

**XAU Resources Inc.**

**MANAGEMENT DISCUSSION AND ANALYSIS**

**(Expressed in Canadian dollars)**

**For the three months  
ended January 31,  
2024**

## **XAU RESOURCES INC.**

### **MANAGEMENT DISCUSSION AND ANALYSIS**

For the three months ended January 31, 2024

---

#### **INTRODUCTION**

This Management's Discussion and Analysis ("MD&A") of XAU Resources Inc. (the "**Company**"), prepared as of March 26, 2024, should be read in conjunction with the financial statements and the notes thereto for the three months ended January 31, 2024 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 was 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 was the identification and evaluation of assets or businesses with a view to completing a qualifying transaction ("**Qualifying Transaction**"). The Company completed its Qualifying Transaction with North West Exploration Inc. on June 20, 2022. As part of the Qualifying Transaction, the subscription receipts issued by the Company on March 7, 2022, pursuant to a non-brokered private placement were automatically converted to 4,000,000 common shares of the resulting issuer.

## **XAU RESOURCES INC.**

### **MANAGEMENT DISCUSSION AND ANALYSIS**

**For the three months ended January 31, 2024**

---

The financing consisted of 4,000,000 subscription receipts issued at \$0.25 per subscription receipt for gross proceeds of \$1,000,000. The proceeds were released from escrow on the closing of the Qualifying Transaction and will enable the resulting issuer to fund the phase one work program on the Noseno Property.

In connection with the financing, the Company paid \$5,047 to certain finders and issued 20,188 finder warrants. Each finder warrant is exercisable to acquire one common share of the resulting issuer at \$0.25 for a period of twenty-four months from the date of issuance. In connection with the closing of the Qualifying Transaction, the Company granted 400,000 stock options to certain directors, officers and consultants of the Company. Each Option is exercisable to acquire one common share of the Company at \$0.25 for a period of five years from the date of the grant.

Following the completion of the Qualifying Transaction, 12,611,500 common shares, 1,222,222 stock options and 20,188 finder warrants of the are issued and outstanding.

On October 21, 2021, the Company entered an option agreement to acquire an undivided 100% interest in the "Noseno Project" located approximately two-hundred kilometers west of Georgetown, Guyana. The Noseno Project comprises 37 licenses covering 37,623 acres, together with 100% of the mineral and mining rights attached thereto or derived therefrom.

The Company further entered an amendment agreement on January 23, 2024 and in order to maintain in force the rights granted, and to maintain in force the option and earn the interest in the Property, the Company must:

- make the following cash payments – a total of \$2,500,000 USD will be paid in accordance with the following schedule:
  1. Pay \$2,500,000 USD on or before December 31, 2027.
  
- maintain work expenditures levels in respect of exploration work on the Property in each of the four years for a cumulative total of \$5,000,000 USD. The Company must incur these work expenditures for the exploration work on the Property in accordance with the following schedule (collectively, the “**Work Expenditures**”):
  1. Incur \$5,000,000 USD on or before December 31, 2027.

The mineral properties may potentially expose the Company to risks and considerations not normally associated with exploration activities in North America. The Company’s ability to retain its properties, raise and deploy capital may be adversely affected by changes in governing regimes, policies, laws, and regulations, all of which are beyond the Company’s control.

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 Company has no revenue, paid no dividends, and had no long-term liabilities during the period November 1, 2023 to January 31, 2024.

## XAU RESOURCES INC.

### MANAGEMENT DISCUSSION AND ANALYSIS

For the three months ended January 31, 2024

---

#### DISCUSSION OF OPERATIONS

For the three months ended January 31, 2024, the Company recorded a net loss of \$27,991 compared with a net loss of \$146,044 during the same period in 2023. The net loss for the three months ended January 31, 2023, is attributable to professional fees, exploration and evaluation expenses, registration and filing fees and administrative expenses.

	Three months ended January 31,	
	2024	2023
Professional Fees	11,199	43,592
Exploration and evaluation expenses	9,450	87,285
Administrative expenses	6,268	14,355
Registration and filing expenses	1,074	812
<b>Total expenses</b>	<b>27,991</b>	<b>146,044</b>
<b>Loss and comprehensive loss</b>	<b>(27,991)</b>	<b>(146,044)</b>

#### SUMMARY OF QUARTERLY RESULTS

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

	Quarter ended January 31, 2024	Quarter ended October 31, 2023	Quarter ended July 31, 2023	Quarter ended April 30, 2023	Quarter ended January 31, 2023	Quarter ended October 31, 2022	Quarter ended July 31, 2022	Quarter ended April 30, 2022
Other Income	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,344	\$ 685
Expenses	27,991	65,692	25,754	82,746	146,044	291,401	155,693	120,448
Loss and comprehensive loss	(27,991)	(65,692)	(25,754)	(82,746)	(146,044)	(291,401)	(154,348)	(119,763)
Loss per common share	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.02)	(0.02)	(0.02)

## **XAU RESOURCES INC.**

### **MANAGEMENT DISCUSSION AND ANALYSIS**

**For the three months ended January 31, 2024**

---

#### **LIQUIDITY AND CAPITAL RESOURCES**

As at January 31, 2024, the Company had cash of \$242,014 (October 31, 2023: \$272,220). The Company had current liabilities of \$22,611 (October 31, 2023: \$24,826). and working capital of \$219,403 (October 31, 2023: \$247,394).

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 adjusts 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**

There were no transactions with related parties and no remuneration was paid to key management personnel during the three months ended January 31, 2024 and 2023.

#### **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.

#### **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.

## **XAU RESOURCES INC.**

### **MANAGEMENT DISCUSSION AND ANALYSIS**

For the three months ended January 31, 2024

---

#### **FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS RISKS AND UNCERTAINTIES**

The Company is exposed to a variety of risks related to financial instruments. The Board approves and monitors the risk management processes. The principal types of risk exposure and the way in which they are managed are as follows:

##### ***Credit Risk***

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's primary exposure to credit risk is on its cash held in bank accounts. The Company has deposited the cash with a Schedule 1 Canadian bank from which management believes the risk of loss is remote.

##### ***Liquidity Risk***

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet liabilities when due. Accounts payable and accrued liabilities are due within the current operating period. The Company has a sufficient cash balance to settle current liabilities.

##### ***Market Risk***

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

##### ***Fair Value***

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3: Inputs that are not based on observable market data.

The fair value of the Company's receivables and accounts payable and accrued liabilities approximates their carrying value because of the short-term nature of the financial instruments. The Company's cash is measured at fair value using Level 1 inputs.

##### **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.

## **XAU RESOURCES INC.**

### **MANAGEMENT DISCUSSION AND ANALYSIS**

For the three months ended January 31, 2024

---

#### **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, 2023. 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.

#### **DISCLOSURE OF OUTSTANDING SHARE DATA**

##### **Share Capital**

As at January 31, 2024 and March 26, 2024, the Company had 12,611,500 common shares issued and outstanding.

##### **Stock Options**

As at January 31, 2024 and March 26, 2024, the Company had 1,222,222 stock options outstanding.

##### **Finder Warrants**

As at January 31, 2024 and March 26, 2024, the Company had 20,188 Finder warrants outstanding.

#### **ADDITIONAL INFORMATION**

For further details, see the Company's unaudited interim condensed financial statements for the period ended January 31, 2024. Additional information about the Company can also be found on SEDAR at:

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