

## MANAGEMENT'S DISCUSSION AND ANALYSIS – QUARTERLY HIGHLIGHTS FOR THE THREE MONTHS ENDED MARCH 31, 2018



The following management discussion and analysis (“MD&A”) of financial position and results of operations of Auramex Resource Corp. (the “Company”) is prepared as at May 25, 2018 and should be read in conjunction with the condensed interim financial statements of the Company, and the notes thereto, for the three months ended March 31, 2018, and with the audited financial statements of the Company, and the notes thereto, for the year ended December 31, 2017. Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).

Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures and internal controls and to ensure that information used internally or disclosed externally, including the financial statements and MD&A, is complete and reliable.

### **Mineral Properties**

Auramex holds mineral tenures, comprising in excess of 20,000 hectares divided into 13 separate blocks, in the highly prospective Stewart gold camp in northwest British Columbia (Skeena Mining Division). Three properties, two of them contiguous, lie at or near tidewater along the Portland Canal south of Stewart. Nine, two of these contiguous, lie in the Bear River watershed, from tidewater at Stewart to the northern slopes of Entrance Peak, on the eastern edge of the Coast Mountains. The remaining Tide North block lies on the upper Bowser River, at the toe of the Frank Mackie Glacier.

In 2014, all properties were examined and reduced to consolidate ground around prospective targets, in 2015 two tenures were added and in the first quarter of 2017 four tenures were added to augment these holdings.

On April 10, 2017, the Company granted an option to Decade Resources Ltd. (“Decade”) to earn a 75% interest in 161 hectares at the historic Georgia River Gold Mine, part of one of the properties near the Portland Canal, on the following term: payment of \$50,000 upon signing (paid), payment of \$75,000 on or before the first anniversary of the agreement (paid), payment of \$150,000 on or before the second anniversary of the agreement, and \$200,000 on or before the third anniversary of the agreement; with work requirements of \$250,000 by the first anniversary date, \$500,000 by the second anniversary date, \$750,000 by the third anniversary date, and \$1,000,000 by the fourth anniversary date. Upon Decade earning the 75% interest, the Company will receive a Net Smelter Return Royalty (NSR) of 2%, half of which can be purchased for \$1 million. A joint venture agreement provides for Decade to spend approximately \$13 million to earn an additional 20% if the Company does not contribute. At a 5% diluted interest, the Company will receive a 1.5% NSR for its 5% interest and Decade will hold a 100% property interest.

On August 29, 2017, the option agreement was amended. In lieu of the work requirement of \$250,000 expenditure on or before the first anniversary of the agreement, Decade provided Portable Assessment Credits (“PAC”) in the amount of \$700,000 to Auramex.

On August 30, 2017, Auramex granted an option to Mountain Boy Minerals Ltd. (“MTB”) to earn a 60% interest in one of its tenures (288.741 ha) from the Capital property on the following terms: on signing Auramex will receive \$700,000 PAC (received); a \$10,000 cash payment and \$30,000 work expenditures before the second anniversary; a \$20,000 cash payment and \$50,000 work before the third anniversary. After MTB earns the 60% interest, and the option is exercised, Auramex will receive a 2% NSR royalty of which 1% can be purchased for one million dollars. If either party is diluted to 5%, the 5% interest converts to a 1.5% NSR.

On September 7, 2017, Auramex granted an option to Decade to earn an 80% interest in two mineral tenures from the Confluence Property, composing 252.715 hectares adjacent to Decade’s Red Cliff property. The option was made on the following terms: \$5,000 cash (received) and \$300,000 PAC (received) on signing; \$10,000 cash and \$30,000 work expenditures on or before the second anniversary date and \$20,000 cash and \$50,000 work expenditures on or before the third anniversary date of the agreement. After Decade earns the 80% interest, and the option is exercised, Auramex will receive a 2% NSR royalty of which 1% can be purchased for one million dollars. If either party is diluted to 5%, the 5% interest converts to a 1.5% NSR.

On September 7, 2017, Auramex granted an option to Decade to earn a 60% interest in 612.9913 hectares comprising the eastern half of the Lucky Frenchman property (Surprise Creek area) on the following terms: \$5,000 (received) and \$300,000 PAC (received) on signing; \$15,000 cash and \$50,000 work expenditures on or before the second anniversary; \$20,000 cash and \$70,000 work expenditures on or before the third anniversary of the agreement. After Decade earns the 60% interest, and the option is exercised, Auramex will receive a 2% NSR royalty of which 1% can be purchased for one million dollars. If either party is diluted to 5%, the 5% interest converts to a 1.5% NSR.

Auramex has applied \$1,921,286 PAC on 9,606 hectares to extend the expiry dates by five years to December 31, 2022.

All properties, with the exclusion of Tide North are held for their potential to host intrusion related gold mineralization related to the Texas Creek Plutonic Suite. Tide North, located 41 kilometres to the north of Stewart, is underlain by Salmon River formation basinal rocks and is being explored for its potential to host volcanic exhalative precious and base metal mineralization.

In December 2017, the Company initiated a Synthetic Aperture Radar (SAR) survey over the Georgie River property, with the interpretation continuing through the first quarter 2018. The survey used Dual Polarization HH/HV Fine 6.25 m Synthetic Aperture c-band microwave Radar (SAR) data from Canada’s RadarSat constellation. These data were processed by Auracle Geospatial Science Inc., using proprietary software and techniques, to produce a fused 3-D red/blue stereo radar model. Interpretation of this image will enable sub-surface geological features to be identified and these features used to constrain both previous geological mapping and existing geophysical data obtained through airborne and ground surveys, in order to optimize further exploration on the property. This approach has been shown to be very effective, as the radar can effectively see through soil, river alluvium, swamp, shallow water,

ice, vegetation and snow cover. Use of SAR can extend the exploration season, providing a first pass structural interpretation that can be followed up on the ground during the field season.

In the January-February period, Auramex similarly interpreted SAR data over the newly acquired Heather tenure (Tory property).

Subsequent to March 31, 2018, on May 10, 2018, the Company expanded its Georgie River property holdings by acquiring the Exdale tenure in a non-related party transaction. The 654 hectare mineral tenure is located on the northern edge of the Company's Georgie River property. The 100% acquisition of the tenure is in consideration of 50,000 shares of Auramex and a retained 2% net smelter return royalty in favour of the vendor.

The company retains 100% ownership in 70 mineral tenures and 50% interest in a further 2 tenures which together compose the 13 properties, a total in excess of 19,000 hectares

## Summary of Quarterly Results

The following table sets out selected financial information, presented in Canadian dollars for each of the last eight quarters ended March 31, 2018:

	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016
<b>Income (loss) for the period</b>	223,827	(151,426)	(9,196)	(50,226)	(65,287)	(18,628)	(26,942)	(10,483)
<b>Earnings (loss) per share Basic</b>	0.007	(0.007)	(0.000)	(0.002)	(0.003)	(0.000)	(0.001)	(0.000)
<b>Earnings (loss) per share Diluted</b>	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>Cash and cash equivalents</b>	408,321	134,403	55,004	46,193	12,872	20,556	20,722	4,338
<b>Working capital (deficiency)</b>	372,808	(752,208)	(766,221)	(765,962)	(765,899)	(737,656)	(649,668)	(618,952)

Fluctuations in results from quarter to quarter are caused primarily by whether the Company raised financing or incurred exploration expenditures in any given quarter and are not indicative of any particular trend in the Company's overall performance.

In the first quarter of 2017, general and administration expense was increased by issuance of stock options and recognition of the stock-based compensation.

In the second quarter of 2017, receipt of \$50,000 for the Georgia River option improved the cash position.

In the third quarter of 2017, receipt of \$10,000 from Decade with respect to two option agreements also improved the cash position.

In the fourth quarter of 2017, on December 22, 2017, the Company completed a private placement of 1,500,000 units at a price of \$0.05 per unit for total proceeds of \$75,000. Each unit consisted of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to purchase one additional common share for a period of two years at a price of \$0.055 per share. One director participated in the private placement. On December 22, 2017 the company also completed a flow-through private placement of 1,000,000 units at a price of \$0.05 per unit for total proceeds of \$50,000. Each unit consisted of one flow-through common share and one half non-flow-through share purchase warrant. Each share purchase warrant entitles the holder to purchase one additional common share for a period of two years at a price of \$0.055 per share. One director participated in the private placement. A finder's fee of \$2,000 was paid in respect of this placement.

In the first quarter of 2018, the Company completed the following:

- a) On January 22, 2018, the Company finalized the sale of its Mexican subsidiary, Exploración Auramex S.A. de C.V. and transferred ownership to Bowering. As consideration for the transfer, Bowering provided an indemnification to the Company against all of the debts of the subsidiary. Further, the Company is to receive 100,000 shares in a reporting issuer when the purchaser transfers mineral titles held by the subsidiary to a reporting issuer.
- b) The Company issued 7,705,000 units in a private placement at \$0.08 per unit for gross proceeds of \$616,400. Each unit is comprised of one common share and one common share purchase warrant. Each share purchase warrant is exercisable at a price of \$0.10 per share until February 16, 2019. The warrants were allocated a value of \$154,100 using the residual value allocation method. The Company paid \$12,960 finders fees in relation to the issue.

- c) the Company issued 3,013,750 shares at a price of \$0.08 per share to settle debt in the amount of \$241,100 owing to related parties.

Further during the quarter ended March 31, 2018, a total of 250,000 incentive stock options were exercised for total proceeds of \$12,500, and a total of 50,000 share purchase warrants were exercised for total proceeds of \$2,500.

**As at May 25, 2018**

Cash	\$	365,943
Working capital	\$	345,880

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The Company's ability to obtain sufficient funding for the medium to long terms will be dependent on the availability of equity and debt financing in the future, which the Company cannot predict. The availability of such funding will be dependent on a number of factors beyond the Company's control, including commodity prices, stock market performance and any number of other economic conditions. Accordingly, the ability of the Company to continue as a going concern cannot be assured.

**Transactions with Related Parties**

Related parties and related party transactions impacting the accompanying financial statements are summarized below and include transactions with the following individuals or entities:

**Key management personnel**

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

Remuneration attributed to key management personnel can be summarized as follows:

	Quarter ended March 31,	
	2018	2017
Directors' fees	\$ 300	\$ -
Management and consulting fees	42,300	9,900
Geological consulting fees	2,100	-
Share based payments	-	16,826
	<u>\$ 44,700</u>	<u>\$ 26,726</u>

Other related party transactions incurred during the quarters ended March 31, 2018 and 2017.

RELATED PARTY	TYPE OF TRANSACTION	Quarter ended March 31,	
		2018	2017
Company controlled by a Director	Storage supply (included in rent and exploration and evaluation assets)	\$ 426	\$ 300

At March 31, 2018, an amount of \$15,000 (December 31, 2017 - \$472,448) 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.

As at March 31, 2018, there were no shareholder loans due. As at December 31, 2017, shareholder loans of \$50,000 were due to the former CFO and director and to the previous CEO and director of the Company.

During the year ended December 31, 2017, the Company received loans totalling \$12,000 from directors of the Company. During the quarter ended March 31, 2018, the principal and interest of \$12,983 was repaid.

#### **Other**

The Company has no off-balance sheet arrangements.

While the Company is in discussions regarding property acquisitions and disposals on an ongoing basis, the Company has no proposed material asset or business acquisition that the Company's Board of Directors has decided to proceed with, or that the Company's senior management has decided to proceed with in the belief that confirmation by the Board is probable. The Company is in ongoing discussions to dispose of its Mexican interests.

#### **Forward Looking Statements**

All statements in this discussion, other than statements of historical facts, that address future exploration drilling, exploration activities, anticipated metal production, internal rate of return, estimated ore grades, commencement of production estimates and projected exploration and capital expenditures (including costs and other estimates upon which such projections are based) and events or developments that the Company expects, are forward looking statements. Although the Company believes the expectations expressed in such forward looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include metal prices, exploration success, continued availability of capital and financing, as well as general economic, market or business conditions. Accordingly, readers should not place undue reliance on forward-looking statements.