

**XAU Resources Inc.**  
**(A Capital Pool Company)**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**For the year ended**  
**October 31, 2019**  
**Expressed in Canadian dollars**

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For the year ended October 31, 2019

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**INTRODUCTION**

This Management's Discussion and Analysis ("**MD&A**") of XAU Resources Inc. (the "**Company**"), prepared as of February 28, 2020, should be read in conjunction with the financial statements and the notes thereto for the period ended October 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 Company. The Company 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 Company 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 ("**Qualifying Transaction**"). 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 Warrants**”). 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.

Subsequently, on January 16, 2020, the Company announced the untimely passing of its Chief Financial Officer, Enrico Visentini. The Company’s Chief Executive Officer, Gary Bay, has been acting as interim Chief Financial Officer until such time as a permanent Chief Financial Officer is found.

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.

**SELECTED ANNUAL INFORMATION**

	October 31, 2019 \$	October 31, 2018 \$
Total assets	\$415,310	\$189,686
Total non-current financial liabilities		
Working capital	\$403,962	\$152,470
Expenses	\$174,892	\$29,380
Loss and comprehensive loss	\$174,892	\$29,380
Net loss per share <sup>(1)</sup>	\$0.14	\$0.01

<sup>(1)</sup>The basic and fully diluted calculations result in the same value due to the anti-dilutive effect of outstanding stock options.

The Company has no revenue, paid no dividends, and had no long-term liabilities during the period from incorporation on June 18, 2018 to October 31, 2019.

**DISCUSSION OF OPERATIONS**

For the year ended October 31, 2019 the Company recorded a net loss of \$174,892, compared with a net loss of \$29,380 during 2018. The net loss for the year ended October 31, 2019 is attributable to costs relating to share-based compensation, professional fees and registration and filing fees.

Professional fees of \$97,916 consist mainly of accounting and legal fees. The professional fees during the year ended October 31, 2019 were incurred mainly with the objective of the completion of the Company’s IPO.

As noted, the company completed its IPO on July 18, 2019. Proceeds raised from the IPO were, and will

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be, used by the Company to identify and evaluate assets or businesses for acquisition with a view to completing a Qualifying Transaction under the capital pool company program of the TSX-V.

**SUMMARY OF QUARTERLY RESULTS**

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

	Quarter ended October 31, 2019	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	(26,144)	(95,228)	(21,005)	(32,515)	(29,380)
Loss per common share	(0.00)	(0.02)	(0.01)	(0.01)	(0.01)

**FOURTH QUARTER**

The Company recorded a net loss of \$26,144 (\$0.00 per share) for the quarter ended October 31, 2019.

**LIQUIDITY AND CAPITAL RESOURCES**

As at October 31, 2019, the Company had cash of \$415,310. The Company had current liabilities of \$11,348 and working capital of \$403,962.

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 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.

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and to maintain a flexible capital structure that optimizes the costs of capital within a framework of acceptable risk. Capital is comprised of the Company's shareholders' equity and any debt that it may issue. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash. The Company is dependent on the capital markets as its primary source of operating working capital and the Company's capital resources are largely determined by its ability to compete for investor support of its projects.

**TRANSACTIONS WITH RELATED PARTIES**

Except for the grant of stock options, there were no transactions with related parties and no remuneration was paid to key management personnel during the period ended October 31, 2019.

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**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.

**FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS**

**RISKS AND UNCERTAINTIES**

The Company'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 Company 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 accounts payable and accrued liabilities, approximate fair value due to the relatively short-term maturities 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.

**CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

Reference should be made to the Company's significant accounting policies contained in Note 2 of the Company's audited financial statements for year ended October 31, 2019. These accounting policies can have a significant impact on the Company's financial performance and financial position of the Company.

Significant judgments used in the preparation of these financial statements include, but are not limited to those relating to the deferred tax liabilities and assets.

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**DISCLOSURE OF OUTSTANDING SHARE DATA**

**Share Capital**

As at October 31, 2019 and February 28, 2020, the Company had 8,411,500 common shares issued and outstanding.

**Stock Options**

As at October 31, 2019 and February 28, 2020, the Company had 841,147 stock options outstanding.

**Agent's Warrants**

As at October 31, 2019 and February 28, 2020, the Company had 441,150 Agent's Warrants outstanding.

**ADDITIONAL INFORMATION**

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

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