

XAU Resources Inc.
(A Capital Pool Company)

MANAGEMENT DISCUSSION AND ANALYSIS

For the nine months ended
July 31, 2019

This Management's Discussion and Analysis ("MD&A") of XAU Resources Inc. (the "Company"), prepared as of September 27, 2019, should be read in conjunction with the financial statements and the notes thereto for the period ended July 31, 2019 which were prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are expressed in Canadian dollars unless otherwise indicated.

Forward-Looking Statements

Certain statements contained in this MD&A may constitute forward-looking statements. These statements relate to future events or the Company's future performance. All statements, other than statements of historical fact, may be forward-looking statements.

Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "propose", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes that the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon by investors as actual results may vary. These statements speak only as of the date of this MD&A and are expressly qualified, in their entirety, by this cautionary statement. The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of various risk factors.

This MD&A may contain "forward-looking statements" which reflect the Company's current expectations regarding future results of operations, performance and achievements of the Issuer. The Issuer has tried, wherever possible, to identify these forward-looking statements by, among other things, using words such as "anticipate," "believe," "estimate," "expect" and similar expressions. The statements reflect the current beliefs of the management of the Company, and are based on currently available information. Accordingly, these statements are subject to known and unknown risks, uncertainties and other factors, which could cause the actual results, performance, or achievements of the Issuer to differ materially from those expressed in, or implied by, these statements.

The Company undertakes no obligation to publicly update or review the forward-looking statements whether as a result of new information, future events or otherwise.

Historical results of operations and trends that may be inferred from the following discussions and analysis may not necessarily indicate future results from operations.

DESCRIPTION OF BUSINESS

The Company was incorporated under the Canada Business Corporations Act on June 18, 2018 and is classified as a Capital Pool Company, as defined in the Policy 2.4 of the TSX Venture Exchange (the "Exchange").

The principal business of the Company will be the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction ("QT"). The Company has not commenced operations and has no assets other than cash held in trust. The Company's continuing operations as intended are dependent upon its ability to identify, evaluate and negotiate an acquisition, or business, or an interest therein. Such an acquisition will be subject to the approval of the regulatory authorities concerned and, in the case of a non-arm's length transaction, of the majority of the minority shareholders.

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On July 18, 2019, the Company completed its Initial Public Offering (“IPO”) of 4,411,500 common shares at a purchase price of \$0.10 per common share for aggregate proceeds of \$441,150.

Hampton Securities Limited (the “Agent”) acted as agent for the IPO. In connection with the IPO, the Agent received a cash commission of \$44,115, equal to 10% of the aggregate gross proceeds from the sale of the common shares.

In connection with the IPO, the Company granted to the Agent non-transferable warrants to acquire up to an aggregate of 441,150 common shares (the “Agent’s Options”). Each Agent’s Option is exercisable to acquire one common share at a price of \$0.10 for a period of 24 months following the date that the common shares are listed on the Exchange.

The Company granted the directors and officers stock options at closing of the IPO, which will entitle the holders to purchase an aggregate of up to 841,147 common shares at a price of \$0.10 per common share for a period of 5 years from the date of grant, in accordance with the policies of the TSX-V. Any common shares acquired pursuant to the exercise of options prior to the Completion of the Qualifying Transaction will be subject to escrow restrictions until the issuance of the Final Exchange Bulletin

The Company’s head office, principal address and registered and records office is located at Suite 4100, 66 Wellington Street West, Toronto, Ontario, Canada, M5K 1B7.

SUMMARY OF QUARTERLY RESULTS

The following is a summary of the Company’s financial results:

	Quarter ended July 31, 2019	Quarter ended April 30, 2019	Quarter ended January 31, 2019	Quarter ended October 31, 2018
Revenue	\$ —	\$ —	\$ —	\$ —
Loss and comprehensive loss	(95,228)	(21,005)	(32,515)	(29,380)
Loss per common share	(0.02)	(0.01)	(0.01)	(0.01)

For the three months ended July 31, 2019 the Company recorded a net loss of \$95,228. The net loss for the three months ended July 31, 2019 is attributable to costs relating to share based compensation, professional fees and registration and filing fees.

For the nine months ended July 31, 2019 the Company recorded a net loss of \$148,748. The net loss for the nine months ended July 31, 2019 is attributable to costs relating to share based compensation, professional fees and registration and filing fees.

LIQUIDITY AND CAPITAL RESOURCES

As at July 31, 2019, the Company had cash of \$457,630. The Company had current liabilities of \$36,171 and working capital of \$431,081.

The Company may have capital requirements in excess of its currently available resources. In the event the Company’s plans change, its assumptions change or prove inaccurate, or its capital resources in addition to

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projected cash flow, if any, prove to be insufficient to fund operations, the Company may be required to seek additional financing. There can be no assurance that the Company will have sufficient financing to meet its future capital requirements or that additional financing will be available on terms acceptable to the Company in the future.

CAPITAL MANAGEMENT

The Company's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Company includes equity, comprised of share capital, contributed surplus and deficit, in the definition of capital.

The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the identification and evaluation of potential acquisitions. To secure the additional capital necessary to pursue these plans, the Company may attempt to raise additional funds through the issuance of equity or by securing strategic partners.

The proceeds raised from the issuance of common shares may only be used to identify and evaluate assets or businesses for future investment, with the exception that not more than the lesser of 30% of the gross proceeds from the issuance of shares or \$210,000 may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Company. These restrictions apply until completion of a Qualifying Transaction by the Company as defined under the Exchange policy 2.4.

OFF BALANCE SHEET ARRANGEMENTS

The Company has not had any off-balance sheet arrangements from the date of its incorporation to the date of this MD&A.

RISKS AND UNCERTAINTIES

The Corporation's sole objective is to identify a satisfactory Qualifying Transaction. The closing of any proposed Qualifying Transaction is subject to a number of terms and conditions, including completion of due diligence procedures by parties to the transaction and receipt of all required regulatory approvals, and there is no assurance that a transaction will be completed. If the Corporation does not complete a Qualifying Transaction within the time permitted by the Exchange, its common shares could be delisted.

Risk Disclosures and Fair Values

The Company's financial instruments, consisting of cash held in trust and due to shareholder approximate fair value due to the relatively short-term maturity of the instruments. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

FUTURE CHANGES IN ACCOUNTING POLICIES

A number of new standards, amendments to standards and interpretations applicable to the Company are not yet effective for the period ended July 31, 2019 and have not been applied in preparing these financial statements. The Company is currently considering the possible effects of the new and revised standards.

IFRS 9 – Financial Instruments, was issued by the IASB in July 2014 and has replaced IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 provides a revised model for recognition and measurement of financial instruments and a single, forward-looking 'expected loss' impairment model. IFRS 9 also includes significant

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changes to hedge accounting. The standard is effective for annual periods beginning on or after January 1, 2018. The Company adopted the standard retrospectively. IFRS 9 did not impact the Company's classification and measurement of financial assets and liabilities.

IFRS 16 – Leases, specifies how an IFRS reporter will recognize, measure, present and disclose leases which is effective for periods commencing on or after January 1, 2019. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The Company does not expect adoption to have any material impact.

DISCLOSURE OF OUTSTANDING SHARE DATA**Share Capital**

As at September 27, 2019, the Company had 8,411,500 shares issued and outstanding.

Stock Options

As at September 27, 2019, the Company had 841,147 stock options outstanding.

Agent's Options

As at September 27, 2019, the Company had 441,150 stock options outstanding.

ADDITIONAL INFORMATION

For further detail, see the Company's unaudited condensed interim financial statements for the nine months ended July 31, 2019. Additional information about the Company can also be found on SEDAR at:

<https://www.sedar.com/DisplayCompanyDocuments.do?lang=EN&issuerNo=00046473>