AURANIA

AURANIA RESOURCES LTD.

CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

INDEX

Independent Auditor's Report

To the Shareholders of Aurania Resources Ltd.

Opinion

We have audited the consolidated financial statements of Aurania Resources Ltd. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of changes in equity (deficiency), consolidated statements of loss and comprehensive loss and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2021 and 2020 and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 1in the consolidated financial statements, which indicates that the Company incurred a net loss during the year ended December 31, 2021 and, as of that date, the Company had an accumulated deficit. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that material uncertainties exist that cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially

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inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner of the audit resulting in this independent auditor's report is Jessica Glendinning.

McGovern Hurley LLP

McGovern Hurley LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
April 21, 2022

AURANIA RESOURCES LTD.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian Dollars)

AS AT	DECEMBER 31, 2021	DECEMBER 31, 2020
ASSETS		
Current assets		
Cash	**$4,522,657**	$8,178,956
Prepaid expenses and other receivables	**245,965**	205,963
Advances for mineral property interests (note 7)	**-**	560,155
Total current assets	**4,768,622**	8,945,074
Non-current assets		
Property and equipment (note 6)	**184,863**	164,550
TOTAL ASSETS	**$4,953,485**	$9,109,624
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (notes 13 and 17)	**$1,219,364**	$1,468,117
Total current liabilities	**1,219,364**	1,468,117
Long-term liability		
Promissory notes (note 8)	**4,043,912**	4,182,495
TOTAL LIABILITIES	**$5,263,276**	$5,650,612
SHAREHOLDERS' EQUITY (DEFICIENCY)		
Share capital (note 9)	**$520**	$440
Share premium (note 9)	**66,082,072**	54,863,605
Share to be issued (note 9)	**732,054**	183,949
Warrants (note 11)	**7,252,555**	2,463,801
Contributed surplus and shareholder contribution (note 8 and 10)	**8,507,647**	6,410,229
Accumulated deficit	**(82,884,639)**	(60,463,012)
Total shareholder's (deficiency)/equity	**(309,791)**	3,459,012
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)	**$4,953,485**	$9,109,624

Nature of operations and business continuance (note 1)
Commitments and contingencies (notes 7 and 17)
Subsequent events (note 19)

APPROVED BY THE BOARD:
Signed, "Jonathan Kagan", Director
Signed, "Keith M. Barron", Director

The accompanying notes are an integral part of these consolidated financial statements.

AURANIA RESOURCES LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)

(Expressed in Canadian Dollars)

	ISSUED CAPITAL				RESERVES			
	Common Shares #	Share Capital	Share Premium	Shares to be issued	Warrants	Contributed Surplus	Accumulated Deficit	Total Equity (Deficiency)
Balance – December 31, 2019	**38,333,346**	**$383**	**$38,219,081**	**$165,841**	**$442,215**	**$4,666,849**	**$(42,096,918)**	**$1,397,451**
Shares issued for Private Placement (note 9 (vii))	2,087,139	22	6,470,109	-	-	-	-	6,470,131
Less share issue costs (note 9)	-	-	(450,836)	-	(41,125)	-	-	(491,961)
Shares issued for Overnight Marketed Offering (note 9 (viii))	2,679,500	27	11,521,823	-	-	-	-	11,521,850
Less share issue costs (note 9)	-	-	(960,927)	-	(132,030)	-	-	(1,092,957)
Shares issued for warrants exercised in 2019 (note 9 (ix))	50,944	-	165,841	(165,841)	-	-	-	-
Shares issued for exercise of warrants (notes 9 (iii) and 10 (ix))	64,750	1	230,021	-	(30,772)	-	-	199,250
Shares issued for exercise of stock options (note 9 (iii))	717,000	7	1,868,540	-	-	(838,920)	-	1,029,627
Shares issued for RSUs (note 9 (iv))	18,500	-	42,067	-	-	(42,067)	-	-
Warrants issued for private placements (notes 9 (i) and 11)	-	-	(585,000)	-	585,000	-	-	-
Share to be issued for RSUs (note 9 (x))	-	-	-	183,949	-	(183,949)	-	-
Warrants issued for Overnight Marketed Offering (notes 9 (ii) and 11)	-	-	(1,657,114)	-	1,657,114	-	-	-
Expiry of warrants (note 11)	-	-	-	-	(16,601)	-	16,601	-
Expiry of stock options (note 10 (ix))	-	-	-	-	-	(108,297)	108,297	-
Stock-based compensation - Restricted stock units "RSUs" compensation (note 10 (x))	-	-	-	-	-	256,089	-	256,089
Stock based compensation – Option compensation (note 10 (x))	-	-	-	-	-	2,525,581	-	2,525,581
Shareholder Contribution (note 8)	-	-	-	-	-	134,943	-	134,943
Net loss for the year	-	-	-	-	-	-	(18,490,992)	(18,490,992)
Balance – December 31, 2020	**43,951,179**	**$440**	**$54,863,605**	**$183,949**	**$2,463,801**	**$6,410,229**	**$(60,463,012)**	**$3,459,012**

AURANIA RESOURCES LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)

(Expressed in Canadian Dollars)

	ISSUED CAPITAL			RESERVES				
	Common Shares #	Share Capital	Share Premium	Shares to be issued	Warrants	Contributed Surplus	Accumulated Deficit	Total Equity (Deficiency)
Balance – December 31, 2020	**43,951,179**	**$440**	**$54,863,605**	**$183,949**	**$2,463,801**	**$6,410,229**	**$(60,463,012)**	**$3,459,012**
Shares issued for Overnight Marketed Offering-April 2021 (note 9 (i))	2,507,000	25	7,771,675	-	-	-	-	7,771,700
Less share issue costs (note 9)	-	-	(606,839)	-	(273,026)	-	-	(879,865)
Shares issued for Private Placement-April 2021 (note 9 (ii))	403,709	4	1,251,494	-	-	-	-	1,251,498
Less share issue costs (note 9)	-	-	(54,332)	-	(12,108)	-	-	(66,440)
Shares issued for Overnight Marketed Offering-October 2021 (note 9 (iii))	3,835,250	38	6,903,412	-	-	-	-	6,903,450
Less share issue costs (note 9)	-	-	(483,898)	-	(237,718)	-	-	(721,616)
Shares issued for Private Placement-October 2021 (note 9 (iv))	1,256,037	13	2,260,854	-	-	-	-	2,260,867
Less share issue costs (note 9)	-	-	(86,127)	-	(42,310)	-	-	(128,437)
Warrants issued for Overnight Marketed Offering-April 2021 (notes 11 and 9 (i))	-	-	(1,830,378)	-	1,830,378	-	-	-
Warrants issued for Private Placement-April 2021 (notes 11 and 9 (ii))	-	-	(294,216)	-	294,216	-	-	-
Broker warrants issued for Overnight Marketed Offering-April 2021 (notes 11 and 9 (i))	-	-	(295,074)	-	295,074	-	-	-
Warrants issued for Overnight Marketed Offering-October 2021 (notes 11 and 9 (iii))	-	-	(2,274,168)	-	2,274,168	-	-	-
Warrants issued for Private Placement-October 2021 (notes 11 and 9 (iv))	-	-	(744,786)	-	744,786	-	-	-
Broker warrants issued for Overnight Marketed Offering-October 2021 (notes 11 and 9 (iii))	-	-	(310,549)	-	310,549	-	-	-
Share issued for shares to be issued (note 10)	6,500	-	11,399	(11,399)	-	-	-	-
Share to be issued for RSUs (note 9 (v))	-	-	-	465,724	-	(465,724)	-	-
Share issued for stock options (note x (x))	-	-	-	96,780	-	(40,180)	-	53,600
Expiry of warrants (note 11)	-	-	-	-	(395,255)	-	395,255	-
Expiry of stock options (note 10 (vii))	-	-	-	-	-	(520,018)	520,018	-
RSUs cancelled	-	-	-	-	-	(68,879)	68,879	-
Stock based compensation – RSUs (note 10)	-	-	-	-	-	617,593	-	617,593
Stock based compensation – Option compensation (note 10 (i and ii))	-	-	-	-	-	1,834,354	-	1,834,354
Shareholder Contribution (note 8)	-	-	-	-	-	740,272	-	740,272
Net loss for the year	-	-	-	-	-	-	(23,405,779)	(23,405,779)
Balance – December 31, 2021	**51,959,675**	**$ 520**	**$66,082,072**	**$732,054**	**$7,252,555**	**$8,507,647**	**$(82,884,639)**	**$(309,791)**

The accompanying notes are an integral part of these consolidated financial statements.

AURANIA RESOURCES LTD.

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(*Expressed in Canadian Dollars*)

For the years ended December 31,	**2021**	2020
Operating expenses		
Exploration expenditures (notes 7, 13 and 14)	**$17,384,792**	$12,433,119
Stock-based compensation (notes 10 and 12)	**2,451,946**	2,781,670
Investor relations	**718,194**	672,706
Office and general	**1,056,803**	878,109
Management fees (note 12)	**497,573**	527,397
Professional and administrative fees	**368,037**	456,044
Regulatory and transfer agent fees	**206,673**	190,120
Directors' and advisor fees (note 12)	**86,250**	75,000
Amortization (note 6)	**58,017**	48,378
Project evaluation expenses including travel	**-**	9,671
Total expenses	**$22,828,285**	$18,072,214
Other expenses (income):		
Loss (gain) on foreign exchange	**1,813**	(61,076)
Interest income	**(6,144)**	(13,206)
Interest expense (note 8)	**-**	11,713
Accretion of shareholder contribution (note 8)	**581,825**	481,347
Net loss and comprehensive loss for the year	**$23,405,779**	$18,490,992
Basic and diluted (loss) per share	($0.55)	($0.44)
Weighted average common shares outstanding - basic and diluted	47,138,948	41,757,519

The accompanying notes are an integral part of these consolidated financial statements.

AURANIA RESOURCES LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in Canadian dollars)

For the years ended December 31,	2021	2020
Cash flow from the following activities:		
Operating activities:		
Net loss for the year	**$(23,405,779)**	$(18,490,992)
Adjustment for:		
Amortization (note 6)	**58,017**	48,378
Accrued interest and accretion (note 8)	**581,998**	493,060
Stock-based compensation	**2,451,947**	2,781,670
Foreign exchange (note 8)	**19,691**	(115,980)
Non-cash items:		
Prepaid expenses and receivables	**(40,002)**	275,692
Advance for mineral property interest	**560,155**	(96,887)
Accounts payable and accrued liabilities	**(248,753)**	482,663
Net cash used in operating activities	**(20,022,726)**	(14,622,396)
Financing activities:		
Shares issued for private placement	**1,251,498**	6,470,131
Less share issue costs	**(66,440)**	(491,961)
Shares issued for marketed overnight offering (note 9)	**7,771,700**	-
Less share issue costs	**(879,865)**	-
Shares issued for private placement	**2,260,867**	-
Less share issue costs	**(128,437)**	-
Shares issued for marketed overnight offering (note 9)	**6,903,450**	-
Less share issue costs	**(721,616)**	-
Shares issued for public offering	**-**	11,521,850
Less share issue costs	**-**	(1,092,957)
Shares issued for warrant exercises (note 11)	**-**	199,250
Shares issued for option exercises (note 10)	**53,600**	1,029,627
Net cash provided by financing activities	**16,444,757**	17,635,940
Investing activities:		
Purchase of property and equipment (note 6)	**(78,330)**	(63,929)
Net cash used in investing activities	**(78,330)**	(63,929)
(Decrease) increase in cash	**(3,656,299)**	2,949,615
Cash – beginning of year	**8,178,956**	5,229,341
Cash – end of year	**$4,522,657**	$8,178,956

Supplemental Information	**2021**	2020
Issuance of broker warrants	**$605,622**	$265,271

The accompanying notes are an integral part of these consolidated financial statements.

1. NATURE OF OPERATIONS AND BUSINESS CONTINUANCE

Aurania Resources Ltd. (the "Company") was incorporated under the laws of Bermuda on June 26, 2007 pursuant to the provisions of The Companies Act 1981 (Bermuda). On February 18, 2011, the Company registered extra-provincially in the Province of Ontario, Canada. The registered head office of the Company is located at 31 Victoria Street, Hamilton, HM10, Bermuda. The corporate office is located at Ste. 1050 – 36 Toronto St., Toronto, ON M5C 2C5.

The Company is a junior exploration mining company engaged in the identification, evaluation, acquisition and exploration of mineral property interests, with a focus on precious metals. On May 26, 2017, the Company acquired EcuaSolidus, S.A. ("ESA"), a private Ecuador-based company, owned by the principal shareholder of the Company, in order to acquire all the rights, title and interest in 42 mineral exploration licenses in Ecuador (the "Lost Cities – Cutucu Project" or the "Project"). **See note 7 – Mineral Property Interests.**

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that the current exploration program will result in profitable mining operations. The recoverability of the amounts expended on mineral property interests and the carrying value of property and equipment and the Company's continued existence is dependent upon the preservation of its interest in recoverable reserves, the achievement of profitable operations, maintenance of concessions and, the ability of the Company to raise necessary financing to complete its planned exploration program.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration activities and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, unregistered claims and noncompliance with regulatory and environmental requirements. **See note 7 – Mineral Property Interests** regarding the current status of the Company's permits and licenses. The Company's assets are located in Ecuador and Peru and are subject to the risk of foreign investment, including increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and restrictions and political uncertainty.

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 impact to date is that additional costs associated with conducting the Company's COVID-19 protocol, which include the direct costs of testing, increased cleaning as well as periodic limits on numbers of personnel and lost time due to quarantine requirements. However, operations were able to continue for most of the year although sometimes at a reduced level. The Company cannot accurately predict the impact 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.

As at December 31, 2021, the Company had current assets $4,768,622 (December 31, 2020 - $8,945,074) to fund current liabilities of: accounts payable and accrued liabilities of $1,219,364 (December 31, 2020 - $1,468,117), and long-term promissory notes of $4,043,912 (December 31, 2020 - $4,182,495). Further,

1. NATURE OF OPERATIONS AND BUSINESS CONTINUANCE, Continued

the Company had an accumulated deficit of $82,884,639 (December 31, 2020 - $60,463,012) and working capital surplus of $3,549,258 (December 31, 2020 - surplus $7,476,957).

The Company's ability to continue operations and fund its future exploration property expenditures is highly dependent on Management's ability to secure additional financing. Management acknowledges that while it has been successful in raising sufficient capital in the past, there can be no assurance it will be able to do so in the future. As a result, there is material uncertainty that results in significant doubt about the Company´s ability to continue as a going concern. These financial statements do not include the adjustments that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

2. BASIS OF PRESENTATION

These annual consolidated financial statements have been prepared under the historical cost convention except for certain financial assets and financial liabilities, which are measured at fair value.

3. CHANGES IN ACCOUNTING POLICIES

During the year ended December 31, 2021, the Company adopted a number of new IFRS standards, interpretations, amendments and improvements of existing standards. These included IFRS 9 and IFRS 16. These new standards and changes did not have any material impact on the Company's consolidated financial statements.

New and Amended IFRS standards not yet effective
During the year ended December 31, 2021, the Company adopted a number of amendments and improvements of existing standards. These included IAS 1 and IFRS 3. These new standards and changes did not have any material impact on the Company's financial statements.

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after January 1, 2022 or later periods. Many are not applicable to, or do not have a significant impact on, the Company and have therefore been excluded. The following have not been adopted and are being evaluated to determine their impact on the Company's consolidated financial statements:

IFRS 10 – Consolidated Financial Statements ("IFRS 10") and IAS 28 – Investments in Associates and Joint Ventures ("IAS 28") were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined; however early adoption is permitted.

IAS 37 – Provisions, Contingent Liabilities, and Contingent Assets ("IAS 37") was amended. The amendments clarify that when assessing if a contract is onerous, the cost of fulfilling the contract includes all costs that relate directly to the contract – i.e. a full-cost approach. Such costs include both the incremental costs of the contract (i.e. costs a company would avoid if it did not have the contract) and an allocation of other direct costs incurred on activities required to fulfill the contract – e.g. contract management and supervision, or depreciation of equipment used in fulfilling the contract. The amendments are effective for annual periods beginning on January 1, 2022.

3. CHANGES IN ACCOUNTING POLICIES, continued

IFRS 3 – Business Combinations ("IFRS 3") was amended. The amendments introduce new exceptions to the recognition and measurement principles in IFRS 3 to ensure that the update in references to the revised conceptual framework does not change which assets and liabilities qualify for recognition in a business combination. An acquirer should apply the definition of a liability in IAS 37 – rather than the definition in the Conceptual Framework – to determine whether a present obligation exists at the acquisition date as a result of past events. For a levy in the scope of IFRIC 21, the acquirer should apply the criteria in IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. In addition, the amendments clarify that the acquirer should not recognize a contingent asset at the acquisition date. The amendments are effective for annual periods beginning on January 1, 2022.

IAS 16 – Property, Plant and Equipment ("IAS 16") was amended. The amendments introduce new guidance, such that the proceeds from selling items before the related property, plant and equipment is available for its intended use can no longer be deducted from the cost. Instead, such proceeds are to be recognized in profit or loss, together with the costs of producing those items. The amendments are effective for annual periods beginning on January 1, 2022.

IAS 1 – Presentation of Financial Statements ("IAS 1") In February 2021, the IASB issued 'Disclosure of Accounting Policies' with amendments that are intended to help preparers in deciding which accounting policies to disclose in their financial statements. The amendments are effective for year ends beginning on or after January 1, 2023.

IAS 8 – Accounting Policies, Changes in Accounting Estimates and Error ("IAS 8") In February 2021, the IASB issued 'Definition of Accounting Estimates' to help entities distinguish between accounting policies and accounting estimates. The amendments are effective for year ends beginning on or after January 1, 2023.

IAS 12 – Income Taxes ("IAS 12") In May 2021, the IASB issued 'Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction' that clarifies how entities account for deferred tax on transactions such as leases and decommissioning obligations. The amendments are effective for year ends beginning on or after January 1, 2023.

IFRS 16 – Leases ("IFRS 16") The IASB has extended the rent concessions amendment issued May 2020 by one year. This amendment provides lessees with an exemption from assessing whether a COVID-19 related rent concession is a lease modification. The practical expedient was originally available only for payments due on or before June 30, 2021, however, since the effects of COVID-19 are ongoing and significant, the IASB decided to extend the time period over which the practical expedient is available for use. The amendment is effective for year ends beginning on or after April 1, 2022.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The annual consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and have been consistently applied to all the years presented unless otherwise indicated.

4. SIGNIFICANT ACCOUNTING POLICIES, continued

(a) Statement of compliance, continued

These annual consolidated financial statements were approved and authorized by the Board of Directors on April 21, 2022.

(b) Basis of consolidation

Subsidiaries

The annual consolidated financial statements incorporate the financial statements of the Company and its wholly-owned subsidiaries: AuroVallis Sarl (“AVS”), incorporated under the laws of Switzerland, ESA, incorporated under the laws of Ecuador, and Sociedad Minera Vicus Exploraciones S.A.C, incorporated under the laws of Peru.

Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company and are de-consolidated from the date that control ceases. The consolidated financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

Transactions eliminated on consolidation

All intercompany transactions, balances, income and expenses are eliminated upon consolidation. Accounting policies of subsidiaries are consistent with those of the Company.

Functional and reporting currency

Items included in the annual consolidated financial statements of the Company and its subsidiaries are measured using the currency of the primary economic environment in which the entity operates. The functional currency of the Company and its subsidiaries is the Canadian dollar (“CAD”), which is also the reporting currency of the Company. All financial information has been presented in CAD, unless otherwise stated and “USD” represents United States dollars, “CHF” represents Swiss francs, and “SOL” represents Peruvian SOL. All amounts have been rounded to the nearest dollar, unless otherwise stated.

Segment reporting

A segment is a component of the Company that is distinguishable by economic activity (business segment), or by its geographical location (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Company operated in one business segment – Mineral exploration, and two geographical segments – Ecuador and Peru, during the years ended December 31, 2021 and December 31, 2020.

(c) Significant accounting judgments and estimates

The application of the Company’s accounting policies in compliance with IFRS requires the Company’s Management to make certain judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. These estimates and assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

4. SIGNIFICANT ACCOUNTING POLICIES, continued

(c) Significant accounting judgments and estimates, continued

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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:

Estimation of decommissioning and restoration costs and the timing of expenditure
Management is not aware of any material restoration, rehabilitation and environmental provisions as at December 31, 2021 and 2020. Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value and these estimates are updated at least annually. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of a mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

Share-based payments and warrants
Management determines costs for share-based payments and warrants using market-based valuation techniques. The fair value of the market-based and performance-based non-vested share awards is determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments for share-based payments include estimating the future volatility of the share price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Assumptions and judgments for determining the value of warrants include estimating the future volatility of the share price, expected dividend yield, expected risk-free rate of return etc. Such judgments and assumptions are inherently uncertain. Changes in these assumptions could affect the fair value estimates.

Income, value added, withholding and other taxes
The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax-related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax-related accruals and deferred income tax provisions in the period in which such determination is made.

See note 17 – Commitments and Contingencies.

4. SIGNIFICANT ACCOUNTING POLICIES, continued

(d) Financial instruments

Financial assets

Initial recognition and measurement
Non-derivative financial assets within the scope of IFRS 9 are classified and measured as "financial assets at fair value", as either fair value through profit and loss ("FVPL") or fair value through other comprehensive income ("FVOCI"), and "financial assets at amortized costs", as appropriate. The Company determines the classification of financial assets at the time of initial recognition based on the Company's business model and the contractual terms of the cash flows.

All financial assets are recognized initially at fair value plus, in the case of financial assets not at FVPL, directly attributable transaction costs on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Financial assets with embedded derivatives are considered in their entirety when determining their classification at FVPL or at amortized cost. Cash and amounts receivable held for collection of contractual cash flows are measured at amortized cost.

Subsequent measurement – financial assets at FVPL
Financial assets measured at FVPL include financial assets management intends to sell in the short term and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial assets measured at FVPL are carried at fair value in the consolidated statements of financial position with changes in fair value recognized in other income or expense in the consolidated statements of loss. The Company does not measure any financial assets at FVPL.

Subsequent measurement – financial assets at FVOCI
Financial assets measured at FVOCI are non-derivative financial assets that are not held for trading and the Company has made an irrevocable election at the time of initial recognition to measure the assets at FVOCI. The Company does not measure any financial assets at FVOCI.

After initial measurement, investments measured at FVOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income or loss in the consolidated statements of comprehensive income (loss). When the investment is sold, the cumulative gain or loss remains in accumulated other comprehensive income (loss) and is not reclassified to profit or loss.

Subsequent measurement – financial assets at amortized cost
After initial recognition, financial assets measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate ("EIR") method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the statement of loss. The Company measures cash and receivables at amortized cost.

Derecognition
A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company no longer retains substantially all the risks and rewards of ownership.

4. SIGNIFICANT ACCOUNTING POLICIES, continued

(d) Financial instruments, continued

Discount rate used on promissory notes

The discount rate used to measure the promissory notes is set by reference to the Company's incremental borrowing rate. Significant assumptions are required to be made when determining which borrowing rates to apply in this determination. Changes in the assumptions used may have a significant effect on the Company's consolidated financial statements. See note 8 - promissory notes.

Impairment of financial assets
The Company's only financial assets subject to impairment are amounts receivable, which are measured at amortized cost. The Company has elected to apply the simplified approach to impairment as permitted by IFRS 9, which requires the expected lifetime loss to be recognized at the time of initial recognition of the receivable. To measure estimated credit losses, amounts receivable have been grouped based on shared credit risk characteristics, including the number of days past due. An impairment loss is reversed in subsequent periods if the amount of the expected loss decreases and the decrease can be objectively related to an event occurring after the initial impairment was recognized.

Financial liabilities

Initial recognition and measurement
Financial liabilities are measured at amortized cost, unless they are required to be measured at FVPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVPL. The Company's financial liabilities include accounts payable and accrued liabilities and promissory notes, which are each measured at amortized cost. All financial liabilities are recognized initially at fair value and in the case of long-term debt, net of directly attributable transaction costs.

Subsequent measurement – financial liabilities at amortized cost
After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in interest and accretion expense in the consolidated statements of loss.

Subsequent measurement – financial liabilities at FVPL
Financial liabilities measured at FVPL are carried at fair value in the consolidated statements of financial position with changes in fair value recognized in gain (loss) on derivative in the consolidated statements of loss.

Fair value of financial instruments
The Company measures fair value in accordance with IFRS 13 Fair Value Measurement, which provides a single source of fair value measurement guidance. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company has applied the framework for measuring fair value, which requires a fair value hierarchy to be applied to all fair value measurements

- Level 1 — valuation based on quoted prices (unadjusted) observed in active markets for identical assets or liabilities.

4. SIGNIFICANT ACCOUNTING POLICIES, continued

(d) Financial instruments, continued

- Level 2 — valuation techniques based on inputs that are quoted prices of similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; inputs other than quoted prices used in a valuation model that are observable for that instrument; and inputs that are derived from or corroborated by observable market data by correlation or other means.
- Level 3 — valuation techniques with significant unobservable market inputs.

(e) Exploration and evaluation expenditures

All acquisition and exploration costs are charged to operations in the period incurred until such time as it has been determined that a project is commercially viable and technically feasible, in which case, subsequent exploration costs and the costs incurred to develop a property are capitalized into property, plant and equipment. If a project is successful, the capitalized amounts related to the project are depleted on a unit-of-production method based on proven and probable reserves. If it is determined that the mineral property has no future economic value, then the related capitalized costs will be expensed.

Costs include the cash consideration and the fair market value of shares issued for the acquisition of properties. Properties acquired under option agreements, whereby payments are made at the sole discretion of the Company, are recorded in the accounts at the time of payment.

(f) Decommissioning, restoration and similar liabilities

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of an exploration property interest. Such costs arising from the decommissioning of a plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the related asset as soon as the obligation to incur such costs arises. The timing of the actual expenditure is dependent on a number of factors such as the life and nature of the asset and the operating license conditions. Discount rates using a pretax rate that reflect the time value of money are used to calculate the net present value. These costs are charged against profit or loss. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Changes in estimates of decommissioning costs are accounted for as a charge to operations. The periodic unwinding of the discount is recognized in consolidated statements of loss as an accretion expense. Management is not aware of any significant decommissioning or restoration obligations at December 31, 2021 and 2020.

(g) Foreign currency translation

The reporting and functional currency of the Company and its subsidiaries is the Canadian dollar. Foreign currency transactions are translated into Canadian dollars as follows:

(i) Monetary assets and liabilities are translated using the exchange rate at the reporting date.

(ii) Non-monetary assets and liabilities are translated at historic rates.

4. SIGNIFICANT ACCOUNTING POLICIES, continued

(g) Foreign currency translation, continued

(iii) Revenues and expenses are translated at the average rate of exchange at the time of the transaction.

(iv) Exchange gains and losses arising from the translation of monetary items are taken directly to the consolidated statement of loss.

(h) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets to determine whether there is an indication that those assets have suffered an impairment loss. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount is the higher of the fair value less costs to sell and the value in use. If the recoverable amount is less than the carrying amount of the asset, the carrying amount is reduced to the recoverable amount and the impairment loss is recognized in the consolidated statement of loss.

(i) Basic and diluted loss per share

Basic and diluted loss per share is calculated using the weighted average number of common shares outstanding for the period. Diluted loss per share reflects the dilution that would occur if outstanding warrants and options were converted into common shares. In order to determine diluted loss per share any proceeds from the exercise of dilutive warrants and options would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted loss per share calculation. The Company’s diluted loss per share for the periods presented does not include the effect of the outstanding stock options, warrants and restricted share units and as they are anti-dilutive.

(j) Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 9.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a graded vesting basis over the period during which the employee becomes unconditionally entitled to equity instruments, based on the Company’s estimate of equity instruments that will eventually vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to contributed surplus.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. For those options that expire after vesting, the recorded value is transferred to accumulated deficit.

4. SIGNIFICANT ACCOUNTING POLICIES, continued

(k) Income taxes

Income tax for the periods presented comprises current and deferred tax. Income tax is recognized in consolidated statements of loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax
This is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax
Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date applicable to the period of expected realization or settlement. Deferred income tax liabilities and assets are not recognized for taxable temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

(l) Property and equipment and amortization

Property and equipment are carried at cost, less accumulated amortization and accumulated impairment losses. The assets' residual values, useful lives and methods of amortization are reviewed at each reporting period and adjusted prospectively if appropriate.

- Furniture and fixtures - 30% straight line
- Field equipment – 30% straight line
- Computer equipment - 30% straight line
- Leasehold improvements – 10% straight line

Amortization of property and equipment related to exploration activities has been expensed to the consolidated statement of loss. Equipment is derecognized upon disposal, when held for sale or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in consolidated statements of loss.

When parts of an item of equipment have different useful lives, the components are accounted for as separate items of equipment. Gains and losses on disposal of an item are determined by comparing the proceeds from disposal with the carrying amount of the item and recognized in consolidated statements of loss.

5. CAPITAL AND FINANCIAL RISK MANAGEMENT

Capital management

The Company considers the capital that it manages to include share capital, share premium, warrants, contributed surplus, shareholder contribution and accumulated deficit, which at December 31, 2021 was a deficiency of $309,791 (December 31, 2020 – a surplus of $3,459,012). The Company manages its capital structure and makes adjustments to 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 years ended December 31, 2021 and 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 six months. As at December 31, 2021, the Company believes it is compliant with the policies of the TSXV.

Capital raises, short-term loan

On April 1, 2021, the Company closed its previously announced overnight marketed offering of units of the Company, including exercise in full of the over-allotment option. A total of 2,507,000 Units were sold at a price of $3.10 per Unit for gross proceeds of $7,771,700. Each unit is comprised of one common share in the capital of the Company and one common share purchase warrant.

On April 7, 2021, the Company closed a private placement of 403,709 units were sold at a price of $3.10 per Unit for gross proceeds of $1,251,498. Each unit is comprised of one common share in the capital of the Company and one common share purchase warrant.

On October 21, 2021, the Company closed its previously announced overnight marketed public offering of units of the Company, including exercise in full of the over-allotment option. A total of 3,835,250 Units were sold at a price of $1.80 per unit for gross proceeds of approximately $6.9 million.

On October 21, 2021, the Company closed its previously announced private placement of units of the Company. A total of 1,256,037 units were sold at a price of $1.80 per unit for gross proceeds of approximately $2.26 million. Each unit is comprised of one (1) common share in the capital of the Company and one common share purchase warrant.

Financial risk management

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate, foreign currency, and commodity price risk). Risk management is carried out by management, with guidance from the Audit Committee under policies approved by the Board of Directors (the "Board"). The Board also provides regular guidance for overall risk management. There have been no changes in the risks, objectives, policies and procedures during the years ended December 31, 2021 and 2020.

Credit risk

Credit risk is the risk of an unexpected loss if a third party to a financial instrument fails to meet its contractual obligations. The Company has no significant concentration of credit risk arising from its

5. CAPITAL AND FINANCIAL RISK MANAGEMENT, continued

Financial risk management, continued

operations. Cash is held at select Canadian, Swiss, Ecuadorian and Peruvian financial institutions, from which management believes the risk of loss to be low. The Company does not have any material risk exposure to any single debtor or group of debtors.

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.

The Company generates cash flow primarily from its financing activities. As at December 31, 2021, the Company had available cash of $4,522,657 (2020 - $8,178,956) to settle current liabilities of $1,219,364 (2020 - $1,468,117). Also, the Company has a long-term liability of $4,043,912 (2020 - $4,182,495) **See note 8 – Promissory notes**. 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 17, the Company is obligated to the following contractual maturities of undiscounted cash flows as at December 31, 2021:

In Canadian $ equivalents	Carry amount	Contractual cash flows	January 1 ,2022 to December 31, 2022	January 1 ,2023 to December 31, 2023
Accounts payable and accrued liabilities	1,219,364	1,219,364	1,219,364	-
Promissory note 2017 (note 6)	582,265	588,195	-	588,195
Promissory note 2019 (note 6)	4,018,021	4,050,204	-	4,050,204
	5,819,650	5,857,763	1,219,364	4,638,399

As the Company has no steady source of revenues or cash flow and has implemented its exploration plan as anticipated, it is highly probable that additional financing will be required during 2022 to further advance exploration at the Project, to meet ongoing financial obligations and discharge the Company's liabilities, in the normal course of business. The Company is considering different sources of potential funding to advance exploration, including equity issuances, short-term loans, the exercise of warrants and stock options and joint venture partnerships.

Market risk

Market risk is the risk related to changes in the market prices, such as fluctuations in foreign exchange rates and interest rates that will affect the Company's net earnings or the value of its financial instruments.

5. CAPITAL AND FINANCIAL RISK MANAGEMENT, continued

Financial risk management, continued

(i) Interest rate risk

Cash balances are deposited in highly-accessible and low-interest bank accounts that are used for short-term working capital requirements. The Company regularly monitors compliance with its cash management policy.

(ii) Foreign currency risk

Certain of the Company's expenses are incurred in USD, CHF and SOL are therefore subject to gains or losses due to fluctuations in these currencies. Management believes that the foreign exchange risk derived from currency conversions is best served by not hedging its foreign exchange risk. At December 31, 2021 and 2020, the Company's exposure to foreign currency risk with respect to amounts denominated in USD, CHF and SOL, was substantially as follows:

In Canadian $ equivalents	December 31, 2021	December 31, 2020
Cash	**$2,617,298**	$2,103,088
Advances for mineral properties	**-**	560,155
Accounts payable, accrued liabilities and promissory notes	**(5,162,336)**	(5,331,489)
Net exposure	**$(2,545,038)**	$(2,668,246)

Commodity price risk

Commodity price risk is defined as the potential adverse future impact on earnings and economic value due to commodity price movements and volatility. The ability of the Company to develop its mineral properties and the future profitability of the Company is directly related to the market price of gold, silver, copper, and other commodities.

Commodity prices have fluctuated significantly in recent years. There is no assurance that these metals will be produced in the future or that a profitable market will exist for them. At December 31, 2021 and 2020, the Company was not a metals commodity producer.

Sensitivity analysis

At December 31, 2021 and 2020, both the carrying and fair value amounts of the Company's short-term financial instruments are approximately equivalent due to their short-term nature. The fair value of the long-term promissory note at December 31, 2021 is approximately $4,000,249. This was estimated based on discounting the promissory notes at an estimated discount rate of 15% with term a term of one year.

Based on Management's knowledge and experience of the financial markets, the Company believes that a 10% strengthening of the Canadian dollar against the USD, SOL and CHF at December 31, 2021 would have increased the net asset position of the Company by $255,000 (December 31, 2020 – $267,000). A 10% weakening of the Canadian dollar against the same would have had an equal but opposite effect.

(Expressed in Canadian Dollars)

6. PROPERTY AND EQUIPMENT

	Leasehold Improvements	Field Equipment	Furniture and Fixtures	Computer Equipment	Total
COST					
At December 31, 2019	**$27,545**	**$78,248**	**$8,399**	**$101,912**	**$216,104**
Additions	-	44,311	-	19,618	63,929
At December 31, 2020	**27,545**	**122,559**	**8,399**	**121,530**	**280,033**
Additions	-	13,055	-	65,275	78,330
At December 31, 2021	**27,545**	**135,614**	**8,399**	**186,806**	**358,363**
ACCUMULATED DEPRECIATION					
At December 31, 2019	**(5,069)**	**(25,440)**	**(975)**	**(35,621)**	**(67,105)**
Additions	(2,074)	(18,162)	(758)	(27,384)	(48,378)
At December 31, 2020	**(7,143)**	**(43,602)**	**(1,733)**	**(63,005)**	**(115,483)**
Additions	(2,075)	(25,426)	(758)	(29,758)	(58,017)
At December 31, 2021	**(9,218)**	**(69,028)**	**(2,491)**	**(92,763)**	**(173,500)**
NET BOOK VALUE					
At December 31, 2020	20,402	78,957	6,666	58,525	164,550
At December 31, 2021	**$18,327**	**$66,586**	**$5,908**	**$94,042**	**$184,863**

7. MINERAL PROPERTY INTERESTS

ECUADOR

a) Mineral concessions and obligations

The Company acquired the rights, title and 100% interest in the Lost Cities Project, comprised of certain mineral concessions covering 207,764Ha in southeastern Ecuador, on May 26, 2016 and subsequently registered before the Mining Registry of the Mining and Non-Renewable Natural Resources Regulation and Control Agency in compliance with the Mining Law. The concessions 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:

- **Initial Exploration (up to four years).** On December 31, 2020, the Ecuadorian government adopted new legislation establishing that the four years of Initial Exploration starts on the day the mineral concession holder, having completed certain administrative acts, receives the permits required to effectively conduct operational activity and not, as had previously been the case, the date when the concession is first granted. As a result, the effective date for the initial exploration of each concession is considered on a case-by-case basis with each concession having its own expiry date for the four years of Initial Exploration. The administrative acts required before permits are granted include: i) Environmental Registry; ii) Certificate of non-affectation of water sources; and iii) Affidavit of not affecting public infrastructure.

  Each year a concession holder is required to pay a concession fee and meet minimum expenditure requirements, calculated as follows:
  - In accordance with the Mining Law, by March 31 each year a Company must pay a concession fee for each concession it holds. The concession fee during the Initial exploration phase is calculated as 2.5% of the Unified Basic Remuneration ('UBR') per hectare. In 2021 the UBR was USD400, which equates to US10 per hectare. The UBR is assessed annually

(Expressed in Canadian Dollars)

7. MINERAL PROPERTY INTERESTS, continued

ECUADOR, continued

a) Mineral concessions and obligations, continued

- and is subject to change. Subsequent to December 31, 2021 the UBR was increased to US425 and US10.63 per hectare for 2022.
- The Concession holder is also required to make minimum qualifying expenditures on each concession such that they satisfy both the Required Expenditure which is USD$5 per hectare initially, rising to $10 per hectare per the Mining Law, and the Committed Expenditure, an annual amount that the concession holder files with the Mining Ministry that it is planning to spend in the coming year. Importantly, the annual concession fees are included in the calculation of the minimum expenditures required.
- The concession fees paid, potential future fee obligations and expenditure commitments are set out below.

Initial Exploration Phase				
Year	**Annual concession fee**	**Expenditure Required (USD)**	**Committed Expenditure**	**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
5 (2021)	2,077,640[1]	2,077,640[2]	2,081,800[2]	12,820,134
Estimated 6 (2022)	2,207,492[1]	2,077,640[2]	-[6]	-[3]
Estimated 7 (2023)	1,945,851[4]	2,077,640[5]	-[6]	-[3]
Estimated 8 (2024)	525,937[4]	2,077,640[5]	-[6]	-[3]

[1] Paid
[2] Requirement satisfied.
[3] Reported by March 31 of the following year.
[4] The Initial Exploration fee obligation for years 2023 and 2024 are estimates only and assume that all of the concessions will be held until their Initial Exploration expiry date and that the UBR remains at USD425. The Company is continuously evaluating the concessions and will not renew those of lower geological interest and therefore amounts to be paid and spent will reduce accordingly. The Company previously disclosed its intent to reduce the number of concessions pay by 50% by March 2022 in its October 2021 prospectus, however subsequently as a result of a change in corporate strategy the Company has decided to maintain as many of its current concessions as possible, subject to the availability of funding.
[5] 2022, 2023 and 2024 amounts are estimated maximum Required Expenditures that assumes the current number of concessions are maintained and a continuing fee of USD10.63 per hectare
[6] For 2022, 2023 and 2024 the Committed Expenditure are not known at this time as they are derived from annual work programs not yet determined.

- **Advanced Exploration (up to four years).** At any time prior to 60 days before the expiry of the Initial Exploration period, a concession holder can apply for a further four years of Advanced Exploration. The size of each concession must be reduced by a minimum of 10 hectares and the annual concession fee, still payable by March 31 each year, doubles to 5% of the UBR. For 2021 this would equate to USD$20 per hectare, rising to US21.25 per hectare for 2022

  In cases where an application to move a concession to Advanced Exploration occurs after the Initial exploration concession fee is paid prior to March 31 of that year, the concession holder must pay the incremental difference in the concession fee between the date on which the resolution to start the advanced exploration period is issued until December 31 of that year.

7. MINERAL PROPERTY INTERESTS, continued

ECUADOR, continued

a) Mineral concessions and obligations, continued

At this time the Company does not know which and how many of its concessions will be advanced to the Advanced Exploration phase and therefore the total potential concession fee Exploration and expenditure obligations for concessions that advance to Advanced exploration cannot be known.

- **Economic Evaluation** (up to two years) of any deposit identified, which can be extended for an additional two-year period; and

- thereafter, the concessions are in the **Exploitation Phase**.

b) Relinquishment or cancellation of concessions

The size of the concession area constituting the 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. **See note 13 – Exploration expenses.**

c) Exploration entitlements

The properties are subject to two percent (2%) net smelter return royalty on metal production and a two percent (2%) net sales return royalty on non-metallic products, held by Dr. Keith Barron, vendor and current Chairman, CEO, and largest shareholder of the Company.

PERU

Mineral concessions in Peru

At year ended December 31, 2021, the Company's land position in Peru consists of a total of 280 concession applications and concession titles covering 275,676Ha.

- 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.
- 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.
- At this time, the Company has no current plans to incur further expenditures on the project in Peru, and is considering alternatives to further this project, including potential joint venture opportunities.

(Expressed in Canadian Dollars)

8. PROMISSORY NOTES

Promissory note 2017

For the year ended December 31,	2021	2020
Balance, beginning of year	**$567,102**	$569,828
Interest rate benefit recognized as shareholder contribution	**(131,698)**	-
Accretion expense	**73,803**	11,713
Foreign exchange translation (gain)	**2,482**	(14,439)
Balance, end of year	**$511,689**	$567,102

On March 20, 2017, Dr. Barron, advanced USD 2,000,000 by way of a promissory note to the Company. USD 1,000,000 was repaid on May 29, 2021; USD 217,168 ($280,000) was settled for 700,000 stock options, with an exercise price of $0.40, on April 2, 2018 and $500,000 was repaid in cash on August 16, 2018. The loan is unsecured, bearing an interest rate of 2% per annum which is considered to be below a market rate of interest for such a loan. IFRS requires that where an interest rate is below the market rate, estimated at 15%, there is deemed to be a benefit to the Company and as such that portion of the promissory loan considered to represent that benefit is recorded in equity as a shareholder contribution. The amount of the benefit is then recognized over the life of the promissory note as an accretion expense. On September 30, 2020, Dr. Barron agreed to amend the terms of his promissory note such that it will become repayable on the day following the one-year anniversary of Dr. Keith Barron requesting repayment. The accretion on the promissory note will be accounted for as a shareholder contribution until such time that the repayment is requested by the Lender.

Promissory note 2019

On April 22, 2019, Dr. Barron, advanced USD 3,000,000 by way of a promissory note to the Company. The loan is unsecured, bearing an interest rate of 2% per annum which is considered to be below a market rate of interest for such a loan. IFRS requires that where an interest rate is below the market rate, estimated at 15%, there is deemed to be a benefit to the Company and as such that portion of the promissory loan considered to represent that benefit is recorded in equity as a shareholder contribution.

On August 20, 2020, Dr. Barron agreed to amend the terms of his promissory note issued in 2019 such that it will become repayable on the day following the one year anniversary of Dr. Keith Barron requesting repayment. The Company has assessed the accounting for the amendment of the terms of the promissory note and concluded that the amendment is a modification. As such, the carrying amount of the liability at its modification date will be amortized over the new term of the promissory note. The accretion on the promissory note will be accounted for as a shareholder contribution until such time that the repayment is requested by the Lender. The amount of the benefit is then recognized over the life of the promissory note as an accretion expense.

For the year ended December 31,	2021	2020
Balance, beginning of year	**$3,615,393**	**$3,370,530**
Interest rate benefit recognized as shareholder contribution	(608,574)	(134,943)
Accretion expense	508,195	481,347
Foreign exchange translation gain	17,209	(101,541)
Balance, end of year	**$3,532,223**	**$3,615,393**

9. SHARE CAPITAL

Authorized share capital at December 31, 2021 and 2020 is 1,000,000,000 common shares with a par value of $0.00001 per share. All shares issued are fully paid. The number of issued and outstanding common shares at December 31, 2021 is 51,959,675 (December 31, 2020 – 43,951,179). During the year ended December 31, 2021, the Company completed the following:

(i) **Brokered Overnight Marketed Offering**
On April 1, 2021, the Company closed its previously announced overnight marketed offering of units of the Company, including exercise in full of the over-allotment option. A total of 2,507,000 units were sold at a price of $3.10 per Unit for gross proceeds of $7,771,700. Each unit is comprised of one common share in the capital of the Company and one common share purchase 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 broker warrants equal to 6% of the units sold under the offering. Each broker warrant is exercisable into a Unit at the exercise price of $3.10 per unit until April 1, 2024. The cash paid for broker, regulatory and legal costs, was $879,865. Values of $1,830,378 and $295,074 have been assigned to investor warrants and broker warrants respectively using the Black-Scholes option pricing model using the following assumptions: for the investor warrants and broker warrants, share price value of $2.37, expected dividend yield 0%, expected volatility of 71%, a risk-free rate of 0.23% and an expected life of 3 years. Volatility is based on the historical trading of the Company's shares.

(ii) **Non-brokered Private Placement**
On April 7, 2021, the Company closed a private placement of 403,709 units were sold at a price of $3.10 per unit for gross proceeds of $1,251,498. Each unit is comprised of one common share in the capital of the Company and one common share purchase 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 private placement, the Company paid a cash commission of 6% of the gross proceeds from the private placement. The cash paid for commission, regulatory and legal costs, was $66,440. A value of $294,216 was assigned to investor warrants using the Black-Sholes option pricing model using the following assumptions: for the investor warrants and broker warrants, share price value of $2.37, expected dividend yield 0%, expected volatility of 71%, a risk-free rate of 0.23% and an expected life of 3 years. Volatility is based on the historical trading of the Company's shares.

(iii) **Brokered Overnight Marketed Offering**
On October 21, 2021, the Company closed its previously announced overnight marketed public offering of units of the Company, including exercise in full of the over-allotment option. A total of 3,835,250 units were sold at a price of $1.80 per unit for gross proceeds of approximately $6.9 million. Each unit is comprised of one (1) common share in the capital of the Company and one common share purchase warrant. Each warrant entitles the holder to purchase one common share at $2.20 at any time on or before the date which is 60 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 broker warrants equal to 6% of the units sold under the offering. Each broker warrant is exercisable into a Unit at the exercise price of $1.80 per unit until October 21, 2026. The cash paid for broker, regulatory and legal costs, was $721,616. Values of $2,274,168 and $310,549 have been assigned to investor warrants and broker warrants respectively using the Black-Sholes option pricing model using the following assumptions: for the investor warrants

9. SHARE CAPITAL, continued

(iii) **Brokered Overnight Marketed Offering, continued**
and broker warrants, share price value of $1.21, expected dividend yield 0%, expected volatility of 76%, a risk-free rate of 0.77% and an expected life of 5 years. Volatility is based on the historical trading of the Company's shares.

(iv) **Non-brokered Private Placement**
On October 21, 2021, the Company closed its previously announced private placement of units of the Company. A total of 1,256,037 units were sold at a price of $1.80 per unit (the "Offering Price") for gross proceeds of approximately $2.26 million. Each unit is comprised of one (1) common share in the capital of the Company and one common share purchase warrant. Each Warrant entitles the holder to purchase one common share at $2.20 at any time on or before the date which is 60 months after the Closing Date.

The cash paid for commission, regulatory and legal costs, was $128,437. A value of $744,786 was assigned to investor warrants using the Black-Sholes option pricing model using the following assumptions: for the investor warrants and broker warrants, share price value of $1.21, expected dividend yield 0%, expected volatility of 76%, a risk-free rate of 0.77% and an expected life of 5 years.

(v) **RSU's**
On January 12, 2021, the Company issued 6,500 common shares for vested RSU's.

During the year ended December 31, 2020, the Company completed the following:

(vi) **Non-brokered Private Placement**
On March 13, 2020, the Company completed the closing of non-brokered private placement of 2,087,139 units of the Company at a price of $3.10 per unit, for total gross proceeds of $6,470,131. Each unit consists of one common share of the Company and one-half of a common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at an exercise price of $4.25 for a period of 18 months following the closing of the offering. The cash paid for regulatory and legal costs, was $491,961. A value of $585,000 has been assigned to warrants in three tranches using the Black-Sholes option pricing model using the following assumptions: expected dividend yield 0%, expected volatility of 68%, a risk free rate ranging between 0.53% and 1.19% and an expected life of 1.5 years. Volatility is based on the historical trading of the Company's shares.

(vii) **Brokered overnight marketed public offering**
On October 29, 2020, 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 2,679,500 Units were sold at a price of $4.30 per Unit (the "Offering Price") for gross proceeds of $11,521,850. Each Unit is comprised of one (1) common share in the capital of the Company (each, a "Common Share") and one-half Common Share purchase warrant (each whole warrant, a "Warrant"). Each Warrant shall entitle the holder to purchase one Common Share at $5.50 at any time on or before the date which is 24 months after the Closing Date. The cash paid for broker, regulatory and legal costs, was $1,092,957. Values of $1,391,843 and $265,271 have been assigned to investor warrants and broker warrants respectively using the Black-Sholes option pricing model using the following assumptions: for the investor warrants and broker warrants, expected dividend yield 0%, expected volatility of 71%, a risk-free rate of 0.23% and an expected life of 2 years. Volatility is based on the historical trading of the Company's shares.

9. SHARE CAPITAL, continued

(viii) **Common shares**

Issued 717,000 common shares as a result of the exercise of 717,000 stock options previously granted to directors, officers, and consultants, for proceeds of $1,029,627.

Issued 64,750 common shares as a result of holders exercising 64,750 warrants, for proceeds of $199,250.

Issued 50,944 common shares as a result of exercising 50,944 warrants in December 2019 but the shares were only issued after December 2019.

(ix) **RSU's**

On November 18, 2020, the Company issued 18,500 Common Shares for the issuance of 18,500 vested RSU's.

10. STOCK-BASED COMPENSATION

Stock options

The Company maintains a stock option plan (the "Plan") for the benefit of directors, officers, employees and consultants. The maximum number of common shares reserved for issuance with respect to the Plan cannot exceed 10% of the issued and outstanding common shares of the Company at the date of grant. Stock options generally vest 1/3 annually.

During the year ended December 31, 2021, the Company has following stock option transactions:

(i) On January 25, 2021, the Company granted 200,000 stock options to one director of the Company. Each option is exercisable to acquire one common share at a price of $3.21. The options vest in three equal annual instalments as follows: 1/3 on the grant date and on the anniversary of that date 2022 and 2023. A total value of $378,400 has been assigned to the options using the Black-Scholes option pricing model using the following assumptions: expected forfeiture rate of 0%, expected dividend yield of 0%, expected volatility of 74%, a risk-free interest rate of 0.17%, stock price $3.16 and an expected life of 5 years. Volatility was based on the historical trading of the Company's shares. To December 31, 2021, a total of $301,834 has been expensed for the vested options.

(ii) On July 1, 2021, the Company granted 40,000 stock options to a consultant of the Company. Each option is exercisable to acquire one common share at a price of $2.52. The Options shall vest as 10,000 one day after signing and then 10,000 quarterly thereafter to a maximum of 40,000. A total value of $59,996 has been assigned to the options using the Black-Scholes option pricing model using the following assumptions: expected forfeiture rate of 0%, expected dividend yield of 0%, expected volatility of 74%, a risk-free interest rate of 0.44%, stock price $2.51 and an expected life of 5 years. Volatility was based on the historical trading of the Company's shares. To December 31, 2021, a total of $54,996 has been expensed for the vested options.

During the year ended December 31, 2020, the Company has following stock option transactions:

(iii) On February 7, 2020, the Company granted 300,000 stock options to four senior employees of the Company. Each option is exercisable to acquire one common share at a price of $3.16. The options expire on February 7, 2025, and vest as follows: 100,000 vest 1/3 on the grant date and on the

10. STOCK-BASED COMPENSATION, continued

Stock options, continued

anniversary of that date 2021 and 2022. A total value of $708,000 has been assigned to the options using the Black-Scholes option pricing model using the following assumptions: expected forfeiture rate of 0%, expected dividend yield of 0%, expected volatility of 100%, a risk-free interest rate of 1.51% and an expected life of 5 years. Volatility was based on the historical trading of the Company's shares. To December 31, 2020, a total of $558,229 was expensed for the vested options.

(iv) On November 18, 2020, the Company granted 1,020,000 stock options to consultant and employees. Each option is exercisable to acquire one common share at a price of $3.51. The options expire on December 31, 2021 and November 18, 2025, and vest as follows: 100,000 vest on December 31, 2020 and 306,667 vest 1/3 on the grant date and on the anniversary of that date 2021 and 2022. A total value of $2,016,540 has been assigned to the options using the Black-Scholes option pricing model using the following assumptions: expected forfeiture rate of 0%, expected dividend yield of 0%, expected volatility of 69%, a risk-free interest rate of 0.26% and an expected life of 5 years. Volatility was based on the historical trading of the Company's shares. To December 31, 2020, a total of $790,962 was expensed for the vested options.

(v) On December 23, 2020, the Company granted 100,000 stock options to consultant of the Company. Each option is exercisable to acquire one common share at a price of $3.25. The options expire on December 23, 2025, and vest as follows: 33,333 vest 1/3 on the grant date and on the anniversary of that date 2021 and 2022. A total value of $182,500 has been assigned to the options using the Black-Scholes option pricing model using the following assumptions: expected forfeiture rate of 0%, expected dividend yield of 0%, expected volatility of 70%, a risk-free interest rate of 0.22% and an expected life of 5 years. Volatility was based on the historical trading of the Company's shares. To December 31, 2020, a total of $64,841 was expensed for the vested options.

(vi) During the year ended December 31, 2020, a total 717,000 stock options were exercised in consideration of cash.

(vii) For year ended December 31, 2021, an aggregate of $1,834,354 (2020 - $2,525,581) of stock-based compensation was recorded for the fair value of vested stock options resulting from the grant of stock options in the current period and prior years.

(Expressed in Canadian Dollars)

10. STOCK-BASED COMPENSATION, continued

Stock options, continued

(viii) The following summarizes the stock options activity during the years ended December 31, 2021 and 2010:

	Number of Options	Weighted Average Exercise Price	Estimated Fair Value
Balance - December 31, 2019	**2,906,260**	**$2.41**	**$3,573,576**
Issued	1,420,000	3.42	1,414,031
Exercised	(717,000)	1.45	(838,920)
Expired	(68,260)	2.50	(108,297)
Stock-based compensation expense	-	-	1,111,549
Balance - December 31, 2020	**3,541,000**	**2.99**	**5,151,939**
Issued	240,000	3.10	356,830
Exercised	(20,000)	(2.68)	(40,180)
Expired	(300,000)	(2.97)	(520,018)
Stock-based compensation expense	-	-	1,477,524
Balance – December 31, 2021	**3,461,000**	**$3.00**	**$6,426,095**

(ix) The following summarizes the stock options outstanding at the year ended December 31, 2021:

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
116,000	116,000	$2.68	April 5, 2023	233,047
180,000	180,000	$3.40	April 5, 2023	457,200
48,000	48,000	$3.40	January 16, 2024	121,920
77,000	77,000	$2.97	June 28, 2024	170,940
880,000	880,000	$2.70	October 24, 2024	1,651,102
300,000	200,000	$3.16	February 7, 2025	697,345
920,000	613,333	$3.51	November 17, 2025	1,551,410
100,000	100,000	$3.25	December 22, 2025	182,500
200,000	66,667	$3.21	January 25, 2026	301,834
40,000	20,000	$2.51	July 1, 2026	54,996
3,461,000	**2,901,000**			**$6,426,095**

The weighted average contractual life remaining for stock options as at December 31, 2021 is 2.80 years (December 31, 2020 – 2.86 years) and the weighted average grant date fair value is $1.97 (December 31, 2020 - $1.98).

(Expressed in Canadian Dollars)

10. STOCK-BASED COMPENSATION, continued

Restricted Stock Units ("RSUs")

RSUs are granted to encourage employee performance and retention. The RSUs are awarded based on performance criteria and vest over three years in equal instalments. For each RSU that vests a common share in the company is issued. There is no cash option. The following summarizes the RSU activity for the years ended December 31, 2021 and 2020:

	Number of RSUs	Weighted Average Fair Value	Estimated Fair Value
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**
Cancelled RSUs	(41,500)	(3.27)	(68,879)
Shares to be issued for RSUs	(143,800)	(3.21)	(465,724)
Stock-based compensation expense	-	-	617,593
Balance – December 31, 2021	**235,200**	**$3.32**	**$291,088**

The weighted average contractual life remaining for RSUs at December 31, 2021 is 1.73 years (December 31, 2020 - 5 years). The RSUs were not included in the computation of diluted net loss per share for the periods presented as they are anti-dilutive. On November 18, 2020, the Company granted 338,700 restricted stock units ("RSU's") to employees of the Company vesting over 3 years, and they were valued based on the quoted market price on the date of issuance.

Shares to be issued

	Number of Shares to be Issued	Estimated Fair Value
Balance – December 31, 2020	**89,400**	**$183,949**
Share issued	(6,500)	(11,399)
Shares to be issued for vested RSUs	143,800	465,724
Shares to be issued for stock option exercise	20,000	93,780
Balance –December 31, 2021	**246,700**	**$732,054**

Shares to be Issued are Restricted Share Units ("RSUs") that have fully vested but where the related shares are yet to be issued.

11. WARRANTS

The following summarizes the warrants and Agents' warrants activity and outstanding warrants and Agents' warrants for the years ended December 31, 2021 and 2020:

(Expressed in Canadian Dollars)

11. WARRANTS, continued

	Number of Warrants/ Agents' Options	Weighted Average Exercise Price	Estimated Fair Value
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**
Issued warrants public offering	3,835,250	2.20	2,036,450
Issued agents warrants[1]	230,115	1.80	310,549
Issued warrants private placement	1,256,037	2.20	702,476
Issued warrants public offering	2,507,000	4.25	1,557,352
Issued agents warrants[1]	150,420	3.10	295,074
Issued warrants private placement	403,709	4.25	282,108
Expired	(836,851)	(4.00)	(395,255)
Balance – December 31, 2021	**10,926,618**	**$3.44**	**$7,252,555**

[1] These are exercisable into units.

Outstanding warrants

Expiry date	Number of Warrants	Exercise Price
March 13, 2022	1,043,567	$3.40
October 29, 2022	1,339,750	$5.20
October 29, 2022	160,770	$4.30
April 1, 2024	2,507,000	$4.25
April 1, 2024	150,420	$3.10
April 1, 2024	403,709	$4.25
October 21, 2026	3,835,250	$2.20
October 21, 2026	230,115	$1.80
October 21, 2026	1,256,037	$2.20
Balance – December 31, 2021	**10,926,618**	

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.

12. KEY MANAGEMENT COMPENSATION 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

(Expressed in Canadian Dollars)

12. KEY MANAGEMENT COMPENSATION EXPENSE, continued

directors (executive and nonexecutive) of the Company. The remuneration of key management and Directors of the company was:

For the year ended December 31,	**2021**	2020
Management fees corporate (1)	**$320,735**	$327,936
Management fees technical (1)	**385,600**	400,491
Director and advisor fees (2)	**86,250**	75,000
Stock-based compensation for key management and directors (3)	**1,281,144**	1,861,000
Total key management compensation expense	**$2,073,729**	**$2,664,427**

(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. An additional amount of $7,500 was paid to one outgoing director in lieu of them completing their full term.
(3) This figure is the estimated fair value expense of vested stock options and RSUs granted to key management and directors during the years ended December 31, 2021 and 2020.

13. EXPLORATION EXPENDITURES

For the years ended December 31,	**2021**	2020(note 15)
ECUADOR		
Geology and field operations:		
- Employee costs (note 12)	**$2,872,321**	$2,374,944
- Camp costs, equipment, supplies	**1,926,429**	1,212,474
- Project management (note 12)	**207,511**	222,079
- Travel, accommodation	**650,393**	218,633
- Administration	**95,436**	70,634
- Environment, health & safety	**813,332**	566,532
- Water	**189,292**	147,490
- Drilling	**4,191,848**	1,746,201
Geochemistry	**343,642**	1,093,296
Geophysics	**1,004,211**	335,595
Expert consultants	**289,959**	118,778
Other technical studies	**2,504**	288,065
Corporate social responsibility	**847,419**	888,968
Concession maintenance – legal	**85,697**	75,452
Concession maintenance – annual fees	**2,613,615**	2,785,907
	16,133,607	$12,145,046
PERU		
Geology and field operations:		
- Travel, accommodation	**5,048**	-
- Technical Consulting	**70,034**	68,759
Concession maintenance - legal	**120,902**	154,709
Concession fees	**1,055,200**	180,636
Concession fees recoveries	**-**	(116,031)
	1,251,184	288,073
TOTAL EXPLORATION EXPENSE	**$17,384,792**	$12,433,119

14. 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, 2021 and 2020:

(a) During the year ended December 31, 2021, the Company incurred $144,000 (2020 - $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, 2021 is $12,000 (2020 - $nil). These amounts are unsecured non-interest bearing and are due on demand. - See note 17 **Commitments and Contingencies.**

(b) Certain Company employees undertake work for other companies with officers and directors in common and recharges those companies with the direct cost of the work done. The amounts receivable are unsecured, non-interest bearing and have no fixed terms of repayment. During the year ended December 31, 2021:

a. $71,255 (2020-$nil) was recharged to U3O8 Corp. whose President, CEO and Director, Dr. Richard Spencer was also Aurania's President and Director until his departure subsequent to the year end, and Dr. Keith Barron, Director, Chairman and CEO of Aurania is also Chairman and Director of U3O8 Corp. At year ended December 31, 2021, $21,377 remained receivable.

b. $12,399 (2020-$nil) was recharged to Firestone Ventures Inc. Dr. Keith Barron, Chairman and CEO of the Company, is also President, CEO and Director of Firestone Ventures Inc. Dr. Richard Spencer, Aurania's President and Director until his departure subsequent to the year end serves on the board of directors of Firestone Ventures Inc. At year ended December 31, 2021, $1,805 remained receivable.

c. $2,911 (2020-$nil) was recharged to the Step Forward Foundation, a private charitable organization whose founder and Director Dr. Keith Barron, is also the Chairman and CEO of the Company. At year ended December 31, 2021, $281 remained receivable. This amount is unsecured, non-interest bearing and due on demand.

(c) For other related party transactions, see notes 7 Mineral property interests, 8 Promissory note, Share Capital 9(iii), 9(vi), 9 (vii), and 9 (viii), 11 Key management compensation expense and 19 Subsequent events.

15. RECLASSIFICATION OF PRIOR YEAR'S DATA FOR PRESENTATION

Certain of the 2020 comparative amounts have been reclassified to conform to the 2021 form of presentation.

16. SEGMENTED INFORMATION

At December 31, 2021, the Company's operations comprised one business segment engaged in mineral exploration and two operating segments - in Ecuador, Peru and Switzerland. Cash of $4,077,720 (December 31, 2020 - $8,107,008) is held in a Canadian chartered bank, $433,689 (December 31, 2020- $38,419) being held in a chartered bank in Ecuador and the balance of $1,758 (December 31, 2020 – $2,083) being held in a chartered bank in Switzerland and the balance of $9,490 (December 31, 2020 - $31,446) being held in a chartered bank in Peru.

(Expressed in Canadian Dollars)

17. 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.

The Company is party to certain management contracts. At the year-end these contracts contain minimum commitments of approximately $777,000 and additional contingent payments of up to approximately $760,000 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 consolidated financial statements.

On July 9, 2021, the Company announced that it has retained Alpha Bronze, LLC. ("Alpha Bronze") to provide certain investor relations services. Under the terms of the agreement, the Company will pay Alpha Bronze a monthly fee of US$5,500 for a period of 12 months and grant Alpha Bronze 40,000 stock options with a term of five years, and an exercise price of $2.52.

On August 26, 2021, the Company entered into a twelve-month public relations consulting agreement for services in Ecuador. Pursuant to the agreement the consultant is paid USD5,500 a month.

18. INCOME TAXES

(a) Provision for income taxes

Major items causing the Company's income tax rate to differ from the federal statutory rate of approximately 0% (2020 – 0%) were as follows:

	2021	2020
(Loss) before taxes:	**$(23,405,779)**	$(18,490,992)
Expected income tax benefit based on statutory rate	-	-
Adjustments to expected income tax benefit:		
- Adjustment for taxes in foreign operations	**(4,533,000)**	(3,404,000)
- Change in foreign exchange rates	**(28,000)**	213,000
- Non-deductible expenses	**87,000**	9,000
- Tax benefits not recognized	**4,474,000**	3,182,000
Deferred income tax	**$-**	$-

(Expressed in Canadian Dollars)

18. INCOME TAXES, continued

(b) Deferred income tax balances

Deferred income tax assets have not been recognized in respect of the following deductible temporary differences:

	2021	2020
Non-capital losses carry-forwards – Canada	**$9,159,000**	**$7,235,000**
Non-capital losses carry-forwards - Switzerland	**$2,076,000**	**$1,685,000**
Non-capital losses carry-forwards - Peru	**$1,615,000**	**$345,000**
Non-capital losses carry-forwards - Ecuador	**$45,840,000**	**$29,634,000**

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can use the benefits.

The losses which may reduce taxable income in Canada, amount to approximately $9,159,000 and expire as follows:

Amount	**Year of Expiry**
347,000	2033
341,000	2034
313,000	2035
262,000	2036
850,000	2037
1,357,000	2038
1,825,000	2039
1,940,000	2040
1,924,000	2024
9,159,000	

19. SUBSEQUENT EVENTS

Related party Loan

On March 18, 2022 the Company announced that it had entered into a US$1,187,500 loan with Dr. Keith Barron, the Company's Chairman, CEO and largest shareholder pursuant to a promissory note issued by the Company to the Lender. In accordance with the terms and conditions of the promissory note, the loan is due and payable and shall be repaid in full upon notice of twelve months and one day from the Lender to the Company, whereupon all unpaid principal and accrued interest there under shall be payable to the Lender. The Loan is unsecured and bears interest at a rate of two percent (2%) per annum.

Private placement financings

On March 30, 2022 the Company closed its previously announced private placement financing for 1,993,653 units priced at $0.70 per unit, each unit consisting of one common share and one full warrant, the warrant having and exercise price of $1.25 per warrant and an expiry date of March 20, 2024. Dr. Keith Barron, Chairman, CEO and President and principal shareholder subscribed for $400,000 of this offering.

19. SUBSEQUENT EVENTS, continued

Warrants expiring

On March 13, 2022, 1,043,567 warrants with an exercise price of $3.40 expired unexercised.