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AURANIA RESOURCES LTD.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS**

For the Year Ended December 31, 2020

(Expressed in Canadian Dollars unless otherwise indicated)



1 INTRODUCTION

Aurania Resources Ltd. (“Aurania” or the “Company”) is a publicly traded junior mining exploration company engaged in the identification, evaluation, acquisition, and exploration of mineral property interests, with a focus on precious metals and copper in South America. Aurania’s principal asset is a 100% holding of the Lost Cities – Cutucu project (“Lost Cities Project”) that covers approximately 208,000 hectares (“Ha”) in southeastern Ecuador. The Company has also applied for mineral concessions in adjacent northern Peru (“Peru Project”, and together with the Lost Cities Project, the “Projects”) and these applications are progressing through the lengthy review process that precedes the granting of the mineral concessions. This Management’s Discussion and Analysis (“MD&A”) is a review of the financial condition and results of operations by the management (“Management”) of Aurania for the year ended December 31, 2020 (the “Reporting Period”). This MD&A is prepared as at April 22, 2020, unless otherwise indicated, and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2020 and the notes related thereto which have been prepared in accordance with International Financial Reporting Standards (“IFRS”). All monies are expressed in Canadian dollars unless otherwise indicated. Additional information relevant to the activities of the Company has been filed electronically through the System for Electronic Document Analysis and Retrieval (“SEDAR”) – <http://www.sedar.com> and are also available on the Company’s website <http://www.aurania.com>.

2 CAUTIONARY NOTE

This MD&A contains “forward-looking information” under applicable Canadian securities legislation. Except for statements of historical fact relating to the Company, information contained herein constitutes forward-looking information, including any information as to the Company’s strategy, plans or future financial or operating performance. Forward-looking statements are characterized by words such as “plan,” “expect”, “budget”, “target”, “project”, “intend”, “believe”, “anticipate”, “estimate” and other similar words, or statements that certain events or conditions “may” or “will” occur. Forward-looking statements are based on the opinions, assumptions and estimates of Management, considered reasonable at the date the statements are made, and are inherently subject to a variety of risks and uncertainties and other known and unknown factors that could cause actual events or results to differ materially from those projected in the forward-looking information. These factors include the Company’s expectations related with exploration concepts on its projects, potential development and expansion plans on the Company’s projects, the impact of general business and economic conditions, global liquidity, inflation, inability to raise additional funds as may be required through debt or equity markets, fluctuating metal prices (such as gold, silver and copper), currency exchange rates (such as the Canadian Dollar (“\$”) and Swiss Franc (“CHF”) and the United States Dollar (“USD”) and Peruvian Sol (“SOL”)), changes in accounting policies, risks related to non-core asset disposition, risks related to acquisitions, changes in project parameters as plans continue to be refined, changes in exploration time-frames, the possibility of project cost-overruns or unanticipated costs and expenses, higher prices for fuel, power, labour and other consumables contributing to higher costs and general risks of the mining industry, poor success of exploration sites, permitting timelines, government regulation and the risk of government expropriation of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims, limitations on insurance coverage and timing and possible outcome of labour disputes and/or shortages, as well as those risk factors discussed or referred to herein. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results not to be anticipated, estimated or intended. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. The Company has no obligation to update forward-looking statements if circumstances or Management’s estimates, assumptions or opinions should change, except as required by applicable law. The reader is cautioned not to place undue reliance on forward-looking information. The forward-looking information contained herein is presented to assist investors in understanding the Company’s expected financial and operational performance and results as at, and for the periods ended on, the dates presented in the Company’s plans and objectives and may not be appropriate for other purposes.



3 2020 HIGHLIGHTS

3.1 Lost Cities Project

COVID-19 Response

- The Toronto, Canada and Quito, Ecuador offices remain closed after all personnel started working remotely as a precaution to mitigate the spread of the COVID-19 virus in mid-March 2020.
- All field work was suspended, and all field teams were withdrawn from the operational area in Ecuador by March 21, 2020. The field office in Macas, Ecuador, was reopened on June 10, 2020 and the first of the exploration teams re-entered the field on June 13, 2020. At the date of this MD&A, the government of Morona Santiago Province, in which the Lost Cities Project is located, is allowing 50% of staff to be at their place of work. Since the field teams operate in a rotation of approximately 20 days in the field followed by 10 days in the Macas office and on field leave, the number of people in the Macas office does not exceed 50% at any one time, allowing the field teams to be fully deployed, operating at full strength.
- There is a risk that the Company may be required to curtail operations from current levels if mandated by the Ecuadorian or local Provincial Government or if there is a significant outbreak of COVID-19 within its area of operations.

Mineral Property Interests

There are three principal components to maintaining the 42 concessions that constitute the Lost Cities Project, that covers 207,764Ha, in good standing as follows:

- Annual concession fees of US\$2,077,640 (\$2,785,907) for 2020 were paid by the due date of March 31, 2020. The concession fee is paid directly to the SRI (Servicio de Rentas Internas) – the Ecuadorian tax authorities.
- The annual concession report, that includes details of exploration carried out and expenditure made in 2019, was prepared and filed for each concession by the due date in March 2020. These reports are submitted to ARCERNR (this entity was formerly called ARCOM), the regulatory branch of the Ministry of Energy and Non-Renewable Resources (the “MENRR”).
- Reports on environmental impacts and related mitigation, have been submitted to the Ministry of the Environment and Water (the “MEW”) by their due dates.

Exploration

Reconnaissance exploration:

The objective of reconnaissance exploration is to define targets principally for gold, silver and copper in an area that has not previously been subjected to systematic exploration since Spanish Colonial times in the late 1500s. Exploration methods used by the Company encompassed a heliborne magnetic and radiometric survey over the whole Lost Cities Project in 2017, regional mapping through remote satellite imagery and stream sediment sampling that has been completed over 57% of the Lost Cities Project. The LiDAR survey that was commissioned to cover the whole of the Lost Cities Project has not been undertaken due to operational issues with the US-based contractor. However, a heliborne LiDAR survey was conducted over priority target areas by MPX Geophysics of Ontario, Canada. To date, reconnaissance exploration has resulted in the identification of the following targets:

- Gold-silver: 15 epithermal targets.
- Sedimentary-hosted high-grade copper-silver in sporadic exposures through thick jungle cover over an area of 23 kilometers (“km”) long by 7km wide.
- Intrusive-related copper – 11 targets identified including:
 - Porphyries – that may contain gold in addition to copper.
 - Iron Oxide Copper-Gold (IOCG) systems;
- Silver-zinc-lead-barite mineralization of the carbonate replacement (“CRD”) type, flanked by areas with enriched pathfinder elements for epithermal gold-silver, has been identified in sporadic outcrops along a trend of 15km.

Target development:



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Scout drilling commenced in mid-September on the Tsenken target area where both intrusive-related copper and sedimentary-hosted copper-silver targets are located. Three holes, TS001 -TS003 were drilled, for a total of 645m, at Tsenken N2 and three holes were completed at Tsenken N3 for 1,246m for a total of 1,891m. Both targets were downgraded, with mineral vectors identified in the six drill holes indicating that the core of a potential IOCG system lies in the Tsenken N4 target area .

Geophysics

A MobileMT geophysical survey, in which magnetotelluric and magnetic data are measured, commenced on November 9, 2020 and by year-end, 313-line kilometres had been flown.

Geochemistry

- The number of samples taken for analysis in Q4, 2020 is as follows:
 - Stream sediments: 380
 - Soil: 654
 - Rock-chip: 179
 - Drill core samples: 425.

NI 43-101 Technical Report

- The Company filed a technical report pursuant to National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* of the Canadian Securities Administrators (“NI 43-101”) entitled “A Technical Review of the Lost Cities – Cutucu Exploration Project, Morona-Santiago Province, Ecuador” (the “December 2019 Technical Report”), with Effective Date of December 21, 2019, dated February 4, 2020, by independent consulting group Watts Griffis and McQuat Geological and Mining Consultants, of Toronto, Canada.

Corporate Social responsibility (“CSR”)

- Formal access agreements are in effect with 36 of the 55 (65%) of the communities in the Lost Cities Project area, providing access to 70% of its surface area, and discussions with other communities are ongoing.
- The Company assisted with the distribution of factual information regarding the COVID-19 virus, prepared by Ecuador’s Ministry of Health, to communities in its area of influence by having the material translated into the Shuar language and distributing copies, as well as through radio broadcasts.
- In response to the travel restrictions imposed by the Ecuadorian government and the dearth of employment opportunities during the COVID-19 pandemic, Aurania purchased and delivered dry food including rice, lentils, beans and canned fish to the communities within the area of influence of the Lost Cities Project in Q2. Two food deliveries were made as follows:
 - April 3-6: 8 tonnes of food were delivered to 970 families in 44 communities.
 - April 27-29: 10 tonnes of food were delivered to 1,292 families in 49 communities. The second relief effort was made in conjunction with the Step Forward Foundation, the Ministry of Social Inclusion with the help of the logistics arm of the Ecuadorian military.

Health & Safety

- The Company has implemented a strict COVID-19-related protocol, which includes having two medical doctors on staff working 24/7 in rotating shifts.
- A total of 2,138 COVID-19 tests have been undertaken by the Company on its personnel and on residents of the communities with which it is working since March 2020.
- The Company has worked with the Ministry of Health and the Provincial Government throughout the COVID-19 pandemic in the implementation of wide-ranging efforts to restrict the spread of the virus.

Environment & Water

- On March 10, 2020, the Corporation received ISO14001 accreditation for the environmental aspects of its exploration.
- The MEW has confirmed that the restoration and revegetation of the drill platforms at Yawi meets the ministry’s requirements.
- Drill platforms in the Tsenken N2 and N3 target areas have been restored with native species in the same density that they were found to occur in species counts completed prior to excavation of the platforms.



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- Application for the water-use permits required for scout drilling, has been made for 39 off-take points near high-priority targets that are being prepared for scout drilling.
- Water systems of 53 of the 55 communities in the Lost Cities Project area have been evaluated to provide a plan and budget for the provision or restoration of clean water. The Company, in conjunction with the Step Forward Foundation, has restored access to clean water in six communities.

3.2 Peru Project

COVID-19 Response

- Personnel in the Lima office are working remotely in compliance with Peruvian law.
- None of the exploration work in Peru yet requires access to the field, so the impact on operations is minimal.

Mineral Property Interests

- In late 2019 the Company applied to the Peruvian Mining and Metallurgical Geological Institute (“INGEMMET”) for certain mineral concessions covering an area of over 400,000Ha. The applications are progressing through a process that includes verification that the applications do not cover existing concessions or ecologically fragile areas and the publication of the INGEMMET-vetted applications in the local press in the province in which the concession applications lie.
- The processing of the concession applications is further delayed by the COVID-related restrictions in Peru.

Exploration - Data Compilation

- A significant amount of exploration data is available from INGEMMET and PeruPetro. To date, seismic, magnetic and gravity data from the concession areas applied for, and environs, has been delivered to the Company under a confidentiality agreement.
- Compilation of the aforementioned exploration data is underway. The objective of the data compilation is to prioritize the areas with the greatest sedimentary-hosted copper-silver potential for focused exploration, and to allow the Company to relinquish lower priority areas to reduce the amount to be paid in annual concession fees. The annual concession fee in Peru is USD3/Ha.
- In addition, the geological consultant who undertook the satellite interpretation of the Lost Cities Project also interpreted the structural framework on which the concession applications were based. All of this data is being compiled and will form the basis of focused exploration.

3.3 Finance

During the year, the Company raised \$17,635,940 net, principally through a non-brokered private placement of units in March, the completion of an overnight marketed offering in October, as well as through the exercise of warrants and stock options, resulting in the issuance of 5,617,833 shares. The Company also amended the Promissory Note 2017 and Promissory Note 2019 such that the notes become repayable on the day following the one-year anniversary of the lender requesting repayment. See section 5.3 Finance for further details.

3.4 Personnel

- On February 14, 2020 Aurania announced the appointment of Carolyn Muir as VP-Investor Relations.
- The Company entered into a full-time employment agreement with its President, CFO and VP-Investor Relations.
- Mr. Alfred Lenarciak, an Independent director since June 2018, was appointed as Lead Director.
- The contract with OTrade and Market Access Ltd., the consulting company that managed CSR for the Company, was terminated. Ms. Leonor Vegas, an Ecuadorian citizen with extensive experience in the CSR field, was appointed as VP-CSR for Aurania’s Ecuadorian subsidiary, ESA, on August 17, 2020.
- The company announced the passing of Dr. Leanne Baker, a director of the Company, in December.
- Subsequent to the year end Ms. Nathalie Han was appointed to the Board.



4 SELECTED ANNUAL INFORMATION

	Year ended December 31, 2020	Year ended December 31, 2019
Cash	\$8,178,956	\$5,229,341
Total assets	9,109,624	6,323,263
Total liabilities	5,650,612	4,925,812
Shareholders' equity (deficiency)	3,459,012	1,397,451
Deficit	\$(60,463,012)	\$(42,096,918)

The significant changes in the selected annual information resulted from the completion of a Private Placement financing for \$6.47million and an Overnight Marketed Offering for \$11.5million that combined to fund the company's on-going operations (see 5.2 Finance) and \$1.2 million through the exercise of 64,750 share purchase warrants and 717,000 stock options. The change in deficit is discussed in detail in Section 6 Consolidated loss and comprehensive loss for the years ended December 31, 2020 and 2019.

5 DISCUSSION OF OPERATIONS

5.1 Lost Cities Project, Ecuador

Mineral Property Interests and obligations

The Company acquired the rights, title and 100% interest in the Lost Cities Project, comprised of 42 mineral concessions covering 207,764Ha in southeastern Ecuador, on May 26, 2017. The concessions were granted on December 27 and 28, 2016, and are valid for 25 years, renewable for a subsequent 25-year period, provided that the concessions are maintained in good standing.

Mineral concessions are regulated according to the following phases:

- up to four years of "Initial Exploration", as extended by the December 9, 2020 Ministerial decree (discussed below).
- up to four years of "Advanced Exploration";
- up to two years of "Economic Evaluation" of any deposit identified, and this term may be extended for an additional two-year period; and
- thereafter, the concessions are in the "Exploitation Phase".

Initial Exploration Phase. - Annual Mineral concession fee and expenditure obligations

Year	Concession Fees (USD)	Expenditure Required (USD)	Committed Expenditure (USD)	Actual Expenditure (USD)
1 (2017)	1,973,198 ¹	1,038,820 ²	1,060,000 ²	3,354,497
2 (2018)	2,004,923 ¹	2,077,640 ²	1,090,000 ²	4,396,820
3 (2019)	2,046,475 ¹	2,077,640 ²	2,098,000 ²	5,116,155
4 (2020)	2,077,640 ¹	2,077,640 ²	2,081,800 ²	8,627,136

¹ Paid - The Concession Fee is the larger of \$10/Ha or the amount of Committed Expenditure by the Company.

²Requirement satisfied

Advanced Exploration Phase - Annual Mineral concession fee and expenditure obligation

On December 9, 2020 in recognition of operational delays caused by the COVID-19 pandemic and delays in the issuance of other permits required for exploration, the Ministry of Energy and Non-Renewable Resources issued a Ministerial Decree that results in the extension of the Initial Exploration phase of Aurania's concessions for a period of between 18 and 36 months. The extension applicable to each concession is assessed on a case by case basis. As a result of this extension the timing of the first payments for the Advanced Exploration phase has been revised and is summarized below, along with the maximum amounts payable. The amounts payable are expected to be less than the maximum as it is the Company's intention to drop concessions that are deemed to have poor exploration potential. The extent of any reduction in the number of concessions held is yet to be determined.

	Number of concessions	Hectares	Concession fee
Q2 2022	4	19,787	\$395,741
Q3 2022	4	19,787	395,741
Q2 2023	1	4,947	98,935
Q4 2023	23	113,776	2,275,510
Q2 2024	10	49,468	989,352
	42	207,764	\$4,155,280

¹The annual fee for concessions carried through to Advanced Exploration double to USD20/Ha

Environmental Registration and Plan obligations.

The Environmental Registration and Environmental Management Plan required from the Ministry of the Environment for exploration of the concessions were received on June 30, 2017, and both are valid for the Initial Exploration term.

Relinquishment or cancellation of concessions

The size of the concession area constituting the Lost Cities Project may be reduced at the Company's discretion, based on exploration results. Conversely, mineral concessions can be cancelled by the State, for various reasons including, misrepresentation by the concession-holder of the stage of the concessions' exploration and development, by causing an excessive environmental impact, irreparable damage to Ecuadorian cultural heritage, or by the violation of human rights.

Reconnaissance Exploration

Reconnaissance is the first step of the exploration process with the objective of identifying which parts of the large concession area have potential to host mineral deposits of significant size and grade. Reconnaissance data are used to rank targets for further follow-up. Target ranking is a difficult process for many reasons including that mineral deposits are often not associated with the most conspicuous features evident in the exploration data. The Company's regional exploration program involves the following principal components:

- The heliborne geophysical survey (magnetic and radiometric data acquisition) that covered the entire Lost Cities Project area and environs flown in 2017. This data continues to be modelled as geological context flows from field-based information.
- Interpretation of satellite imagery to provide regional geological maps. Some target areas are derived from this basic data, especially target related to fault geometry and the composition of the rock sequence, some units being more chemically reactive, and hence are more likely to host mineralization, than others.
- Blanket coverage of the Lost Cities Project in a stream sediment sampling program. This component of the reconnaissance is 57% complete. Analysis of these samples is used to identify areas of metal enrichment in the catchment basin associated with each sample point. These are prioritized as targets based on the combination of elements enriched in each drainage area, the extent to which the elements of interest are enriched, the size of the area of enrichment, as well as its association with geophysical and LiDAR features, where available. Although limited stream sediment sampling was done in Q3 due to the focus of exploration activities shifting to prepare more advanced targets for scout drilling, the pace of reconnaissance exploration accelerated again in Q4.
- Bayesian Search Theory was applied to historic information gleaned from Colonial Spanish records and current exploration by Metron Incorporated ("Metron"). The objectives of this work were two-fold: to assist in the identification of targets using a mathematic method that is independent of the exploration data analysis being undertaken by the Company; and to identify geographic areas with the highest likelihood of containing the Lost Cities (gold mining areas) of Logroño and Sevilla. The results of Metron's work are being followed-up in the field.
- A LiDAR survey was commissioned over the whole Lost Cities Project area but has not been completed due to operational issues with the US-based survey company, VeriDaaS. However, a heliborne LiDAR survey was conducted over priority target areas by Ontario-based MPX Geophysics Ltd.



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The budget for reconnaissance exploration recommended in the December 2019 Technical Report was \$600,000, principally to complete the stream sediment sampling program over the whole of the Lost Cities Project. \$980,498 was spent on reconnaissance exploration in the year ended December 31, 2020. Completion of the reconnaissance exploration requires ongoing stream sediment sampling and successful undertaking of the LiDAR survey, both of which are planned to be completed in 2021.

Target Development

Approach

Targets identified through reconnaissance exploration are advanced to the point at which the Company can determine whether they have potential to contain a mineral deposit of material size and grade, through a combination of:

- Geological and mineral alteration mapping, and rock-chip sampling of boulders in streams and outcrops.
- Sampling of the clay-rich soil that is a medium for the capture of metals weathered from the underlying bedrock. Soil sampling is usually done along ridge crests (“ridge-and-spur”) and subsequently in a regular grid pattern to home in on the source of metals that drained into the rivers, giving rise to the enrichment detected by the stream sediment samples.
- Heliborne LiDAR was conducted over the Yawi, Crunchy Hill, Apai, Tsenken, Kirus and Tiria-Shimpia target areas between February 3 and March 8 by MPX Geophysics Ltd. of Ontario, Canada.
- The contract was signed on January 27, 2020. The cost of the survey was USD\$282,700, exclusive of helicopter costs that were covered in a separate contract between AvioAndes, the Ecuadorian helicopter company, and Aurania.
- LiDAR has proved to be an invaluable exploration tool over deep jungle-covered areas such as those of the Lost Cities Project.
- Various types of geophysics may be used to refine the target area including more detailed magnetic (airborne and ground) surveys, field-based induced polarization (IP) surveys and various electromagnetic methods including magnetotellurics (“MT”). MT methods include those in which power is input into the ground with a generator (controlled-source i.e. CSAMT) and those that use ambient currents in the earth induced by lightning strikes and solar storms. MobileMT is a heliborne system of the latter, passive type.

Defined Targets

A summary of the targets identified in the reconnaissance exploration program to-date is provided in the following Table.

#	Target	Target Commodity	Target definition			Scout Drilling	Status
			Ridge-&-spur soil sampling	Grid soil sampling	Mapping		
Epithermal							
1	Crunchy Hill	Gold-silver	✓	✓	✓	Undertaken Q2, 2019 & Q1, 2020. 10 scout holes drilled for 3,605m	MobileMT planned
	Yawi A		✓	✓	✓	Undertaken Q1 2020 3,010m was drilled in 7 holes	Downgraded
	Yawi B		✓	✓	✓		
	Yawi C		✓	✓	✓		
	Yawi D		✓	✓	✓		
	Yawi E		✓	✓	✓		MobileMT defined porphyry target – recategorized as porphyry
2	Yawi F		✓	✓	✓	MobileMT defined epithermal & porphyry targets	Scout drilling planned
3	Apai			✓	✓		MobileMT planned
4	Latorre A		✓	✓			
	Latorre C					MobileMT partially defined porphyry target	Recategorized as porphyry target
5	Latorre East					MobileMT planned	



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#	Target	Target Commodity	Target definition			Scout Drilling	Status	
			Ridge-&-spur soil sampling	Grid soil sampling	Mapping			
6	Latorre West							
	Tinchi							Downgraded
7	Tiria North		✓					MobileMT planned
8	Tiria East		✓	✓	✓			
9	Tiria South		✓	✓	✓			
10	Tiria West		✓					
11	Chapi West							
12	Chapi South							
13	Tsanimp							
14	Tumpain West							
15	Alto Yaupi							
Sediment-hosted								
1	Tsenken A		Copper-silver	✓	✓	✓		
2	Tsenken				In Progress	In Progress		
3	Tsenken B				✓	In Progress		
4	Kirus	✓		In Progress	In Progress			
Intrusive-related								
1	Awacha	Copper or copper-gold		In progress	In Progress	MobileMT in progress		
2	Jempe							
3	Tsenken			✓				
4	Tsenken N1			✓	✓	MobileMT feature & breccia	Scout drilling planned	
	Tsenken N2			✓	✓	645m drilled in 3 holes	Downgraded	
	Tsenken N3			✓	✓	1,246m drilled in 3 holes		
5	Tsenken N4			✓	✓	MobileMT refined target area	Scout drilling planned	
6	Kirus		✓	✓	✓			
7	Tatasham							
8	Sunka							
9	Latorre C					MobileMT defined porphyry target	Scout drilling planned	
10	Yawi E							
11	Yawi West							
Carbonate Replacement type								
1	Shimpia – 15km trend	Silver-zinc-lead	✓	✓	✓	MobileMT in progress	Scout drilling planned	

Exploration expenditures by target type.

The budget recommended in the December 2019 Technical Report, along with expenditure in the year ended December 31, 2020, is shown by target-type in the table below.

Exploration Category	December 2019 Technical Report Recommendation (\$)	Incurred for the year ended December 31, 2020 (\$)	Variance (\$)	Reason
Regional / Reconnaissance Exploration	600,000	980,499	(380,499)	Refocus on reconnaissance exploration to identify target areas that may be closer to surface & to apply exploration concepts derived from the on-going scout drilling
Target Development				
Epithermal Gold-Silver	2,530,000	1,772,760	752,240	Further exploration is pending completion of geophysical surveys delayed by COVID-related travel restrictions and inclement weather



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Exploration expenditures by target type, continued

Exploration Category	December 2019 Technical Report Recommendation (\$)	Incurred for the year ended December 31, 2020 (\$)	Variance (\$)	Reason
Sedimentary-Hosted Copper-Silver	1,200,000	805,288	394,712	Exploration emphasis shifted towards intrusive-related targets due to their emerging gold potential through the identification of Iron Oxide Copper-Gold systems
Intrusive-Related Copper	1,000,000	4,223,749	(3,223,749)	
Carbonate-Hosted Silver-Zinc-Lead	170,000	670,043	(500,043)	Further work has highlighted the silver potential of this target-type, and hence higher expenditure is justified.
Community Social Responsibility / Community Relations	250,000	906,800	(656,800)	Concession-wide evaluation of the communities within the concession area identified greater health and development needs.
Concessions	n/a	2,785,907	n/a	
Peru desktop studies	n/a	288,073	n/a	Availability of high-quality seismic data required more detailed study. Concession processing was also more expensive due to COVID-related delays
Total	5,750,000	12,433,119		

*Use of Proceeds total per the October 22, 2020 short form prospectus.

Epithermal targets for gold-silver

The December 2019 Technical Report recommended a budget of \$2,530,000 for exploration on epithermal targets. Actual expenditure on this target type was \$1,772,760 for the year. Expenditure was curtailed on epithermal targets due to COVID-19 related access restrictions and associated delays with planned geophysical surveys. 20 targets have been identified.

Crunchy Hill:

- Scout drilling at Crunchy Hill, which started the first week of March 2019, included 9 holes for 3,204m. No significant gold was intersected, and minor silver mineralization was cut in hole CH-009. An additional scout drill hole was completed in Q1, 2020, to a depth of 401m, based on a clearer understanding of the epithermal target garnered from the drilling at Yawi. Hence, in total, the scout drilling program at Crunchy Hill included 10 holes for 3,605m.
- The nature of veins intersected in the scout drilling at Crunchy Hill and Yawi, are indicative of the upper part of an epithermal system. Fluid inclusion studies show that the hydrothermal fluids from which the veins formed at Crunchy Hill and Yawi were relatively cool and had already boiled where they were frozen into the veins as the silica solidified: boiling causes gold to precipitate from these hydrothermal fluids. Hence, the fluid inclusions are consistent with the gold-bearing zone being significantly below the elevation at which the veins were intersected in the scout drilling program.
- Airborne MobileMT geophysics is planned to refine the target areas derived from mineral alteration zoning, and further drilling will be considered on completion of the geophysics.

Yawi:

- The first phase of scout drilling on the Yawi epithermal target (3,010m drilled in 7 drill holes) was undertaken between October 24, 2019 and February 8, 2020 on targets A, B and C.
- The seven bore holes drilled at Yawi confirm a maar-diatreme environment. Alteration mineral vectors and slightly elevated silver values in holes YW-003, 6 and 7 indicate that the core of the mineralized system should lie to the southeast.
- Detailed field investigation following vectors derived from the scout drilling at Yawi confirmed the presence of a diatreme breccia to the southeast of the area drilled. The diatreme breccia contains fragments of porphyry with copper mineralization (chalcopyrite and malachite) and vuggy silica, which is typical of one type of epithermal deposit.



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- The exploration model for the area has been modified to focus on the margins of the diatreme as the source of the fragments plucked from the edge of the diatreme body. The diatreme appears to have cut part of an epithermal system or, alternatively, an epithermal system may have formed at the same time as the diatreme as seen in many gold-silver deposits.
- Inversion modelling of magnetic data has refined the potential location and shape of the diatreme at Yawi.
- MobileMT geophysics is planned to refine the target areas for additional scout drilling, which is scheduled for Q1, 2021.

Shimpia-Tiria:

- Recent exploration in this area shows a consistent link between the Shimpia and Tiria targets. The silver-zinc-lead-barite mineralization that was originally named “Shimpia” has many features characteristic of epithermal mineralization similar to the “Tiria” group of targets. Our approach is now to view the targets as a continuum similar to the Cerro de Pasco – Marcapunta mineralized system in Peru that encompasses epithermal gold-silver and carbonate replacement silver-zinc-lead deposits. This target is discussed further below.

Apai:

- Mapping identified an area of vuggy silica with silver values up to 4.2g/t and slightly anomalous gold (up to 50ppb) and relict sinter surfaces were identified in another two areas. The target areas lie at the contact between lavas of the Santiago Formation and carbonate-bearing units of the overlying Chapiza Formation. Targets at Apai, therefore, lie at a similar stratigraphic position to the Fruta del Norte gold-silver deposit.
- Extensive areas contain blocks of sinter and features preserved in the silica are being used to map potential fluid up-flow zones that would be more prospective than the more distal parts of the sinter terrace.
- Further mapping, sampling and MobileMT geophysics, are planned for the target area.

Sediment-hosted copper-silver targets

The December 2019 Technical Report recommended a budget of \$1,200,000 for exploration on sedimentary-hosted copper-silver targets. Actual expenditure on this target type was \$805,288 for the year. Exploration focus shifted somewhat to intrusive-related targets due to recognition of the gold-potential of Iron Oxide Copper-Gold systems.

- The focus remains on determining the continuity of mineralization within specific sedimentary layers through mapping and soil sampling in the Tsenken and Kirus target areas. Soil sampling at Tsenken A and B has been focused on demonstrating continuity of copper along specific carbon-bearing layers.
- Soil sampling has identified a 600m long zone of copper enrichment at Tsenken B.

Intrusive-related copper targets

The December 2019 Technical Report recommended a budget of \$1,000,000 for exploration on intrusive-related targets. Actual expenditure on this target type was \$4,223,749 for the year.

Porphyry copper - Awacha:

- Reconnaissance geophysics suggests that a cluster of porphyry targets is in an upfaulted block in which erosion is deeper than in the remainder of the Lost Cities Project.
- Soil sampling and alteration mineral mapping have been used to refine the specific targets within the suspected target cluster.
- Inversion modelling of magnetic data is being used to refine the targets.
- Heliborne MobileMT geophysics is planned to refine the targets further in preparation for scout drilling.

IOCG:

- Inversion modelling of the Company’s magnetic data is being used to refine the targets in the Tsenken area.

Tsenken N1:

- The target is a hydrothermal breccia in which rock chip sampling has returned high-grade copper and silver.
- Soil sampling shows an area of copper over a 400m long zone that is open to the east.



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- Heliborne MobileMT geophysics is planned to refine the targets further in preparation for scout drilling.

Tsenken N2:

- Soil sampling showed enrichment in copper and a broad suite of elements partially coincident with a magnetic feature.
- Scout drilling commenced in mid-September 2020 and three holes were completed for a total of 645m.
- Mineral alteration observed in the drill core is consistent with the target being an IOCG system rather than a porphyry.
- Heliborne MobileMT geophysics is planned to refine the target further before further scout drilling is considered.

Tsenken N3:

- The target was modelled as a porphyry target on the basis of its magnetic signature and suite of elements enriched in soil in an area 1.7km long and 300m wide.
- Scout drilling of three holes has intersected alteration typical of an IOCG system. Bore holes TS004 - TS006 totaled 1,246m.
- Heliborne MobileMT geophysics is planned and will be combined with the alteration data to assist with detailed targeting for to direct further scout drilling.

Tsenken N4:

- Tsenken N4 is a magnetic feature similar to Tsenken N2 and N3.

Carbonate Replacement silver-zinc-lead targets

Tiria-Shimpia:

- The December 2019 Technical Report recommended a budget of \$170,000 for exploration on epithermal targets. Actual expenditure on this target type was \$670,043 for the year.
- Heliborne LiDAR data was used to provide a more detailed interpretation of the fault network which soil geochemistry from ridge-and-spur soil sampling suggest controls the location of metal enrichment.
- Enrichment of silver, zinc, lead and epithermal pathfinder elements like arsenic and antimony, occur over a distance of 15km.
- A trial MobileMT survey is planned over outcropping mineralization to test the effectiveness of the method to detect sulphides associated with this style of mineralization. If the test is positive, the whole of the 15km trend will be surveyed.

Use of Proceeds by target type

Exploration Category	Use of Proceed per October 2020 Offering	Use of Proceeds spent from October Offering	Discussion
Regional / Reconnaissance Exploration	\$390,000	\$152,755	
Target Development			
Epithermal Gold-Silver	1,970,000	549,890	In general funds have been spent in accordance with the Use of Proceeds, concentrating on the intrusive related targets at the start of program. However, progress was slower than anticipated with extra time and costs required to advance the drilling and MobileMT survey during the period. Consequently, additional funding was required to ensure that further time delays are mitigated, and the stated project milestones can be completed.
Sedimentary-Hosted Copper-Silver	887,000	108,752	
Intrusive-Related Copper	2,164,000	1,821,437	
Carbonate-Hosted Silver-Zinc-Lead	759,000	116,155	
Community Social Responsibility / Community Relations	350,000	188,954	
Concessions	2,800,000	-	
Peru desktop studies	50,000	18,761	
Total	9,370,000	2,956,704	



Corporate Social Responsibility

The Company's CSR team is working closely with communities, 96% of which are Indigenous, within the Lost Cities Project area. The Company's approach is aligned with the Equator Principles and United Nations Declaration on the Rights of Indigenous Peoples. A Stakeholder Engagement Plan incorporates early stakeholder engagement with a social impact analysis and defines opportunities for mutually beneficial partnerships between the communities, the Company and the Ecuadorian government. Specifically, the Company is working with the ministries of the Health, Agriculture, Education and Social Inclusion and Economy in addition to its normal-course interaction with the MENRR and MEW to identify areas where the economic benefit of its exploration work can be maximized.

Formal access agreements are in place with 36 of the 55 communities (65%) representing 70% of the land area that lies within the Lost Cities Project area. In joint work between the communities and the Company, ten communities have benefitted directly, and 24 indirectly, from improved access and infrastructure. Since inception of the Lost Cities Project, the exploration team has created over 1,300 part-time work opportunities, equitably distributed across 32 communities. Scout drilling at Crunchy Hill in Q1 and Q2, 2019 and at Yawi in Q4 2019 and Q1, 2020 resulted in part-time work for approximately 700 men and women. The drilling at the Tsenken target has provided employment for a rotating team of 315 people.

The Company helped with the distribution of factual information regarding the COVID-19 virus, prepared by Ecuador's Ministry of Health, to communities in its area of influence by having the material translated into the Shuar language and distributing copies, as well as broadcasting information regarding the virus on local radio stations. In response to the travel restrictions imposed by the Ecuadorian government and the dearth of employment opportunities during the COVID-19 pandemic, Aurania purchased and delivered dry food including rice, lentils, beans and canned fish to the communities within the area of influence of the Lost Cities Project subsequent to quarter-end. Two food deliveries were made as follows:

- April 3-6: 8 tonnes of food were delivered to 970 families in 44 communities; and
- April 27-29: 10 tonnes of food were delivered to 1,292 families in 49 communities. The second relief effort was made in conjunction with the Step Forward Foundation, the Ministry of Social Inclusion with the help of the logistics arm of the Ecuadorian military.

Health and Safety

The Company has worked with the Ministry of Health in accessing outlying areas so that a COVID-19 related impact assessment could be done. 300 COVID-19 test kits were donated to the Ministry and to the provincial government of Morona Santiago. In addition, the Company implemented a strict COVID-related return-to-work protocol for its staff and the communities with which the Company is working. To date, that protocol resulted in the Company undertaking 2,138 COVID-19 tests on its staff and people from the communities with which it is working.

Of the 44 employees of Aurania's Ecuadorian subsidiary, 15 (34%) tested positive for COVID-19 in 2020 and, on testing positive, were lodged in an isolated facility for 14 days or until they tested negative for COVID-19, along with staff who had been exposed to people who later tested positive. This aggressive protocol resulted in 378 lost workdays by employees and contractors, causing disruption in continuity and planned rotations of personnel, with a loss in efficiency. The advantage of this aggressive protocol, however, was that, to the Company's knowledge, it has not transmitted the virus that causes COVID-19 to the local communities in which it operates or is in contact with.

In Q1, 2021, the infection rate of staff and contractors has fallen to zero since January 1, 2021. However, the strict protocols will be kept in place in an attempt to avoid the introduction of new variants of the virus into the workplace or the communities in which the Company operates or is in contact with.

Environment & Water

Contaminated water, poor sanitation, and poor hygiene have been identified as the prime risk to the health of people living and working in the Lost Cities Project area; hence the Company is investing in education on basic sanitation and water purification methods in conjunction with the Step Forward Foundation. Preliminary assessments of water quality have been completed in 53 of the 55 communities within the area of influence of the Lost Cities Project. The objective of the assessment is to evaluate various solutions and develop budgets that



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can be presented to regional government, foundations and communities to find a means of financing, implementing and maintaining potable water standards. Working with the communities and local authorities, clean water has been made available to six communities and an effort is now being made to install sanitary batteries.

Revegetation of the drill platforms at Yawi was completed and the Company has received confirmation from the MEW that the restoration of the drill platforms meets the ministry's requirements. The company maintains a bond of USD\$42,107 to cover potential environmental damage caused by exploration of the Property.

On March 10, 2020, the Company was accredited with an ISO14001 certification for its operations, focused strongly on its efforts to minimize the impact of its exploration and community relations program. One of the objectives of the certification is to provide metrics by which continued improvement can be measured and monitored.

Application for the water-use permits required for scout drilling, has been made for 39 off-take points near high-priority targets that are being prepared for scout drilling. SENAGUA, the federal water authority that handles these applications, has been incorporated into the Ministry of the Environment, which should translate into more efficient processing of water-use permits.

5.2 Peru Project

Mineral Property Interests

In late 2019 the Company applied to the Peruvian Mining and Metallurgical Geological Institute "INGEMMET" for certain mineral concessions which continued to be in progress at the year end. While the Company believes its application will be approved, there is no guarantee that all concessions will be received by the Company. Of the total cash advance to INGGEMMET to apply for concessions, \$1,911,872 was expensed in 2019 related to the applications in progress including those rejected. The advances for mineral property interest of \$560,155 (December 31, 2019 - \$463,268) represent that portion of the cash advances made to INGGEMMET that can be applied to future applications and annual concession fees.

Concession payment obligations at year ended December 31,	2021 Q2	2022 onwards Q2
Concession applied for and in progress		
Number of concessions	418	-
Hectares	401,276	377,276
Concession payments	\$1,446,591	\$1,446,591
Concession payments covered by certificates	560,155	-
Concession payments not covered by certificates	886,052	1,446,591
Total concession payment obligations	\$886,052	\$1,446,591

The company is in the process of prioritizing the key concessions and expects to significantly reduce the number of hectares and associated fees ahead of the required payment date.

Subsequent to the year end 30 new concessions were applied for and 6 applications were granted. The required payments were made utilizing certificate credits of USD\$85,647 and USD\$18,000 respectively leaving a balance of approximately \$428,704 (USD\$334,925) to be used for future payments.

Obligations Related to the Concession Applications

- The applications are progressing through a process that includes verification that the applications do not cover existing concessions or ecologically fragile areas and the publication of the INGGEMMET-vetted applications in the local press in the province in which the concession applications lie.
- An annual concession fee of US\$3.00 per hectare is required to be paid by the end of June to keep the concessions in good standing.
- While the Company believes that the majority of its applications will be approved, there is no guarantee that all of the concession applications will be successful.



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Exploration

Unlike the Lost Cities Project where no prior exploration data was available when the Company's exploration started, there is extensive geophysical data available in northern Peru. The geological consultant who undertook the satellite interpretation of the Lost Cities Project also interpreted the structural framework on which the concession applications were based. The Company applied to PeruPetro, the custodian of the geophysical data, for seismic, magnetic and gravity data from the vicinity of the Company's concession applications. The data has been provided under a confidentiality agreement which allows for interpretations of the data to be released into the public domain. The Company is currently working with these datasets, the objective being to refine the target areas, allowing the Company to focus its field exploration efforts on the most prospective areas and allowing the Company to relinquish lower priority areas. The exploration budget for the basic data compilation in Peru of \$50,000 has been exceeded with \$288,073 spent. The additional expenditure was warranted due to COVID-related delays on the processing of concession applications and the outstanding quality of geophysical data received from the Peruvian state demanding careful analysis.

5.3 Finance

During the year, the Company raised \$17,635,940 net, principally through a non-brokered private placement of units in March, the completion of an overnight marketed offering in October, as well as through the exercise of warrants and stock options, resulting in the issuance of 5,617,833 shares. The Company also amended the Promissory Note 2017 and Promissory Note 2019 such that the notes become repayable on the day following the one-year anniversary of the lender requesting repayment. See section 5.3 Finance for further details.

March 2020 Private Placement

On March 13, 2020, the Company announced that it had completed the March 2020 Private Placement for gross proceeds to the Company of \$6,470,131, resulting in the issuance of 2,087,139 common shares at \$3.10 per share and share issuance costs of \$491,961.

October Overnight Marketed Offering

On October 29, 2020, the Company announced that it had completed an overnight marketed offering consisting of 2,679,500 units sold at a price of \$4.30 per unit for gross proceeds of approximately \$11.5 million. Each unit consisted of one share and one half of a common share purchase warrant at an exercise price of \$5.50, exercisable for two years. The Offering was completed pursuant to an underwriting agreement among the Company and Cantor Fitzgerald Canada Corporation, as lead underwriter and sole bookrunner, and a syndicate of underwriters. In connection with the Offering, the Company paid the Underwriters a fee of C\$690,312 and issued 160,770 compensation warrants to the Underwriters. Each Compensation Warrant is exercisable into a unit at the exercise price of \$4.30 per unit until October 29, 2022.

Anticipated use of the proceeds of the Offering are for exploration expenditures at the Company's Lost Cities Project in Ecuador, initial exploration in adjacent Peru and for working capital and general corporate purposes.

Amendment of Terms of Promissory Note 2017 and Promissory Note 2019

Dr. Keith Barron, Chairman, CEO and principal shareholder agreed to amend the terms of the Promissory note 2017 and the Promissory note 2019 on August 20, 2020 and September 30, 2020 respectively, such that they will become repayable a year and one day from the date on which Dr. Barron requests repayment from the Company.

6 CONSOLIDATED LOSS AND COMPREHENSIVE LOSS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019.

For the years ended December 31,	2020	2019
Operating expenses		
Exploration expenditures (detailed below)	\$12,433,119	\$11,540,609
Stock-based compensation	2,781,670	1,813,530
Investor relations and business development	672,706	857,390
Office and general	878,109	706,179
Management fees	527,397	615,481
Professional and administrative fees	456,044	306,925
Regulatory and transfer agent fees	190,120	177,772
Directors' and advisor fees	75,000	75,000
Amortization	48,378	35,950
Project evaluation expenses including travel	9,671	71,511
Total expenses	\$18,072,214	\$16,200,347
Other expenses (income):		
Other income	-	(140,048)
Gain on foreign exchange	(61,076)	61,758
Loss on derivative	-	121,571
Interest income	(13,206)	(9,093)
Interest and other financing expense	11,713	36,096
Accretion of promissory note	481,347	332,202
Loss and comprehensive loss for the year	\$18,490,992	\$16,602,833

For the years ended December 31,	2020	2019
ECUADOR & CANADA		
GEOLOGY/FIELD:		
- Salaries, benefits	\$2,374,944	\$2,071,202
- Camp costs, equipment, supplies	1,082,566	375,388
- Project management	222,079	337,188
- Travel, accommodation	195,207	601,754
- Office (Quito, Macas)	63,066	112,381
- Environment, health & safety	505,832	210,107
- Water	147,490	54,981
- VAT ⁽¹⁾	475,642	346,221
- Drilling	1,746,201	975,658
GEOCHEMISTRY	976,157	414,634
GEOPHYSICS	299,638	103,621
EXPERT CONSULTANTS	118,778	-
OTHER TECHNICAL STUDIES	288,065	273,793
CORPORATE SOCIAL RESPONSIBILITY - fees, travel, supplies	788,022	819,185
LEGAL COSTS FOR CONCESSION MAINTENANCE	75,452	31,949
CONCESSION MAINTENANCE – permits	2,785,907	2,701,348
Total exploration expense – Ecuador & Canada	12,145,046	\$9,429,410

PERU		
- Cost related to concession fee applications	180,636	1,911,872
- Concession fees recoveries	(116,031)	-
- Technical Consulting	68,759	-
- Legal	154,709	199,327
Total exploration expense – PERU	288,073	2,111,199
TOTAL EXPLORATION EXPENSE	\$12,433,119	\$11,540,609

(1) VAT is a 12% value added tax added to most purchases, the nature of the Company's exploration business means that it does not have the revenues against which to recover these amounts with certainty and are therefore expensed.

For the year ended December 31, 2020, the Company incurred a loss of \$18,490,992 (2019 - \$16,602,833), increasing the accumulated deficit from \$42,096,918 in 2019 to \$60,463,012 in 2020. The Company's accounting policy is to expense exploration expenditures and therefore represents the majority (69%) of the total loss. The major contributors to the increase in loss in the year is an \$892,510 increase in exploration expenses and a \$1million increase in stock-based compensation. A discussion of the principal expenditure items follows:

Geology/field

- **\$2,374,944** (2019 - \$2,071,202) for salaries and consulting fees for the exploration teams comprised of geologists, technicians, guides and other part-time or occasional field assistants. This 15% increase in expenditure over 2019 reflects expansion of the exploration team as more target-specific work and drilling is undertaken. Significant mutual benefit has been generated in the reconnaissance exploration effort through the training and contracting of technicians resident in the Lost Cities Project area.
- **\$1,082,566** (2019 - \$375,388) camp costs and equipment supplies for the exploration teams. The 280% increase is due in part to the need to establish and operate remote drill camps and sites which are helicopter- supported, in addition to a general expansion of the work programs and the number of locations. Significant costs were also incurred in the year due to COVID-19 with unforeseen expenditures being incurred to quickly shutdown camps and safely extract personnel and then later to re-open the camps once government approved safety protocols had been implemented.
- **\$222,079** (2019 - \$337,188) for project management fees; this includes salaries and benefits for the VP Exploration and an allocation of the time spent by the President on the Lost Cities Project. The amounts are impacted by the allocation of time between projects versus corporate activity and changes in exchange rates.
- **\$195,207** (2019 - \$601,754) for in-country and international travel for the exploration team members. All travel-related costs dipped for the initial period of the COVID-19 pandemic when field operations were shut down.
- **\$63,066** (2019 - \$112,381) for field offices and administration including rent, telecommunications and administration for the Macas and Quito offices.
- **\$505,832** (2019 - \$210,107) The 240% increase in expenditure in Environment, Health and Safety compared with 2019 is due to the health and safety measures implemented due to the COVID-19 pandemic and increased work on environment-related matters in preparation for and during the ongoing drilling campaign. The Company makes use of the services of a well-qualified and experienced Quito-based consultant to oversee compliance and reporting for water, environmental and health & safety matters.
- **\$147,490** (2019 - \$54,981) for water management. In recognition of the importance of water management, an operating department has been established in Macas to manage water affairs. The increase in costs related to water affairs reflects the increase in activity related with permitting for water for drilling as well as monitoring to demonstrate that there is no contamination of water sources from drilling.
- **\$475,642** (2019 - \$346,221) VAT is an Ecuadorian value added tax paid on purchases and services. The nature of the Company's exploration business means that it does not have revenues against which to recover these amounts with certainty and are they are therefore expensed.



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- **\$1,746,201** (2019 - \$975,658) drilling includes drill contractor and helicopter support costs and relates to the start of scout drilling at the Tsenken targets in the latter part of the year and the scout drilling program undertaken at Yawi and Crunch Hill earlier in 2020.

Geochemistry

- **\$976,157** (2019 - \$414,634) this expenditure relates to the processing and assay of samples. The increase is due to the increase in drilling activity, rock chip, soil and stream sampling of expanded target and reconnaissance exploration activity. In 2020 6,720 (545 stream sediment, 79 panned concentrate, 5,098 soil, 573 rock-chip and 425 core) samples were analyzed.

Geophysics

- **\$299,638** (2019 - \$103,621) for consulting fees for on-going interpretation of data from the heliborne magnetic survey that was completed in 2017 and for the ongoing MobileMT survey.

Expert Consultant

- **\$118,778** (2019 - \$nil) for consulting fees for review of data by a copper specialist, consulting and a training course on epithermal deposits and a third expert for a review of potential archeological sites (Spanish Road).

Other Technical Studies

- **\$288,065** (2019 - \$273,793) which included fees to Metron Inc. for Bayesian analysis and to Watts, Griffis & McQuat for the December 2019 Technical Report.

Corporate Social Responsibility

- **\$788,022** (2019 - \$819,185) for consulting fees, field costs, travel and accommodation of the CSR team, and various community initiatives. These costs are largely in line with the previous year. The increased costs of support the communities in which the Company works during the initial stages of the COVID-19 pandemic as off-set by the reduced field work during that time.

Legal costs for concession maintenance

- **\$75,452** (2019 - \$31,949) for legal and other professional costs related to maintenance of mineral concessions, CSR access permissions and annual reporting to maintain the concessions in good standing.

Concession maintenance – permits

- **CAD\$2,785,907** (2019 - CAD\$2,701,348) in annual and other fees for the 42 concessions, were paid to the State. Annual fees paid to the Ecuadorian State increased to USD10.00 in 2020 from USD9.65/Ha in 2019.

Other significant non-exploration expenditures are as follows:

- A stock-based compensation expense of **\$2,781,670** (2019 – \$1,813,530), has increased in line with the number of options and RSUs vesting in 2020.
- Investor relations **\$672,706** (2019 - \$857,390). In general investor relations activity was curtailed toward the end of the first quarter due to the restrictions on gatherings and travel as a response to the COVID-19 pandemic. Although in person activity has gradually been replaced with on-line activity costs have remained lower due to reduced levels of travel and gathering restrictions.
- Office and general **\$878,109** (2019 - \$706,179). The increase was due to adding the administrative costs of the Peruvian subsidiary, moving the CFO function from part-time to full-time in 2020 and a general increase in administration to support the increased level of operational activity and expanded corporate complexity.
- Management fees of **\$527,397** (2019 - \$615,481).
- Professional and administrative fees of **\$456,044** (2019 - \$306,925) increased commensurate with the increase in legal and regulatory activity.
- Regulatory and transfer agent fees, Director Fees, project evaluation and amortization are broadly in line with the corresponding period.

Cash Flow Activities	Year ended December 31, 2020	Year ended December 31, 2019
Operating	\$14,622,396	\$(14,521,093)
Financing	17,635,940	18,724,551
Investing	(63,929)	208,862
Increase/(decrease) in cash during the period	\$2,949,615	\$4,412,320

At the year ended December 31, 2020, the Company's cash position increased by \$2.95million. The main cash outflows for the current reporting period consist of exploration and corporate expenditures described in the above section on Statement of Loss and are included as Operating activity in the Cash Flow statement and the principal cash inflows coming from financing activities as described in section 5.2 Finance.

7 SUMMARY OF QUARTERLY RESULT

Quarters Ended	Net revenue	Net Loss	Loss per Share
December 31, 2020		\$2,949,615	\$0.12
September 30, 2020	-	3,219,597	0.07
June 30, 2020	-	2,034,877	0.05
March 31, 2020	-	7,762,677	0.20
December 31, 2019	-	6,216,914	0.14
September 30, 2019	-	2,353,583	0.07
June 30, 2019	-	2,910,745	0.09
March 31, 2019	-	5,121,591	0.17

8 LIQUIDITY AND CAPITAL RESOURCES

Capital management

The Company considers the capital that it manages to include share capital, share premium, warrants, contributed surplus and shareholder contribution and accumulated deficit, which at December 31, 2020 was a total equity surplus \$3,459,012 (December 31, 2019 equity surplus - \$1,397,451). The Company manages its capital structure and adjusts it, based on the funds needed in order to support the acquisition and exploration of mineral properties. Management does this in light of changes in economic conditions and the risk characteristics of the underlying assets. There has been no change with respect to the overall capital risk management strategy during the year ended December 31, 2020. Neither the Company nor its subsidiaries are subject to externally imposed capital requirements, other than those of the TSX Venture Exchange ("TSXV"), which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of twelve months. As at December 31, 2020, the Company may not be compliance with the policies of the TSXV. The impact of this violation is not known and is ultimately dependent on the discretion of the TSXV.

Exercise of options and warrants

During the year ended December 31, 2020, a total of \$1,228,877 was added to the treasury from the exercise of 717,000 stock options and 64,750 warrants.

Capital raises

During the year, the Company raised \$16.41million, net of share issue costs, through a non-brokered private placement of units in March, the completion of an overnight marketed offering in October. The Company also amended the Promissory Note 2017 and Promissory Note 2019 such that the notes become repayable on the day following the one-year anniversary of the lender requesting repayment. See section 5.3 Finance for further details.



Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company’s approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company’s reputation.

The Company endeavors to have sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot be reasonably predicted.

At December 31, 2020, the Company has a cash and cash equivalents balance of \$8,178,956 (December 31, 2019 - \$5,229,341) to settle current liabilities of \$1,468,117 (December 31, 2019 - \$1,555,282). All the Company’s financial liabilities generally have contractual maturities of less than 30 days and are subject to normal trade terms, except for its promissory notes. In addition to the commitments disclosed in Note 15, the Company is obligated to the following contractual maturities of undiscounted cash flows as at December 31, 2020:

In Canadian \$ equivalents	Carry amount	Contractual cash flows	January 1, 2020 to December 31, 2021	Thereafter
Accounts payable and accrued liabilities	1,468,117	1,468,117	1,468,117	-
Promissory note 2017	567,102	575,851	-	567,102
Promissory note 2019	3,615,392	3,965,204	-	3,615,392
	5,650,611	6,009,172	1,468,117	4,182,494

Funding Outlook

As the Company currently has no source of revenues or cash flow, periodic financings are required to advance exploration at the Project, to meet ongoing obligations and discharge the Company’s liabilities in the normal course of business.

The Company has been successful in funding its operations, including the payment of the 2020 concession fees, and the on-going exploration activities including scout drilling, CSR activities as well as corporate costs in Ecuador, Peru and Canada, through a combination an overnight marketed offering of \$11,521,850 (gross), a Non-Brokered Private Placement proceeds of \$6,470,131 (gross), and \$1,228,877 received from the exercise of 717,000 stock options and 64,750 warrants.

Novel Coronavirus (“COVID-19”)

The Company’s operations could be significantly adversely affected by the effects of a widespread global outbreak of a contagious disease, including the recent outbreak of respiratory illness caused by COVID-19. The Company withdrew all personnel from the field operation by March 21, 2020 and reopened its field office in Macas, Ecuador, on a restricted basis on June 13, 2020. The Company cannot accurately predict the further impact that COVID-19 will have on its operations and the ability of others to meet their obligations with the Company, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company’s operations and ability to finance its operations.

9 INDEBTEDNESS

The Company’s activities are partially funded by loans from its Chairman, CEO and Principal Shareholder and are described in detail in the audited consolidated financial statements for the year ended December 31, 2020. The significant changes in those debt instruments during the quarter are described in section 5.2 Finance above.

**10 EQUITY**

Share Capital – Activity during the year ended December 31, 2020:

	Number of Options	Weighted Average Exercise Price	Estimated Fair Value
Balance - December 31, 2018	1,516,260	\$2.92	\$1,806,852
Issued	1,455,000	2.82	1,488,280
Exercised	(65,000)	1.25	(36,216)
Stock-based compensation expense	-	-	314,660
Balance - December 31, 2019	2,906,260	2.41	3,573,576
Issued	1,420,000	3.42	1,414,031
Exercised	(717,000)	1.44	(838,920)
Expired	(68,260)	2.50	(108,297)
Stock-based compensation expense	-	-	1,111,549
Balance – December 31, 2020	3,541,000	\$2.89	\$5,151,939

Stock options - Activity for the years ended December 31, 2019 and 2020:

Issued Number of Options	Exercisable Number of Options	Exercise Price	Expiry Date	Estimated Fair Value
150,000	150,000	\$2.30	May 26, 2022	256,242
200,000	200,000	\$2.00	November 2, 2022	205,625
250,000	250,000	\$2.89	March 2, 2023	541,934
136,000	136,000	\$2.68	April 5, 2023	273,227
180,000	130,000	\$3.40	April 5, 2023	454,423
48,000	32,000	\$3.40	January 16, 2024	120,869
77,000	51,333	\$2.97	June 28, 2024	167,518
880,000	293,334	\$2.70	October 24, 2024	1,399,909
200,000	66,667	\$2.70	December 31, 2021	318,161
300,000	100,000	\$3.16	February 7, 2025	558,228
920,000	339,997	\$3.51	November 17, 2025	713,417
100,000	33,333	\$3.51	December 31, 2021	77,545
100,000	33,333	\$3.25	December 22, 2025	64,841
3,541,000	1,815,997			\$5,151,939

Restricted Stock Units - The following summarizes the RSU activity for the years ended December 31, 2020 and 2019:

	Number of RSUs	Weighted Average Fair Value	Estimated Fair Value
Balance – December 31, 2018	67,000	\$1.98	\$132,581
Shares issued for RSU's	122,700	2.50	10,590
Balance – December 31, 2019	189,700	2.32	143,171
Issued	338,700	3.46	84,371
Shares issued for RSUs	(18,500)	(2.27)	(42,067)
Shares to be issued for RSUs	(89,400)	(2.06)	(183,949)
Stock-based compensation expense	-	-	206,572
Balance – December 31, 2020	420,500	\$3.07	\$208,098



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Warrants - The following summarizes the warrants and Agents' Options activity and outstanding warrants and Agents' Options for the years ended December 31, 2020 and 2019:

	Number of Warrants/ Agents' Options	Weighted Average Exercise Price	Estimated Fair Value
Balance – December 31, 2018	2,259,051	\$2.92	\$1,123,509
Issued warrants private placement	825,937	4.00	381,980
Issued agents warrants	15,914	4.00	15,625
Exercised	(1,807,177)	(3.00)	(904,619)
Expired	(357,224)	(3.00)	(174,280)
Balance – December 31, 2019	936,501	3.90	442,215
Issued warrants private placement	1,043,567	4.25	585,000
Share issue costs attributable to warrants	-	-	(41,125)
Issued warrants	1,339,750	5.50	1,391,843
Issued agents warrants	160,770	4.30	265,271
Share issue costs attributable to warrants	-	-	(132,030)
Exercised	(64,750)	(3.08)	(30,772)
Expired	(34,900)	(3.00)	(16,601)
Balance – December 31, 2020	3,380,938	\$4.87	2,463,801

Outstanding warrants

Expiry date	Number of Warrants	Exercise Price
February 27, 2021	510,431	\$4.00
March 20, 2021	310,506	\$4.00
August 27, 2021	4,734	\$4.00
August 28, 2021	236,994	\$4.25
September 5, 2021	671,622	\$4.25
September 13, 2021	134,951	\$4.25
September 20, 2021	11,180	\$4.00
October 29, 2022	1,339,750	\$5.20
October 29, 2022	160,770	\$4.30
Balance – December 31, 2020	3,380,938	

Exercise of warrants

At December 31, 2020, 64,750 warrants with a weighted exercise price of \$3.08 were exercised for proceeds of \$199,250. Shares related to the exercise of 50,944 of these warrants were issued in the few days following December 31, 2019 and are recorded as shares to be issued.

At December 31, 2019, 1,807,177 warrants with an exercise price of \$3.00 were exercised for proceeds of \$5,421,531. Shares related to the exercise of 50,944 of these warrants were issued in the few days following December 31, 2019 and are recorded as shares to be issued.

11 KEY MANAGEMENT EXPENSE

In accordance with IAS 24, key Management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and nonexecutive) of the Company. The remuneration of key management and directors of the Company was:

For the year ended December 31,	2020	2019
Management fees corporate ⁽¹⁾	327,936	\$317,175
Management fees technical ⁽¹⁾	400,491	337,188
Director and advisor fees ⁽²⁾	75,000	75,000
Stock-based compensation for key management and directors ⁽³⁾	1,861,000	1,229,934
Total key management compensation expense	\$2,664,427	\$1,959,297

⁽¹⁾ Salary - corporate includes 100% CFO fees, 30% of the President's compensation. Salary - technical includes the remaining 70% of the President's compensation and 100% of the compensation paid to the Vice President, Exploration.

⁽²⁾ Director's fees are \$15,000 per annum, per director or \$3,750 per quarter.

⁽³⁾ This figure is the estimated fair value expense of vested stock options and RSUs granted to key management and directors during the year ended December 31, 2020 and 2019.

12 RELATED PARTY TRANSACTIONS

Related parties include the Board of Directors, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions. The Company entered into the following transactions with related parties during the years ended December 31, 2020 and 2019:

- A total of \$nil (2019 - \$150,000), plus applicable taxes was charged to the Company by a management company controlled the President, for management consulting fees.
- A total of \$21,581 (2019 - \$163,141), plus applicable taxes were charged to the Company by the Chief Financial Officer ("CFO"), pursuant to a consulting contract. Included in accounts payable and accrued liabilities at December 31, 2020 is \$nil (2019 - \$15,288) owed to the CFO, for unpaid fees.
- During the year ended December 31, 2020, the Company incurred \$144,000 (2019 - \$144,000) of administrative service costs including office, rent and general office services, to Big Silver Ltd. a company owned and controlled by the Chairman, CEO and principal shareholder. Included in accounts payable and accrued liabilities at December 31, 2020 is \$nil (2019 - \$nil). These amounts are unsecured non-interest bearing and are due on demand. - **See note 17 Commitments and Contingencies.**
- For other related party payables, see notes 8 Promissory note, Share Capital 9(iii), 9(vi), 9 (vii), and 9 (viii).

13 OFF-BALANCE SHEET TRANSACTIONS

There are no other transactions contemplated at this time.

14 PROPOSED TRANSACTIONS

Like other mineral exploration enterprises, the Company may acquire or dispose of property assets as part of its normal-course business as determined by Management based on exploration results, opportunities, the competitive nature of the business, and availability of capital.

15 CRITICAL ACCOUNTING ESTIMATES

The Company prepares its financial statements in accordance with IFRS. Significant assumptions about the future and other sources of estimation uncertainty that Management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- the inputs used in accounting for valuation of warrants and options which are included in the condensed consolidated statement of financial position.



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- (b) the inputs used in accounting for stock-based compensation expense in the condensed consolidated statement of loss.
- (c) the \$nil provision for decommissioning and restoration obligations which are included in the condensed consolidated statement of financial position.
- (d) the existence and estimated amount of contingencies.
- (e) the valuation of shareholder contribution in connection with the issue of promissory note.

16 CHANGES IN ACCOUNTING POLICIES AND FINANCIAL INSTRUMENTS

Changes in Accounting Policies

During the year ended December 31, 2020, the Company adopted a number of new IFRS standards, interpretations, amendments and improvements of existing standards. These included IAS1 and IFRS3. These new standards and changes did not have any material impact on the Company's consolidated financial statements. Further detailed information is provided in Note 3 of the audited consolidated financial Statements.

Financial Instruments

IFRS requires that the Company disclose information about the fair value of its financial assets and liabilities. The Carrying amounts of cash equivalents, receivables, trade and other accounts payable and promissory note on the statements of financial position approximate fair value because of the limited term of these instruments.

Fair value estimates are made by the Company at the date of the statement of financial position based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision.

The Company does not have any derivative financial instruments. All financial instruments are initially recorded at fair value and designated upon inception into one of the following four categories: held-to-maturity, available-for-sale, loans and receivables or fair value through profit or loss.

17 RISKS AND UNCERTAINTIES

At the year end, there were no significant changes in the material risk and uncertainties faced by the Company from those reported in the Management Discussion and Analysis for the year ended December 31, 2019 apart from the increased risks associated with COVID-19 pandemic as discussed under section 8. Liquidity and Capital Resources above.

18 COMMITMENTS AND CONTINGENCIES

Environmental contingencies

The Company's exploration activities are subject to various laws and regulations governing the protection of the environment. The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations.

Service costs and consulting agreements

Commencing January 1, 2019, the Company entered into an agreement with Big Silver Ltd. a company owned and controlled by the Chairman, Chief Executive Officer and principal shareholder, for office rent and general office services. The terms include a monthly fee of \$12,000 and can be terminated by either party with 180 days' notice.

Until replaced with an employment contract on February 1, 2020 the Company's Chief Financial Officer provided financial corporate consulting services to the Company pursuant to an annual, renewable consulting agreement, the terms include a monthly fee of \$12,000.



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On July 16, 2019, Aurania signed a contract with a consultant to perform a specialized LiDAR survey. Pursuant to the contract the Company will pay \$800,332 (USD 591,000) in installments against a performance and product delivery schedule. The Company has paid \$160,153 (USD 118,264) to date.

The Company is party to certain management contracts. These contracts contain minimum commitments of approximately \$693,000 and additional contingent payments of up to approximately \$1,040,000 upon the occurrence of a change of control. As a triggering event has not taken place, the contingent payments have not been reflected in these condensed consolidated interim financial statements.

19 SUBSEQUENT EVENTS

Vested RSUs converted to common shares

Subsequent to December 31, 2020, 6,500 RSU's have been exercised.

New Director

Subsequent to the year end Nathalie Han was appointed to the Board.

Peru Concessions

Subsequent to the year end the Company received its first six mineral concessions in Peru and applied for a further 30 new mining concessions.

Ecuador Concession payments

Subsequent to the year end the Company completed payment of the 2021 annual mining concession fees and associated filing on time, thereby maintaining the concessions in good standing for the ensuing year.

Brokered overnight marketed public offering and concurrent private placement

On April 1, 2021, the Company closed its previously announced overnight marketed public offering of units of the Company (the "Units"), including exercise in full of the over-allotment option (the "Offering"). A total of 2,507,000 Units were sold at a price of \$3.10 per Unit (the "Offering Price") for gross proceeds of \$7,771,700. Each Unit is comprised of one (1) common share in the capital of the Company (each, a "Common Share") and one Common Share purchase warrant (a "Warrant"). Each Warrant shall entitle the holder to purchase one Common Share at \$4.25 at any time on or before the date which is 36 months after the Closing Date. In connection with the Offering, the Company paid to the Underwriters a cash commission of 6% of the gross proceeds from the Offering and issued to the Underwriters a number of compensation warrants equal to 6% of the Units sold under the Offering ("Compensation Warrants"). Each Compensation Warrant is exercisable into a Unit at the exercise price of \$4.25 per Unit until April 1, 2024.

On April 7, 2021, the Company closed its previously announced concurrent private placement of Units (which will have substantially the same terms and conditions as the Units issued in the Offering) for gross proceeds of \$1,251,498 during the week of April 7, 2021.

20 QUALIFIED PERSON

The foregoing and technical information contained has been prepared or reviewed by Jean Paul Pallier, VPX, who is registered as a EurGeol with the European Federation of Geologists and is a "Qualified Person" for the purpose of National Instrument 43-101, Standards of Disclosure for Mineral Projects of the Canadian Securities Administrators.

21 SHARE DATA

As at	Common Shares	Shares to be issued	Warrants	Agents' Options and Warrants	Stock Options	RSUs	Fully Diluted
December 31, 2018	32,036,874	-	2,259,051	79,442	1,516,260	67,000	32,451,874
December 31, 2019	38,333,356	-	936,501	15,914	2,906,260	189,700	35,478,249
December 31, 2020	43,951,179	183,949	3,204,254	176,684	3,541,000	325,951	51,383,017

22 ADDITIONAL INFORMATION

The Company

Aurania Resources Ltd. was incorporated under the laws of Bermuda on September 26, 2007 pursuant to the provisions of *The Companies Act 1981* (Bermuda). On February 18, 2011, the Corporation registered extra-provincially in the Province of Ontario, Canada.

Directors, Officers and Management

Keith Barron – Chief Executive Officer, Chairman of the Board of Directors (“Board”) and Director
 Richard Spencer – President and Director
 Warren Gilman – Director
 Jonathan Kagan – Director
 Nathalie Han – Director
 Alfred Lenarciak – Director (Lead Director)
 Antony Wood – Chief Financial Officer
 Jean Paul Pallier – Vice President - Exploration (“VPX”)
 Carolyn Muir – Vice President - Investor Relations

Corporate Office

Suite 1050, 36 Toronto St.
 Toronto, Ontario Canada M5C 2C5
 Tel: (416) 367-3200
 Email: info@aurania.com; Website: <http://www.aurania.com>

Registered Office

31 Victoria Street, Hamilton, HM 10, Bermuda.

Exchange Listings

The Company’s common shares (“Common Shares”) are traded on the TSX Venture Exchange (“TSX-V”) under the symbol “ARU”. The Company’s shares started trading on the Frankfurt Exchange, symbol “20Q” on May 17, 2018 and on the OTCQB Venture Market in the United States on May 25, 2018, under the symbol “AUIAF”. The OTCQB trading market is recognized by the U.S. Securities and Exchange Commission (“SEC”) as an established public market.