



January 4, 2022

Dear Shareholder,

I did aspire to write a Christmas message this year, but like many of you I got caught up in airline troubles prior to the big day. I hope you all were able to spend time with your loved ones this season, no matter what you celebrate.

Since it is the beginning of a New Year, let me indulge in a bit of armchair economics and macro thinking.

2023 will mean 40 years since I scored my first job working in mineral exploration. At that time, I was on a geophysics crew at the Hemlo gold deposit in northern Ontario. It had been discovered in 1981 by a little company run by promoter Murray Pezim, and was the darling of the industry. The discovery came in the right place at the right time, since gold had taken a run up in price towards \$850/oz the previous year. I got to meet “the Pez”, an infamous gent who went on to bankroll the Eskay Creek discovery just a few years later. In Canada, interest rates were around 20% and everyone was looking for ways to preserve their wealth; hence the interest in precious metals. As an aside, Hemlo has produced over 21 million ounces of gold to date.

Today, the naysayers claim that gold pays no interest and is expensive to hold in physical form. They write editorials slamming gold every time the broad stock market takes a dump, delighting in much Schadenfreude when gold counter-intuitively goes DOWN. The reality is that gold is behaving just as it should – as an asset of last resort for many investors; because it is more liquid than even many currencies it gets sold by the millions of investors receiving margin calls on their Tesla or Apple. Many of the so-called market pundits would prefer you to be invested in “Fang” stocks or even cryptos forever, and there is an army of these very vocal guys out there in the media right now trying to revive the fortunes of various high-flyers that have hit the skids.

In the early 1990’s we had some great discoveries, like Diamet for diamonds and David Lowell’s Arequipa Resources La Pierina gold discovery, but in 1997 the Bre-X scandal sucked all the oxygen out of junior mining. Instead, the focus became NASDAQ tech stocks and “eyeballs on the screen”. All the venture capital which would normally go into gold exploration went into tech start-ups. This imploded in 2000-2001 in what was termed the “Tech Wreck”. I quit my job in South Africa in July 2000, convinced that gold was headed upwards in price and resolved to start a gold exploration company. That company became a reality in January of 2001 when I founded Aurelian Resources Corp. privately, the predecessor of Aurelian Resources Ltd. At the time, my family and many of my old friends told me that gold exploration was dead, and that what I was embarking upon was very ill-considered....and we saw Gordon Brown of the UK selling some 401 tonnes of gold reserves between 1999 and 2002. However, I knew that in the circa \$250-\$260/oz price range, gold companies were in danger of busting and through simple supply and demand economics the gold price HAD to increase.

But....I learned through the “school of hard knocks” that you can have the best idea and the best mineral property in the whole world, but if there is no audience out there and no appetite for junior mining stocks then due to no fault of your own, you will probably fail. It was a hard scrabble between 2001 and 2003, while I funded Aurelian out of my hip pocket. Very fortunately I met John Embry of



Sprott Asset Management in June of 2003 and he put the first \$1 million into a new listing. Even more fortunately we found a 14-million-ounce orebody in 2006, and became the biggest win in Eric Sprott's fund. He even had to sell Aurelian shares to balance.

Let's now look at the last couple of years. Aurania, my new and current flagship company; and YOUR company, has been engaged in exploration about 100 kilometres north of the Aurelian discovery, since the property was awarded in December, 2016. When we started, unlike the Aurelian property, we were dealing with more or less a completely clean slate....no known mineral occurrences, no previous exploration except some documentation from the time of the Spanish Conquistadors. Unlike some other companies which claim "first mover status" in Ecuador, Aurania has title to an entire belt of rocks which I believe is one of, if not the last, truly unexplored frontier areas in the South American cordillera! What a coup! Since we started the exploration, we have found a veritable Aladdin's cave of mineral occurrences, though the magical high-grade intersection has so far eluded us.

Throughout the Pandemic and even before we have seen the majority of stock exchange wealth concentrate into fewer and fewer companies, some of which have never even made a profit. This entirely bizarre behaviour has resulted from various governments printing money and shovelling it into the system, or, by artificially decreasing interest rates from historical norms to near zero or even historically unprecedented "negative" rates. No wonder we have had a stock market boom. To some extent this trickled down into junior mining but the gold price moving sideways or downwards in US dollar terms meant that the "fast money folks" were largely on the sidelines. Again, the focus was on a dozen or so household names and the stock market became, not a 20 second mention at the end of the news but THE news. Add into this mix the Tulip Bubble of 2022Cryptocurrency, which like the "New Paradigm" promised by Tech in 1999, fatuously promised to revolutionize how we do business.

Now we have a situation where some of these former high-flyers have lost 50-75% of their value in just a few months. The Ukraine War was the signal that ended the party, and now we see nominal interest rates climbing to 5% or even 10% in many Western countries. When the Tech market imploded in 2000-2001 there was much wound-licking for several years before the market started to recover. The banking crisis of 2008-2009 slammed the mining sector hard but it recovered through 2011, only to be neglected again by investors when QE-1, QE-2 and Operation Twist fed liquidity into the banking system and the various market darlings came into prominence.

What I believe we are in for now is a Recession, bordering on another "Dirty Thirties" Great Depression, which will only be climbed out of by a massive government spend, the likes of which we have never seen. I believe that any attempt to control inflation will be tossed out in the name of political expediency. I believe that the world's gold reserves will be officially valued upwards considerably to reflate the balance sheets of various Central Banks. I also believe that we will see a "Roosevelt-type New Deal spend" on green technology which will drive copper way past \$5/lb.

In January of 2022, after much market malaise and non-performance in our share price I pivoted the Company back to its "core competency"; namely gold and copper exploration, believing that a number of our prospects were now sufficiently matured to be considered for drilling and that success would be just around the corner. It has been another hard scrabble through 2022; I cut the staff by half and refocussed things, and I believe we are as productive now as we have ever been. We hired outside talent for the first time, and I believe the Company is turning the corner.



But looking back at the Macro situation....are world events going to happen in a timeframe that will be meaningful for Aurania? You may have missed it, but according to the Financial Times and the World Gold Council, demand for gold in 2022 outstripped any annual amount in the past 55 years. Last month's estimates are also far larger than Central Banks' official reported figures. The last time this level of buying was seen marked a historical turning point for the global monetary system. In 1967, European Central Banks bought massive volumes of gold from the US, leading to a run on the price and the collapse of the London Gold Pool of reserves. That hastened the eventual demise of the Bretton Woods System that tied the value of the US dollar to the precious metal. The thing is unlike 1967, when gold buying out of Europe and mainly by Charles de Gaul's government eventually induced Nixon to close the Gold Window, this time the West is completely asleep while others mop up the world's gold supply. Buying is coming from China, Russia, and countries as diverse as Thailand, Poland, Turkey and Kazakhstan. And the gold price is moving.

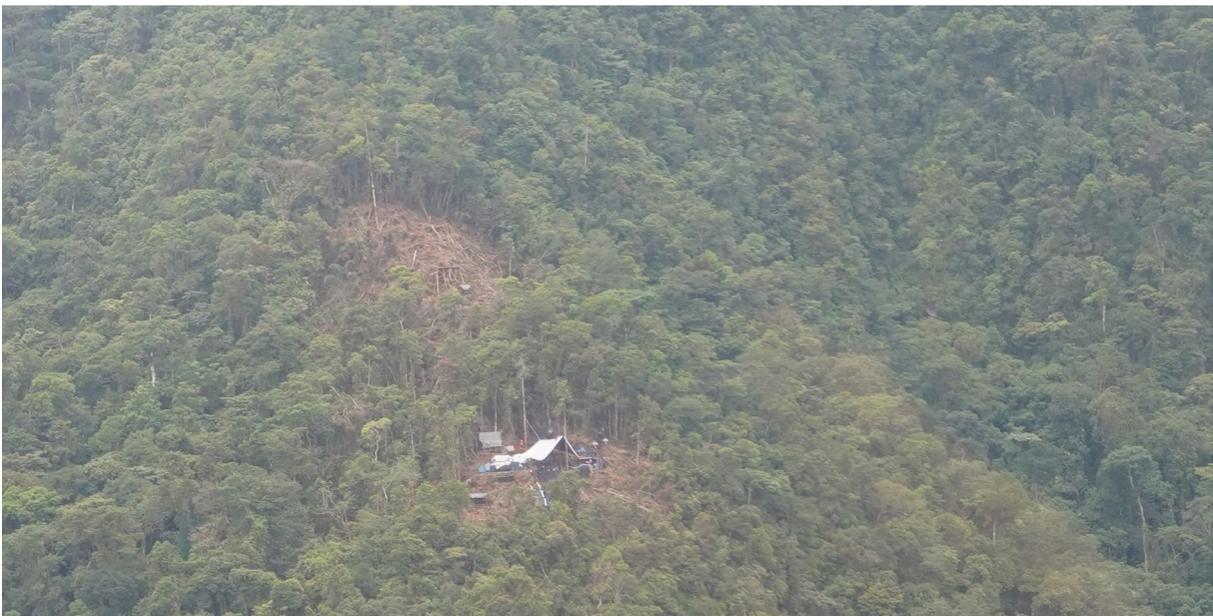
Things are internationally developing very quickly....and...at the same time US shareholders want to get their money back from stock-exchange casino that they have been unwisely playing. Those burned by crypto, who got at least some money out, are maybe ready to take that cash off the sidelines and put it into the "next big thing". Aurelian was once the "Next Big Thing", and I want Aurania to be the new "Next Big Thing". There has never been a setup like this for precious metal exploration for 40 years. Any company making a nice gold discovery now is perfectly positioned.

We are on the second hole at Tatasham and scheduled to restart drilling after the Christmas hiatus tomorrow. I have often said that Geology is by no means an exact science, and when it comes to drilling blind targets such as Tatasham you can be thrown a curve ball by nature. The first hole at Tatasham hit a zone of massive silicification framed by two fault zones which we believe acted as feeders. The alteration though is typical of gold systems rather than porphyry copper. We scratched our heads a bit and persevered to Hole 2. In between my duties as Papa Noël to the local Shuar children (yes, in between), I did a fly around in the helicopter and talked to the geologists who had been working at Tatasham and Awacha who were coming out of the field for the Christmas break. We had been negotiating with a community for access to something that looks very much like a lithocap on a porphyry but talks have been suspended until this month. The guys came in from the field with one rock sample that really caught my interest. The geo who had been on the drill at Tatasham had been bored waiting for the drill core to surface and he did a bit of prospecting around the drill site on the side of the steep ridge. He found a piece of tumbled down rock which I identified as a chalcedonic quartz breccia, and I asked Faustino, one of our Shuar geologists who was meant to go lithocap exploring to give it more of a look see.

Here's what he found....



You can get a sense of what the folks are up against in this photo from the helicopter. They are almost literally clinging to the side of the mountain.



The drill setup is hole #1 and the rickety wooden platform above it is the helicopter landing pad.



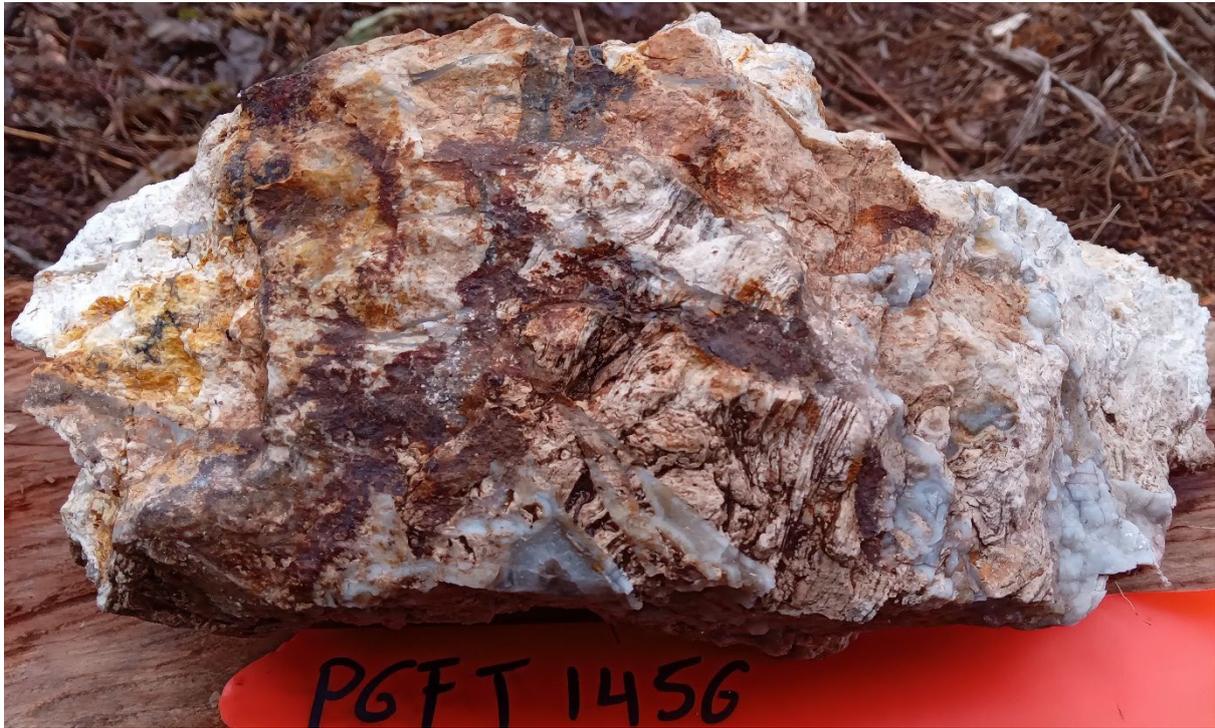
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**This vertical cliff face is entirely made up of siliceous sinter and chalcedonic quartz breccia.
Hammer for scale.**



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“Textbook” example of finely laminated siliceous sinter, brecciated and healed by chalcedonic quartz.



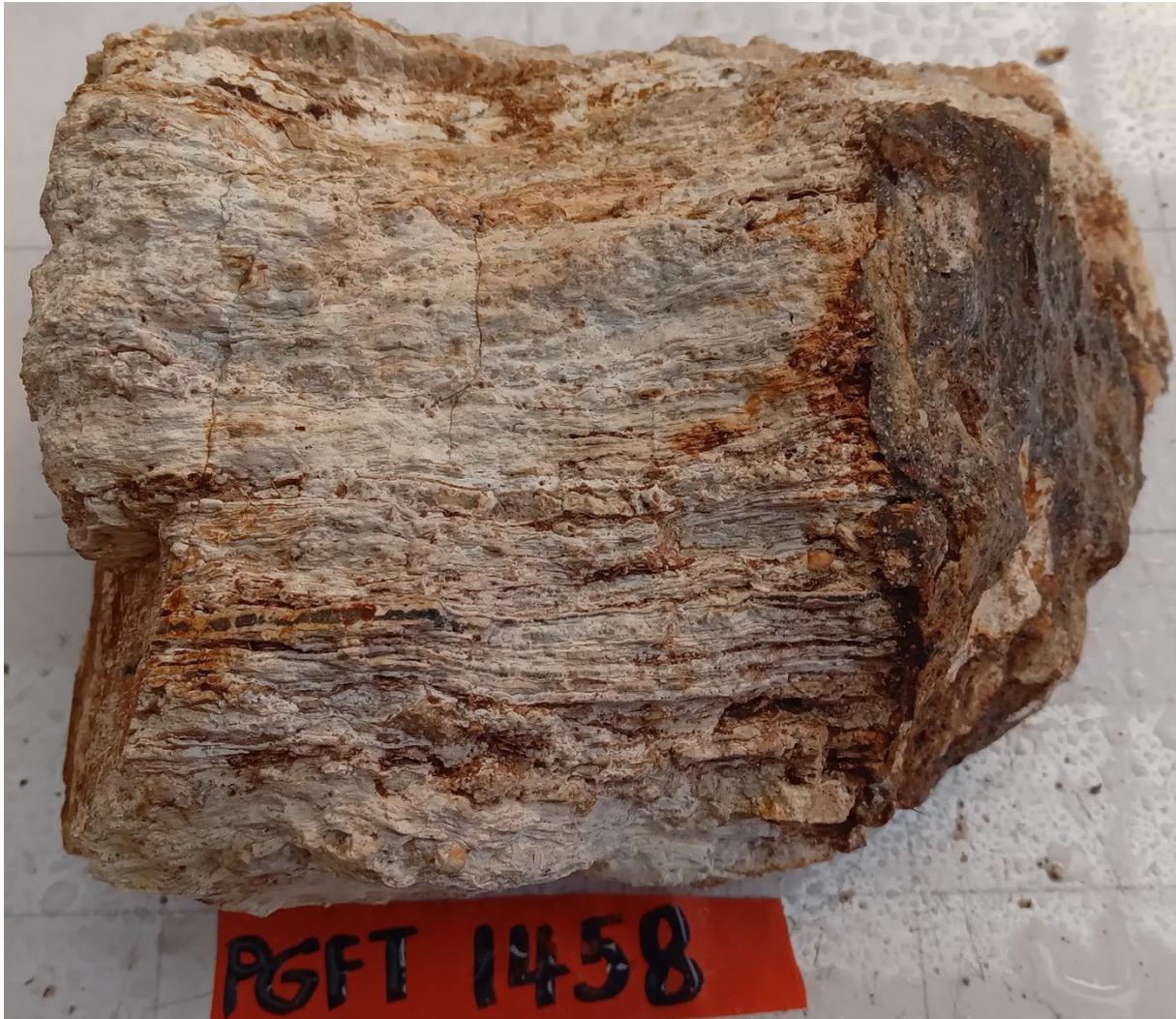
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Another example of sinter, disrupted by brecciation and cemented with banded chalcedonic quartz.



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Intact, finely-laminated, siliceous sinter.



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Siliceous clast breccia cemented by rock flour (phreatic explosion?)



Probable fossil seed pod encapsulated in the sinter and converted to silica, within a breccia matrix.

At this time, it seems highly probable that we have an epithermal system perched on top of a porphyry. Also, due to the amount of sinter brecciation and disruption we are probably right on top of the vent. We have never come across this scenario in our exploration before. The sinters at our Yawi target are in fairly flat ground. Because the Tatasham area has a lot of vertical topographic relief we feel confident that the plumbing system will be exposed or be shallow for our drilling in at least one spot. What we want to find is the elusive “boiling zone” where gold could no longer be transported in the hot geothermal waters and was dumped out into veins. That will be somewhere below the siliceous sinter.



This is a very auspicious start to 2023! No assays are back yet from rock samples or drilling but I encourage you to keenly follow our developments.

May you have health, wealth, and happiness in 2023. Feliz Año Nuevo!

Dr. Keith Barron

President and CEO

Aurania Resources Ltd.