



MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020

The following Management Discussion and Analysis ("MD&A") of AUX Resource Corp. (formerly Auramex Resource Corp.) ("AUX" or the "Company") is prepared as at August 27, 2020 and should be read in conjunction with the Company's unaudited condensed interim financial statements for the three and six months ended June 30, 2020 (the "Financial Report"), the Company's audited financial statements for the years ended December 31, 2019, 2018, and 2017 and related notes thereto, and the Company's Annual MD&A for the year ended December 31, 2019. Additional information relating to the Company is available on SEDAR at www.sedar.com.

The financial information in this MD&A is derived from the Financial Report prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB"). All dollar amounts are expressed in Canadian dollars unless otherwise indicated.

The Company is listed on the TSX Venture Exchange ("TSX-V") under the symbol AUX, and is classified as a junior natural resource company. The Company is subject to the specific risks inherent in the mineral exploration business as well as general economic and business conditions. For more information on the Company, readers should review the Company's disclosure that is available on the Company's website at www.auxrc.com as well as at www.sedar.com.

Overall Performance

Description of Business and Review of Operations

AUX is a mineral exploration company active in British Columbia, Canada. AUX's projects are all located in the highly prospective Stewart camp at the southern end of the Golden Triangle of northwestern British Columbia. Its mineral tenures, comprising in excess of 25,500 hectares (255 square kilometers), are divided into five main project areas:

- The Georgia project lies at or near tidewater along the Portland Canal south of Stewart;
- The Lower Bear project extends from the edge of Stewart 12 kilometers north;
- The Bear Pass project encompasses properties that straddle Highway 37A for 15 kilometres along the Bear Valley and over the Bear Pass;
- The Tide North project lies on the upper Bowser River, 12 kilometers north of the past producing Scottie gold mine and 15 kilometers southeast of Pretium's Brucejack Mine; and
- The American Creek project lies in the American Creek corridor, extending from south of the confluence of American Creek and the Bear River 15 kilometers north along the east side of American Creek.

The Georgia, Lower Bear, Bear Pass, and American Creek projects are being explored for their potential to host intrusion-related gold mineralization associated with the Early Jurassic Texas Creek Plutonic Suite, similar to many other gold deposits in the Golden Triangle, including Premier, Snip, Scottie Gold, and Brucejack. Tide North is interpreted to be underlain by Iskut River formation basinal rocks and is being

explored for its potential to host volcanic exhalative precious and base metal mineralization similar to that at the past-producing Eskay Creek mine.

The Company's operations during the first quarters and up until April 23, 2020 have been discussed in-depth in the Company's Annual MD&A. Subsequent to April 24, 2020, the Company continued to compile and analyze the result of the re-boxing, cataloguing, and analysis conducted during the previous season at Georgia.

In the spring of 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 abandoned by the optionee.

Corporate Update

The highlights of the Company's activities in the six months ended June 30, 2020, and up to the date of this MD&A include:

- a) 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 to \$0.35, for which deemed consideration of \$17,000 has been recorded as property acquisition costs. The Company also issued 68,000 common shares in respect of the exercise of employee incentive stock options at prices ranging from \$0.25 to \$0.30, for gross proceeds of \$17,900.
- b) On June 30, 2020, the Company completed a 5:1 stock consolidation. All share quantities in this Interim MD&A are stated based on their post-consolidation values, and all share prices in this Interim MD&A are stated based on their post-consolidation values, unless otherwise specified.
- c) 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.

- d) 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.

- e) 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 200,000 common shares in respect of property option agreements at \$0.40 per share, for which deemed consideration of \$80,000 has been recorded as property acquisition costs.
- f) 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 was 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.
- g) 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.

Qualified Person

The technical data disclosed in this MD&A have been reviewed and verified by Dr. Paul Metcalfe, PhD, P.Geo., a Qualified Person as defined by National Instrument 43-101.

Results of Operations

For the three and six months ended June 30, 2020 and 2019

For the three months ended June 30, 2020, the Company incurred a loss and comprehensive loss of \$229,059 (2019 - \$163,154). Expenses for the three months ended June 30, 2020 were \$229,073 (2019 - \$163,984).

For the six months ended June 30, 2020, the Company incurred a loss and comprehensive loss of \$363,257 (2019 - \$362,305). Expenses for the six months ended June 30, 2020 were \$378,612 (2019 - \$370,347).

During the six months ended June 30, 2020, the Company's working capital increased by \$1,028,793 from a working capital deficit of \$243,055 as a result of cash received in advance of the closing of the July 6, 2020 private placement.

Significant or noteworthy expenditure differences between the periods include:

	Three months ended		Six months ended	
	June 30 2020	June 30 2019	June 30 2020	June 30 2019
Loss and comprehensive loss for the period	\$ (331,679)	(163,154)	(365,877)	(362,305)
Exploration expenditures	\$ 50,795	\$ 68,040	\$ 65,657	\$ 109,863
	<i>Decrease due to cash conservation efforts.</i>			
Management and consulting fees	29,568	46,440	67,686	89,767
	<i>Decrease due to cash conservation efforts.</i>			
Marketing and promotion	48,250	23,113	112,162	60,753
	<i>Increase due to additional marketing efforts to raise funds.</i>			
Professional fees	84,520	18,755	87,186	47,232
	<i>Increase due to legal costs associated with the private placement completed in July 2020.</i>			
Share-based compensation	-	-	-	34,180
	<i>Decrease due to no stock option grants during current periods.</i>			

Summary of Quarterly Results

The following is a summary of the Company's financial results for the eight most recently completed quarters:

	Jun 30, 2020	Mar 31, 2020	Dec 31, 2019	Sep 30, 2019	Jun 30, 2019	Mar 31, 2019	Dec 31, 2018	Sep 30, 2018
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	nil							
Net loss for the period	(231,679)	(134,198)	(179,254)	(661,849)	(163,154)	(199,455)	(213,940)	(286,626)
Basic and diluted loss per share	(0.020)	(0.012)	(0.016)	(0.065)	(0.017)	(0.021)	(0.026)	(0.039)

AUX is a mineral exploration company. Exploration expenses peak in the third quarter due to the summer field season. Currently, AUX defers its mineral property acquisition costs and expenses both its exploration, and its general and administration costs, which are included in the net loss for each quarter. The Company's treasury, in part, determines the level of exploration undertaken.

Liquidity and Capital Resources

The Company is an exploration stage company whose primary source of funds has been through the issuance of its common shares or other financial instruments, or by entering into partnering or joint venture arrangements. As at June 30, 2020, the Company had cash on hand of \$1,416,313. The Company completed a private placement on July 6, 2020 which resulted in gross aggregate proceeds of \$5,459,851.

The Company does not anticipate mining revenues from the sale of mineral production in the near future. The operations of the Company consist of the exploration and evaluation of mining properties and, as such, the Company's financial success will be dependent on the extent to which it can discover new

mineral deposits. The Company anticipates seeking additional equity investment from time to time to fund its activities.

During the six months ended 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. 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.

As at the date of this MD&A, the Company has 31,365,253 common shares, 2,754,200 stock options (1,088,940 of which are exercisable), and 9,112,928 share purchase warrants outstanding. Additional cash would be raised if stock option holders and share purchase warrant holders chose to exercise these instruments.

The Company began the 2020 fiscal year with cash of \$56,634. In the six months ended June 30, 2020, the Company expended \$35,591 on operating activities (2019 - \$337,897); expended \$21,780 on investing activities (2019 - \$1,826); received cash from financing activities net of share issuance costs of \$1,417,050 (2019 - \$17,204); and ended on June 30, 2020 with \$1,416,313 in cash (2019 - \$47,935).

For the six months ended:	June 30 2020	June 30 2019
Cash used in operating activities	\$ (35,591)	\$ (337,897)
Cash used in investing activities	\$ (21,780)	\$ (1,826)
Cash provided by financing activities	\$ 1,417,050	\$ 17,204
Change in cash during the period	\$ 1,359,679	\$ (322,518)

Related Party Transactions

Remuneration attributed to key management personnel 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.

Forward Looking Statements

This MD&A contains forward-looking statements that are based on the Company's current expectations and estimates. Forward-looking statements are frequently characterized by words such as "plan", "expect", "project", "intend", "believe", "anticipate", "estimate", "suggest", "indicate" and other similar words or statements that certain events or conditions "may" or "will" occur. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that could cause actual events or results to differ materially from estimated or anticipated events or results implied or expressed in such forward-looking statements. Such factors include, among others: the actual results of current exploration activities; conclusions of economic evaluations; changes in project parameters as plans to continue to be refined; possible variations in ore grade or recovery rates; accidents, labor disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing; and fluctuations in metal prices. There may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. Any forward-looking statement speaks only as of the date on which it is made and, except as may be required by applicable securities laws, the Company disclaims any intent or obligation to update any forward-looking statement, whether as a result of new information, future events or results or otherwise. Forward-looking statements are not guarantees of future performance and accordingly undue reliance should not be put on such statements due to the inherent uncertainty therein.

This MD&A may contain information about adjacent properties on which we have no right to explore or mine. We advise U.S. investors that the SEC's mining guidelines strictly prohibit information of this type in documents filed with the SEC. U.S. investors are cautioned that mineral deposits on adjacent properties are not indicative of mineral deposits on our properties.

Risks and Uncertainties

The Company is subject to a number of risks and uncertainties, each of which could have an adverse effect on its results, business prospects, or financial position.

The Company's securities should be considered a highly speculative investment and investors should carefully consider all of the information disclosed in the Company's regulatory filings prior to making an investment in the Company. For a comprehensive list of the risks and uncertainties applicable to the Company, please refer to the Company's Annual MD&A for the year ended December 31, 2019.

COVID-19

The outbreak of COVID-19 has had a significant impact on global economic conditions, triggering significant declines in the stock market and restrictions on the movement of goods and people. These conditions may impact the Company's ability to access its mineral properties to complete further work. The ability of the Company to fund ongoing exploration or projects development is affected by the availability of financing. Due to market uncertainty the Company may be restricted in its ability to raise additional funding.

The extent to which COVID-19 impacts the Company's financial position, results of operations and cash flows in future periods is not yet known; however, there may be heightened risk of mineral properties impairment and liquidity or going concern uncertainty.

Critical Accounting Estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual reports could differ from management's estimates.

Additional Disclosure for Venture Issuers without Significant Revenue

The components of exploration and evaluation assets are described in Note 8 of the condensed interim financial statements.

Outstanding Share Data as at the Date of this MD&A

Authorized: an unlimited number of common shares without par value	Common Shares Issued and Outstanding	Common Share Purchase Warrants	Stock Options
Outstanding as at December 31, 2019	11,470,730	3,742,000	828,200
Warrants expired – January 29, 2020	-	(155,000)	-
Common shares issued – February 3, 2020	35,000	-	-
Warrants expired – February 16, 2020	-	(1,541,000)	-
Common shares issued – March 30, 2020	20,000	-	-
Common shares issued – June 22, 2020	88,000	-	(68,000)
Common shares issued – July 6, 2020	19,181,523	7,198,928	-
Common shares issued – July 8, 2020	50,000	-	(50,000)
Stock options granted – July 8, 2020	-	-	2,300,000
Common shares issued – July 9, 2020	20,000	(20,000)	-
Common shares issued – July 17, 2020	226,000	(100,000)	(126,000)
Common shares issued – July 23, 2020	74,000	(12,000)	(62,000)
Common shares issued – July 24, 2020	200,000	-	-
Stock options expired – August 9, 2020	-	-	(68,000)
Outstanding as of the date of this MD&A	31,365,253	9,112,928	2,754,200

Proposed Transactions

The Company has signed an agreement to acquire an arm's length private corporation which includes the option to acquire 100% of two properties adjacent to existing AUX properties. The closing of the acquisition is subject to TSX.V approval.

Internal Controls Over Financial Reporting

Changes in Internal Controls over Financial Reporting ("ICFR")

In connection with National Instrument 52-109 ("NI 52-109"), Certification of Disclosure in an Issuer's Annual and Interim Filings, adopted in December 2008 by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to financial information contained in the unaudited condensed interim financial statements and the audited annual financial statements and respective accompanying MD&A. The Venture Issuer Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109.

Management's Responsibility Over Financial Statements

The information provided in this report, including the condensed interim financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the financial statements.

Other Information

Additional information relating to the Company is available for viewing on SEDAR at www.sedar.com and at the Company's website www.auxrc.com.