AUX Resources

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2020

The following Management Discussion and Analysis ("MD&A") of AUX Resources Corp. (formerly Auramex Resources Corp.) ("AUX" or the "Company") is prepared as at March 18, 2021 and should be read in conjunction with the Company's audited consolidated financial statements, and the notes thereto, for the years ended December 31, 2020 and 2019, which are prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS"). All dollar amounts are expressed in Canadian dollars unless otherwise specified.

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

AUX is a mineral exploration company engaged in the business of acquiring interests in mineral properties and exploring those properties to assess their potential to host economic deposits of minerals. Should a property not meet the Company's targets with respect to quantity or quality of potential economic deposits of minerals, it may be abandoned, triggering the write-off of the capitalized acquisition costs associated with the property. The Company is always seeking new properties for acquisition which carry the potential to host economic mineral deposits. The exploration of mineral properties inherently involves a high degree of risk.

Corporate Update

The highlights of the Company's activities in the year ended December 31, 2020, and up to the date of this MD&A include:

a) During the year ended December 31, 2020, the Company issued:

    i. 11,775,000 common shares in respect of property option agreements at prices ranging from $0.15 to $0.45, for which deemed consideration of $5,272,000 has been recorded as property acquisition costs;

    ii. 306,000 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 $85,550; and

    iii. 181,500 common shares in respect of the exercise of share purchase warrants at $0.35 per warrant for gross proceeds of $63,525.

b) In March 2020, all options granted to Decade Resources Ltd. were abandoned by the optionee.

c) On June 30, 2020, the Company completed a 5:1 stock consolidation. All share quantities, and prices, in this MD&A are stated based on their post-consolidation values, unless otherwise specified.

d) 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 is exercisable to acquire one common share at a price of $0.40 per warrant share until July 6, 2022. Under the residual value approach, the Company recorded $nil as the fair value of the warrants issued.

Cash share issuance costs of $184,631 were paid in relation to the private placement, in addition to an issuance of 244,800 units with a fair value of $61,200 to brokers, each unit consisting of one common share and one-half of one common share purchase warrant under the same terms as above.

e) On July 8, 2020, the Company issued a grant of 2,300,000 stock options 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.

f) On July 24, 2020, the Company paid the remaining $30,000 in cash option payments owed and issued the remaining 100,000 common shares owed on the Dorothy 2 property. $20,000 of the cash option payments have yet to be accepted by the vendor. 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.

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.

h) On September 11, 2020, the Company acquired Isla Gold Corporation and its optioned holdings Independence and Silver Crown for 11,500,000 common shares of the Company. Deemed consideration of $5,175,000 and the applicable transaction costs of $42,559 have been recorded as property acquisition costs.

i) On February 19, 2021, the Company closed a private placement consisting of 11,188,889 units at a price of $0.225 per unit, for gross proceeds of $2,517,500. Each unit consists of one common share and one common share purchase warrant. Each common share purchase warrant is exercisable to acquire one common share at a price of $0.40 per warrant for a period of 24 months.

Cash share issuance costs of $40,000 were paid in relation to the private placement, in addition to an issuance of 46,000 finders' units, each unit consisting of one common share and one common share purchase warrant under the same terms as above.

j) On March 12, 2021, the Company paid the remaining $95,000 in cash option payments owed and issued the remaining 60,000 common shares owed on the Champion South (formerly known as Silver Crown) property and paid the remaining $75,000 in cash option payments owed and issued the remaining 40,000 common shares owed on the Bay Silver property. Deemed consideration of $24,000 has been recorded as property acquisition costs in respect of the common share issuance.

Mineral Properties Update

AUX is active in British Columbia, Canada, where all of its projects are located in the highly prospective Stewart camp at the southern end of the Golden Triangle of northwestern British Columbia. Its mineral tenures, comprising greater than 27,000 hectares (270 square kilometres), are divided into seven main project areas:

- The Georgia Project lies at or near tidewater along the Portland Canal south of Stewart;
- The Independence Project lies 15 kilometres north-northeast of Stewart. Highway 37A and major electrical transmission lines cross the eastern portion of Independence.
- The Silver Crown Project lies just northwest of the Independence project;
- The American Creek Project lies in the American Creek corridor, extending northeast from Independence along the east side of American Creek;
- The Lower Bear Project extends from the edge of Stewart 12 kilometres to the north;
- The Bear Pass Project encompasses properties that straddle Highway 37A for 15 kilometres along the Bear Valley and over the Bear Pass; and
- The Tide North Project lies on the upper Bowser River, 12 kilometres north of the past producing Scottie gold mine and 15 kilometres southeast of Pretium's Brucejack Mine.

The Georgia, Silver Crown, Independence, 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 ("TCPS"), 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. A synopsis of each project area is provided below; for further detail, please visit the Company's website at www.auxrc.com.

Georgia Project

The Georgia Project covers 7,936 hectares and is centered on the past producing Georgia River gold-silver mine, located on the eastern shore of the Portland Canal, a 115-kilometre-long fjord connecting the deep-water port of Stewart to the Pacific Ocean. The project area extends along the Portland Canal tidewater from 11 to 24 kilometres south of Stewart.

The Georgia Project is intimately associated with intrusions of the metallogenic, gold-bearing TCPS. On the northeast edge of the main Georgia River area is a seven kilometre contact with the Early Jurassic Bulldog Creek Pluton, an intrusion contemporaneous with the TCPS. On Colling Ridge near the old mine, intrusive rocks contemporaneous with the TCPS are deformed and entrained in the Hume Creek Deformation Zone. The Outram Lake Porphyry underlying the Gamebreaker area is also Early Jurassic in age, contemporaneous with both the Bulldog Creek and Colling Ridge intrusions. AUX is currently focused on exploring the Georgia River Mine area.

A five-year area based drill permit was issued in June 2020.

During the 2020 field program, a ~3,600 metre drill program consisting of 24 diamond drill holes was completed. The program extended mineralization from the historic high-grade gold mine in both directions. Assays are pending.

The Company also recovered over 5,000 metres of historic diamond drill core from exploration between 1979 and 1996 at Georgia. The majority of this core had previously only been selectively sampled at obvious veins, without any shoulder sampling. An extensive recovery program was completed, and the re-boxed core was moved off-site for re-logging, re-sampling, and improved geochemistry. The majority of these historic diamond drill holes intersect the Southwest vein and will contribute to an improved understanding of this important high-grade zone.

Independence Project

On September 11, 2020, the Company acquired an option on the Independence Project in northern British Columbia. The 2,197 hectare property contains mostly andesitic flows and tuffs of the Hazelton Group, crosscut by multiple diorite and granodiorite dykes, which are commonly associated with mineralized veins (within or beside dykes) and shear zones. The northwest striking shear zones contain brecciated to laminated quartz-barite-magnetite-jasper veins +/- pyrite +/- chalcopyrite +/- pyrrhotite +/- sphalerite +/- galena. 2019 grab sample assays from historic adit #1 returned assays of up to 10.7 g/t Au, 85.30 g/t Ag, and 2.9% Cu.

During the current year, field work comprised of detailed mapping at historic trenches and adits to better determine controls on mineralization. Chip sampling was completed at four different historic adits and trenches over a total of 24 metres, with assay results pending. During field work, the historic drill collar locations were confirmed and surveyed using a differential GPS; the historic logs will be used to develop a model of the mineralized system.

Silver Crown Project

On September 11, 2020, the Company acquired an option on the Silver Crown Project in northern British Columbia. The 450 hectare property consists of sedimentary and volcanic units of the Hazelton Group, where the Betty Creek and Mount Dilworth Formations gently folded and dip to the northwest. These formations are then unconformably overlain by siltstone to mudstone sedimentary beds of the Spatsizi Formation. Prospective mineralization occurs in a large vein system generally striking north through the property with a length of at least 1.4 kilometres, dipping very steeply to the northwest. Veining is seen in outcropping in both the Spatsizi and Mount Dilworth Formations. Veins are polymetallic with strong sulphide mineralization of pyrite, galena, spalerite +/- chalcopyrite +/- trace malachite. 2019 grab samples from the vein system produced assays of up to 9.28 g/t Au and up to 1.4% Cu.

During the current year, field work comprised of approximately 102 channel samples at approximately 40 metre intervals covering 500 metre strike of the most prospective surface outcropping of the vein system, which confirmed strike length of the mineralized corridor containing high-grade silver veins to be in excess of 1,400 metres. Field mapping was conducted to produce a more detailed understanding of structural and lithological controls on mineralization, assisting with confirmation of historic mapping of the vein system 500 metres to the north. Mapping was also completed surrounding the Iron Cap showing to better assess the area as a future target. This data is being compiled into a detailed map, which will then be combined with the assay results of channel samples and outcrop grabs to delineate drill targets for the 2021 field season.

American Creek Project

The American Creek Project extends approximately 15 kilometres north-south along the lower American Creek corridor and south of its confluence with Bear River. The properties included in this project are Champion, Dorothy 2, Champion South (formerly the Silver Crown property), and Confluence.

The Company holds a dominant land position in the lower American Creek corridor, centered on the east side of the creek. Within the corridor are three past-producing high-grade silver mines (Mountain Boy, Terminus, and Ketchum) located in close proximity to each other, all near 1,000 metres elevation. Current working hypotheses indicate that the high-grade silver zones represent the upper portions of extensive hydrothermal systems, with the lower portions of the system(s) underlying those high-level expressions.

AUX considers this area to be underexplored, especially given the presence of nearby past producers, the prospective geology enhanced by more modern interpretations, and the encouraging results reported by nearby Pretium Resources Inc. along the corridor on their adjacent property to the north. Drill results by Pretium Resources Inc. (www.pretivm.com) on their American Creek Zone included holes within four kilometres of the AUX property which produced significant values of gold and silver.

In March 2020, all options granted to Decade Resources Ltd. (“Decade”) within the American Creek Project properties were terminated.

The Champion property covers six kilometres of the American Creek corridor including the past-producing Terminus Silver Mine. An airborne geophysical survey by a previous operator identified an area of anomalous VLF-EM response coincident with the historic high-grade silver mine.

The Dorothy 2 property is adjacent to the Champion property on the east side of American Creek, with the lower portion of the property accessible by road. Nearby are the past producing Terminus Silver Mine and the historic Mountain Boy Mine on the opposite side of American Creek. Both were high-grade silver mines and are hosted in a geological trend that continues onto Dorothy 2. Intrusive bodies are present on the property; however, the property has seen minimal modern exploration as attention has been focused on the three past historical producers. During the current year, the Company completed its obligations with respect to cash consideration and share issuances to complete the option on the Dorothy 2 property. The Company’s remaining obligations to complete the option are related to additional work to be done on the property.

The Champion South property (formerly known as the Silver Crown property) joins Champion and the historic Ketchum Mine on the north end and extends south to the Red Cliff Mine. The property shares the same geological setting as the neighbouring mines, yet has seen little modern exploration.

During October 2020, the Company consolidated its interests in the Confluence property through the purchase of a 36.1 hectare claim for consideration of $1,000. The new addition is located immediately north of, and is contiguous with, the existing Confluence property. Confluence encloses an area adjacent to the Red Cliff Mine, along two southeast trending structural anomalies.

Lower Bear Project

The Lower Bear Project comprises 3,836 hectares and extends from the Stewart town limit to 12 kilometres up the Bear Valley, within three kilometres of the Premier Mine. It consists of tenures wholly owned by the Company through staking and purchase agreements (the Lower Bear property), and tenures comprising the Bay Silver property option. As a result of its holdings, AUX controls a portion of the east side of the Bear River Ridge, with the Premier Mine to the west of the ridge and the Dunwell, Ben Ali, and Sunbeam Mines immediately east of the AUX ground.

The geology on the east side of the Bear Ridge in the Bear River Valley is identical to that of the Salmon River Valley west of the ridge, which hosts the Premier Mine camp (historic production of two million ounces of gold and 43 ounces of silver). Intrusions in the Bear River Valley, although not positively identified as being part of the TCPS, are very similar in texture and mineralogy. The Dunwell Mine, to the immediate east of the Lower Bear property, was third only to the Silbak Premier and Porter Idaho Mines in silver production during its mine life.

The Lower Bear property encloses ground along structural strike from the Silbak Premier Mine, across the Bear River Ridge. Partial coverage by a 2009 airborne geological survey identified three areas of anomalous conductivity beneath the river valley, called the Gravel South, Gravel, and Gravel North anomalies, coincident with northwest-trending structures that cross the Bear River Ridge and proximal to an Early Jurassic Texas Creek intrusion.

A geophysical survey over the Bay Silver property by the previous operator identified a target area with minimal follow-up. That geophysical target aligns with a geophysical target on the adjacent AUX ground. Early field work by AUX in 2018 identified high grade values of gold and silver in a favorable geological setting, providing a strong basis for additional work.

Bear Pass Project

The Bear Pass Project comprises 6,400 hectares and encloses multiple intrusion-related gold and silver targets that extend along the upper Bear Valley and over the Bear Pass (collectively termed the Bear River Corridor). The project, centered on Highway 37A and spanning a distance of approximately 15 kilometres west to east, is composed of several properties, including: Surprise Creek (formerly known as Lucky Frenchman), Capital, Cornice Mountain, Tory, Icefield, Rufus, and Bayview/Comet.

The target areas were acquired based on AUX’s unique knowledge of the geology of the region, which hosts widespread gold-silver and base metal mineral occurrences, identified, and exploited by miners in the early 1900s and explored on a piecemeal basis since. Most of the historic work has been conducted on small land holdings with little or no broad geological interpretation. Exploration by the Company in 2018 was the first-ever comprehensive geological review of the property. The recognition of a Texas Creek intrusive unit is one of several geological insights gained from the 2018 program.

In March 2020, Decade terminated the option agreement associated with the Surprise Creek property.

During the current year, the Company completed its obligations with respect to share issuances to complete the option on the Rufus property.

A five-year area based drill permit was issued in November 2020.

Tide North Project

The Tide North Project comprises 2,204 hectares and is located 3.5 kilometres north of the Tide airstrip on the Granduc Mine road. It is located 9 kilometres north of the historic Scottie Gold Mine, which is currently being evaluated by Scottie Resources Corp.

The property was acquired by AUX for its potential to host an Eskay Creek-style deposit. Conductivity anomalies, detected during a 2009 airborne geophysical survey are consistent with conductive strata of the Salmon River formation presented in a north-westerly trending syncline across the property.

A 2014 diamond drill hole intersected an unexpected thickness of intensely carbonaceous Salmon River formation including thin, stratiform sulfide mineralization and thin beds of sedimentary breccia containing clasts of banded pyrite. The drill hole did not intersect the target, basal contact of the Salmon River formation with underlying, sulphide-bearing rocks of the older Lower Hazelton group. The casing remains in the collar and the hole can therefore be extended to the target in the future.

A five-year area based drill permit was issued in June 2020.

Qualified Person

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

Results of Operations

For the years ended December 31, 2020 and 2019

For the year ended December 31, 2020, the Company incurred a loss and comprehensive loss of $3,590,364 (2019 - $1,226,582). Expenses for the year ended December 31, 2020 were $4,227,230 (2019 - $1,250,517).

During the year ended December 31, 2020, the Company's working capital increased by $1,679,571 to working capital of $1,436,516 from a working capital deficit of $243,055 as a result of cash received from the July 6, 2020 private placement, as well as cash received from the exercise of stock options and share purchase warrants.

Significant or noteworthy expenditure differences between the years ended include:

Year ended December 31,		2020		2019 *(restated)*
Exploration	**$**	**2,652,229**	$	681,623
	Increase due to the exploration and drilling program during the current year.			
Marketing	**$**	**290,701**	$	110,227
	Increase due to altered investor relations strategies during the current year to increase the visibility of the Company to shareholders.			
Professional fees	**$**	**103,999**	$	49,497
	Increase due to increased legal and accounting fees related to management change and increased activities during the current year.			
Share-based compensation	**$**	**842,466**	$	147,042
	Increase due to larger stock option grants during the current year.			
Recovery of flow-through premium	**$**	**(636,647)**	$	(7,730)
	Increase due to issuance of flow-through shares during the current year.			

For the three months ended December 31, 2020 and 2019

For the three months ended December 31, 2020, the Company incurred a loss and comprehensive loss of $25,879 (2019 - $192,387). Expenses for the three months ended December 31, 2020 were $662,425 (2019 - $191,242).

Significant or noteworthy expenditure differences between the three months ended include:

Three months ended December 31,		2020		2019 *(restated)*
Exploration	**$**	**353,268**	$	104,277
	Increase due to the exploration and drilling program during the current year.			
Share-based compensation	**$**	**215,446**	$	-
	Increase due to larger stock option grants during the current year.			
Recovery of flow-through premium	**$**	**(636,647)**	$	-
	Increase due to issuance of flow-through shares during the current year.			

Selected Annual Information

For the years ended December 31,		2020		2019 *(restated)*		2018 *(restated)*
Operating Revenue	$	**Nil**	$	Nil	$	Nil
Loss and comprehensive loss for the year		**(3,590,364)**		(1,226,582)		(375,590)
Basic and diluted loss per share		**(0.15)**		(0.12)		(0.06)
Total assets		**7,515,346**		519,674		685,874
Total liabilities		**203,609**		430,642		76,893
Working capital		**1,436,516**		(243,055)		314,471
Capital stock/share capital		**25,352,923**		15,301,386		14,641,796
Dividends per share		**Nil**		Nil		Nil
Weighted average number of shares outstanding		**23,919,689**		10,009,059		7,055,464

The Company has recorded losses in each of its three most recently completed fiscal years and expects to continue to record losses until such time as an economic resource is identified, developed, and brought into profitable commercial operation on one or more of the Company's properties, or until such time as one of the Company's properties is disposed of at a profit. Expenses during a given year are largely dependent upon the funds raised during the year.

Summary of Quarterly Results

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

	Dec 31, 2020 $	Sep 30, 2020 $	Jun 30, 2020 $	Mar 31, 2020 $	Dec 31, 2019 *(restated)* $	Sep 30, 2019 *(restated)* $	Jun 30, 2019 *(restated)* $	Mar 31, 2019 *(restated)* $
Revenue	nil	nil	nil	nil	nil	nil	nil	nil
Net loss for the period	(25,879)	(3,198,608)	(231,679)	(134,198)	(192,387)	(671,586)	(163,154)	(199,455)
Basic and diluted loss per share	(0.001)	(0.09)	(0.02)	(0.01)	(0.02)	(0.07)	(0.02)	(0.02)

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. Variances within the eight most recently complete quarters have resulted primarily from costs associated with exploration and operating expenses remain consistent with little variance throughout each quarter.

During the year ended December 31, 2020, the Company raised substantially more funds than in previous years, allowing for a more substantial exploration and drilling program during the third quarter. As a result of the flow-through funds raised and the eligible expenditures during the third and fourth quarter, the Company reported a recovery of flow-through premium of $636,647 during the fourth quarter, which reduced the overall loss and comprehensive loss for the Company during the fourth quarter.

Furthermore, during the year ended December 31, 2020, the Company issued stock options to employees, Directors and officers, and consultants in a larger volume than in previous years which was a factor that resulted in higher share-based compensation than in previous years ($842,466 for the year ended December 31, 2020 compared to $147,042 for the year ended December 31, 2019).

The net loss for the period disclosed for the eight most recently completed quarters may differ slightly from previously published results due to a change in accounting policy effective January 1, 2020 (see "Changes in Accounting Policies" in this document and Note 5 in the audited consolidated financial statements).

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 December 31, 2020, the Company had cash on hand of $1,244,254. 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.

On June 30, 2020, the Company completed a 5:1 stock consolidation. All share quantities and share prices in this MD&A are stated based on their post-consolidation values, unless otherwise specified.

During the year ended December 31, 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;

- Issued 306,000 common shares in respect of the exercise of stock options at prices ranging from $0.25 - $0.30 for gross proceeds of $85,550;

- Issued 181,500 common shares in respect of the exercise of share purchase warrants at $0.35 per warrant for gross proceeds of $63,525; and

- 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 share 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. Under the residual value approach, the Company recorded $nil as the fair value of the warrants issued.

  Cash share issuance costs of $184,631 were paid in relation to the private placement, in addition to an issuance of 244,800 units with a fair value of $61,200 to brokers, each unit consisting of one common share and one-half of one common share purchase warrant under the same terms as above.

As at the date of this MD&A, the Company has 54,249,642 common shares, 2,754,200 stock options (2,179,200 of which are exercisable), and 18,953,817 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. During year ended December 31, 2020, the Company expended $4,007,583 on operating activities (2019 - $835,834); expended $229,071 on investing activities (2019 - $6,825); received cash from financing activities net of share issuance costs of $5,424,274 (2019 - $528,840); and ended with $1,244,254 in cash (2019 - $56,634).

For the years ended December 31,		**2020**		2019 *(restated)*
Cash used in operating activities	**$**	**(4,007,583)**	$	(835,834)
Cash used in investing activities	**$**	**(229,071)**	$	(6,825)
Cash provided by financing activities	**$**	**5,424,274**	$	528,840
Change in cash during the period	**$**	**1,187,620**	$	(313,819)

Related Party Transactions

Related parties and related party transactions impacting the Company's audited consolidated financial statements are summarized below and include transactions with key management personnel, including Officers and Directors, for the years ended December 31, 2020 and 2019.

		December 31, 2020		December 31, 2019
Consulting fees[1]	**$**	**358,346**	$	417,908
Directors' fees		**-**		12,500
Share-based payments		**549,434**		120,871
Total receivables	**$**	**907,780**	$	551,277

[1] *$234,100 is included in management and consulting fees, and $124,246 is included in exploration expenditures.*

As at December 31, 2020, an amount of $289 (December 31, 2019 – $240,626) 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.

Mountain Boy Minerals Ltd. ("MBM") had a director in common with the Company who was a related party. The Company has performed exploration work and incurred expenses on behalf of MBM; the balance owing by MBM in respect of these expenditures as at December 31, 2020 was $4,172 (December 31, 2019 – $4,172), which was received by the Company subsequent to December 31, 2020. In addition, the Company has entered into various Mineral Property Option Agreements as described in Note 8 of the audited consolidated financial statements.

New Standards, Interpretations and Amendments Not Yet Effective

Refer to Note 3 of the audited consolidated financial statements on www.sedar.com.

Financial Instruments and Risk Management

Categories of Financial Assets and Financial Liabilities

Financial instruments are classified into one of the following categories: FVTPL, FVOCI, or amortized cost. The carrying values of the Company's financial instruments are classified into the following categories:

Financial Instrument	Category		December 31, 2020		December 31, 2019
Cash and cash equivalents	FVTPL	**$**	**1,244,254**	$	56,634
Receivables	Amortized cost		**150,194**		19,039
Deposits	Amortized cost		**48,000**		-
Accounts payable and accrued liabilities	Amortized cost		**(114,586)**		(430,642)

The Company's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value, and volatility factors, which can be substantially observed or corroborated in the marketplace.

Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The fair value of quoted investments is determined by reference to market prices at the close of business on the statement of financial position date. Where there is no active market, fair value is determined using valuation techniques. These include using recent arms' length market transactions, reference to the current market value of another instrument which is substantially the same, discounted cash flow analysis, and pricing models.

The recorded amounts for receivables, deposits, and accounts payable and accrued liabilities approximate their fair value due to their short-term nature or ability of prompt liquidation. Cash and cash equivalents are recorded at fair value and are calculated under the fair value hierarchy and measured using Level 1 inputs. The Company did not have Level 2 or Level 3 financial instruments as at December 31, 2020 or December 31, 2019.

Risk Management

The Company's risk exposures and the impact to the Company's audited consolidated financial statements are summarized as follows:

Liquidity Risk

Liquidity risk is the risk that a company cannot meet its short-term debt obligations. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when they come due. As at December 31, 2020, the Company has cash and cash equivalents of $1,244,254 to settle current liabilities of $203,609. The Company is exposed to liquidity risk, which has been mitigated through the raise of an additional $2,517,500 in cash subsequent to December 31, 2020 (Note 14 of the audited consolidated financial statements).

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 cash equivalents and receivables. Cash and cash equivalents are held with highly rated major Canadian 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.

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.

a) 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 made and is satisfied with the credit ratings of its banks. As at December 31, 2020, the Company had $20,000 invested in investment-grade short-term deposit certificates (December 31, 2019 – $nil), accounted for as cash equivalents (Note 6 of the audited consolidated financial statements).

b) Foreign currency risk

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

c) 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 to 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, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

Changes in Accounting Policies

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 change in policy has been made due to a change in the business model of the Company following a change in management during the year ended December 31, 2020 and is considered to more appropriately disclose the operations of the Company.

The impact of the change in policy has been applied retrospectively in this MD&A and in the Company's audited consolidated financial statements for the years ended December 31, 2020 and 2019. The summary of the impact of these changes is disclosed below:

Summary of Impact on the Prior Year Statement of Financial Position

As at December 31, 2019		As reported		Adjustments		**As restated**
Mineral properties	$	3,212,499	$	(2,880,412)	**$**	**332,087**
Total Assets	$	3,400,086		(2,880,412)	**$**	**519,674**
Deficit	$	(13,697,212)	$	(2,880,412)	**$**	**(16,577,624)**
Total Equity	$	2,969,444	$	(2,880,412)	**$**	**89,032**
Total Liabilities and Shareholders' Equity	$	3,400,086	$	(2,880,412)	**$**	**519,674**

As at January 1, 2019		As reported		Adjustments		As restated
Mineral properties	$	2,493,300	$	(2,198,790)	**$**	**294,510**
Total Assets	$	2,884,664		(2,198,790)	**$**	**685,874**
Deficit	$	(13,152,253)	$	(2,198,790)	**$**	**(15,351,043)**
Total Equity	$	2,807,771	$	(2,198,790)	**$**	**608,981**
Total Liabilities and Shareholders' Equity	$	2,884,664	$	(2,198,790)	**$**	**685,874**

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

Year ended December 31, 2019		As reported		Adjustments		**As restated**
Expenses						
Exploration expenditures	$	-	$	681,623	**$**	**681,623**
Loss and comprehensive loss for the year	$	(544,959)	$	(681,623)		**(1,226,582)**
Loss per share – basic and diluted	$	(0.05)	$	(0.07)		**(0.12)**
Weighted average number of shares outstanding – basic and diluted		10,009,059		-		**10,009,059**

Summary of Impact on Prior Year Statement of Cash Flows

Year ended December 31, 2019		As reported		Adjustments		**As restated**
CASH FLOWS FROM OPERATING ACTIVITIES						
Loss for the year	$	(544,959)	$	(681,623)	**$**	**(1,226,582)**
Total cash used in operating activities	$	(473,402)	$	(362,432)	**$**	**(835,834)**
CASH FLOWS FROM INVESTING ACTIVITIES						
Acquisition of mineral properties	$	(420,676)	$	390,676	**$**	**(30,000)**
Recovery of mineral properties		28,244		(28,244)		**-**
Total cash used in investing activities	$	(369,257)	$	362,432	**$**	**(6,825)**

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

	Deficit			Total Equity		
	As reported	Adjustment	**As restated**	As reported	Adjustment	**As restated**
Balance as at Jan 1, 2019	$ (13,152,253)	$ (2,198,790)	**$ (15,351,043)**	$ 2,807,771	$ (2,198,790)	**$ 608,981**
Loss and comprehensive loss for the year	(544,959)	(681,623)	**(1,226,582)**	$ (544,959)	(681,623)	**$ (1,226,582)**
Balance as at Dec 31, 2019	$ (13,697,212)	$ (2,880,412)	**$ (16,577,627)**	$ 2,969,444	$ (2,880,412)	**$ 89,032**

Summary of Impact on Income Tax Disclosures

A reconciliation of the Company's income taxes at statutory rates with the reported taxes:

Year ended December 31, 2019	As reported	Adjustments	**As restated**
Loss for the year before income taxes	$ (544,959)	$ (681,624)	**$ (1,226,583)**
Expected income tax recovery	(147,000)	184,000	**(331,000)**
Expiry of non-capital losses	-	(594,000)	**(594,000)**
Change in unrecognized deductible temporary differences	47,000	778,000	**825,000**
Total income tax (recovery) expense	$ -	$ -	**$ -**

The significant components of the Company's deferred tax assets that have not been included on the statement of financial position:

Year ended December 31, 2019	As reported	Adjustments	**As restated**
Deferred tax assets			
Mineral properties	$ 752,000	$ 778,000	**$ 1,530,000**
	1,952,000	778,000	**2,730,000**
Unrecognized deferred tax assets	(1,952,000)	(778,000)	**(2,730,000)**
Net deferred tax assets	$ -	$ -	**$ -**

The significant components of the Company's temporary differences, unused tax credits, and unused tax losses that have not been included on the statement of financial position:

	As reported		Adjustments		**As restated**	
Year ended Dec 31, 2019	Value	Expiry Date Range	Value	Expiry Date Range	**Value**	**Expiry Date Range**
Temporary differences						
Mineral properties	$ 2,701,000	No expiry date	$ 2,881,000	N/A	**$ 5,582,000**	**No expiry date**

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. U.S. investors are advised 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 in the busines of acquiring, exploring, and developing mineral properties. It is exposed to a number of risks and uncertainties that are common to other mineral exploration companies in the same business. The industry is capital intensive at all stages and is subject to variations in commodity prices, market sentiment, exchange rates for currency, inflation, and other risks. The Company currently has no other source of revenue other than interest income. The Company will rely mainly on equity financing to fund acquisitions and its other activities. The risks and uncertainties described in this section are considered by management to be the most important in the context of the Company's business. The risks and uncertainties below are not inclusive of all the risks and uncertainties that the Company may be subject to and other risks may exist.

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.

COVID-19

The outbreak of COVID-19 has had a significant impact on global economic conditions triggering 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.

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.

Title Matters

While the Company has performed its due diligence with respect to title of its properties, this should not be construed as a guarantee of title. The properties may be subject to prior unregistered agreements of transfer or other adverse land claims, and title may be affected by undetected defects.

Availability of Financing

There is no assurance that additional funding will be available to the Company for additional exploration or for the substantial capital that is typically required in order to bring a mineral project to the production decision or to place a property into commercial production. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favorable. Failure to obtain such additional financing could result in the delay or indefinite postponement of further exploration and development of its properties.

Management

The Company is dependent upon a relatively small number of key personnel, the loss of any of whom could have an adverse effect on the Company.

Environmental Legislation

Environmental legislation is becoming increasingly stringent and the costs of compliance with environmental legislation are increasing. The impact of new and future environmental legislation of the Company's operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of exploration and development on the mineral properties, the potential for production on the properties may be diminished or negated.

Economics of Developing Mineral Properties

Mineral exploration and development involves a high degree of risk and few properties which are explored are ultimately developed into producing mines.

With respect to the Company's properties, should any mineral resource exist, substantial expenditures will be required to confirm that mineral reserves sufficient to warrant commercial mining exist on its current properties, and to obtain the required environmental approvals and permits necessary to commence commercial operations. Should any resource be defined on AUX properties, there can be no assurance that the mineral resources on such properties can be commercially mined or that the metallurgical processing will produce economically viable, merchantable products. The decision regarding whether a property contains a commercial deposit and whether it should be brought into production will depend upon the results of exploration programs and/or feasibility studies, and upon the recommendations of duly qualified engineers and/or geologists, all of which involves significant expense. This decision will involve consideration and evaluation of several significant factors including, but not limited to:

- Costs of bringing a property into production, including exploration and development work, preparation of production feasibility studies, and construction of production facilities;
- Availability and costs of financing;
- Ongoing costs of production;
- Market prices for the minerals to be produced;
- Environmental compliance regulations and restraints (including potential environmental liabilities associated with historical exploration activities); and
- Political climate and/or government regulation and control.

The ability of the Company to sell and profit from the sale of any eventual mineral production from any of the Company's properties will be subject to the prevailing conditions in the global minerals marketplace at the time of the sale. The global minerals marketplace is subject to global economic activity and changing attitudes of consumers and other end-users' demand for mineral products. Many of these factors are beyond the control of the Company and therefore represent a market risk which could impact the long-term viability of the Company and its operations.

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 audited consolidated 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 mineral properties are described in Note 8 of the audited consolidated 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 23, 2020	200,000	-	-
Stock options expired – August 9, 2020	-	-	(68,000)
Common shares issued – September 15, 2020	11,500,000	-	-
Common shares issued – September 30, 2020	49,500	(49,500)	-
Common shares issued – February 17, 2021	11,234,889	11,234,889	-
Warrants expired – February 22, 2021	-	(1,344,500)	-
Common shares issued – March 12, 2021	100,000	-	-
Outstanding as of the date of this MD&A	**54,249,642**	**18,953,817**	**2,754,200**

Proposed Transactions

The Company has no proposed transactions that have not been disclosed herein.

Off-Balance Sheet Transactions

The Company has no off-balance sheet transactions that have not been disclosed herein.

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 consolidated 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 audited consolidated 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 audited consolidated 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.