



AUXICO RESOURCES CANADA INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

THREE-MONTH PERIODS ENDED DECEMBER 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 December 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.

March 10, 2023

/s/ Frederick Kozak
President & CEO

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, other than share numbers)

As at,	December 31, 2022	September 30, 2022
	\$	(Audited) \$
ASSETS		
<i>Current assets</i>		
Cash	1,407,365	2,115,889
Receivables (note 6 & 21)	318,271	676,939
Promissory notes (note 7)	-	200,000
Prepaid and deposits (note 8)	358,019	185,526
Advances to directors (note 21)	3,098	3,098
Advance to companies controlled by a director (note 21)	15,080	364,464
	2,101,833	3,545,916
<i>Non-current assets</i>		
Equipment (note 10)	71,958	81,662
Prepaid and deposits (note 8)	500,000	500,000
Other assets (note 9)	680,019	680,019
Exclusive sales agency distribution agreement (note 11)	467,625	561,150
Conversion right (note 11)	677,200	693,000
TOTAL ASSETS	4,498,635	6,061,747
LIABILITIES		
<i>Current liabilities</i>		
Accounts payable and accruals	1,511,632	1,977,326
Farm-out agreement debt (note 12)	791,760	798,280
Finder's fees payable (note 13)	172,137	218,724
Convertible debentures (note 14)	20,310,626	20,639,170
	22,786,155	23,633,500
<i>Non-current liabilities</i>		
Convertible debentures (note 14)	-	12,716,048
Total Liabilities	22,786,155	36,349,548
SHAREHOLDERS' DEFICIENCY		
Issued capital	32,474,646	29,947,709
Deficit	(50,763,257)	(60,236,601)
Equity attributable to non-controlling interests	1,091	1,091
Total equity (deficiency)	(18,287,520)	(30,287,801)
TOTAL LIABILITIES & EQUITY	4,498,635	6,061,747

Going Concern (note 2), Commitments (note 25) and subsequent events (note 27)

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 LOSS AND COMPREHENSIVE LOSS

(Expressed in Canadian Dollars, other than share numbers)

For the three-month period ended,	December 31, 2022	December 31, 2021 <i>(Restated note 26)</i>
	\$	\$
Sales commissions	173,517	-
Selling and administrative expenses (note 22)	1,518,391	1,429,283
Loss before finance income, finance costs and income taxes	(1,344,874)	(1,429,283)
Finance income	4,822	-
Finance costs (note 23)	(622,164)	(214,703)
Fair value adjustment of the embedded derivatives (note 14)	11,435,560	7,421,072
Net finance earnings	10,818,218	7,206,369
Net income and comprehensive income	9,473,344	5,777,086
<i>Net income (loss) and comprehensive income (loss) attributable to:</i>		
Shareholders	9,473,344	5,777,129
Non-controlling interest	-	(43)
	9,473,344	5,777,086
Income (loss) per share to equity holders of Auxico Resources Canada Inc.		
Basic	0.13	0.09
Diluted (note 16)	0.12	0.07
Weighted average number of shares outstanding		
Basic	73,481,592	65,529,217
Diluted (note 16)	81,410,974	78,357,817

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, other than share numbers)

TOTAL EQUITY (DEFICIENCY) ATTRIBUTABLE TO SHAREHOLDERS

	SHARE CAPITAL (note 15)		WARRANTS (note 15)	CONTRIBUTED SURPLUS	EQUITY COMPONENT OF THE CONVERTIBLE DEBENTURES	DEFICIT	TOTAL EQUITY (DEFICIENCY)	NON CONTROL INTEREST
	#	\$	\$	\$	\$	\$	\$	\$
Balance, as at September 30, 2021								
(Restated & audited)	65,014,000	16,210,067	2,431,549	2,239,001	-	(95,324,343)	(74,443,726)	1,087
Stock-options exercised	150,000	64,807	-	(27,307)	-	-	37,500	-
Warrants exercised	540,000	310,064	(185,064)	-	-	-	125,000	-
Share-based compensation	-	-	-	439,176	-	-	439,176	-
Net income and comprehensive income	-	-	-	-	-	5,777,129	5,777,129	(43)
Balance, as at December 31, 2021								
(Restated note 26)	65,704,000	16,584,938	2,246,485	2,650,870	-	(89,547,214)	(68,064,921)	1,044
Balance, as at September 30, 2022								
(Audited)	71,590,196	21,147,407	4,155,183	4,527,170	117,949	(60,236,601)	(30,288,892)	1,091
Debentures exercised	2,584,382	1,109,358	986,359	-	-	-	2,095,717	-
Warrants exercised	200,000	51,807	(21,807)	-	-	-	30,000	-
Options exercised	155,000	107,826	-	(47,301)	-	-	60,525	-
Share-based compensation	-	-	-	340,695	-	-	340,695	-
Net income and comprehensive income	-	-	-	-	-	9,473,344	9,473,344	-
Balance, as at December 31, 2022								
	74,529,578	22,416,398	5,119,735	4,820,564	117,949	(50,763,257)	(18,288,611)	1,091

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, other than share numbers)

For the three-month period ended,	December 31, 2022	December 31, 2021 <i>(Restated note 26)</i>
	\$	\$
Cash used in operating activities		
Net income (loss)	9,473,344	5,777,086
Depreciation	9,704	5,941
Share-based compensation	340,695	439,176
Amortization exclusive sales agency distribution agreement	93,525	-
Write-off of sales tax receivable	-	-
Unrealized foreign exchange gain	9,280	(2,521)
Accreted interest	496,345	139,921
Fair value adjustment of the conversion option	(11,435,560)	(7,421,072)
Net changes in non-cash working capital items (note 20)	(79,519)	(185,480)
	(1,092,186)	(1,246,949)
Cash flows used in investing activities		
Advances to directors	-	3,098
Advance to companies controlled by a director	349,384	(11,675)
Other assets (note 9)	-	(53,030)
Acquisition of equipment	-	(106,930)
	349,384	(168,537)
Cash flows from financing activities		
Due to directors	-	(3,883)
Due to companies controlled by a director	-	(11,997)
Finder's fees payable	(56,247)	(56,247)
Exercise of warrants	30,000	125,000
Exercise of options	60,525	37,500
	34,278	90,373
(Decrease)/Increase in cash	(708,524)	(1,325,113)
Cash beginning of the period	2,115,889	2,563,533
Cash end of the period	1,407,365	1,238,420
Supplemental information		
Interest paid	65,178	71,329

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 three-month periods ended December 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 Corporations Act on April 16, 2014.

Auxico has four 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, Sociedad Minera Auxico S.A.S., incorporated under the laws of Colombia on May 11, 2022, 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 the Congo (“DRC”) as well as Brazil and Bolivia.

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

2. GOING CONCERN

These financial statements were prepared on a going concern basis, which presumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations for a reasonable period of time. 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 three-month period ended December 31, 2022, the Company did generate revenues of \$173,517 (December 31, 2021 - \$Nil) from its operations and incurred a net earning and comprehensive earning of \$9,473,344 (December 31, 2021 - \$5,777,086). The Company has a deficiency attributable to shareholders of \$18,288,611 as at December 31, 2022 (September 30, 2022 - \$30,288,892). As of December 31, 2022, Auxico had negative working capital of \$20,684,322, compared to \$20,087,584 at September 30, 2022.

Management plans to explore all alternatives possible, including joint ventures, debt and equity financings, and merger opportunities. In that regard, the Company has entered an agreement 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 the production of rare earth elements.

Global equity markets have experienced significant volatility and periodic weakness due to rising inflation and interest rates. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operating subsidiaries in future periods.

The recent news on the development and rapid implementation of several vaccines which appear to have very good efficacy against the virus has generated considerable optimism. While it is clear that the global pandemic is not over, it appears that investors and the general public are learning to live with the fact of the pandemic.

These interim consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern and, accordingly, they do not reflect the adjustments, if any, that may be necessary should the Company be unable to continue as a going concern and be required to realize its assets and discharge its liabilities in other than the normal course of business.

AUXICO RESOURCES CANADA INC.
Notes to the Condensed Interim Consolidated Financial Statements
for the three-month periods ended December 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 audited consolidated financial statements for the year ended September 30, 2022.

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, 2022. In the opinion of management, all adjustments considered necessary for fair presentation have been included in these interim consolidated financial statements. Operating results for the three-month period ended December 31, 2022, may not be indicative of the results that may be expected for the year ending September 30, 2023.

These interim consolidated financial statements were approved and authorized for issuance by the Company’s Board of Directors on March 10, 2023.

Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis except for the following material item in the consolidated statement of financial position: derivative liabilities and the conversion right are measured at fair value.

The consolidated financial statements have been prepared on a going concern basis, meaning the Company would be able to realize its assets and discharge its liabilities in the normal course of action.

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, as at December 31, 2022, are:

	2023	2022
Auxico Resources S.A. de C.V. (« Auxico Mexico »)	100%	100%
C.I. Auxico de Colombia S.A (« Auxico Colombia »)	96%	96%
Sociedad Minera Auxico S.A.S (« Auxico Colombia New »)	100%	100%
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 interim 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 income (loss) and comprehensive income (loss) is recognized directly in deficiency.

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.

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

Functional and Presentation Currency

These interim consolidated financial statements are presented in Canadian dollars. The parent company's functional currency is Canadian dollars. The functional currency of the subsidiaries is also Canadian dollars.

4. SIGNIFICANT ACCOUNTING POLICIES

Readers should refer to the September 30, 2022, 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, 2023. In the event that accounting policies adopted at September 30, 2023, 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, 2023.

See annual audited consolidated financial statements for the year ended September 30, 2022, for a list of accounting policies considered significant by management.

5. SIGNIFICANT ACCOUNTING JUDGMENTS, 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, 2022. Certain other amendments and interpretations have been issued but had no material impact on the Company's interim consolidated financial statements ended December 31, 2022.

See annual audited consolidated financial statements for the years ended September 30, 2022, for a list of accounting pronouncements.

6. RECEIVABLES

As at,	December 31, 2022	September 30, 2022
	\$	\$
Trade accounts receivable	199,501	515,145
Sales tax receivable	78,734	86,853
Other receivables	40,036	74,941
	318,271	676,939

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 was due to be reimbursed by September 30, 2022.

As at December 31, 2022, the promissory notes were paid by the third-party with interest.

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

8. PREPAID EXPENSES

As at,	December 31, 2022	September 30, 2022
	\$	\$
Prepaid to related company (a)	500,000	500,000
Other prepaid expenses	358,019	185,526
	858,019	685,526
Current portion	358,019	185,526
Long-term portion	500,000	500,000

(a) 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 upon the signing of the agreement. The Company had to pay a deposit of \$500,000 that will be applied against future license royalties.

9. OTHER ASSETS

As at,	December 31, 2022	September 30, 2022
	\$	\$
Deposit on Minastyc property (a)	235,375	235,375
Deposit on Agualinda property (b)	444,644	444,644
	680,019	680,019

(a) Deposit on Minastyc property

On December 14, 2020, the Company signed an agreement to purchase a parcel of land in Colombia. As at December 31, 2022, the Company paid a total deposit of \$235,375 (\$235,275 as of September 30, 2021). However, the transfer of property of the land has not been completed at the date of these interim consolidated financial statements.

(b) 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 agreed to purchase in December 2020. As per the signed agreement, the Company has the obligation to pay to the vendors a purchase price of US \$315,000, which was payable as US\$35,000 upon signature and \$US280,000 upon completion of the succession documents.

As of September 30, 2022, the Company has made an initial payment of US\$41,100 (or \$53,000) and a payment of US\$7,000 (or \$7,848), for taxes and legal fees. The succession documents were completed therefore the amount of \$US280,000 (or \$383,796) is payable as of December 31, 2022, and was recorded accordingly. In addition, the Company has committed to pay a yearly fee in the amount of US\$100,000 for a period of three years following the beginning of production.

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

10. EQUIPMENT

	\$
Equipment - at cost:	
As at October 1, 2022	116,451
Additions during the year	-
As at December 31, 2022	116,451
Depreciation:	
As at October 1, 2022	34,789
Depreciation during the year	9,704
As at December 31, 2022	44,493
Net carrying amount as at December 31, 2022	71,958

11. EXCLUSIVE SALES AGENCY DISTRIBUTION AGREEMENT

On March 30, 2022, the Company signed an exclusive sales agency distribution agreement with Central America Nickel Inc. "CAN" (a related company) for the sales of CAN's rare earths. The contract gives the Company the exclusive rights to distribute CAN's rare earths in exchange for a payment of \$1,247,000 (US\$1,000,000) that was paid on April 1, 2022. The term of the contract is for two years. The contract entitles the Company to receive a 15% commission on CAN'S rare earth gross revenues. The commission revenues for the quarter ended December 31, 2022, were \$173,517 (December 31, 2021 - \$Nil). Anytime during the two year's contract period, the Company has the right to convert the full value of the \$1M USD into the number of common shares of CAN resulting from a conversion ratio of \$2CAD/common share based on the exchange rate on conversion date, otherwise this amount is not repayable by CAN. No additional payment is required to convert.

The fair value as at December 31, 2022, of the intangible assets, amortized over the 2-year period, was \$748,200 (September 30, 2022- \$748,200). The net carrying amount as at December 31, 2022, was \$427,625 (September 30, 2022 - \$561,150). The amortization for the period ended December 31, 2022, was \$93,525 (September 30, 2022 - \$187,050).

	\$
Intangible asset - at cost:	
As at October 1, 2022	748,200
Acquisition	-
As at December 31, 2022	748,200
Amortization:	
As at October 1, 2022	187,050
Amortization	93,525
As at December 31, 2022	280,575
Net carrying amount as at September 30, 2022	561,150
Net carrying amount as at December 31, 2022	467,625

At inception, the fair value of the conversion right was estimated assuming a share price of \$0.80 CAD for CAN and a number of shares of 623,500 resulting in an initial fair value of \$498,800. At December 31, 2022, the fair value of the conversion was \$677,200 (September 30, 2022 - \$693,000), due to the variability in the number of shares resulting from changes in foreign exchange, resulting in a foreign exchange loss of \$15,800 which was recorded within selling and administrative expenses as a foreign exchange loss.

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

12. FARMOUT AGREEMENT DEBT

On April 7, 2017, the Company entered into a Gold Loan Settlement Agreement (the "Settlement Agreement") related to the June 13, 2013, Farmout Agreement. Pursuant to the Settlement Agreement, the Company agreed to pay US\$400,000 and issue 1,000,000 common shares in settlement of the Farm-Out Agreement in exchange for cash consideration of \$250,000.

The Settlement Agreement was revised several times, with the most recent amendment being on September 1, 2019, pursuant to which the Company was to pay the amount on or before August 30, 2020. The amount remains unpaid and the shares have not yet been issued. The total liability at December 31, 2022, was \$791,760 (September 30, 2022 - \$798,280).

13. FINDER'S FEES PAYABLE

Following the issuance of convertible debentures (note 14), 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 shares of CAN, 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".

As at,	December 31, 2022	September 30, 2022
	\$	\$
Financing fees, payable by monthly instalments of \$18,749, bearing no interest, nominal of \$243,737 (\$463,509 in 2021), maturing in October, 2023.	172,137	218,724

14. CONVERTIBLE DEBENTURES

Issuance – three-month period ended December 31, 2022

For the three-month period ended December 31, 2022, no convertible debentures were issued.

Issuance – three-month period ended December 31, 2021

For the three-month period ended December 31, 2021, no convertible debentures were issued.

On October 17, 2022, there was a conversion of \$50,000 of the initial Debentures plus \$1,479 of interest into 514,794 units (514,794 shares and 514,794 warrants that can be exercised at \$0.15 over a 3-year period).

On October 31, 2022, there was a conversion of \$50,000 of the initial Debentures plus \$1,671 of interest into 516,712 units (516,712 shares and 516,712 warrants that can be exercised at \$0.15 over a 3-year period).

On November 2, 2022, there was a conversion of \$100,000 of the initial Debentures plus \$3,397 of interest into 1,033,972 units (1,033,972 shares and 1,033,972 warrants that can be exercised at \$0.15 over a 3-year period).

On November 16, 2022, there was a conversion of \$50,000 of the initial Debentures plus \$1,890 of interest into 518,904 units (518,904 shares and 518,904 warrants that can be exercised at \$0.15 over a 3-year period).

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

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 time of 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.

At the date of these interim consolidated financial statements, the Company reviewed the estimated fair value of the conversion options and adjusted the initial fair value to \$14,750,116 (September 30, 2022 - \$28,119,197) using the same valuation technique. For the three-month period ended December 31, 2022, the change in fair value of derivatives resulted in a decrease of expense of \$11,435,560 (September 30, 2022, decrease of \$14,359,702) and was recorded in the consolidated statements of loss and comprehensive loss. As at December 31, 2022, the debentures have a nominal value of \$7,250,000 (September 30, 2022 - \$7,500,000).

The following table summarizes the information on debentures as at:

	Host Component Component	Embedded Derivatives	Total
	\$	\$	\$
Balance as at September 30, 2021 (Restated)	724,568	77,212,445	77,937,013
Proceeds - year's issuance	3,900,000	-	3,900,000
Accretion (a)	1,139,502	-	1,139,502
Equity component of the debenture	(131,054)	-	(131,054)
Transaction costs allocated to host component	(376,895)	-	(376,895)
Conversion into units of the Company	(20,100)	(1,733,546)	(1,753,646)
Change in fair value of the derivative	-	(47,359,702)	(47,359,702)
Balance as at September 30, 2022	5,236,021	28,119,197	33,355,218
Accretion (a)	478,247	-	478,247
Conversion into units of the Company	(153,758)	(1,933,521)	(2,087,279)
Change in fair value of the derivative	-	(11,435,560)	(11,435,560)
Balance as at December 31, 2022	5,560,510	14,750,116	20,310,626
Current portion	5,560,510	14,750,116	20,310,626
Long-term portion	-	-	-

(a) 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.

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15. 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 December 31, 2022, there were 74,529,578 (71,590,196 as at September 30, 2022) issued and fully paid common shares.

Issuances through conversion of debentures

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

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

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

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

Issuance through exercise of options and warrants

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

During the period, the Company issued 200,000 common shares of the capital of the Company following the exercise of 200,000 warrants in exchange for \$30,000. The warrants exercised had an exercise price of \$0.15. Following the exercise of those warrants, \$21,807 was reclassified from warrants reserve to share capital.

Warrants

Issuance through conversion of debentures

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

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

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

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

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 described below.

	October 17, 2022	October 31, 2022	November 2, 2022	November 16, 2022
Estimated life	3 years	3 years	3 years	3 years
Actual stock price	\$0.65	\$0.50	\$0.49	\$0.31
Strike price	\$0.15	\$0.15	\$0.15	\$0.15
Volatility	115.70%	116.50%	156.70%	158.20%
Risk-free rate	3.8589%	3.6694%	3.7039%	3.5527%
Dividend yield	Nil%	Nil%	Nil%	Nil%

Changes in the number of warrants outstanding for the period are as follows:

	Warrants #	Weighted average exercise price \$
Balance - September 30, 2021	8,178,600	0.68
Issued	818,080	1.50
Issued	1,158,355	0.90
Issued	1,031,388	1.20
Issued	515,410	0.15
Exercised	(440,000)	0.25
Exercised	(615,410)	0.15
Exercised	(16,600)	0.25
Balance - September 30, 2022	10,629,823	0.84
Issued	2,584,382	0.15
Exercised	(200,000)	0.40
Balance - December 31, 2022	13,014,205	0.71

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

Exercise price	Number outstanding and exercisable	Weighted average remaining contractual life (years)	Expiry
\$1.00	4,872,000	1.1	February 2024
\$0.15	400,000	1.5	June 2024
\$0.25	1,650,000	1.6	August 2024
\$0.15	500,000	1.6	August 2024
\$1.50	818,080	2.1	January 2025
\$0.90	158,355	2.2	March 2025
\$1.20	1,031,388	2.2	March 2025
\$0.90	1,000,000	2.5	June 2025
\$0.15	1,031,506	2.8	October 2025
\$0.15	1,552,876	2.9	November 2025

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

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

Changes in the number of options outstanding for the period are as follows:

	Options #	Weighted average exercise price \$
Balance - September 30, 2021	5 540 000	0,49
Issued	450 000	1,39
Issued	1 000 000	1,00
Issued	2 250 000	0,85
Exercised	(150 000)	0,105
Exercised	(1 300 000)	0,25
Expired	(500 000)	0,75
Expired	(205 000)	0,25
Cancelled	(150 000)	0,105
Balance - September 30, 2022	6 935 000	0,79
Issued	750 000	0,42
Issued	300 000	0,45
Exercised	(150 000)	0,40
Exercised	(5 000)	0,105
Expired	(150 000)	0,40
Cancelled	(100 000)	0,79
Cancelled	(200 000)	0,85
Balance - December 31, 2022	7 380 000	0,75

During the three-month period ended December 31, 2022, the issuance of stock options resulted in a recognition of an expense by the Company of \$340,695 (December 31, 2021 - \$439,176).

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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	200 000	0,4	March 2023
\$1,00	1 000 000	0,4	March 2023
\$0,25	100 000	0,9	August 2023
\$0,25	300 000	1,5	March 2024
\$0,105	245 000	3,0	September 2025
\$0,45	900 000	3,5	March 2026
\$0,79	575 000	3,8	July 2026
\$1,26	510 000	3,9	September 2026
\$1,39	450 000	4,2	November 2026
\$0,85	2 050 000	4,6	April 2027
\$0,42	750 000	5,1	November 2027
\$0,45	300 000	5,2	December 2027

16. INCOME (LOSS) PER SHARE

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

	December 31, 2022	September 30, 2022	December 31, 2021
Weighted average number of common shares – basic	73,481,592	68,904,453	65,529,217
Addition to reflect the dilutive effect of stock options	2,795,000	1,899,980	5,190,000
Addition to reflect the dilutive effect of warrants	5,134,382	2,956,048	7,638,600
Weighted average number of common shares - diluted	81,410,974	73,760,481	78,357,817

Options and warrants that are anti-dilutive because the exercise price was greater than the average market price of the common shares is not included in the computation of net earnings per share. For the quarter ended December 31, 2022, 4,585,000 options (September 30, 2022, – 2,513,750) and 7,879,823 warrants (September 30, 2022, – 2,926,432) were excluded from the above computation.

Net income is the measure of the income used to calculate the earnings per share. Convertible debenture is anti-dilutive due to the impact of adjustments related to them (specifically related to the derivatives see note 14) would have on net income.

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The Company operates in one reportable operating segment, being the acquisition and exploration of mineral property interests and in five 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,		
	December 31, 2022	September 30, 2022	September 30, 2021 (Restated)
	\$	\$	\$
Canada	3,632,090	5,334,801	3,357,422
Mexico	7,174	10,537	25,192
Columbia	683,117	683,117	227,938
Bolivia	13,707	13,707	-
Brazil	162,547	19,585	1,384,625
Total assets	4,498,635	6,061,747	4,995,177
Canada	22,558,377	36,130,288	79,386,721
Mexico	209,121	204,517	50,594
Columbia	635	696	501
Bolivia	18,022	14,047	-
Total liabilities	22,786,155	36,349,548	79,437,816
Canada	(10,029,506)	(22,237,681)	(70,995,630)
Mexico	(2,484,826)	(2,476,859)	(1,993,468)
Columbia	(2,203,461)	(2,055,961)	(845,548)
Bolivia	(276,428)	(239,565)	(36,824)
DRC	(35,758)	(35,758)	(28,030)
Brazil	(3,257,541)	(3,241,977)	(543,139)
Total deficiency	(18,287,520)	(30,287,801)	(74,442,639)
Canada	9,681,238	39,690,857	(81,745,914)
Mexico	(7,967)	(483,391)	(312,954)
Columbia	(147,500)	(1,210,413)	(813,255)
Bolivia	(36,863)	(202,741)	(36,824)
DRC	-	(7,728)	(28,030)
Brazil	(15,564)	(2,698,838)	(543,139)
Net income (loss) and comprehensive income (loss)	9,473,344	35,087,746	(83,480,116)

18. 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. There were no changes in the Company's approach to capital management during the years.

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The Company's capital items are the following:

For the years ended,	December 31, 2022	September 30, 2022
	\$	\$
Convertible debentures (note 16)	20,310,626	33,355,218
Share capital (note 17)	22,416,398	21,147,407

19. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

As at December 31, 2022, the Company's financial instruments include cash, receivables (excluding sales tax), advance to directors, advance to companies controlled by a director, accounts payable and accruals, due to directors and due to companies controlled by directors, for which there are no differences in the carrying values and fair values, due to their short-term nature.

Classification of financial instruments

The carrying amount of the Company's financial assets and liabilities by categories are as follows:

Financial assets and liabilities recognized at amortized cost	December 31, 2022	September 30, 2022
	\$	\$
Cash	1,407,365	2,115,889
Receivables, excluding sales tax	239,537	590,086
Promissory notes	-	200,000
Advances to directors	3,098	3,098
Advances to companies controlled by a director	15,080	364,464
Accounts payable and accruals	1,511,632	1,977,326
Farm-out agreement debt	791,760	798,280
Finder's fees payable	172,137	218,724
Convertible debentures – host component	5,560,510	5,236,021

Fair value

Fair value is the estimated amount that parties dealing at arm's length would accept to exchange in settlement of a financial instrument based on the current market for instruments with the same risk, principal and maturity date. These fair value estimates are affected by assumptions made about the amount and timing of estimated future cash flows, discount rates and terms of the contract. As a result, the fair values are not necessarily the net amounts that would be realized if such financial instruments were settled.

The Company has determined that the carrying amount of its short-term financial assets and liabilities, approximates their fair value because of the relatively short periods to maturity of these instruments.

The carrying amount of the convertible debentures – host component do not differ significantly from their fair value. Management believes that no significant change occurred in the risk of these instruments.

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Fair Value Hierarchy

Fair value estimates are made as of a specific point in time, using available information about the financial instrument. These estimates are subjective in nature and may not be determined with precision. A three-tier fair value hierarchy prioritizes the inputs used in measuring fair value. These tiers include:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices);
- Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

Financial liabilities recognized at fair value	December 31, 2022	September 30, 2022
	\$	\$
Conversion right (level 3)	677,200	693,000
Convertible debentures -Embedded derivative (level 3)	14,750,116	28,119,197

The determination of the fair value of the embedded derivative of the convertible debentures was calculated using a level 3 fair value hierarchy.

Risks

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 Pound Sterling. 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 and liabilities denominated in United States dollars, in Mexican Pesos and in Pound Sterling, translated into Canadian dollars at the closing rate, which expose the Company to exchange risk are:

As at,	December 31, 2022	September 30, 2022
	\$	\$
Cash (United States)	696,817	121,293
Cash (Mexico)	3,796	7,233
Receivables (United States)	199,501	515,145
Account payables and accruals (United States)	(785,591)	(1,257,362)
Account payables and accruals (Mexico)	(204,298)	(199,800)
Net exposure	(89,775)	(813,491)

A 10% change in the exchange rate would result in a variation estimated at \$8,978 (September 30, 2022 - \$81,350).

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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
Promissory notes	Fixed interest rates
Accounts payables and accruals	Non-interest bearing
Convertible debentures	Fixed interest rates / Non-interest bearing

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, receivables (excluding sales tax), and promissory notes.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuance. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments. At December 31, 2022, the Company has a negative working capital of \$20,652,267 (September 30, 2022 - \$20,087,584).

The following are the contractual maturities of the financial liability's amounts:

December 31, 2022	Less than	1 to 5 years	> 5 years
	1 year		
	\$	\$	\$
Accounts payable and accruals	1,511,632	-	-
Finder's fees payable	172,137	-	-
Farm-out agreement debt	791,760	-	-
Convertible debentures – Host component	5,560,510	-	-
Convertible debentures – Embedded derivative	14,750,116	-	-

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20. SUPPLEMENTAL CASHFLOW INFORMATION

	December 31, 2022	December 31, 2021
	\$	\$
Receivable	358,668	(64,858)
Income tax payable	-	4,310
Promissory notes	200,000	-
Prepaid expenses	(172,493)	(141,276)
Accounts payable and accruals	(465,694)	16,344
	(79,519)	(185,480)

21. 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 December 31, 2022, were as follows:

	December 31, 2022	December 31, 2021
	\$	\$
Management fees		
Company controlled by a director	75,000	60,000
Key management personnel and director	30,000	30,000
Share-based compensation		
Key management personnel and director	226,425	-
Rent		
Company controlled by a director	15,000	9,000
Consulting fees		
Key management personnel and director	25,547	7,500
Interest on private placement		
Key management personnel and directors	4,658	-

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	December 31, 2022	3,098	13,797
	September 30, 2022	3,098	-
Company with common directors (a)	December 31, 2022	214,501	-
	September 30, 2022	879,609	-
Companies controlled by a director	December 31, 2022	-	28,397
	September 30, 2022	-	28,675

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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22. SELLING AND ADMINISTRATIVE EXPENSES

	December 31, 2022	December 31, 2021
	\$	\$
Professional fees	520,528	215,231
Share-based compensation (note 15)	340,695	439,176
Exploration and evaluation expenditures (note 25)	211,904	459,048
Amortization exclusive sales agency distribution agreement	93,525	-
Legal fees	116,348	28,291
Management fees	105,000	90,000
Travel expenses	78,371	51,235
Advertising	72,188	-
Loss (gain) on foreign exchange	24,801	8,395
Public listing fees	15,310	9,185
Rent	15,000	9,000
Office expenses	10,116	84,562
Depreciation	9,704	5,941
Write-off of sales tax receivable	493	-
Kibara Minerals' advance reimbursement	(95,592)	-
Other expenses	-	29,219
Total selling and administrative expenses	1,518,391	1,429,283

23. FINANCE COSTS

	December 31, 2022	December 31, 2021
	\$	\$
Accreted interest	487,907	139,921
Interest on convertible debentures	128,509	71,329
Interest and bank fees	5,748	3,453
Total finance costs	622,164	214,703

24. EXPLORATION AND EVALUATION EXPENDITURES

	Geology and prospection	Mining claims	Total E&E Expenditures
	\$	\$	\$
Balance at September 30, 2021	2,065,687	586,631	2,652,318
Expenditures for the year	3,230,926	147,494	3,378,420
Balance at September 30, 2022	5,296,613	734,125	6,030,738
Expenditures for the year	211,904	-	211,904
Balance at December 31, 2022	5,508,517	734,125	6,242,642

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25. COMMITMENTS

Net Smelter Return Royalty (“NSRR”)

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

Net royalty – Central America Nickel Inc.

On May 25, 2018, the Company agreed to pay Central America Nickel Inc. (“CAN”) a 2% net royalty on the production of gold on any deposit in the world where process is used by the Company. The Company has the option to buy back 50% of this royalty (or 1% of the 2% royalty) at any time through the issuance of 2,000,000 common shares of the Company.

Agreement with the École Polytechnique and Impact Global Systems

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

Joint Venture Agreement with Impact Global Systems

On May 25, 2021, the Company signed a joint venture agreement with Impact Global Systems (“IGS”) concerning the processing of ores bearing tantalum, niobium, iridium and possibly other minerals. As per the terms of this agreement, the Company will assume all costs related to the purchase and transport of ores to the IGS facility in Delson, Québec, as well as providing funds for the purchase of equipment and working capital. In return, the Company will receive 80% of the net profits from the sale of these minerals, with the remaining 20% going to IGS.

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

On June 3, 2022, Auxico signed a joint venture agreement (“Agreement”) with CEMAL, concerning the production and sale of concentrates from the Massangana tailings in the state of Rondonia, Brazil. During Fiscal 2022, the Company has made payments of \$648,435 (US\$500,000) and subsequent to year-end made payments of \$682,510 (US\$500,000), which was accrued at September 30, 2022. A payment of \$344,250 (US\$250,000) was made in October 2022 and a second payment of \$338,260 (US\$250,000) was completed in January 2023, for a combined amount of \$682,510 (US\$500,000). These have been recorded as exploration and evaluation expenditures.

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

Purchase of Agualinda Property

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

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

26. RESTATEMENT – DECEMBER 31, 2021

Convertible debenture

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

Following that restatement, the Company has determined that a correction was required, for the comparative period as of December 31, 2021, which resulted in an increase of \$43,641,685 (\$49,815,198 – September 30, 2021) in the carrying value of the convertible debenture as at December 31, 2021. The correction is a direct result of the restatement in opening balance for \$49,815,198 and a decrease to the fair value adjustment on embedded derivatives of \$6,149,798 and an increase in accreted interests for \$42,517 during the quarter.

Farm-out Agreement Debt

Management of the Company has determined that there was an erroneous extinguishment of a liability related to the Farm-out agreement (note 14). An amount of US\$400,000 for the agreed upon cash settlement and the liability to issue the number of common shares that aggregates to a value of \$250,000 based on market price of the shares on that date has been reincorporated on the October 1, 2020. The correction resulted in an increase to the liability of \$757,120 (September 30, 2021 - \$759,640) at December 31, 2021. The correction is a direct result of the restatement in opening balance for \$759,640 and a decrease in selling and administrative expenses of \$2,520, related to foreign currency translation during the quarter.

Consolidated Statement of Financial Position as at December 31, 2021

	As restated	As previously reported	Restatement
	\$	\$	\$
Farm-out agreement debt	757,120	-	757,120
Convertible debentures	70,638,197	26,996,512	43,641,685
Total Liabilities	72,102,671	27,703,866	44,398,805
Deficiency attributable to shareholders	(89,547,214)	(41,059,472)	(48,487,742)
Issued capital	21,482,293	17,393,356	4,088,937
Total equity (deficiency)	(68,063,877)	(23,665,072)	(44,398,805)

Consolidated statement of Income (Loss) and Comprehensive Income (Loss)
for the three-month period ended December 31, 2021

	As restated	As previously reported	Restatement
	\$	\$	\$
Selling and administrative expenses	1,429,283	1,350,737	78,546
Loss before finance income, finance costs and income taxes	(1,429,283)	(1,350,737)	(78,546)
Finance costs	214,703	172,186	42,517
Fair value adjustment on embedded derivatives	7,421,072	1,271,274	6,149,798
Net income (loss) and comprehensive income (loss)	5,777,086	(251,649)	6,028,735
Loss per share	0.09	(0.004)	

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

27. SUBSEQUENT EVENTS

On February 28, 2023, the Company issued 4,125,000 units of the capital of the Company following the conversion of debentures.