private placement, raising gross proceeds of $200,000 by issuing 10,000,000 common shares of the capital of the Company at a price of $0.02 per common share.

On May 1, 2014, in connection with the non-brokered private placement mentioned above, the Company paid a finder's fee of 1,500,000 common shares of the Company. The value of these shares issued as a finder's fee was $30,000, or $0.02 per common share.

Warrants

The Company has no warrants issued and outstanding.

Stock options

The Company has not adopted a stock option plan and therefore has not issued any stock options.

Capital disclosure

The Company manages its capital structure and makes adjustments to it based on the funds available to the Company, in order to support its exploration activities. The Board of Directors of the Company does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to acquire and sustain exploration projects. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the period ended June 30, 2016. The Company is not subject to externally imposed capital requirements.

RESULTS OF OPERATIONS

For the 3-month period ended June 30, 2016

For the 3-month period ended June 30, 2016, the Company recorded a net loss and comprehensive loss of $230,904, compared to $8,372 for the 3-month period ended June 30, 2015. The principal reason for this difference is that the Company incurred additional professional, management and legal fees in the 3-month period ended June 30, 2016 in order to prepare the Company for its listing as a public entity through the proposed amalgamation with Telferscot Resources, as outlined in this MD&A. The Company has currently no mining operations to generate sales and revenues. Details for the 3-month periods ended June 30, 2016 and 2015 are presented below:

For the 3-month periods ended June 30 (unaudited)	**2016** **$**	**2015** $	**Variance** $
Expenses			
Professional fees	**82,961**	-	82,961
Management fees	**90,000**	-	90,000
Legal fees	**24,579**	-	24,579
Travel expenses	**7,584**	-	7,584
Office expenses	**1,257**	-	1,257
Rent	**9,850**	-	9,850
Interest and bank fees	**4,829**	307	4,522
Interest on loans	**2,687**	6,198	(3,511)
Losses (gains) on foreign exchange	**(50)**	-	(50)
	223,697	6,505	217,192
Loss before income taxes	**(223,697)**	(6,505)	(217,192)
Deferred income tax expense	**(7,207)**	(1,867)	(5,340)
Net loss and comprehensive loss for the period	**(230,904)**	(8,372)	(222,532)
Loss per share – basic and diluted	**(0.010)**	(0.000)	
Weighted average number of shares outstanding	**22,317,582**	21,500,000	

Total expenses for the 3-month period ended June 30, 2016 were $223,697, compared to $6,505 for the same 3-month period in 2015. The higher expenditures for the 3-month period ended June 30, 2016 were as a result of higher professional fees, management fees, legal fees and other miscellaneous expenses, as the management and board of Auxico prepared the Company for the proposed amalgamation with Telferscot Resources.

For the 9-month period ended June 30, 2016

For the 9-month period ended June 30, 2016, the Company recorded a net loss and comprehensive loss of $231,638, compared to $9,260 for the 9-month period ended June 30, 2015. The principal reason for this difference is that the Company incurred additional professional, management and legal fees in the 9-month period ended June 30, 2016 in order to prepare the Company for its listing as a public entity through the proposed amalgamation with Telferscot Resources, as outlined in this MD&A. The Company has currently no mining operations to generate sales and revenues. Details for the 9-month periods ended June 30, 2016 and 2015 are presented below:

For the 9-month periods ended June 30 (unaudited)	**2016** **$**	2015 $	Variance $
Expenses			
Professional fees	**82,961**	-	82,961
Management fees	**90,000**	-	90,000
Legal fees	**24,579**	-	24,579
Travel expenses	**7,584**	277	7,307
Office expenses	**1,257**	-	1,257
Rent	**9,850**	-	9,850
Interest and bank fees	**5,563**	918	4,645
Interest on loans	**2,687**	6,198	(3,511)
Losses (gains) on foreign exchange	**(50)**	-	(50)
	224,431	7,393	217,038
Loss before income taxes	**(224,431)**	(7,393)	(217,038)
Deferred income tax expense	**(7,207)**	(1,867)	(5,340)
Net loss and comprehensive loss for the period	**(231,638)**	(9,260)	(222,378)
Loss per share – basic and diluted	**(0.010)**	(0.000)	
Weighted average number of shares outstanding	**21,771,533**	21,500,000	

Total expenses for the 9-month period ended June 30, 2016 were $224,431, compared to $7,393 for the same 9-month period in 2015. The higher expenditures for the 9-month period ended June 30, 2016 were as a result of higher professional fees, management fees, legal fees and other miscellaneous expenses, as the management and board of Auxico prepared the Company for the proposed amalgamation with Telferscot Resources.

SELECTED INFORMATION FOR THE PERIOD ENDED JUNE 30, 2016

The Company prepared its Interim Financial Statements in accordance with the IFRS and are presented in Canadian dollars, which is also the functional currency of the Company. Selected information on the Company's financial operations and financial position for the 3-month and 9-month periods ended June 30, 2016 is presented below. For more detailed information, refer to the Company's Interim Financial Statements for the period ended June 30, 2016.

For the 3-month periods ended June 30	**2016** **$**	**2015** **$**
Revenue	-	-
Net loss and comprehensive loss for the period	(230,904)	(8,372)
Net loss per share	(0.010)	(0.000)
Total assets	800,894	453,078

For the 9-month periods ended June 30	2016	2015
	$	$
Revenue	-	-
Net loss and comprehensive loss for the period	(231,638)	(9,260)
Net loss per share	(0.010)	(0.000)
Total assets	800,894	453,078

RELATED PARTY TRANSACTIONS AND BALANCES

There are no related party transactions for the periods ended June 30, 2016 and 2015.

The net amounts payable to related parties included in the current assets and current liabilities were as follows:

As at June 30	2016	2015
	$	$
Advance to shareholder without interest	**1,000**	1,000
Advance to an entity with significant influence	**29,162**	15,666
Due to a company owned by a Director	**(36,580)**	(103,000)
Net amount	**(6,418)**	(86,334)

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 product proceeds from the mining concessions on commencement of commercial production. Half of this NSRR can be purchased by the Company at any time for US$500,000.

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

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

ADDITIONAL INFORMATION

The following information is as of the date of this MD&A:

Legal proceedings:

- Management is not aware of any legal proceedings involving the Company.

Contingent liabilities:

- Management is not aware of any outstanding contingent liabilities relating to the Company's activities.

Outstanding Share Data:

- The Company had 23,900,000 common shares outstanding as at June 30, 2016 and as at the date of this MD&A.

Subsequent events:

- On October 17, 2016, the Company signed a Memorandum of Understanding ("MOU") with the Lender involved in the Farm-out Agreement mentioned above under "Commitments and Contingencies". 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.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

The Company's financial statements and the other financial information included in this MD&A are the responsibility of the Company's management, and have been examined and approved by the Board of Directors. The accompanying Interim Financial Statements are prepared by management in accordance with International Financial Reporting Standards ("IFRS") and include certain amounts based on management's best estimates using careful judgement. The selection of accounting principles and methods is management's responsibility.

Management recognizes its responsibility for conducting the Company's affairs in a manner to comply with the requirements of applicable laws and established financial standards and principles, and for maintaining proper standards of conduct in its activities.

The Board of Directors supervises the financial statements and other financial information through its audit committee, which is comprised of a majority of non-management directors.

This committee's role is to examine the financial statements and recommend that the Board of Directors approve them, to examine the internal control and information protection systems and all other matters relating to the Company's accounting and finances. In order to do so, the audit committee meets annually with the external auditors, with or without the Company's management, to review their respective audit plans and discuss the results of their examination. This committee is responsible for recommending the appointment of the external auditors or the renewal of their engagement.

SIGNIFICANT JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements requires management to make judgements, estimates and assumptions based on currently available information that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and judgements are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual results could differ from those estimated. By their very nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of future periods could be material.

In the process of applying the Company's accounting policies, management has made the following judgements, estimates, and assumptions which have the most significant effect on the amounts recognized in the consolidated financial statements:

BASIS OF PREPARATION

Statement of compliance

The Interim Financial Statements of the Company are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These Interim Financial Statements of the Company have been prepared by the management in accordance with IAS 34, Interim Financial Reporting, effective as of June 30, 2016.

The Interim Financial Statements of the Company should be read in conjunction with the Audited Financial Statements and notes included in the Company's Annual Report for the year ended September 30, 2015. The Interim Financial Statements were approved and authorized for issuance by the Board of Directors on November 18, 2016.

Basis of measurement

The Interim 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

The Interim Financial Statements of the Company 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

The Interim Financial Statements are presented in Canadian dollars which is the parent company's functional and presentation currency. The functional currency of Auxico Mexico is the Mexican peso.

SIGNIFICANT ACCOUNTING POLICIES

Loss per share

Basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of common shares outstanding during the period. The Company applies the treasury stock method in calculating diluted loss per share. Diluted loss per share excludes all dilutive potential common shares if their effect is anti-dilutive.

Cash and cash equivalents

The Company considers deposits with banks or highly liquid short-term interest bearing securities that are readily convertible to known amounts of cash and those that have maturities of 90 days or less when acquired to be cash equivalents.

Share issue costs

Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred share issue costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. The Company charges share issue costs to share capital when the related shares are issued. Deferred share issue costs related to financing transactions that are not completed are charged to expenses.

Share-based payments

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive loss/income.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model.

Significant accounting judgements, estimates and assumptions

The preparation of the Company's Interim Financial Statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the Interim Financial Statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from those estimates.

The areas which require management to make significant estimates and assumptions in determining carrying values include, but are not limited to:

a) Exploration and Evaluation Expenditures

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgement in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the profit or loss in the period the new information becomes available.

b) Impairment

The carrying value of non-financial assets is reviewed each reporting period upon the occurrence of events or changes in circumstances indicating that the carrying value of assets may not be recoverable and when criteria of assets held for sale are met to determine whether there is any indication of impairment. If the carrying amount of an asset exceeds its recoverable amount, the asset is impaired and an impairment loss is recognized in the consolidated statement of operations and comprehensive loss. The assessment of fair values, including those of the cash generating units (the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflow from other assets or groups of assets) ("CGUs") for purposes of testing goodwill, require the use of estimates and assumptions for recoverable production, long-term commodity prices, discount rates, foreign exchange rates, future capital requirements and operating performance. Changes in any of the assumptions or estimates used in determining the fair value of goodwill or other assets could impact the impairment analysis.

c) Title to Mineral Properties

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

d) Deferred Income Taxes

Judgement is required to determine which types of arrangements are considered to be a tax on income in contrast to an operating cost. Judgement is also required in determining whether deferred tax liabilities are recognized in the consolidated statement of financial position. Deferred tax assets, including those potentially arising from unutilized tax losses, require management to assess the likelihood that the Company will generate sufficient taxable income in future periods, in order to recognize deferred tax assets. Assumptions about the generation of future taxable income depend on management's estimates of future operations and cash flows. These estimates of future taxable income are based on forecast cash flows from operations (which are impacted by production and sales volumes, commodity prices, reserves, operating costs, closure and rehabilitation costs, capital expenditure, and other capital management transactions) and judgement about the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize deferred tax assets or offset these against any deferred tax liabilities recorded at the reporting date could be impacted.

e) Going Concern

The assessment of the Company's ability to raise sufficient funds to finance its exploration and administrative expenses involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Foreign currency translation
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of comprehensive income in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income in the statement of comprehensive income to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

Exploration and evaluation expenditures
Amounts reported in exploration and evaluation expenditures include the costs of acquiring licenses, and costs associated with exploration and evaluation activity. Exploration and evaluation expenditures are capitalized and are classified as intangible assets. Costs incurred before the Company has obtained the legal rights to explore an area are expensed.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to the mineral resource property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer a part of a mineral interest, as consideration, for an agreement by the transferee to meet certain exploration and evaluation expenditures, which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash or other consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess consideration accounted for as a gain on disposal.

Financial instruments
The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss. The Company has not recorded any fair value through profit or loss financial assets.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period. These are classified as non-current assets. Loan and receivable comprise cash and cash equivalents, advance to a shareholder without interest and advance to an entity with significant influence.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within twelve months after the end of the reporting period. The Company has not recorded any held-to-maturity investments.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses. The Company has not recorded any available-for-sale financial assets.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost. Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the group commits to purchase the asset. The Company has the following non-derivative financial liabilities: accounts payable and accruals and due to a company owned by a Director.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. The Company does not currently have any derivative financial assets and liabilities.

The Company is required to classify fair value measurements using a hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy is as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
Level 3 – inputs for the asset or liability that are not based on observable market data.

Impairment of assets
The carrying amounts of the Company's assets (which include exploration and evaluation assets) are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of comprehensive loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years. Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

Income taxes
a) Current income tax
Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are

those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically valuates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

b) Deferred income tax

Deferred income taxes are recorded using the asset and liability method of tax allocation. Under this method, deferred income tax assets and liabilities are determined based on temporary differences at the reporting date between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

NEW ACCOUNTING POLICIES

Future accounting changes

IFRS 7 Financial Instruments

IFRS 7, Financial Instruments: Disclosures, clarifies that the additional disclosure required by the amendments to IFRS 7, Disclosure – offsetting financial assets and financial liabilities' is not specifically required for all interim periods, unless required by IAS 34. The amendment is effective January 1, 2016 with early adoption permitted. The Company has not yet adopted this standard and management has not yet determined the impact of this standard.

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 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, 2017. Earlier application is permitted. The Company has not yet determined the effect of the adoption of this standard on its consolidated financial statements.

IAS 1 Presentation of Financial Statements

In December 2014, the IASB issued amendments to IAS 1, clarifying guidance on the concepts of materiality and aggregation of items in the financial statements, the use and presentation of subtotals in the statements of net income or loss and comprehensive income or loss, and providing additional flexibility in the structure and disclosures of the financial statements to enhance understandability. The amendments are effective for annual periods beginning on or after January 1, 2016. Early adoption is permitted. These amendments will not require any significant change to current practice, but should facilitate improved financial statement disclosures. The Company intends to adopt these amendments in its consolidated financial statements for the annual period beginning on October 1, 2016. The Company has not yet determined the effect of the adoption of this standard on its consolidated financial statements.

IAS 16 Property, plant and equipment and IAS 38 Intangible assets

Amendment to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets'. This amendment clarifies that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generate by an activity that includes the use if an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. It also clarifies that revenue is not an appropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. The amendments are effective from January 1, 2016. The Company intends to adopt these amendments in its consolidated financial statements for the annual period beginning on October 1, 2016. The Company has not yet determined the effect of the adoption of this standard on its consolidated financial statements.

IFRS 16 Leases

In January 2016, the IASB issued IFRS 16, "Leases". IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer (lessee) and the supplier (lessor). IFRS 16 will cancel and replace the previous leases Standard, IAS 17, "Leases", and related interpretations. IFRS 16 will be effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 is also applied. The Company has not yet determined the effect of the adoption of this standard on its consolidated financial statements.

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.

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, 2016. The Company has not yet determined the effect of the adoption of this standard on its 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 consolidated financial statements.

RISKS AND UNCERTAINTIES

RISKS RELATED TO OUR BUSINESS:

Exploration Stage Mining Company with No History of Operation

The Company is in its exploration stage, has very limited operating history, and is subject to all the risks inherent in a new business enterprise. For example, to date the Company has had no revenues and has relied upon equity and debt financing to fund its operations. The likelihood of success of the Company must be considered in light of the problems, expenses, difficulties, complication, and delays frequently encountered in connection with a new business, and the competitive and regulatory environment in which the Company will operate, such as under-capitalization, personnel limitations, and limited revenue sources.

Due to Its History of Operating Losses, the Company is Uncertain That It Will Be Able to Maintain Sufficient Cash to Accomplish Its Business Objectives

The Company incurred a net loss and comprehensive loss of $231,638 for the 9-month period ended June 30, 2016. At June 30, 2016, there was shareholders' equity of $670,271 and working capital of $118,411. There is no assurance that the Company can generate net income, generate revenues or successfully explore and exploit its properties.

Significant amounts of capital will be required to continue to explore and then develop the Company's exploration projects. The Company is not engaged in any revenue producing activities and does not expect to do so in the near future. Currently, the Company's sources of funding consist of the sale of additional equity securities, borrowing funds, or selling a portion of its interests in its assets. There is no assurance that any additional capital that the Company will require will be obtainable on acceptable terms, if at all. Failure to obtain such additional financing could result in delays or indefinite postponement of further exploration and development of the Company's projects. Additional financing, if available, will likely result in dilution to existing stockholders.

Capital Requirements and Liquidity; Need for Subsequent Funding

Company management and its Board of Directors monitor the overall costs and expenses of the Company and, if necessary, adjust Company programs and planned expenditures in an attempt to ensure that the Company has sufficient operating capital. The Company continues to evaluate the costs and planned expenditures for its on-going exploration projects. Although the Company has raised significant capital in prior years, the continued exploration and development of its projects will require significant amounts of additional capital. As a result, the Company will need to raise additional capital so that it can continue to fund its planned operations. The uncertainties of the global economies and the volatile prices of gold and silver, combined with instability in capital markets, have impacted the availability of funding. If the disruptions in the global financial and capital markets continue, debt or equity financing may not be available to the Company on acceptable terms, if at all. Equity financing, if available, may result in substantial dilution to existing stockholders. If the Company is unable to fund future operations by way of financing, including public or private offerings of equity or debt securities, its business, financial condition and results of operations will be adversely impacted.

Disruptions in the Global Financial and Capital Markets May Impact the Company's Ability to Obtain Financing.

The global financial and capital markets have experienced on-going volatility and disruption. The Company continues to need further funding to achieve its business objectives. In the past, the issuance of equity securities has been the major source of capital and liquidity for the Company. The extraordinary conditions in the global financial and capital markets have currently limited the availability of this funding. If the disruptions in the global financial and capital markets continue, debt or equity financing may not be available to the Company on acceptable terms, if at all. If the Company is unable to fund future operations by way of financing, including public or private offerings of equity or debt securities, its business, financial condition and results of operations will be adversely impacted.

The Company's Exploration Activities Require Significant Amounts of Capital that May Not Be Recovered.

Mineral exploration activities are subject to many risks, including the risk that no commercially productive or extractable resources will be encountered. There can be no assurance that the Company's activities will ultimately lead to an economically feasible project or that it will recover all or any portion of its investment. Mineral exploration often involves unprofitable efforts, including drilling operations that ultimately do not further the Company's exploration efforts, as well as operating and other costs. The cost of minerals exploration is often uncertain and cost overruns are common. The Company's drilling and exploration operations may be curtailed, delayed or canceled as a result of numerous factors, many of which are beyond its control, including title problems, weather conditions, compliance with governmental requirements and shortages or delays in the delivery of equipment and services.

Risks Inherent in the Mining Industry

The Company is subject to all of the risks inherent in the minerals exploration and mining industry and including, without limitation, the following: competition from a large number of companies, many of which are significantly larger than the Company, in the acquisition, exploration, and development of mining properties; the Company might not be able raise enough money to pay the fees, taxes and perform labor necessary to maintain its concessions in good force; exploration for minerals is highly speculative and involves substantial risks, even when conducted on properties known to contain significant quantities of mineralization; the Company's exploration projects may not result in the discovery of commercially mineable deposits of ore; the probability of an individual prospect ever having reserves that meet regulatory requirements is extremely remote, or the properties may not contain any reserves, and any funds spent on exploration may be lost; the Company's operations are subject to a variety of existing laws and regulations relating to exploration and development, permitting procedures, safety precautions, property reclamation, employee health and safety, air quality standards, pollution and other environmental protection control and the Company may not be able to comply with these regulations and controls; and a large number of factors beyond the control of the Company, including fluctuations in metal prices, inflation, and other economic conditions, will affect the economic feasibility of mining.

THE BUSINESS OF MINERAL EXPLORATION IS SUBJECT TO MANY RISKS:

Fluctuating Price for Metals

The Company's operations will be greatly influenced by the prices of commodities, including gold, silver, and other metals. These prices fluctuate widely and are affected by numerous factors beyond the Company's control, including interest rates, expectations for inflation, speculation, currency values, in particular the strength of the United States dollar, global and regional demand, political and economic conditions and production costs in major metal producing regions of the world.

Title to the Company's Mineral Properties May be Challenged

The Company attempts to confirm the validity of its rights to title to, or contract rights with respect to, each mineral property in which it has a material interest. However, the Company cannot guarantee that title to its properties will not be challenged. Title insurance generally is not available, and the Company's ability to ensure that it has obtained secure claim to individual mineral properties or mining concessions may be severely constrained. The Company's mineral properties may be subject to prior unregistered agreements, transfers or claims, and title may be affected by, among other things, undetected defects and the actions or inactions of underlying property owners or holders. In addition, the Company may be unable to operate its properties as permitted or to enforce its rights with respect to its properties.

Risks Inherent With Foreign Operations

The Company's operations are currently conducted in Mexico, and as such the operations of the Company are exposed to various levels of political, economic and other risks and uncertainties. These risks and uncertainties include, but are not limited to, terrorism, hostage taking, military repression, expropriation, extreme fluctuations in currency exchange rates, high rates of inflation, labour unrest, the risks of war or civil unrest, expropriation and nationalization, renegotiation or nullification of existing concessions, licenses, permits, approvals and contracts, illegal mining, changes in taxation policies, restrictions on foreign exchange and repatriation, and changing political conditions, currency controls and governmental regulations that favor or require the rewarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction.

Changes, if any, in mining or investment policies or shifts in political attitude in Mexico may adversely affect the operations or potential profitability of the Company. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, income taxes, expropriation of property, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety. Failure to comply strictly with applicable laws, regulations and local practices relating to mineral right applications and tenure, could result in loss, reduction or expropriation of entitlements, or the imposition of additional local or foreign parties as joint venture partners with carried or other interests. The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on the operations of the Company.

Environmental Controls

Compliance with statutory environmental quality requirements may necessitate significant capital outlays, may materially affect the earning power of the Company, or may cause material changes in the Company's intended activities. The Company's exploration operations require compliance with local and federal regulations. No assurance can be given that environmental standards imposed by either federal or state governments will not be changed or become more stringent, thereby possibly materially adversely affecting the proposed activities of the Company. In addition, if the Company is unable to fund fully the cost of remediation of any environmental condition, it may be required to suspend operations or enter into interim compliance measures pending completion of the required remediation.

Availability of Outside Engineers and Consultants

The Company is heavily dependent upon outside engineers and other professionals to complete work on its exploration projects. The mining industry has experienced significant growth over the last several years and as a result, many engineering and consulting firms have experienced a shortage of qualified engineering personnel. The Company closely monitors its outside consultants through regular meetings and review of resource allocations and project milestones. However, the lack of qualified personnel combined with increased mining projects could result in delays in completing work on the Company's exploration projects or result in higher costs to keep personnel focused on its project.

Operational Hazards; Uninsured Risks

The Company is subject to risks and hazards, including environmental hazards, industrial accidents, the encountering of unusual or unexpected geological formations, cave-ins, flooding, earthquakes and periodic interruptions due to inclement or hazardous weather conditions. These occurrences could result in damage to, or destruction of, mineral properties or facilities, personal injury or death, environmental damage, reduced productivity and delays in exploration, asset write-downs, monetary losses and possible legal liability. The Company may not be insured against all losses or liabilities, which may arise from operations, either because such insurance is unavailable or because the Company has elected not to purchase such insurance due to high premium costs or other reasons. The realization of any significant liabilities in connection with the Company's exploration activities as described above could negatively affect its results of operations and the price of its common stock.

Need for Additional Key Personnel; Reliance on Officers and Directors

The Company relies in large part on the personal efforts of its officers and directors. The success of the Company's proposed business will depend, in part, upon the ability to attract and retain qualified employees. The Company believes that it will be able to attract competent employees, but no assurance can be given that the Company will be successful in this regard. If the Company is unable to engage and retain the necessary personnel, its business would be materially and adversely affected.

DIRECTORS

Certain directors of the Company are also directors, officers and/or shareholders of other companies. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required to act in good faith with a view to the best interests of the Company and to disclose any interest which they may have in any project opportunity of the Company. If a conflict of interest arises at a meeting of the board of directors, any directors in a conflict will disclose their interests and abstain from voting in such matters. In determining whether or not the Company will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at the time.

Dated this 18th day of November, 2016

Signed "Mark Billings"
President

signed "Jacques Arsenault"
Chief Financial Officer