

## **AURAMEX RESOURCE CORP.**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE QUARTER ENDED MARCH 31, 2007**

The following discussion and analysis of financial position and results of operations of Auramex Resource Corp. (the "Company") is prepared as at May 23, 2007, and should be read in conjunction with the unaudited interim consolidated financial statements of the Company, and the notes thereto, for the quarter ended March 31, 2007 and with the audited financial statements for the year ended December 31, 2006. In this discussion, unless the context otherwise dictates, a reference to the business and operations of the Company includes the business and operations of the Company's wholly owned Mexican subsidiary, Exploración Auramex S. A. de C. V. Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).

#### **Description of the Business**

The Company is engaged in the business of acquiring interests in mineral properties with exploration potential and exploring those properties to determine if they may host economic deposits of minerals. While the Company has acquired and explored a number of properties over the years, it has yet to identify and develop an economic mineral deposit. If the Company determines that a property likely does not host an economic deposit, or if maintaining a property becomes uneconomic for any other reason, it abandons the property and writes off the capitalized acquisition and deferred exploration and development costs associated with the property. As existing properties are abandoned, the Company seeks out new properties for acquisition that it considers may have the potential to host the economic mineral deposit or deposits that will result in its evolution into a producing, revenue generating entity. The exploration of mineral properties and subsequent development involves a high degree of risk and few properties that are explored are ultimately developed into producing properties.

#### **Overall Performance**

As the Company does not have a producing mineral property, it has no source of cash other than debt financing and equity financing from the sale of its common shares and share purchase warrants. The cash raised in this manner is used to cover ongoing administrative expense and to fund exploration activities on its mineral exploration properties. The amount of money available for exploration is directly related to the amount that the Company is able to raise from these sources, after administrative expenses have been paid. The Company is continually engaged in the process of raising money and allocating the proceeds between its current administrative needs and desired exploration activities. As funds become depleted, new financing is sought and the process is repeated. The determination as to which properties to explore, what programs to undertake and how much money to spend in each instance is made on an ongoing basis

by the Company's management, in consultation with its Board of Directors and professional advisors.

As a result of the foregoing, the true measure of the Company's performance for any given period lies in the amount of money it was able to raise, the amount of exploration it was able to undertake and the results of those exploration efforts.

Working capital at March 31, 2007 was \$72,791 compared to \$61,111 at March 31, 2006. The cash component of working capital for the same dates was \$299,009 and \$74,707 respectively. During the quarter, the Company realized gross proceeds of \$738,035 from equity financing, compared to \$300,000 in the first quarter of the previous year. Total exploration expenditures during the first quarter of 2007 were \$387,252, as compared to \$96,030 in the first quarter of the previous year.

Overall, the Company was able to raise sufficient funds during the quarter to cover its administrative expenses, to conduct an 880 metre diamond drill program on the Magenta and El Escobal properties in Mexico and to acquire additional options on the Bear River property. This performance was in line with management's expectations for the period.

### **Results of Operations**

The Company is engaged in the business of acquiring and exploring mineral exploration properties in the hope of discovering economic deposits of minerals that can eventually be placed into production. The Company has yet to identify and develop an economic mineral deposit, and accordingly has no sales or other significant revenue and no profit.

At March 31, 2007 the Company held five mineral exploration properties, the Magenta property, Mexico, the Gracias a Dios (El Escobal) property within the Magenta boundaries, the La Perla II concession, Mexico, the Bear River Property, British Columbia and the Brandywine property, British Columbia. A description of each project is contained in the following.

#### ***Magenta Property, Mexico***

The Company's Magenta property, located near Culiacan, Sinaloa State, Mexico, comprises 4,900 hectares of staked ground, the El Fierro concession covering 732 hectares, and the Gracias a Dios and Ampliación Gracias a Dios concessions covering 50 hectares.

With respect to the 732 hectare El Fierro exploration concession, Exploración Auramex S. A. de C. V., the Issuer's wholly owned Mexican subsidiary ("Auramex Mexico"), entered into an option agreement dated April 8, 2003, as amended, with Exploración Azteca S.A. de C.V. ("Azteca"), the wholly owned subsidiary of Nordic Gold Corp. Under the agreement, Auramex Mexico can earn an 85% interest in the acreage by

causing back taxes of approximately US\$6,000 to be paid on the concession, causing the Company to issue 20,000 common shares and incurring property expenditures totalling US\$200,000 over five years, of which US\$140,000 need not be spent until the last year (2008). To date the back taxes have been paid, 20,000 shares have been issued and exploration expenditures of approximately CDN\$180,000 have been incurred on the El Fierro concession. Auramex Mexico and Azteca have signed a letter of intent dated February 21, 2007 to extend the option to December 2008 and Auramex will issue 25,000 shares in the Company as consideration for the extension. Upon Auramex Mexico earning its interest, Azteca may either participate in a joint venture for the remaining 15% or convert to a 2% net smelter returns royalty. Azteca will automatically convert to a 2% NSR in the event that its interest under the joint venture is diluted to 10% or less.

With respect to the 50 hectare Gracias a Dios and Ampliación Gracias a Dios concessions, Auramex Mexico entered into an option agreement dated December 18, 2006 to purchase these concessions which cover the historic El Escobal gold mine. Under the agreement, Auramex Mexico can purchase the properties by the issuance of \$US50,000 in shares in the parent company, (503,000 shares issued at \$0.115), payment of \$US100,000 at the end of one year and \$300,000 at the end of the second year. Upon the Company earning its interest, the Optionor is entitled to receive a 2% Net Smelter Returns Royalty that is capped at \$US1,450,000. In addition to the option to purchase the mining concessions, Auramex Mexico has also entered into an option to purchase 450 hectares of surface land overlying the El Escobal mine and part of the Magenta concession. The option to purchase the land requires the payment of \$US100,000 at the end of the second year. The terms of the agreement require that both options be exercised or that neither be exercised.

The remaining 4,900 hectares comprising the balance of the Magenta property was acquired by staking, at a cost to the Company of approximately \$21,800. The staked ground surrounds the El Fierro concession and certain other claims, totalling approximately 380 hectares, not controlled by the Company.

An initial evaluation of the Magenta property consisting of a property examination, reviewing historic reports and sampling, was conducted in the Spring of 2003. A trenching and soil sampling program was conducted in the southwest area of the property in the fall of 2003. In May 2004, an Induced Polarization and Resistivity Survey and surface sampling were conducted in the La Prieta area and in the El Fierro area. Several drill targets were identified, as well as areas that require additional geophysical work to determine if drill targets exist there. A 700 metre drill program in these two areas consisting of five holes was completed October 23, 2004. The drill program tested three locations, namely La Prieta #1 vein, La Prieta copper/gold porphyry zone and the El Fierro zone. The assays at La Prieta #1 and El Fierro, although anomalous in gold, copper, silver, nickel and cobalt, were too low to be considered potentially economic. The results at the copper/gold porphyry zone were encouraging and indicate the need for additional exploration.

During 2005, the Company conducted a program to evaluate part of the La Prieta copper/gold porphyry zone over a north/south length of 1.5 kilometres, and one kilometre east/west. Prospecting, mapping and soil sampling were carried out in November 2005.

In March and April of 2006, the Company conducted a 500 metre diamond drill program, consisting of a 313 metre hole in the copper/porphyry zone and a 187 metre hole into a copper showing 500 metres south east of the copper/gold porphyry zone. Assays from the porphyry zone identified it as a copper/molybdenum/gold porphyry system returning 0.021% copper and anomalous molybdenum from continuous samples over the whole 313 metres. The second 187 metre hole returned anomalous copper values but entered a weakly mineralized diorite in the last 20 metres of the hole. In March 2007, the 313 metre hole was re-entered and a further 150 metres were drilled. Anomalous copper values were returned but this hole also was also terminated in weakly mineralized diorite. A soil geochemical, induced polarization and mapping program is considered necessary to further evaluate the La Prieta copper/molybdenum/gold porphyry.

There is extensive historic data available regarding the Gracias a Dios (“El Escobal”) concessions, including historic production data and more recent exploration results. Santa Cruz Gold Inc. conducted trenching and drilling in 1996 and 1997 which provided estimates of mineral resources totalling 108,000 ounces of gold. The Company drilled eight locations totalling 700 metres in a diamond drill program in February and March of 2007 designed to confirm and expand that resource. The Company has commissioned a NI 43-101 compliant report to provide analysis of the results.

To the end of 2006, \$605,189 had been expended on the Magenta property. Of that amount, \$178,591 was expended in 2006. Approximately \$397,000 has been spent in 2007 to date, \$314,000 at El Escobal and \$83,000 at the La Prieta porphyry zone. All programs conducted at Magenta have been supervised by David St. Clair Dunn, P.Geo. (“Dunn”) and the most recent report prepared in accordance with National Instrument 43-101 prepared by Dunn, dated April 5, 2005, entitled “Report on Diamond Drilling on the Magenta Property” is available on the SEDAR website at [www.sedar.com](http://www.sedar.com) and on the Auramex website at [www.auramex.com](http://www.auramex.com).

### ***La Perla II, Mexico***

During 2005, the Company staked a 300 hectare concession in northern Sinaloa State, Mexico at a staking cost of \$2,831. A soil geochemical survey was conducted in April 2006 over an area of artisanal pitting. An area 200 metres by 50 metres returned anomalous gold values. Trenching of this area is planned for the fall of 2007.

### ***Bear River Property, British Columbia***

Under five option agreements dated September 21, 2005, February 1, 2006 (two agreements), September 15, 2006 and February 21, 2007, the Company has the right to

acquire a 100% interest in the Bear River properties for cash totalling \$24,900 (paid), and the issuance of 575,000 common shares in the Company (260,000 issued) over a period ending February 2008. Each option agreement provides that after the Company has earned its interest, the Optionor is entitled to receive a 1% Net Smelter Returns royalty. The Net Smelter Returns royalty under all five agreements can be purchased by the Company for a total of \$4,000,000.

The Bear River properties consist of 107 mineral claims covering approximately 32,000 hectares located in the Skeena Mining Division, near Stewart, British Columbia, extending roughly 25 kilometres north and 15 kilometres east. Two other non-contiguous properties are included in these agreements, Georgie River, 25 kilometres south of Stewart and Tide North 45 kilometres north northwest of Stewart.

An initial phase of mineral exploration was carried out on these properties in 2006. Numerous anomalies were outlined as detailed in the company's news releases. Follow-up exploration programs are planned for the summer of 2007.

### ***Brandywine Property, British Columbia***

The Brandywine property comprises a 100% interest, subject to a net smelter returns royalty of 0.5% with minimum annual payments of \$50,000 following commencement of commercial production, in a mining lease and five located mineral claims consisting of 51 units located in the Vancouver Mining Division, British Columbia. The property is approximately 1,320 hectares in area. The property includes two cell claim tenures totalling 126 hectares staked in 2006 adjacent to the five legacy claims.

A geological report in accordance with National Instrument 43-101 was prepared by David St. Clair Dunn, P.Geo., and is dated June 3, 2003 (the "Brandywine Report"). The Brandywine Report reviews previous work conducted on the property and recommends a Phase 1 exploration program consisting of geological mapping and geophysical surveying at an estimated cost of \$70,000. Contingent upon the results from Phase 1, the report recommends a Phase 2 program consisting of diamond drilling at an estimated cost of \$475,000. The Brandywine Report has been filed on SEDAR and is available on the SEDAR website at [www.sedar.com](http://www.sedar.com).

In 2004, portable assessment credits were applied to maintain the claims in good standing until April 13, 2010.

The Brandywine property is notably prospective in silver, and the price of silver has increased in the past five years from a low of \$US4.30 per ounce in 2001 to a high of \$US14.94 in 2006. The Company reviewed existing data on the property concerning silver mineralization, and plans additional exploration in two areas where silver mineralization was reported. Expenditures in the first quarter of 2007 totalled \$548.

## Summary of Quarterly Results

The following table sets out selected financial information, presented in Canadian dollars and prepared in accordance with GAAP, for each of the last eight quarters ending March 31, 2007:

		2007			
					First quarter
(a)	Revenue	\$	\$	\$	\$ Nil
(b)	Income (Loss) before discontinued operations and extraordinary items	\$	\$	\$	\$ (60,388)
(c)	Inc(loss) per share:				
	Basic -	\$	\$	\$	\$ (0.003)
	Fully Diluted -	\$	\$	\$	\$ n/a
(d)	Net income(loss)	\$			(60,388)
(e)	Net income(loss) per share:				
	Basic -	\$	\$	\$	\$ (0.003)
	Fully Diluted -	\$	\$	\$	\$ n/a

		2006			
		Fourth quarter	Third quarter	Second quarter	First quarter
(a)	Revenue	\$ Nil	\$ Nil	\$ Nil	\$ Nil
(b)	Income (Loss) before discontinued operations and extraordinary items	\$ (416,665)	\$ (55,031)	\$ (47,874)	\$ (57,724)
(c)	Inc(loss) per share:				
	Basic -	\$ (0.02)	\$ (0.003)	\$ (0.003)	\$ (0.004)
	Fully Diluted -	\$ n/a	\$ n/a	\$ n/a	\$ n/a
(d)	Net income(loss)	\$ (416,665)	(55,031)	(47,874)	(57,724)
(e)	Net income(loss) per share:				
	Basic -	\$ (0.02)	\$ (0.003)	\$ (0.005)	\$ (0.004)
	Fully Diluted -	\$ n/a	\$ n/a	\$ n/a	\$ n/a

		2005			
		Fourth quarter	Third quarter	Second quarter	
(a)	Revenue	\$ Nil	\$ Nil	\$ Nil	
(b)	Income (Loss) before discontinued operations and extraordinary items	\$ (216,942)	\$ (34,334)	\$ (62,827)	
(c)	Loss per share:				
	Basic -	\$ (0.018)	\$ (0.003)	\$ (0.005)	
	Fully Diluted -	\$ n/a	\$ n/a	\$ n/a	
(d)	Net loss	\$ (216,942)	\$ (34,334)	\$ (62,827)	
(e)	Net loss per share:				
	Basic -	\$ (0.018)	\$ (0.003)	\$ (0.005)	
	Fully Diluted -	\$ n/a	\$ n/a	\$ n/a	

The Company's business of exploring mineral exploration properties with available equity and debt financing is a long term endeavour that may take several years to yield any meaningful results. 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. Fourth quarter losses are higher than the first three quarters because of year end entries, mainly the recognition of stock based compensation expense for stock options.

### **Liquidity and Capital Resources**

The Company's primary source of cash is equity financing, by the sale of the Company's common shares and share purchase warrants on a private placement basis. Additional cash is generated when convertible securities, such as previously issued share purchase warrants and stock options, are exercised.

During the first quarter of 2007 the Company raised gross proceeds of \$500,000 from equity financing, and in that regard issued a total of 3,500,000 common shares and warrants for the purchase of an additional 3,500,000 common shares. 1,685,000 warrants were exercised providing \$229,000 and 69,500 options were exercised providing \$9,035.

The monies raised in the foregoing fashion were sufficient to meet the Company's obligations during the quarter and to incur approximately \$479,185 in expenditures on its mineral exploration properties, including acquisition costs. At the end of the quarter, the Company had cash on hand in the sum of \$299,009 and working capital of \$72,791.

During the current quarter to the date hereof, the Company has raised an additional \$37,500 from the exercise of 265,000 share purchase warrants. At the date hereof the Company has working capital of \$81,660 including flow through funds.

During the fiscal year to date, the Company has successfully raised sufficient equity to pay its administrative costs as they become due and to carry out exploration programs on its mineral exploration properties. While certain of its administrative costs are fixed and unavoidable, the Company is able in large part to tailor its expenditures to the amount of capital available at any given time. This is particularly true with respect to exploration expenditures. For this reason, the Company has been able, to date, to generate sufficient amounts of cash in the short term to fund its ongoing activities.

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.

The Company has two primary requirements for working capital: administrative costs and exploration expense.

During the quarter ended March 31, 2007, general and administrative expense totalled \$60,472. The Company expects similar general and administrative costs in the remaining quarters of 2007. At the date hereof, the Company has a working capital deficit of \$1,544, without including flow through funds. The Company expects that approximately \$180,000 in additional funding will be required to fund general and administrative expense for the balance of the year.

Exploration expense is much more discretionary in that the Company can tailor the amount and timing of such expenditures to fit available capital. During the quarter ended March 31, 2007, the Company expended \$82,037 on property acquisition and \$383,552 on exploration and related property expenditures. A further \$8,376 has been spent during the second quarter 2007 to date on the exploration program at El Escobal and \$1,184 on the Bear Property in British Columbia. The Company estimates that \$700,000 will be needed to fund the exploration the Company intends to undertake during the balance of 2007.

Given the foregoing estimate of administrative expense and the intended amount of exploration expense, the Company will require approximately \$870,000 in new capital for the balance of the year. Management hopes this amount can be raised from the Company's conventional sources of financing.

### **Transactions With Related Parties**

The Company was party to the following transactions with related parties during the quarter ended March 31, 2007.

Heather Conley, the Company's President, receives \$2,500 each month pursuant to a management consulting contract. That contract is ongoing and Ms. Conley received \$7,500 in first quarter 2007 and has received a further \$2,500 pursuant to the contract during the current quarter to date.

Ms. Conley is also an associate of Robert A. Young & Associates ("RAYA") and is the spouse of its principal, Robert Young. RAYA is providing investor relations services under a contract dated December 1, 2004. During the quarter ended March 31, 2007, the Company paid \$4,500 to RAYA under this contract, and a further \$1,500 during the current quarter to date.

Judie Whitby, the Company's Chief Financial Officer and Secretary, receives \$3,500 per month for providing accounting, office and general management services to the Company. During the quarter ended March 31, 2007, Ms. Whitby received the sum of \$10,500 pursuant to this arrangement, and has received a further \$3,500 during the

current quarter to date. Ms. Whitby was reimbursed \$5,562 for expenses she incurred on the Company's behalf, and has been reimbursed \$1,474 in the current quarter to date.

The Company's primary supplier of geological services is David St. Clair Dunn, a director of the Company. During the quarter ended March 31, 2007, Mr. Dunn received \$25,435 for these services, and has received a further \$4,003 during the current quarter to date.

The Company's primary supplier of legal services is Forth & Company, which is a sole proprietorship of Clive Forth, a director of the Company. During the quarter ended March 31, 2007, Forth & Company provided \$52,770 in legal services, which included disbursements, and taxes that Forth & Company is required to remit to the provincial and federal governments. Of this amount, \$15,384 is recorded as a cost against capital for share issuance costs, \$2,696 is recorded as mineral property acquisition costs, \$7,940 is legal expense relating to corporate matters and \$26,750 is payment on the accrued liability discussed in the subsequent paragraph. Forth & Company provided a further \$4,618 in legal services related to corporate matters.

Forth & Company has agreed to extend to January 1, 2008 the time of payment of certain obligations totalling \$78,645 as referred to in the notes to the audited financial statements at December 31, 2006. During the quarter ended March 31, 2007, \$26,750 has been billed and paid. Subsequent to the quarter end \$21,400 has been billed and paid. The remaining liability is \$30,495.

The Company considers all of the foregoing transactions and the amounts related thereto to be reasonable and representative of normal commercial transactions.

### **Financial Instruments**

At May 23, 2007, the Company has cash and cash equivalents in the amount of \$175,078. The cash component was \$171,141 and receivables were \$3,937. At December 31, 2006, cash and cash equivalents amounted to \$299,009, receivables were \$3,925 and prepaids and deposits were \$3,808. The current liabilities of the Company as at May 23, 2007 are \$109,747 (\$113,743 at December 31, 2006).

### **Additional Disclosure for Venture Issuers**

The Company's business primarily involves mining exploration, and the Company has received no revenue from operations in either of its last two financial years. The following selected financial information indicates costs and expenses incurred by the Company in the first quarter of this year and of last year.

	Quarter ended March 31, 2007	Quarter ended March 31, 2006
Capitalized or expensed exploration and development costs		
• Magenta property, Mexico	\$ 78,600	\$ 77,378
• Gracias a Dios, Mexico	306,015	Nil
• Brandywine property, B.C.	548	Nil
• Ymir property, B.C.	Nil	7,175
• Bear River property, B.C.	1,201	10,478
• La Perla II, Mexico	888	Nil
Expensed research and development costs	Nil	Nil
Deferred development costs	Nil	Nil
General and administrative expenses	60,472	57,753
Material costs not referred to in the foregoing	Nil	Nil

### Disclosure of Outstanding Share Data

The Company has the follow securities outstanding at the date hereof.

24,927,249 common shares.

8,650,000 warrants to acquire common shares.

Number of Warrants	Exercise Price	Expiry Date
400,000	\$0.19	June 6, 2007
925,000	\$0.12	January 4, 2008
310,000	\$0.12	January 24, 2008
565,000	\$0.12	February 14, 2008
860,000	\$0.15	April 6, 2008
880,000	\$0.15	May 2, 2008
710,000	\$0.15	August 15, 2008
500,000	\$0.15	November 8, 2008
2,500,000	\$0.12	January 16, 2009
1,000,000	\$0.20	March 12, 2009
<b>8,650,000</b>		

2,374,500 incentive stock options to acquire common shares

Options Outstanding	Exercise Price	Expiry Date
825,000	\$0.15	August 26, 2008
380,000	\$0.13	December 2, 2008
50,000	\$0.13	August 19, 2009
150,000	\$0.13	September 22, 2009
100,000	\$0.20	May 5, 2010
769,500	\$0.13	March 8, 2011
100,000	\$0.13	January 11, 2012
<b>2,374,500</b>		

### Other

The Company's Chief Executive Officer and Chief Financial Officer (the "Responsible Officers") are responsible for establishing and maintaining disclosure controls and procedures for the Company, designed to provide reasonable assurance that material information relating to the Company and its subsidiaries is made known to the Responsible Officers by others within the organization, particularly during the period in which the Company's annual financial statements and Management's Discussion and Analysis are being prepared. The Responsible Officers have also designed such control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the Company's generally accepted accounting principles. No changes have occurred in the Company's internal control over financial reporting during the most recently completed interim period that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

The Company has no off-balance sheet arrangements. The Company has no proposed material asset or business acquisition or disposition 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 did not change its accounting policies during the quarter ended March 31, 2007, nor are any such changes contemplated during the current year.