

**XAU Resources Inc.**  
**(A Capital Pool Company)**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**For the three**  
**months ended**  
**January 31, 2022**  
**Expressed in Canadian dollars**

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**INTRODUCTION**

This Management's Discussion and Analysis ("**MD&A**") of XAU Resources Inc. (the "**Company**"), prepared as of March 29, 2022, should be read in conjunction with the financial statements and the notes thereto for the three months ended January 31, 2022, 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. On April 7, 2020, the Company appointed Andrey Maruta as their new Chief Financial Officer.

On April 24, 2020, the Company closed the private placement of 200,000 shares at a price of \$0.05 per share for gross proceeds of \$10,000.

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.

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 November 1, 2021, to January 31, 2022.

**DISCUSSION OF OPERATIONS**

For the three months ended January 31, 2022, the Company recorded a net loss of \$43,526, compared with a net loss of \$4,585 during same period in 2021. The net loss for the three months ended January 31, 2022, is attributable to professional fees and registration and filing fees.

Professional fees of \$42,030 (January 2021: \$3,612) consist mainly of accounting and legal fees. The professional fees during the three months ended January 31, 2022, were incurred mainly with the objective of subscription agreements, filings, the qualifying transaction, and other operational agreements.

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

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**SUMMARY OF QUARTERLY RESULTS**

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

	Quarter ended January 31, 2022	Quarter ended October 31, 2021	Quarter ended July 31, 2021	Quarter ended April 30, 2021	Quarter ended January 31, 2021	Quarter ended October 31, 2020	Quarter ended July 31, 2020	Quarter ended April 30, 2020
Revenue	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Expenses	43,526	86,154	53,041	49,101	4,585	12,182	14,730	20,590
Loss and comprehensive loss	(43,526)	(86,154)	(53,041)	(49,101)	(4,585)	(12,182)	(14,730)	(20,590)
Loss per common share	(0.01)	(0.02)	(0.01)	(0.01)	(0.00)	(0.00)	(0.00)	(0.00)

**LIQUIDITY AND CAPITAL RESOURCES**

As at January 31, 2022, the Company had cash of \$135,012 (October 31, 2021: \$199,235). The Company had current liabilities of \$17,590 (October 31, 2021: \$38,287) and working capital of \$117,422 (October 31, 2021: \$160,948).

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.

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**TRANSACTIONS WITH RELATED PARTIES**

There were no transactions with related parties and no remuneration was paid to key management personnel during the three months ended January 31, 2022, and 2021.

**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.

As a CPC, the Company is subject to externally imposed cash restrictions as outlined in TSX-V Policy 2.4, the updated policy came into effect January 1, 2021. 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 the Company is permitted to use up to \$3,000 per month from its proceeds (Seed Shares and IPO) for general and administrative expenses not associated with the Qualifying Transaction. Restrictions apply until completion of a Qualifying Transaction by the Company. As at October 31, 2021 the Company is within this limit. The new policy was adopted by the Company on January 1, 2021. As at January 31, 2022, the Company is within this limit.

**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 unaudited interim condensed financial statements for the period ended January 31, 2022.

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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.

**SUBSEQUENT EVENT**

On March 7, 2022, the Company closed an option to acquire an undivided 100% interest in the "Noseno Project" located approximately two-hundred kilometers west of Georgetown, Guyana.

The Company intends the transaction to constitute a qualifying transaction ("QT") under TSX Venture Exchange Policy 2.4 "Capital Pool Companies".

Under the terms of the option agreement, XAU will be required to make the following cash payments and incur the following exploration expenditures to earn a 100% interest in the Noseno Project:

- Cash payments – a total of \$2,500,000 USD will be paid in accordance with the following schedule:
  1. Pay \$300,000 USD by the later of (the "Trigger Date") (a) two years from the Effective Date and (b) the day after the date on which (i) conditional acceptance by the Exchange of the Qualifying Transaction is received by the Optionee and (ii) not less than \$1,000,000 of Subscription Proceeds is unconditionally released to the Optionee.
  2. Pay \$600,000 USD by the third anniversary of the Trigger Date, and
  3. Pay \$1,600,000 USD by the fourth anniversary of the Trigger Date.
- Exploration expenditures – a total of \$5,000,000 USD will be incurred in accordance with the following schedule:
  1. Incur \$500,000 USD on the first anniversary of the Trigger Date,
  2. Incur \$1,000,000 USD by the second anniversary of the Trigger Date,
  3. Incur \$1,500,000 USD by the third anniversary of the Trigger Date, and
  4. Incur \$2,000,000 USD by the fourth anniversary of the Trigger Date.

In addition, to the above, if the option is fully exercised the following considerations will be paid:

- Royalty fee – an agreement will be signed where a 3% royalty on the net smelter returns (net revenue earned less transportation and refining costs) will be paid out.
- Cash payment – if a bank feasibility study recommending the project be placed into commercial production is produced, there will be a \$2,500,000 payment in cash.

XAU issued, by way of a non-brokered private placement financing, up to 4,000,000 subscription receipts (each a "Receipt") at a price of twenty-five cents per Receipt, for gross proceeds of up to \$1,000,000. Each Receipt will be converted to 1 common share.

In connection with the financing noted, the Company will be paying \$5,047 in cash and offering 20,188 in finders warrants. The Company will also be offering 400,000 in stock options to their officers, directors, and consultants.

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**DISCLOSURE OF OUTSTANDING SHARE DATA**

**Share Capital**

As at January 31, 2022, the Company had 8,611,500 common shares issued and outstanding.

**Stock Options**

As at January 31, 2022, the Company had 822,222 stock options outstanding.

**Agent's Warrants**

As at January 31, 2022, the Company had 0 Agent Warrants outstanding.

**ADDITIONAL INFORMATION**

For further detail, see the Company's unaudited condensed interim financial statements for the period ended January 31, 2022. Additional information about the Company can also be found on SEDAR at:

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