

**XAU Resources Inc.
(A Capital Pool Company)**

**MANAGEMENT DISCUSSION AND
ANALYSIS**

**For the nine months ended
July 31, 2021**

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") of XAU Resources Inc. (the "Company"), prepared as of September 28, 2021, should be read in conjunction with the financial statements and the notes thereto for the period ended July 31, 2021, 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 THE 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.

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.

OVERALL PERFORMANCE AND DISCUSSION OF OPERATIONS

For the nine-month period ended July 31, 2021, the Company recorded a net loss of \$106,726 compared with a net loss of \$47,950 during the prior year period ended July 31, 2020. The net loss for the nine-month period ended July 31, 2021, is attributable to costs relating to professional fees and registration and filing fees.

Expenses consisted of professional fees and registration and filing fees. Professional fees of \$87,845 compared with \$34,060 during the prior year period ended July 31, 2020 and consist primarily of legal fees.

SUMMARY OF QUARTERLY RESULTS

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

	For the three months ended, July 31, 2021	For the three months ended, July 31, 2020	For the nine months ended, July 31, 2021	For the nine months ended, July 31, 2020
Revenue	\$ —	\$ —	\$ —	\$ —
Expenses	53,041	14,730	106,726	47,950
Loss and comprehensive loss	(53,041)	(14,730)	(106,726)	(47,950)
Loss per common share	(0.01)	(0.00)	(0.01)	(0.00)

For the nine months ended July 31, 2021 the Company recorded a net loss of \$ 106,726 The net loss for the nine months ended July 31, 2021 is attributable to costs relating predominantly to professional fees.

Since the Company has no revenue from operations, the following is a breakdown of the material costs incurred in the nine months ended July 31, 2021 and the comparative year-to-date period:

Material Costs	For the nine months ended July 31, 2021	For the nine months ended July 31, 2020
Professional fees	\$106,726	\$47,950

LIQUIDITY AND CAPITAL RESOURCES

As of July 31, 2021, the Company had cash of \$254,821. The Company had current liabilities of \$7,717 and working capital of \$247,104.

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.

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.

TRANSACTIONS BETWEEN RELATED PARTIES

There were no transactions with related parties and no remuneration was paid to key management personnel during the period ended July 31, 2021.

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.

Disruption of Business

Conditions or events including, but not limited to, those listed below could disrupt the Company's operations, increase operating expenses, resulting in delayed performance of contractual obligations or require additional expenditures to be incurred: (i) extraordinary weather conditions or natural disasters such as hurricanes, tornadoes, floods, fires, extreme heat, earthquakes, etc.; (ii) a local, regional, national or international outbreak of a contagious disease, including the COVID-19 coronavirus, or any other similar illness could result in a general or acute decline in economic activity; (iii) political instability, social and labour unrest, war or terrorism; or (iv) interruptions in the availability of basic commercial and social services and infrastructure including power and water shortages, and shipping and freight forwarding services including via air, sea, rail and road.

Public Health Crisis

The Company's business, operations and financial condition could be materially adversely affected by the outbreak of epidemics or pandemics or other health crises beyond the Company's control, including the current outbreak of COVID-19. On January 30, 2020, the World Health Organization declared the COVID-19 outbreak a global health emergency. Many governments have likewise declared that the COVID-19 outbreak in their jurisdictions constitutes an emergency. Reactions to the spread of COVID-19 the implementation of travel bans, self-imposed quarantine periods and social distancing, which have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. While these effects are expected to be temporary, the duration of the business disruptions and related financial impact cannot be reasonably estimated at this time.

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, 2021 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 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.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

Risks and Uncertainties

The Company's financial instruments, consisting of cash held in trust and due to shareholders, HST receivable, 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.

DISCLOSURE OF OUTSTANDING SHARE DATA

Share Capital

As at July 31, 2021, the Company had 8,611,500 common shares issued and outstanding.

Stock Options

As at July 31, 2021, the Company had 841,147 stock options outstanding.

Agent's Warrants

As at July 31, 2021, the Company's outstanding warrants had expired.

ADDITIONAL INFORMATION

For further detail, see the Company's unaudited condensed interim financial statements for the six months ended July 31, 2021. Additional information about the Company can also be found on SEDAR at:

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