



*(Formerly Auramex Resource Corp.)*

**CONDENSED INTERIM FINANCIAL STATEMENTS**

**As at and for the three and nine months ended September 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 nine months ended September 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 September 30, 2020 and December 31, 2019

(Unaudited - Stated in Canadian dollars)

	Note	September 30 2020	December 31 2019 <i>(restated, note 3)</i>
<b>ASSETS</b>			
<b>Current</b>			
Cash		\$ 1,787,486	\$ 56,634
Receivables		156,018	19,039
Prepaid expenses		627,927	111,914
		<u>2,571,431</u>	<u>187,587</u>
<b>Exploration and evaluation assets</b>	4	5,825,510	332,085
		<u>\$ 8,396,941</u>	<u>\$ 519,672</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current</b>			
Accounts payable and accrued liabilities		\$ 442,929	\$ 430,641
		<u>442,929</u>	<u>430,641</u>
<b>Shareholders' Equity</b>			
Share Capital	5	26,078,593	15,301,386
Equity reserves	5	2,017,529	1,365,270
Deficit		(20,142,110)	(16,577,625)
		<u>7,954,012</u>	<u>89,031</u>
		<u>\$ 8,396,941</u>	<u>\$ 519,672</u>
<b>Nature of operations and going concerns</b>	1		
<b>Subsequent events</b>	5, 9		

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

Signed on the Company's behalf by:

"Ravshan Ismadiyarov"  
Ravshan Ismadiyarov, Chief Financial Officer

"Ian Slater"  
Ian Slater, Chief Executive Officer

*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 nine-month periods ended September 30, 2020 and 2019

(Unaudited - Stated in Canadian dollars)

	Note	Three months ended		Nine months ended	
		Sept 30 2020	Sept 30 2019 <i>(restated, note 3)</i>	Sept 30 2020	Sept 30 2019 <i>(restated, note 3)</i>
<b>Expenses</b>					
Exploration	6	\$ 2,233,304	\$ 467,483	\$ 2,298,961	\$ 577,343
General and administrative		52,654	16,471	85,895	45,023
Management and consulting fees	7	93,102	57,300	160,788	147,067
Marketing		83,169	33,764	195,331	94,517
Professional fees		3,351	1,745	90,537	48,977
Share-based compensation		733,192	112,862	733,192	147,042
		<b>(3,198,772)</b>	<b>(689,625)</b>	<b>(3,564,704)</b>	<b>(1,059,969)</b>
<b>Interest income</b>		<b>164</b>	<b>39</b>	<b>219</b>	<b>351</b>
<b>Recovery of flow-through premium</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>7,730</b>
<b>Other income</b>		<b>-</b>	<b>18,000</b>	<b>-</b>	<b>18,000</b>
<b>Loss and comprehensive loss for the period</b>		<b>\$ (3,198,608)</b>	<b>(671,586)</b>	<b>(3,564,485)</b>	<b>(1,033,888)</b>
<b>Loss per share – basic and diluted</b>		<b>(0.10)</b>	<b>(0.07)</b>	<b>(0.20)</b>	<b>(0.12)</b>
<b>Weighted average number of shares outstanding – basic and diluted</b>		<b>31,898,540</b>	<b>9,082,441</b>	<b>17,885,123</b>	<b>8,586,857</b>

*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 nine month periods ended September 30, 2020 and 2019

(Unaudited - Stated in Canadian dollars)

	Note	Sept 30 2020	Sept 30 2019 <i>(restated, note 3)</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss for the period		\$ (3,564,485)	\$ (1,033,888)
Items not involving cash:			
Recovery of flow-through premium		-	(7,730)
Share-based payment expense		733,192	147,042
Changes in non-cash working capital items:			
Accounts receivable		(136,979)	(28,716)
Prepaid expenses		(516,013)	(17,992)
Accounts payable and accrued liabilities		12,288	261,115
		<u>(3,471,997)</u>	<u>(680,169)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Option payments received	4	35,000	-
Acquisition of exploration and evaluation assets	4	(256,425)	(6,824)
		<u>(221,425)</u>	<u>(6,824)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Shares issued for cash, net of share issue costs	5	5,275,199	382,854
Shares issued on exercise of stock options	5	85,550	-
Shares issued on exercise of warrants	5	63,525	17,000
		<u>5,424,274</u>	<u>399,854</u>
Change in cash during the period		1,730,852	(287,139)
Cash, beginning of the period		<u>56,634</u>	<u>370,453</u>
Cash, end of the period		\$ 1,787,486	\$ 83,314
<b>Supplemental disclosure of cash flow information</b>			
Shares issued under property agreements	4	\$ 5,272,000	\$ 30,750
Exploration and evaluation assets included in accounts payable and accrued liabilities		20,000	-

*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 nine month periods ended September 30, 2020 and 2019

(Unaudited – Stated in Canadian dollars)

	Number of Shares	Amount	Subscription Receipts	Equity Reserves	Deficit	Total Equity
<b>Balance as at December 31, 2018</b> <i>(restated, note 3)</i>	<b>8,933,730</b>	<b>\$ 14,671,796</b>	<b>\$ 70,000</b>	<b>\$ 1,218,228</b>	<b>\$ (15,351,043)</b>	<b>\$ 608,981</b>
Shares issued pursuant to private placements	1,836,000	459,000	(70,000)	-	-	389,000
Share issuance costs	-	(6,146)	-	-	-	(6,746)
Shares issued pursuant to property option agreements	115,000	30,750	-	-	-	30,750
Shares issued pursuant to warrant exercises	66,000	17,000	-	-	-	17,000
Share-based payments	-	-	-	147,042	-	147,042
Loss and comprehensive loss for the period <i>(restated, note 3)</i>	-	-	-	-	(1,033,888)	(1,033,888)
<b>Balance as at September 30, 2019</b>	<b>10,950,730</b>	<b>\$ 15,172,400</b>	<b>\$ -</b>	<b>\$ 1,365,270</b>	<b>\$ (16,384,931)</b>	<b>\$ 152,739</b>
<b>Balance as at December 31, 2019</b> <i>(restated, note 3)</i>	<b>11,470,730</b>	<b>\$ 15,301,386</b>	<b>\$ -</b>	<b>\$ 1,365,270</b>	<b>\$ (16,577,625)</b>	<b>\$ 89,031</b>
Shares issued pursuant to private placements	18,936,723	5,521,051	-	-	-	5,521,051
Share issuance costs	244,800	(245,852)	-	-	-	(245,852)
Shares issued pursuant to property option agreements	11,775,000	5,272,000	-	-	-	5,272,000
Shares issued pursuant to warrant exercises	181,500	63,525	-	-	-	63,525
Share-based payments	-	-	-	733,192	-	733,192
Shares issued pursuant to stock option exercise	306,000	85,550	-	-	-	85,550
Transfer of fair value of options exercised	-	80,933	-	(80,933)	-	-
Loss and comprehensive loss for the period	-	-	-	-	(3,564,485)	(3,564,485)
<b>Balance at September 30, 2020</b>	<b>42,914,753</b>	<b>\$ 26,078,593</b>	<b>\$ -</b>	<b>\$ 2,017,529</b>	<b>\$ (20,142,110)</b>	<b>\$ 7,954,012</b>

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 nine months ended September 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. 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.

On September 11, 2020, the Company completed the acquisition of the Independence and Silver Crown Projects in northern British Columbia (Note 4).

	<b>September 30, 2020</b>		<b>December 31, 2019</b>	
Working capital surplus / (deficiency)	\$	<b>2,128,502</b>	\$	(243,054)
Deficit		<b>(20,142,110)</b>		(16,577,625)

**AUX RESOURCE CORP. (formerly Auramex Resource Corp.)**

Notes to the Condensed Interim Financial Statements

For the three and nine months ended September 30, 2020

(Unaudited – Stated in Canadian dollars)

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**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 nine month periods ended September 30, 2020, with comparative information as at December 31, 2019 and for the three and nine month periods ended September 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 nine months ended September 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

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

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

	<b>Three months ended</b>		<b>Nine months ended</b>	
	As reported Sept 30 2019	As restated Sept 30 2019	As reported Sept 30 2019	As restated Sept 30 2019
<b>Expenses</b>				
Exploration expenditures	\$ -	\$ 467,483	\$ -	\$ 577,343
<b>Loss and comprehensive loss for the period</b>	<b>\$ (204,103)</b>	<b>(671,586)</b>	<b>(456,545)</b>	<b>(1,033,888)</b>
<b>Loss per share – basic and diluted</b>	<b>(0.02)</b>	<b>(0.07)</b>	<b>(0.06)</b>	<b>(0.12)</b>
<b>Weighted average number of shares outstanding – basic and diluted</b>	<b>9,082,441</b>	<b>9,082,441</b>	<b>8,586,857</b>	<b>8,586,857</b>

**AUX RESOURCE CORP. (formerly Auramex Resource Corp.)**

Notes to the Condensed Interim Financial Statements

For the three and nine months ended September 30, 2020

(Unaudited – Stated in Canadian dollars)

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

	Nine months ended	
	As reported Sept 30 2019	As restated Sept 30 2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the period	\$ (456,546)	\$ (1,033,888)
<b>Total cash used in operating activities</b>	<b>(420,454)</b>	<b>(680,169)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of exploration and evaluation assets	(266,539)	(6,824)
<b>Total cash used in investing activities</b>	<b>(266,539)</b>	<b>(6,824)</b>

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

	Deficit		Total Equity	
	As reported	As restated	As reported	As restated
<b>Balance as at December 31, 2018</b>	\$ (13,152,253)	\$ (15,351,043)	\$ 2,807,771	\$ 608,981
Loss and comprehensive loss for the period	(456,545)	(1,033,888)	(456,545)	(1,033,888)
<b>Balance as at September 30, 2019</b>	<b>\$ (13,608,798)</b>	<b>\$ (16,384,931)</b>	<b>\$ 2,928,872</b>	<b>\$ 152,739</b>

**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 nine months ended September 30, 2020

(Unaudited – Stated in Canadian dollars)

**4. EXPLORATION AND EVALUATION ASSETS**

	American Creek	Bear Pass	Georgia	Indepen- dence	Lower Bear	Silver Crown	Tide North	Total
<b>Acquisition costs</b>								
<b>Balance, Dec 31, 2019</b>	\$ 13,825	\$ 154,919	\$ 118,854	\$ -	\$ 33,500	\$ -	\$ 10,987	\$ 332,085
Additions	105,000	39,164	2,647	2,676,957	28,000	2,676,957	-	5,528,725
Option payments received	(15,300)	(20,000)	-	-	-	-	-	(35,300)
<b>Balance, Sep 30, 2020</b>	<b>\$ 103,525</b>	<b>\$ 174,083</b>	<b>\$ 121,501</b>	<b>\$ 2,676,957</b>	<b>\$ 61,500</b>	<b>\$ 2,676,957</b>	<b>\$ 10,987</b>	<b>\$ 5,825,510</b>

	American Creek	Bear Pass	Georgia	Indepen- dence	Lower Bear	Silver Crown	Tide North	Total
<b>Acquisition costs</b>								
<b>Balance, Dec 31, 2018</b>	\$ -	\$ 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)
<b>Balance, Dec 31, 2019</b>	<b>\$ 13,825</b>	<b>\$ 154,919</b>	<b>\$ 118,854</b>	<b>\$ -</b>	<b>\$ 33,500</b>	<b>\$ -</b>	<b>\$ 10,987</b>	<b>\$ 332,085</b>

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

In March 2020, all options granted to Decade Resources Ltd. were terminated.

On September 11, 2020, the Company completed the acquisition of the Independence and Silver Crown Projects in northern British Columbia. Consideration of 11,500,000 common shares of the Company at \$0.45/share were issued for all of the issued and outstanding shares of Isla Gold Corporation. Transaction costs of \$41,849 associated with the acquisition were recorded. The acquisition was accounted for as an asset acquisition with the net purchase price paid being allocated to the assets acquired and liabilities assumed as follows:

Cash	\$ 85,000
Accounts payable	(22,065)
Mineral Properties (Independence Project)	2,576,957
Mineral Properties (Silver Crown Project)	2,576,957
	<u>\$ 5,216,849</u>

During the period, an additional \$100,000 in cash option payments were made in consideration of each of the option agreements for the Independence Project and the Silver Crown Project.

**AUX RESOURCE CORP. (formerly Auramex Resource Corp.)**

Notes to the Condensed Interim Financial Statements

For the three and nine months ended September 30, 2020

(Unaudited – Stated in Canadian dollars)

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**4. EXPLORATION AND EVALUATION ASSETS** *(continued)*

**American Creek Project**

During the nine months ended September 30, 2020, the Company:

- Issued 120,000 common shares and made \$40,000 in cash option payments in consideration of the option agreement for Dorothy 2. Deemed consideration of \$47,000 has been recorded as property acquisition costs in respect of the common share issuance. The Company has completed the cash payment and common share issuance obligations related to the property option agreement but must complete outstanding work obligations to finalize the acquisition of 100% of the Dorothy 2 property.
- Issued 20,000 common shares and received \$300 in net cash option payments in consideration of the option agreements for the American Creek Silver Crown property. Deemed consideration of \$3,000 has been recorded as property acquisition costs in respect of the common share issuance.

**Bear Pass Project**

During the nine months ended September 30, 2020, the Company:

- Issued 115,000 common shares in consideration of the option agreement for Rufus. Deemed consideration of \$39,000 has been recorded as property acquisition costs in respect of the common share issuance. The Company has completed the common share issuance obligations related to completing the acquisition of 75% of the property under the property option agreement.
- Received \$20,000 in option payments in respect of the West George Copper option 3<sup>rd</sup> anniversary payment.

**Georgia Project**

During the nine months ended September 30, 2020, the Company staked the Lydden property claim within the Georgia Project for cash costs of \$2,647.

**Lower Bear Project**

During the nine months ended September 30, 2020, the Company issued 20,000 common shares and made \$20,000 in cash payments in consideration of the option agreement for the Bay Silver property. Deemed consideration of \$8,000 has been recorded as property acquisition costs in respect of the common share issuance.

**AUX RESOURCE CORP. (formerly Auramex Resource Corp.)**

Notes to the Condensed Interim Financial Statements

For the three and nine months ended September 30, 2020

(Unaudited – Stated in Canadian dollars)

**4. EXPLORATION AND EVALUATION ASSETS** *(continued)***Exploration and Evaluation Expenditures**

Exploration and evaluation expenditures recorded in the condensed interim statements of comprehensive loss for the nine months ended September 30, 2020 and 2019 are as follows:

	American Creek	Bear Pass	Georgia	Indepen- dence	Lower Bear	Silver Crown	Tide North	Total
Drilling	\$ -	\$ -	\$ 1,614,466	\$ -	\$ -	\$ -	\$ -	\$ 1,614,466
Geochemical and mapping	35,003	240	442,246	93,468	5,690	74,297	441	651,385
Technical and geological consulting	800	1,300	28,210	-	2,000	-	800	33,110
<b>Balance, Sep 30, 2020</b>	<b>\$ 35,803</b>	<b>\$ 1,540</b>	<b>\$ 2,084,922</b>	<b>\$ 93,468</b>	<b>\$ 7,690</b>	<b>\$ 74,297</b>	<b>\$ 1,240</b>	<b>\$ 2,298,961</b>

	American Creek	Bear Pass	Georgia	Indepen- dence	Lower Bear	Silver Crown	Tide North	Total
Geochemical and mapping	\$ 17,881	\$ 27,855	\$ 465,312	\$ -	\$ 12,809	\$ -	\$ 6,179	\$ 530,036
Technical and geological consulting	8,600	5,200	21,307	-	9,600	-	2,600	47,307
<b>Balance, Sep 30, 2019</b>	<b>\$ 26,481</b>	<b>\$ 33,055</b>	<b>\$ 486,619</b>	<b>\$ -</b>	<b>\$ 22,409</b>	<b>\$ -</b>	<b>\$ 8,779</b>	<b>\$ 577,343</b>

**AUX RESOURCE CORP. (formerly Auramex Resource Corp.)**

Notes to the Condensed Interim Financial Statements

For the three and nine months ended September 30, 2020

(Unaudited – Stated in Canadian dollars)

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**5. SHARE CAPITAL**

**a) Authorized**

An unlimited number of common shares without par value.

**b) Share Issuance**

At September 30, 2020, the Company had 42,914,753 common shares issued and outstanding (December 31, 2019 – 11,470,730).

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 nine months ended September 30, 2020, the Company issued:

- 11,775,000 common shares in respect of property option agreements at prices ranging from \$0.15 - \$0.45, for which deemed consideration of \$5,272,000 has been recorded as property acquisition costs (Note 4);
- 306,000 common shares in respect of the exercise of employee incentive stock options at prices ranging from \$0.25 - \$0.30 for gross proceeds of \$85,550; and
- 181,500 common shares in respect of the exercise of share purchase warrants at \$0.35 per warrant for gross proceeds of \$63,525.

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 \$184,547 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. Share issuance costs of \$61,200 were recorded in relation to the brokers’ units issued.

**AUX RESOURCE CORP. (formerly Auramex Resource Corp.)**

Notes to the Condensed Interim Financial Statements

For the three and nine months ended September 30, 2020

(Unaudited – Stated in Canadian dollars)

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

The Company's share purchase warrant activity for the nine months ended September 30, 2020 is as follows:

Number Outstanding Dec 31, 2019	Granted	Exercised	Expired/ Cancelled	Number Outstanding Sep 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	-	(181,500)	-	<b>1,344,500</b>	\$0.35	February 22, 2021	0.40
520,000	-	-	-	<b>520,000</b>	\$0.50	April 18, 2021	0.55
-	7,198,928	-	-	<b>7,198,928</b>	\$0.40	July 6, 2022	1.76
3,742,000	7,198,928	(181,500)	(1,696,000)	<b>9,063,428</b>	\$0.39	<i>(weighted average)</i>	1.49

The Company's share purchase warrant activity for the year ended December 31, 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	-	-	-	<b>1,541,000</b>	\$0.50	February 16, 2020	0.13
-	155,000	-	-	<b>155,000</b>	\$0.50	January 29, 2020	0.08
-	1,526,000	-	-	<b>1,526,000</b>	\$0.35	February 22, 2021	1.15
-	520,000	-	-	<b>520,000</b>	\$0.50	April 18, 2021	1.30
2,079,000	2,201,000	(66,000)	(472,000)	<b>3,742,000</b>	\$0.42	<i>(weighted average)</i>	0.70

**d) 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.)**

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(Unaudited – Stated in Canadian dollars)

**5. SHARE CAPITAL (continued)**

The continuity for stock options for the nine months ended September 30, 2020 is as follows:

Number Outstanding Dec 31, 2019	Granted	Exercised	Expired/Cancelled	Number Outstanding Sep 30, 2020	Exercise Price	Expiry Date	Weighted Average Remaining Contractual Life (in years)
80,000	-	-	-	<b>80,000</b>	\$0.25	September 24, 2024	3.99
100,000	-	-	-	<b>100,000</b>	\$0.25	February 8, 2027	6.36
46,600	-	-	-	<b>46,600</b>	\$0.25	December 19, 2027	7.22
103,600	-	(50,000)	(40,000)	<b>13,600</b>	\$0.28	July 12, 2023	2.78
143,000	-	(100,000)	(10,000)	<b>33,000</b>	\$0.25	January 28, 2024	3.30
355,000	-	(156,000)	(18,000)	<b>181,000</b>	\$0.30	July 7, 2024	3.77
-	2,300,000	-	-	<b>2,300,000</b>	\$0.42	July 8, 2025	4.77
828,200	2,300,000	(306,000)	(68,000)	<b>2,754,200</b>	\$0.40	(weighted average)	4.76
			Exercisable	<b>1,029,200</b>	\$0.35	(weighted average)	4.73

The continuity for stock options for the year ended December 31, 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)	<b>80,000</b>	\$0.25	September 24, 2024	4.74
100,000	-	-	-	<b>100,000</b>	\$0.25	February 8, 2027	7.11
83,200	-	-	(36,600)	<b>46,600</b>	\$0.25	December 19, 2027	7.97
103,600	-	-	-	<b>103,600</b>	\$0.28	July 12, 2023	3.53
-	156,400	-	(13,400)	<b>143,000</b>	\$0.25	January 28, 2024	4.08
-	385,000	-	(30,000)	<b>355,000</b>	\$0.30	July 7, 2024	4.52
676,800	541,400	-	(390,000)	<b>828,200</b>	\$0.25	(weighted average)	4.84
			Exercisable	<b>828,200</b>	\$0.25	(weighted average)	4.39

**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.



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(Unaudited – Stated in Canadian dollars)

**5. SHARE CAPITAL (continued)**

During the nine months ended September 30, 2020, the Company recognized share-based payment expense of \$733,192 (2019 - \$147,042) using the following weighted average assumptions:

	Sept 30, 2020	Sept 30, 2019
Share price	\$ 0.49	\$ 0.25 - \$ 0.30
Risk-free interest rate	0.37%	1.51% - 1.83%
Expected life of options	5 years	5 years
Annualized volatility	194.2%	195.9% - 202.2%
Expected forfeitures	0%	0%
Dividend rate	0%	0%
Fair value per option	\$ 0.48	\$ 0.22 - \$ 0.30

**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:

	Nine months ended	
	Sept 30, 2020	Sept 30, 2019
Consulting fees	\$ 263,685	\$ 323,000
Directors' fees	-	7,500
	\$ 263,685	\$ 330,500

Consulting fees include fees which may have been classified as exploration expenditures in the financial statements. At September 30, 2020, an amount of \$6,588 (September 30, 2019 - \$126,453) 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 nine months ended September 30, 2020

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## **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 September 30, 2020, the Company has cash of \$1,787,486 to settle current liabilities of \$442,929. 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 September 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 nine months ended September 30, 2020

(Unaudited – Stated in Canadian dollars)

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**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.