



(Formerly Auramex Resource Corp.)

CONDENSED INTERIM FINANCIAL STATEMENTS

As at and for the three and six months ended June 30, 2020

(Stated in Canadian dollars)

(unaudited)

The accompanying notes form an integral part of these condensed interim financial statements.

AUX RESOURCE CORP. (formerly Auramex Resource Corp.)

NOTICE TO READER

The accompanying condensed interim financial statements of AUX Resource Corp. (formerly Auramex Resource Corp.), for the six months ended June 30, 2020, have been prepared by management and approved by the Audit Committee and Board of Directors of the Company.

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its external auditor has not reviewed these condensed interim financial statements or the related Management Discussion and Analysis.

AUX RESOURCE CORP. (formerly Auramex Resource Corp.)

Condensed Interim Statements of Financial Position

As at June 30, 2020 and December 31, 2019

(Unaudited - Stated in Canadian dollars)

	Note	June 30 2020	December 31 2019 <i>(restated, note 3)</i>
ASSETS			
Current			
Cash		\$ 1,416,313	\$ 56,634
Receivables		12,577	19,039
Prepaid expenses		94,395	111,914
		<u>1,523,285</u>	<u>187,587</u>
Exploration and evaluation assets	4	380,865	332,085
		<u>\$ 1,904,150</u>	<u>\$ 519,672</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities		\$ 746,946	\$ 430,641
		<u>746,946</u>	<u>430,641</u>
Shareholders' Equity			
Share Capital	5	15,312,035	15,301,386
Obligation to issue shares	5c	1,439,600	-
Equity reserves	5	1,349,071	1,365,270
Deficit		(16,943,502)	(16,577,625)
		<u>1,157,204</u>	<u>89,031</u>
		<u>\$ 1,904,150</u>	<u>\$ 519,672</u>
Nature of operations and going concerns	1		
Subsequent events	5, 9		

Approved for issue by the Board of Directors on August 27, 2020.

Signed on the Company's behalf by:

"Ravshan Ismadiyarov"
Ravshan Ismadiyarov, Chief Financial Officer

"Lawrence Roulston"
Lawrence Roulston, Director

The accompanying notes form an integral part of these condensed interim financial statements.

AUX RESOURCE CORP. (formerly Auramex Resource Corp.)

Condensed Interim Statements of Loss and Comprehensive Loss

For the three- and six-month periods ended June 30, 2020 and 2019

(Unaudited - Stated in Canadian dollars)

	Note	Three months ended		Six months ended	
		June 30 2020	June 30 2019 <i>(restated, note 3)</i>	June 30 2020	June 30 2019 <i>(restated, note 3)</i>
Expenses					
Exploration expenditures		\$ 50,795	\$ 68,040	\$ 65,657	\$ 109,863
General and administrative		18,560	7,636	33,241	28,552
Management and consulting fees	6	29,568	46,440	67,686	89,767
Marketing and promotion		48,250	23,113	112,162	60,753
Professional fees		84,520	18,755	87,186	47,232
Share-based compensation		-	-	-	34,180
		<u>(231,693)</u>	<u>(163,984)</u>	<u>(365,932)</u>	<u>(370,347)</u>
Interest income		14	106	55	312
Recovery of flow-through premium		-	724	-	7,730
Loss and comprehensive loss for the period		\$ (231,679)	(163,154)	(365,877)	(362,305)
Loss per share – basic and diluted		(0.020)	(0.017)	(0.032)	(0.039)
Weighted average number of shares outstanding – basic and diluted		11,554,791	9,384,780	11,527,731	9,346,382

The accompanying notes form an integral part of these condensed interim financial statements.

AUX RESOURCE CORP. (formerly Auramex Resource Corp.)

Condensed Interim Statements of Cash Flows

For the six month periods ended June 30, 2020 and 2019

(Unaudited - Stated in Canadian dollars)

	Note	June 30 2020	June 30 2019 <i>(restated, note 3)</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the period		\$ (365,877)	\$ (362,305)
Items not involving cash:			
Recovery of flow-through premium		-	(7,730)
Share-based payment expense		-	34,180
Changes in non-cash working capital items:			
Accounts receivable		6,462	(11,275)
Prepaid expenses		17,519	(7,424)
Accounts payable and accrued liabilities		306,305	16,657
		<u>(35,591)</u>	<u>(337,897)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of exploration and evaluation assets		<u>(21,780)</u>	<u>(1,826)</u>
		<u>(21,780)</u>	<u>(1,826)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Shares issued for cash, net of share issue costs		-	5,704
Shares issued on exercise of stock options		17,883	-
Shares issued on exercise of warrants		-	11,500
Obligation to issue shares, net of share issue costs		1,399,167	-
		<u>1,417,050</u>	<u>17,204</u>
Change in cash during the period		1,359,679	(322,518)
Cash, beginning of the period		<u>56,634</u>	<u>370,453</u>
Cash, end of the period		\$ 1,416,313	\$ 47,935
Supplemental disclosure of cash flow information			
Shares issued under property agreements		\$ 17,000	\$ 26,750
Exploration and evaluation assets included in accounts payable and accrued liabilities		10,000	-

The accompanying notes form an integral part of these condensed interim financial statements.

AUX RESOURCE CORP. (formerly Auramex Resource Corp.)

Condensed Interim Statement of Changes in Equity

For the six month periods ended June 30, 2020 and 2019

(Unaudited – Stated in Canadian dollars)

	Number of Shares	Amount	Subscription Receipts	Equity Reserves	Deficit	Total Equity
Balance as at December 31, 2018 <i>(restated, note 3)</i>	8,933,730	\$ 14,671,796	\$ 70,000	\$ 1,218,228	\$ (15,351,043)	\$ 608,981
Shares issued pursuant to private placements	310,000	77,500	(70,000)	-	-	7,500
Shares issued pursuant to property option agreements	95,000	26,750	-	-	-	26,750
Share issuance costs	-	(1,796)	-	-	-	(1,796)
Shares issued pursuant to warrant exercises	26,000	6,500	-	-	-	6,500
Share-based payments and shares issued pursuant to stock option exercise	20,000	5,000	-	34,180	-	39,180
Loss and comprehensive loss for the period <i>(restated, note 3)</i>	-	-	-	-	(362,305)	(362,305)
Balance as at June 30, 2019	9,384,730	\$ 14,785,750	\$ -	\$ 1,252,408	\$ (15,713,348)	\$ 324,810
Balance as at December 31, 2019 <i>(restated, note 3)</i>	11,470,730	\$ 15,301,386	\$ -	\$ 1,365,270	\$ (16,577,625)	\$ 89,031
Obligation to issue shares – private placement	5,591,667	1,439,600	-	-	-	1,439,600
Shares issued pursuant to property option agreements	75,000	17,000	-	-	-	17,000
Share issuance costs	-	(40,450)	-	-	-	(40,450)
Shares issued pursuant to stock option exercise	68,000	34,099	-	(16,199)	-	17,900
Loss and comprehensive loss for the period	-	-	-	-	(365,877)	(365,877)
Balance at June 30, 2020	17,205,397	\$ 16,751,635	\$ -	\$ 1,349,071	\$ (16,943,502)	\$ 1,157,204

The accompanying notes form an integral part of these condensed interim financial statements.

AUX RESOURCE CORP. (formerly Auramex Resource Corp.)

Notes to the Condensed Interim Financial Statements

For the three and six months ended June 30, 2020

(Unaudited – Stated in Canadian dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

AUX Resource Corp. (“AUX” or the “Company”), formerly Auramex Resource Corp. is a Canadian company incorporated in the province of British Columbia and trades on the TSX Venture Exchange (“TSXV”). The Company is currently active in the acquisition, exploration, and evaluation of mineral properties.

The address of the Company’s registered and corporate office is 905 – 1111 West Hastings Street, Vancouver, British Columbia, Canada, V6E 2J3.

The Company is in the process of exploring its mineral properties and has not yet determined whether the reserves of its properties are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves, and future profitable production or proceeds from the disposition thereof.

The Company’s financial statements are prepared using International Financial Reporting Standards (“IFRS”) applicable to a going concern, which contemplates the Company will continue in operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. The Company has not generated revenue from operations and will require additional financing or outside participation to undertake further exploration and subsequent development of its exploration and evaluation assets. Future operations of the Company are dependent upon its ability to raise additional equity financing and the attainment of profitable operations. These material uncertainties may cast a significant doubt on the Company’s ability to continue as a going concern.

COVID-19 (the coronavirus) has threatened a slowdown in the global economy as well as caused volatility in the global financial markets. While the full impact of COVID-19 on the global economy is uncertain, rapid spread of COVID-19 may have an adverse effect on the Company’s financing capabilities. The extent to which COVID-19 may impact the Company’s business will depend on future developments such as the geographic spread of the disease, the duration of the outbreak, travel restrictions and social distancing, business closures or business disruptions, and the effectiveness of actions taken in Canada, the United States, and other countries to contain and treat the virus. Although it is not possible to reliably estimate the length or severity of these developments and their financial impact to the date of approval of these financial statements, these conditions could have a significant adverse impact on the Company’s financial position and results of operations for future periods.

	June 30, 2020		December 31, 2019	
Working capital surplus / (deficiency)	\$	776,339	\$	(243,054)
Deficit		(16,943,502)		(16,577,625)

AUX RESOURCE CORP. (formerly Auramex Resource Corp.)

Notes to the Condensed Interim Financial Statements

For the three and six months ended June 30, 2020

(Unaudited – Stated in Canadian dollars)

2. BASIS OF PREPARATION

The financial statements of the Company are presented in Canadian dollars, unless otherwise indicated.

These condensed interim financial statements of the Company as at and for the three and six month periods ended June 30, 2020, with comparative information as at December 31, 2019 and for the three and six month periods ended June 30, 2019, have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (“IASB”) which the Canadian Accounting Standards Board has approved for incorporation into Part 1 of the Handbook of Canadian Institute of Chartered Accountants, as applicable to the preparation of interim financial statement including IAS 34. These unaudited interim financial statements do not include all of the disclosures required for annual financial statements and hence should be read in conjunction with the Company’s annual financial statements for the year ended December 31, 2019. These unaudited condensed interim financial statements follow the same significant accounting policies as those included in the Company’s most recent annual financial statements, except as described herein (Note 3).

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Company in these condensed interim financial statements are the same as those applied by the Company as at and for the year ended December 31, 2019, with the exception of those changes noted herein.

Change in Accounting Policy for Exploration and Evaluation Assets

Effective January 1, 2020, the Company changed its accounting policy related to exploration and evaluation costs. Previously, the Company capitalized its exploration and evaluation costs on an individual prospect basis until such time as an economic ore body was defined or the prospect was abandoned. The Company will continue to capitalize all direct costs related to the acquisition of a mineral property interest upon acquiring the legal right to explore the property; however, exploration and evaluation expenditures incurred prior to the determination of the feasibility of mining operations and a decision to proceed with development will be charged to operations as incurred. The Company will perform an impairment test on the transition from exploration and evaluation stage to the development stage.

Expenditures incurred subsequent to a development decision, and to increase or to extend the life of existing production, are capitalized and will be transferred to property, plant and equipment and amortized on the unit-of-production method based on estimated proven and profitable reserves. When there is little prospect of further work on a property, the remaining deferred costs associated with the property will be assessed for impairment.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount.

The change in policy has been made due to a change in the business model of the Company following a change in management during the current period.

AUX RESOURCE CORP. (formerly Auramex Resource Corp.)

Notes to the Condensed Interim Financial Statements

For the three and six months ended June 30, 2020

(Unaudited – Stated in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The impact of the change in policy has been applied retrospectively in these condensed interim financial statements and the summary of the impact of these changes is disclosed below:

Summary of Impact on the Prior Year Statement of Financial Position

	As reported December 31 2019	As restated December 31 2019
Exploration and evaluation assets	\$ 3,212,499	\$ 332,085
Total Assets	\$ 3,400,086	\$ 519,672
Deficit	\$ (13,697,212)	\$ (16,577,625)
Total Equity	2,969,444	89,031
Total Liabilities and Shareholders' Equity	\$ 3,400,086	\$ 519,672

Summary of Impact on the Prior Year Statement of Loss and Comprehensive Loss

	Three months ended		Six months ended	
	As reported June 30 2019	As restated June 30 2019	As reported June 30 2019	As restated June 30 2019
Expenses				
Exploration expenditures	\$ -	\$ 68,040	\$ -	\$ 109,863
Loss and comprehensive loss for the period	\$ (95,114)	(163,154)	(252,442)	(362,305)
Loss per share – basic and diluted	(0.010)	(0.017)	(0.027)	(0.039)
Weighted average number of shares outstanding – basic and diluted	9,384,780	9,384,780	9,346,382	9,346,382

AUX RESOURCE CORP. (formerly Auramex Resource Corp.)

Notes to the Condensed Interim Financial Statements

For the three and six months ended June 30, 2020

(Unaudited – Stated in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)Summary of Impact on the Prior Year Statement of Cash Flows

	As reported June 30 2019	As restated June 30 2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	\$ (252,442)	\$ (362,305)
Total cash used in operating activities	(228,034)	(337,897)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of exploration and evaluation assets	(111,688)	(1,826)
Total cash used in investing activities	(111,688)	(1,826)

Summary of Impact on the Prior Year Statement of Changes in Equity

	Deficit		Total Equity	
	As reported	As restated	As reported	As restated
Balance as at December 31, 2018	\$ (13,152,253)	\$ (15,351,043)	\$ 2,807,771	\$ 608,981
Loss and comprehensive loss for the period	(252,442)	(362,305)	(252,442)	(362,305)
Balance as at June 30, 2019	\$ (13,404,695)	\$ (15,713,348)	\$ 2,633,463	\$ 324,810

Accounting Standards Adopted During the Period

There are no new IFRS adopted during the period.

Accounting Standards and Amendments Issued but not yet Adopted

There are no IFRS that are not yet effective that would be expected to have a material impact on the Company.

AUX RESOURCE CORP. (formerly Auramex Resource Corp.)

Notes to the Condensed Interim Financial Statements

For the three and six months ended June 30, 2020

(Unaudited – Stated in Canadian dollars)

4. EXPLORATION AND EVALUATION ASSETS

	American Creek	Bear Pass	Georgia	Lower Bear	Tide North	Total
Acquisition costs						
Balance, December 31, 2019	\$ 13,825	\$ 154,919	\$ 118,854	\$ 33,500	\$ 10,987	\$ 332,085
Additions	57,080	7,000	-	-	-	64,080
Option payments received	-	(15,300)	-	-	-	(15,300)
Balance, June 30, 2020	70,905	146,619	118,854	33,500	10,987	380,865

	American Creek	Bear Pass	Georgia	Lower Bear	Tide North	Total
Acquisition costs						
Balance, December 31, 2018	\$ -	\$ 150,169	\$ 118,854	\$ 14,500	\$ 10,987	\$ 294,510
Additions	27,000	27,925	-	19,000	-	60,750
Option payments received	(13,175)	(23,175)	-	-	-	(23,175)
Balance, December 31, 2019	13,825	154,919	118,854	33,500	10,987	332,085

All properties are located near Stewart, in the Skeena Mining Division, British Columbia. The properties have been acquired under various option and purchase agreements, and by staking. Certain claims are subject to a net smelter royalty (“NSR”) ranging from 1% - 2.5%.

No additional option agreements were entered into or granted during the six months ended June 30, 2020.

In February 2020, the option granted to Decade Resources Ltd. to earn an 80% interest in certain mineral claims adjacent to Decade’s Red Cliff property within the Stewart Properties was terminated.

In March 2020, the option granted to Decade Resources Ltd. to earn a 60% interest in certain mineral claims within the Surprise Creek area of the Stewart Properties was terminated.

AUX RESOURCE CORP. (formerly Auramex Resource Corp.)

Notes to the Condensed Interim Financial Statements

For the three and six months ended June 30, 2020

(Unaudited – Stated in Canadian dollars)

5. SHARE CAPITAL

a) Authorized

An unlimited number of common shares without par value.

b) Share Issuance

At June 30, 2020, the Company had 11,613,730 common shares issued and outstanding (December 31, 2019 – 11,470,730), and an obligation to issue an additional 5,591,667 common shares (see *Note 5c*) (December 31, 2019 – nil).

On June 30, 2020, the Company completed a 5:1 stock consolidation. All share quantities in these condensed interim financial statements are stated based on their post-consolidation values, and all share prices in these condensed interim financial statements are stated based on their post-consolidation values, unless otherwise specified.

During the six months ended June 30, 2020, the Company issued 75,000 common shares in respect of property option agreements at prices ranging from \$0.15 - \$0.35, for which deemed consideration of \$17,000 has been recorded as property acquisition costs (*Note 4*). The Company also issued 68,000 common shares in respect of the exercise of employee incentive stock options at prices ranging from \$0.25 - \$0.30 for gross proceeds of \$17,900.

c) Obligation to Issue Shares

Subsequent to the period ended June 30, 2020, on July 6, 2020, the Company closed a private placement consisting of 10,099,000 units at a price of \$0.25 per unit (the “NFT Unit Offering”), 4,783,667 common shares at a price of \$0.30 per common share (the “FT Offering”), and 4,054,056 units at a price of \$0.37 per unit (the “Charity FT Unit Offering”) for gross aggregate proceeds of \$5,459,851. Each unit consists of one common share and one-half of one common share purchase warrant (each full warrant, “Warrant”). Each full warrant is exercisable to acquire one common share at a price of \$0.40 per warrant share until July 6, 2022.

Cash share issuance costs of \$246,734 were paid in relation to the private placement, in addition to an issuance of 244,800 units to brokers, each unit consisting of one common share and one-half of one common share purchase warrant under the same terms as above.

The Company received cash in the amount of \$1,439,600 during the period ended June 30, 2020 in advance of the closing of the private placement, which equates to an obligation to issue 5,591,667 common shares and 2,379,000 warrants. The obligation to issue shares was discharged upon the closing of the private placement on July 6, 2020.

AUX RESOURCE CORP. (formerly Auramex Resource Corp.)

Notes to the Condensed Interim Financial Statements

For the three and six months ended June 30, 2020

(Unaudited – Stated in Canadian dollars)

5. SHARE CAPITAL (continued)**d) Share Purchase Warrants**

The Company's share purchase warrant activity for the period ended June 30, 2020 is as follows:

Number Outstanding Dec 31, 2019	Granted	Exercised	Expired/ Cancelled	Number Outstanding Jun 30, 2020	Exercise Price	Expiry Date	Weighted Average Remaining Life (in years)
1,541,000	-	-	(1,541,000)	-	\$0.50	February 16, 2020	-
155,000	-	-	(155,000)	-	\$0.50	January 29, 2020	-
1,526,000	-	-	-	1,526,000	\$0.35	February 22, 2021	0.65
520,000	-	-	-	520,000	\$0.50	April 18, 2021	0.80
- 2,379,000 ⁽¹⁾	-	-	-	2,379,000	\$0.40	July 6, 2022	2.02
3,742,000	2,379,000	-	(1,696,000)	4,425,000	\$0.38	<i>(weighted average)</i>	1.40

⁽¹⁾The Company has an obligation to issue these warrants as at June 30, 2020 as explained in *Note 5c*, above.

The Company's share purchase warrant activity for the period ended June 30, 2019 is as follows:

Number Outstanding Dec 31, 2018	Granted	Exercised	Expired/ Cancelled	Number Outstanding Dec 31, 2019	Exercise Price	Expiry Date	Weighted Average Remaining Life (in years)
58,000	-	(46,000)	(12,000)	-	\$0.25	March 7, 2019	-
80,000	-	-	(80,000)	-	\$0.50	November 29, 2019	-
400,000	-	(20,000)	(380,000)	-	\$0.30	December 22, 2019	-
1,541,000	-	-	-	1,541,000	\$0.50	February 16, 2020	0.13
- 155,000	155,000	-	-	155,000	\$0.50	January 29, 2020	0.08
- 1,526,000	1,526,000	-	-	1,526,000	\$0.35	February 22, 2021	1.15
- 520,000	520,000	-	-	520,000	\$0.50	April 18, 2021	1.30
2,079,000	2,201,000	(66,000)	(472,000)	3,742,000	\$0.42	<i>(weighted average)</i>	0.70

e) Stock Options

The Company has a 10% rolling stock option plan. The Company's stock option plan provides for the grant of incentive stock options to employees, consultants, officers, and directors of the Company. Options are granted for a term of up to ten years from the date granted. Stock options vest over 12 months with no more than 25% of the options vesting in any three-month period.

AUX RESOURCE CORP. (formerly Auramex Resource Corp.)

Notes to the Condensed Interim Financial Statements

For the three and six months ended June 30, 2020

(Unaudited – Stated in Canadian dollars)

5. SHARE CAPITAL (continued)

The continuity for stock options for the six months ended June 30, 2020 is as follows:

Number Outstanding Dec 31, 2019	Granted	Exercised	Expired/Cancelled	Number Outstanding Jun 30, 2020	Exercise Price	Expiry Date	Weighted Average Remaining Contractual Life (in years)
80,000	-	-	-	80,000	\$0.25	September 24, 2024	4.24
100,000	-	-	-	100,000	\$0.25	February 8, 2027	6.61
46,600	-	-	-	46,600	\$0.25	December 19, 2027	7.47
103,600	-	-	-	103,600	\$0.28	July 12, 2023	3.03
143,000	-	(50,000)	-	93,000	\$0.25	January 28, 2024	3.56
355,000	-	(18,000)	-	337,000	\$0.30	July 7, 2024	4.02
828,200	-	(68,000)	-	760,200	\$0.38	<i>(weighted average)</i>	4.41
				Exercisable	760,200	\$0.28 <i>(weighted average)</i>	4.41

The continuity for stock options for the six months ended June 30, 2019 is as follows:

Number Outstanding Dec 31, 2018	Granted	Exercised	Expired/Cancelled	Number Outstanding Dec 31, 2019	Exercise Price	Expiry Date	Weighted Average Remaining Contractual Life (in years)
170,000	-	-	(170,000)	-	\$0.50	April 6, 2019	-
30,000	-	-	(30,000)	-	\$0.25	July 23, 2019	-
190,000	-	-	(110,000)	80,000	\$0.25	September 24, 2024	4.74
100,000	-	-	-	100,000	\$0.25	February 8, 2027	7.11
83,200	-	-	(36,600)	46,600	\$0.25	December 19, 2027	7.97
103,600	-	-	-	103,600	\$0.28	July 12, 2023	3.53
-	156,400	-	(13,400)	143,000	\$0.25	January 28, 2024	4.08
-	385,000	-	(30,000)	355,000	\$0.30	July 7, 2024	4.52
676,800	541,400	-	(390,000)	828,200	\$0.27	<i>(weighted average)</i>	4.85
				Exercisable	679,100	\$0.26 <i>(weighted average)</i>	5.91

Share-Based Payments

The Company recognizes share-based payment expense for all stock options granted using the fair value based method of accounting. The fair value of stock options is determined by the Black-Scholes Option Pricing Model with assumptions for risk-free interest rates, dividend yields, volatility factors of the expected market price of the Company's shares, forfeiture rate, and expected life of the options. The risk free rate of return is the yield on a zero-coupon Canadian Treasury Bill of a term consistent with the assumed option life. The expected average term is the average expected period to exercise, based on historical activity. The expected volatility is based on the historical volatility of the Company.

AUX RESOURCE CORP. (formerly Auramex Resource Corp.)

Notes to the Condensed Interim Financial Statements

For the three and six months ended June 30, 2020

(Unaudited – Stated in Canadian dollars)

5. SHARE CAPITAL (continued)

During the six months ended June 30, 2020, the Company recognized share-based payment expense of \$nil (2019 - \$34,180) using the following weighted average assumptions:

	June 30, 2020	June 30, 2019
Share price	-	\$ 0.050
Risk-free interest rate	-	1.83%
Expected life of options	-	5 years
Annualized volatility	-	195.9%
Expected forfeitures	-	0%
Dividend rate	-	0%
Fair value per option	-	\$ 0.044

6. RELATED PARTY TRANSACTIONS

Related parties and related party transactions impacting the accompanying financial statements are summarized below and include transactions with officer and directors, which can be summarized as follows:

	Six months ended	
	June 30, 2020	June 30, 2019
Management and consulting fees	\$ 85,500	\$ 113,000
Geological consulting fees	31,961	49,984
Share-based payments	-	23,252
	\$ 117,461	\$ 186,236

At June 30, 2020, an amount of \$338,258 (June 30, 2019 - \$27,414) was included in accounts payable and accrued liabilities for unpaid amounts relating to fees and expenses owed to officers and directors and to companies controlled by them.

AUX RESOURCE CORP. (formerly Auramex Resource Corp.)

Notes to the Condensed Interim Financial Statements

For the three and six months ended June 30, 2020

(Unaudited – Stated in Canadian dollars)

7. FINANCIAL INSTRUMENTS

The fair value of the Company's receivables and accounts payable and accrued liabilities approximate carrying value, which is the amount recorded on the statement of financial position, due to their short terms to maturity or ability of prompt liquidation. The Company's other financial instrument, cash, is measured under the fair value hierarchy at fair value based on level one quoted prices in active markets for identical assets and liabilities.

The Company's risk exposures and the impact on the Company's financial statements are summarized below:

1. Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at June 30, 2020, the Company has cash of \$1,416,313 to settle current liabilities of \$746,946. The Company does not believe it is exposed to significant liquidity risk.

2. 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 credit risk is primarily attributable to cash and receivables.

Cash is held with highly rated financial institutions and management believes the risk of loss to be remote. The Company has no significant concentration of credit risk arising from operations.

Receivables consist of input tax credits receivable from the Government of Canada. The Company does not believe it is subject to significant credit risk in relation to its receivables.

3. Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

i. Interest Rate Risk

The Company's current policy is to invest excess cash in investment-grade demand deposit certificates issued by its banking institutions. The Company periodically monitors the investments that it makes and is satisfied with the credit ratings of its banks. As of June 30, 2020, the Company had no funds invested in investment-grade short-term deposit certificates.

ii. Foreign Currency Risk

The Company's exposure to foreign currency risk or fluctuations related to amounts denominated in US Dollars is minimal.

AUX RESOURCE CORP. (formerly Auramex Resource Corp.)

Notes to the Condensed Interim Financial Statements

For the three and six months ended June 30, 2020

(Unaudited – Stated in Canadian dollars)

7. FINANCIAL INSTRUMENTS *(continued)*

iii. Price Risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity movements, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

8. SEGMENT INFORMATION

The Company has one reportable operating segment in Canada which operates in the acquisition, exploration, and evaluation of mineral resources. All of the Company's long-term assets are located in Canada.

9. SUBSEQUENT EVENTS

- a) On July 6, 2020, the Company closed a private placement consisting of 10,099,000 units at a price of \$0.25 per unit (the "NFT Unit Offering"), 4,783,667 common shares at a price of \$0.30 per common share (the "FT Offering"), and 4,054,056 units at a price of \$0.37 per unit (the "Charity FT Unit Offering") for gross aggregate proceeds of \$5,459,851. Each unit consists of one common share and one-half of one common share purchase warrant (each full warrant, "Warrant"). Each full warrant is exercisable to acquire one common share at a price of \$0.40 per warrant share until July 6, 2022.

Cash share issuance costs of \$246,734 were paid in relation to the private placement, in addition to an issuance of 244,800 units to brokers, each unit consisting of one common share and one-half of one common share purchase warrant under the same terms as above.

- b) On July 8, 2020, the Company issued a grant of 2,300,000 incentive stock options to acquire common shares to its directors, officers, employees, and consultants pursuant to the Company's stock option plan. The stock options are exercisable at a price of \$0.42 and will expire on July 8, 2025.
- c) Subsequent to the period ended June 30, 2020, the Company issued 132,000 common shares in respect of the exercise of share purchase warrants for gross proceeds of \$46,200; the Company issued 238,000 common shares in respect of the exercise of incentive stock options for gross proceeds of \$67,650; the Company issued 20,000 common shares in respect of property option agreements for Bay Silver at \$0.40 per share, for which deemed consideration of \$8,000 has been recorded as property acquisition costs.

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Notes to the Condensed Interim Financial Statements

For the three and six months ended June 30, 2020

(Unaudited – Stated in Canadian dollars)

9. SUBSEQUENT EVENTS *(continued)*

- d) On July 24, 2020, the Company paid the remaining \$30,000 in cash option payments owed and granted the remaining 100,000 common shares owed on the Dorothy 2 property. Deemed consideration of \$40,000 has been recorded as property acquisition costs in respect of the common share issuance. The Company must complete outstanding work obligations to complete the acquisition of 100% of the property.
- e) On July 24, 2020, the Company exercised its option on the Rufus property, granting the remaining 80,000 common shares owed, for which deemed consideration of \$32,000 has been recorded as property acquisition costs, to complete the acquisition of 75% of the property.