AURANIA

AURANIA RESOURCES LTD.

CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2019 and 2018

(Expressed in Canadian Dollars)

INDEX

McGovern Hurley

Audit. Tax. Advisory.

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, 2019 and 2018, 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, 2019 and 2018, 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.

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 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.

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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.

- 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.

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- 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 16, 2020

AURANIA RESOURCES LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

AS AT	DECEMBER 31, 2019	DECEMBER 31, 2018
ASSETS		
Current assets		
Cash	**$5,229,341**	$817,021
Restricted cash	**-**	255,912
Prepaid expenses and receivables	**481,655**	97,454
Advances for mineral property interests (note 7)	**463,268**	-
Total current assets	**6,174,264**	1,170,387
Non-current assets		
Property, plant and equipment (note 6)	**148,999**	137,897
TOTAL ASSETS	**$6,323,263**	$1,308,284
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (notes 17)	**$985,454**	$390,233
Promissory notes (note 8)	**569,828**	579,915
Derivative liability on convertible debenture (note 8)	**-**	435,390
Convertible debenture (note 8)	**-**	2,476,672
Total current liabilities	**1,555,282**	3,882,210
Long-term liability		
Promissory notes (note 8)	**3,370,530**	-
TOTAL LIABILITIES	**$4,925,812**	$3,882,210
SHAREHOLDERS' EQUITY (DEFICIENCY)		
Share capital (note 9)	**$383**	$319
Share premium (note 9)	**38,219,081**	19,983,179
Share to be issued (note 9)	**165,841**	-
Warrants (note 10)	**442,215**	1,123,509
Contributed surplus and shareholder contribution (note 8 and 10)	**4,666,849**	1,987,432
Accumulated deficit	**(42,096,918)**	(25,668,365)
Total equity (deficiency)	**1,397,451**	(2,573,926)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)	**$6,323,263**	$1,308,284

Nature of operations and business continuance (note 1)
Commitments and contingencies (notes 7 and 16)
Subsequent events (note 18)

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, 2017	**27,385,625**	**$273**	**$13,019,518**	-	**$883,874**	**$1,206,201**	**$(16,059,021)**	**$(949,155)**
Shares issued for private placements	2,219,400	22	4,061,951	-	-	-	-	4,061,973
Shares issued for exercise of options	1,730,000	18	1,272,070	-	-	(532,088)	-	740,000
Shares issued for exercise of warrants	530,536	5	1,840,380	-	(248,777)	-	-	1,591,608
Shares issued for exercise of agents' options	137,813	1	409,023	-	(133,398)	-	-	275,626
Warrants issued for exercise of agents' options	-	-	(15,000)	-	15,000	-	-	-
Warrants issued for private placements	-	-	(578,000)	-	578,000	-	-	-
Stock-based compensation - options and RSU's	-	-	-	-	-	1,330,366	-	1,330,366
Shares issued for RSU's	33,500	-	17,047	-	-	(17,047)	-	-
Broker warrants compensation	-	-	(43,810)	-	43,810	-	-	-
Expiry of broker warrants	-	-	-	-	(15,000)	-	15,000	-
Net loss for the year	-	-	-	-	-	-	(9,624,344)	(9,624,344)
Balance – December 31, 2018	**32,036,874**	**$319**	**$19,983,179**	-	**$1,123,509**	**$1,987,432**	**$(25,668,365)**	**$(2,573,926)**
Shares issued for rights offering (note 9(i))	1,946,172	20	5,254,646	-	-	-	-	5,254,666
Less share issue costs (note 9)	-	-	(191,705)	-	-	-	-	(191,705)
Shares issued for Private Placement (note 9 (iv))	1,651,875	17	4,460,046	-	-	-	-	4,460,063
Less share issue costs (note 9)	-	-	(154,072)	-	-	-	-	(154,072)
Share issued for debt settlement (notes 8 and 9 (iii))	877,192	9	2,987,085	-	-	-	-	2,987,094
Share issued for exercise options (note 9)	65,000	-	117,216		-	(36,216)	-	81,000
Share issued for exercise of warrants (note 10)	1,756,233	18	6,160,291	-	(891,609)	-	-	5,268,699
Shares to be issued for exercise of warrants (note 10)	-	-	-	165,841	(13,010)	-	-	152,832
Warrants issued for Private Placement (notes 9 (iv) and 10)	-	-	(381,980)	-	381,980	-	-	-
Agents warrants issued for Private Placement (notes 9 (iv) and 10)	-	-	(15,625)	-	15,625	-	-	-
Expiry of warrants	-	-	-	-	(173,338)	-	173,338	-
Expiry of broker warrants	-	-	-	-	(942)	-	942	-
Stock based compensation – Restricted stock units "RSU's" compensation (note 9)	-	-	-	-	-	10,590	-	10,590
Stock based compensation – Option compensation (note 9)	-	-	-	-	-	1,802,940	-	1,802,940
Shareholder Contribution (note 8)	-	-	-	-	-	902,103	-	902,103
Net loss for the year	-	-	-	-	-	-	(16,602,833)	(16,602,833)
Balance – December 31, 2019	**38,333,346**	**$ 383**	**$38,219,081**	**$165,841**	**$442,215**	**$4,666,849**	**$(42,096,918)**	**$1,397,451**

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,	2019	2018 (note 14)
Operating expenses		
Exploration expenditures (notes 7, 11 and 12)	**$11,710,794**	$6,167,326
Stock-based compensation (notes 10 and 12)	**1,813,530**	1,330,366
Investor relations	**857,390**	697,342
Office and general	**535,994**	473,018
Management fees (note 11)	**615,481**	279,803
Professional and administrative fees	**306,925**	148,303
Regulatory and transfer agent fees	**177,772**	117,545
Directors' and advisor fees (note 11)	**75,000**	68,396
Amortization (note 6)	**35,950**	23,023
Project evaluation expenses including travel	**71,511**	11,541
Total expenses	**$16,200,347**	$9,316,663
Other expenses (income):		
Other income	**(140,048)**	-
Loss on foreign exchange	**61,758**	17,078
Loss on derivative (note 8)	**121,571**	8,563
Interest income	**(9,093)**	(9,127)
Interest and other financing expense (note 8)	**36,096**	291,167
Accretion of promissory note (note 8)	**332,202**	-
Loss and comprehensive loss for the year	**$16,602,833**	$9,624,344
Basic and diluted loss per share	$0.47	$0.32
Weighted average common shares outstanding - basic and diluted	35,098,249	30,438,349

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,	2019	2018
Cash flow from the following activities:		
Operating activities:		
Net loss for the year	**$(16,602,833)**	$(9,624,344)
Adjustment for:		
Amortization	**35,950**	23,023
Accrued interest and accretion	**394,658**	291,167
Stock-based compensation	**1,813,530**	1,330,366
Loss on derivative	**121,571**	8,563
Foreign exchange (note 8)	**(184,552)**	67,668
Non-cash items:		
Prepaid expenses and receivables	**(231,370)**	(32,572)
Advance for mineral property interest	**(463,268)**	-
Accounts payable, accrued liabilities	**595,221**	(74,723)
Net cash used in operating activities	**(14,521,093)**	(8,010,852)
Financing activities:		
Shares issued for rights offering	**5,254,666**	-
Less share issue costs	**(191,705)**	-
Shares issued for private placements	**4,460,063**	4,438,800
Less share issue costs	**(154,072)**	(376,827)
Shares issued for warrant exercises (notes 10)	**5,268,699**	460,000
Shares issued for option exercises (notes 9)	**81,000**	1,867,234
Convertible debenture (note 8)	**-**	2,631,579
Promissory notes (note 8)	**4,005,900**	-
Repayment of promissory note (note 8)	**-**	(500,000)
Net cash provided by financing activities	**18,724,551**	8,520,786
Investing activities:		
Increase in restricted cash	**255,912**	(255,912)
Purchase of capital assets	**(47,050)**	(108,347)
Net cash used in investing activities	**208,862**	(364,259)
Increase in cash	**4,412,320**	145,675
Cash – beginning of year	**817,021**	671,346
Cash – end of year	**5,229,341**	$817,021

Supplemental Information	2019	2018
Issuance of broker warrants	**$15,625**	$43,810
Shares issued in settlement of debt	**$2,987,093**	-
Promissory note settled through the exercise of stock options	**-**	$280,000

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.

Aurania Resources Ltd. (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., 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 properties interests and the carrying value of property, plant 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.

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. 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. As a result of the financial matters discussed in the following paragraph, there is a material uncertainty that results in significant doubt regarding the ultimate applicability of the Company's going concern assumption.

As at December 31, 2019 the Company had current assets $6,174,264 (December 31, 2018 - $1,170,387) to fund current liabilities of: accounts payable and accrued liabilities of $985,454 (December 31, 2018 - $390,233), a promissory note of $569,828 (December 31, 2018 - $579,915), a derivative liability on convertible debenture of $nil (December 31, 2018 - $435,390), convertible debenture of $nil (December 31, 2018 - $2,476,672) and long-term promissory notes of $3,370,530 (December 31, 2018 - $nil). Further, the Company had an accumulated deficit of $42,096,918 (December 31, 2018 - $25,668,365) and working capital surplus of $4,618,982 (December 31, 2018 – deficiency $2,711,823).

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, 2019, the Company adopted a number of new IFRS standards, interpretations, amendments and improvements of existing standards. These included IFRS 16 and IFRIC 23. These new standards and changes did not have any material impact on the Company's consolidated financial statements.

IFRS 16 – Leases ("IFRS 16") was issued in January 2016 and replaces IAS 17 – Leases as well as some lease-related interpretations. With certain exceptions for leases under twelve months in length or for assets of low value, IFRS 16 states that upon lease commencement a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the lessee shall measure the right-of-use asset at cost less accumulated depreciation and accumulated impairment. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 requires that lessors classify each lease as an operating lease or a finance lease. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The adoption of this accounting policy did not have an impact on the Company's consolidated financial statements.

New and Amended IFRS standards not yet effective

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after January 1, 2020 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:

IAS 1 – Presentation of Financial Statements ("IAS 1") and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8") were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2020.

IFRS 3 – Business Combinations ("IFRS 3") was amended in October 2018 to clarify the definition of a business. This amended definition states that a business must include inputs and a process and clarified that the process must be substantive, and the inputs and process must together significantly contribute to operating outputs. In addition it narrows the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs and added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets. The amendments are effective for annual reporting periods beginning on or after January 1, 2020.

3. CHANGES IN ACCOUNTING POLICIES, continued

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.

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.

These annual consolidated financial statements were approved and authorized by the Board of Directors on April 16, 2020.

(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 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

4. SIGNIFICANT ACCOUNTING POLICIES, continued

(b) Basis of consolidation, continued

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 year ended December 31, 2019 and Ecuador and Switzerland, during the year ended December 31, 2018.

(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.

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:

<u>Estimation of decommissioning and restoration costs and the timing of expenditure</u>
Management is not aware of any material restoration, rehabilitation and environmental provisions as at December 31, 2019 and 2018. 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.

<u>Share-based payments and warrants</u>
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 future -free rate of return etc. Such judgments and assumptions are inherently uncertain. Changes in these assumptions could affect the fair value estimates.

<u>Income, value added, withholding and other taxes</u>
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

4. SIGNIFICANT ACCOUNTING POLICIES, continued

(c) Significant accounting judgments and estimates, continued

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.

<u>Business combinations versus asset acquisitions</u>
Determination of whether a set of assets acquired, and liabilities assumed, constitute a business requires the Company to make certain judgments, taking into account all facts and circumstances. In making this determination, the Company considers items including, but not limited to: whether there are inputs and processes attributable to the set of assets and liabilities, the extent of the infrastructure in place, the work required to bring the acquired assets to production and whether the project has resources or reserves.

Such judgments are inherently uncertain and could have a significant effect on the method of accounting for the acquisition and the disclosures required.

<u>Fair value of conversion feature of convertible debenture</u>
The Company measures the convertible debenture embedded derivative using a binominal-lattice-based valuation model, taking into consideration management's best estimate of the expected volatility, expected life of the derivative, foreign exchange rate and exercise price on the date of issue and at each reporting date. Assumptions are made and judgment used in applying valuation techniques. Such judgments and assumptions are inherently uncertain. Changes in these assumptions could affect the fair value estimates.

See note 16 – Commitments and Contingencies.

(d) Financial instruments

Financial assets

<u>Initial recognition and measurement</u>
Non-derivative financial assets within the scope of IFRS 9 are classified and measured as "financial assets at fair value", as either FVPL or 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.

4. SIGNIFICANT ACCOUNTING POLICIES, continued

(d) Financial instruments, continued

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

<u>Subsequent measurement – financial assets at FVPL</u>
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.

<u>Subsequent measurement – financial assets at FVOCI</u>
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.

<u>Subsequent measurement – financial assets at amortized cost</u>
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 operations. The Company measures cash, restricted cash and receivables at amortized cost.

<u>Derecognition</u>
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.

<u>Impairment of financial assets</u>
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, accounts 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

<u>Initial recognition and measurement</u>
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

4. SIGNIFICANT ACCOUNTING POLICIES, continued

(d) Financial instruments, continued

liability at FVPL. The Company's financial liabilities include accounts payable and accrued liabilities, promissory notes and convertible debenture, which are each measured at amortized cost. The Company's derivative liability on convertible debenture is measured at FVPL. 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.

(e) Compound financial instruments

The components of compound financial instruments are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. The conversion feature of the convertible debentures issued does not meet the criteria for equity classification and accordingly, is accounted for as an embedded derivative liability. The derivative liability is calculated first, and the residual value is assigned to the debt component.

Subsequent to initial recognition, the embedded derivative component is re-measured at fair value at each reporting period with the changes in fair value recognized in consolidated statements of loss and comprehensive loss. Subsequent to initial recognition, the liability component is accounted for at amortized cost using the effective interest rate method until the instrument is converted or the instrument matures. The liability component accretes up to the principal balance at maturity. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

(f) 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.

4. SIGNIFICANT ACCOUNTING POLICIES, continued

(g) 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, 2019 and 2018.

(h) Foreign currency translation

The reporting and functional currency of the Company and its subsidiary 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.

(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.

(i) 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.

(j) 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

4. SIGNIFICANT ACCOUNTING POLICIES, continued

(j) Basic and diluted loss per share, continued

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, restricted share units and convertible debenture as they are anti-dilutive.

(k) 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.

(l) 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.

<u>Current tax</u>
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.

<u>Deferred tax</u>
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.

4. SIGNIFICANT ACCOUNTING POLICIES, continued

(l) Income taxes, continued

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.

(m) Property, plant and equipment and amortization

Property, plant 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, plant and equipment related to exploration activities has been expensed to the consolidated statement of loss and 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, 2019 was a $1,397,451, (December 31, 2018 – deficiency of $2,573,926). 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, 2019 and 2018. 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, 2019, the Company believes it is compliant with the policies of the TSXV.

<u>Exercise of options, warrants and debt settlement</u>

During the year ended December 31, 2019, a total of $5,349,699 was added to the treasury from the exercise of 65,000 stock options and 1,756,233 warrants. The Company issued 877,192 shares from

5. CAPITAL AND FINANCIAL RISK MANAGEMENT, continued

Capital management, continued

treasury in connection with the repayment of a USD2.0 million convertible debenture issued by the company to Dr. Barron on May 26, 2018. **See note 8 – Promissory notes and convertible debenture**

Capital raises, short-term loan

During the year ended December 31, 2019, the Company completed a "Rights Offering" which yielded net proceeds of $5,062,961.

Also, during the year ended December 31, 2019, the Company completed a private placement (the "2019 Offering") which yielded net proceeds of $4,305,991.

Subsequent to December 31, 2019, the Company added $6,470,131 to the treasury from the completion of a non-brokered private placement. **See note 18 – Subsequent events.**

Extensions of Promissory Note

During the year ended December 31, 2019, the Lender extended the maturity date of a 2017 promissory note to May 29, 2020. **See note 8 – Promissory notes.**

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, 2019 and 2018.

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 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 arises through an excess of financial obligations over financial assets at any point in time. The Company's approach to managing liquidity risk is to maintain sufficient readily available cash to continue operations and meet its financial obligations as they become due. As the Company has no producing assets, continued operations are dependent upon its ability to raise adequate financing, through debt, equity or by the disposal of assets.

5. CAPITAL AND FINANCIAL RISK MANAGEMENT, continued

Financial risk management, continued

The Company generates cash flow primarily from its financing activities. As at December 31, 2019, the Company had available cash of $5,229,341 (2018 - $817,021) to settle current liabilities of $1,555,282 (2018 - $3,882,210). The Company held a restricted guaranteed investment that matured on December 18, 2019. Also, the Company has a long-term liability of $3,370,530 **See note 8 – Promissory notes and convertible debenture**. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance and liquidity. All the Company's current financial liabilities, except for the promissory note and convertible debenture have contractual maturities less than 30 days and are subject to normal trade terms. Repayment of these liabilities is dependent upon the Company's ability to raise adequate financing, through debt, equity or by the disposal of assets.

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 2020 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.

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.

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, 2019 and 2018, 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, 2019**	December 31, 2018
Cash	**$578,568**	$29,301
Accounts payable, accrued liabilities and promissory note	**(4,707,579)**	(773,638)
Convertible debenture	**-**	(2,912,062)
Net exposure	**$(4,129,011)**	$(3,656,399)

(Expressed in Canadian Dollars)

5. CAPITAL AND FINANCIAL RISK MANAGEMENT, continued

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, 2019 and 2018, the Company was not a metals commodity producer.

Sensitivity analysis

At December 31, 2019 and 2018, 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 carrying amount of the long-term promissory note approximates its fair value due to the short amount of time that has passed since its issuance.

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 and CHF at December 31, 2019 would have increased the net asset position of the Company by $412,901 (December 31, 2018 – $365,640). A 10% weakening of the Canadian dollar against the same would have had an equal but opposite effect.

6. PROPERTY, PLANT & EQUIPMENT

	Leasehold Improvements $	Field Equipment $	Furniture and Fixtures $	Computer Equipment $	Total $
COST					
At December 31, 2017	**25,477**	**-**	**768**	**34,460**	**60,705**
Additions	2,068	66,624	5,590	34,065	108,347
At December 31, 2018	**27,545**	**66,624**	**6,358**	**68,525**	**169,052**
Additions	-	11,624	2,041	33,387	47,052
At December 31, 2019	**27,545**	**78,248**	**8,399**	**101,912**	**216,104**
ACCUMULATED DEPRECIATION					
At December 31, 2017	**(851)**	**-**	**(38)**	**(7,243)**	**(8,132)**
Additions	(2,143)	(10,029)	(239)	(10,612)	(23,023)
At December 31, 2018	**(2,994)**	**(10,029)**	**(277)**	**(17,855)**	**(31,155)**
Additions	(2,075)	(15,411)	(698)	(17,766)	(35,950)
At December 31, 2019	**(5,069)**	**(25,440)**	**(975)**	**(35,621)**	**(67,105)**
NET BOOK VALUE					
At December 31, 2018	24,551	56,595	6,081	50,670	137,897
At December 31, 2019	**22,476**	**52,808**	**7,424**	**66,291**	**148,999**

(Expressed in Canadian Dollars)

7. MINERAL PROPERTY INTERESTS

ECUADOR

a) Mineral concessions and obligations

The Company holds the rights, title and interest in the Lost Cities Project, comprised of certain mineral concessions in the Cordillera de Cutucu, in Ecuador (the "Project"). In December 2016, the Company was granted renewable 25-year permits for the exclusive right to explore, exploit, process and sell any metallic minerals within the concessions.

Mineral concessions are regulated according to the following timeframes:

- up to four years of initial exploration ("Initial Exploration");
- up to four years of advanced exploration ("Advanced Exploration"); and
- up to two years of economic evaluation of the deposit, which can be extended for an additional two-year period.

The key requirements for maintaining the good standing of concessions are as follows:

- The 2019 annual concession fee of USD2,046,475 ($2,701,348) was paid, therefore Management believes that the mineral exploration concessions are in good standing.

- Additional exploration expenditures for the Project, required by statute, are as follows:

b) Mineral concessions and obligations, continued

Year	Concession Fees (USD)	Expenditure Required (USD)	Committed Expenditure (USD)	Actual Expenditure (USD)
1 (2017)	1,973,198[1]	1,038,820[1]	1,060,000[2]	3,354,497
2 (2018)	2,004,923[1]	2,077,640[1]	1,090,000[2]	4,396,820
3 (2019)	2,046,475[1]	2,077,640[1]	2,098,000[2]	5,116,155
4 (2020)	2,077,640 [3]	2,077,640	Not yet determined	Will be reported in March 2021

[1] Paid [2] Requirement satisfied [3] Estimated

- An environmental registration and environmental management plan are required for exploration of the concessions. These were received on June 30, 2017 and are valid for the four-year term of Initial Exploration (2017-2020).

- The Company is also required to meet certain other non-financial obligations in order to keep the concessions in good standing. Management believes the Company has complied with such obligations, to date.

c) Future mineral concession maintenance requirements

In 2021 and beyond, the Company would be regulated by the requirements for conducting Advanced Exploration which cannot be estimated by Management, at the reporting date.

(Expressed in Canadian Dollars)

7. MINERAL PROPERTY INTERESTS, continued

d) 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 12 – Exploration expenses**

e) 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 principal shareholder of the Company.

PERU

Mineral concessions in Peru

The Company made payments totalling approximately USD1.8 million ($ 2.4 million) to the Peruvian Mining and Metallurgical Geological Institute "INGEMMET" for the application of up to 552 mining concessions. 419 mining concession applications are currently in progress. 19 of the concession applications were rejected and for the rest of the applications, certificates were obtained which carry value per the original cash amount advanced and can be used to make future concession payments. The actual granting of these concessions may take up to six months or more. While the Company believes its applications will be approved, there is no guarantee that all concessions will be received by the Company. Of the total advanced, $1,948,402 was expensed related to the applications in progress and those rejected. A balance of $463,268 is being held with INGEMMET and can be applied to future applications.

8. PROMISSORY NOTES AND CONVERTIBLE DEBENTURE

Promissory Note - Mineral Concessions Loan ("MCL1")

For the year ended December 31,	2019	2018
Balance, beginning of year	**$579,915**	1,273,000
Accrued interest	**11,672**	19,247
Settlements of debt (cash and shares)	**-**	(780,000)
Foreign exchange translation (gain) loss	**(21,759)**	67,668
Balance, end of year	**$569,828**	$579,915

On March 20, 2017 ("Date of MCL1"), Dr. Barron advanced USD2,000,000 to ESA to facilitate the payment of the 2017 minerals concession fees, pursuant to an unsecured, promissory note loan at 2% annual interest. On May 29, 2017, the Company repaid USD1,000,000 of the MCL1 from the proceeds of the 2017 Offering. On May 29, 2018, Dr. Barron extended the maturity date of the MCL1 to May 29, 2019, and on January 28, 2019, Dr. Barron agreed to further extend the maturity date of the MCL1 to May 29, 2020.

(Expressed in Canadian Dollars)

8. PROMISSORY NOTES AND CONVERTIBLE DEBENTURE, continued

Promissory Note - Mineral Concessions Loan ("MCL1"), continued

On April 2, 2018 Dr. Barron settled $280,000 of MCL1 in consideration of exercising his 700,000 stock options, at $0.40 per option. Accordingly, the Company issued 700,000 common shares to Dr. Barron in exchange for reducing the principal owing on MCL1 by USD217,168 ($280,000). On August 16, 2018 the Company repaid $500,000 of MCL1 in cash.

During the year ended December 31, 2019, the accrued interest on the MCL1 is $11,672 (year ended December 31, 2018 - $19,247) and the foreign exchange on the MCL1 is ($21,759) (year ended December 31, 2018 - $67,668).

Convertible debenture – Mineral Concession Loan ("MCL2")

On January 28, 2019, the Company announced the issuance of 877,192 common shares from treasury in connection with the repayment of a USD2.0 million convertible debenture issued by the Company to Dr. Barron on May 26, 2018. As dictated by the terms of the Debenture, the unpaid principal amount of USD2.0 million, was converted into common shares at the conversion price of $3.00 per common share, fixed at the March 20, 2018 Bank of Canada exchange rate of USD0.76 to $1.00 such that the maximum number of common shares to be issued upon the exercise of the conversion right would be 877,192 common shares.

Under the guidance of IAS 32 and IFRS 9, and because the face value of the note was denominated in other than the Company's functional currency, the conversion feature requires classification and measurement as a derivative financial instrument. Accordingly, it was concluded that this derivative financial instrument requires bifurcation and liability classification, at fair value. Current standards contemplate that the classification of financial instruments require evaluation at each reporting date.

The following table reflects the allocation of the proceeds and subsequent reporting since the financing date:

For the year ended December 31,	2019	2018
Balance, beginning of year	**$2,476,672**	**$ -**
Proceeds of MCL2	-	2,631,579
Embedded derivative at issue date	-	(426,827)
Interest expense	9,338	32,156
Amortization of debt discount	28,422	239,764
Foreign exchange gain immediately prior to conversion	(97,323)	-
Interest payable on convertible debenture	13,023	-
Settled by shares issued upon conversion of debt	(2,430,132)	-
Balance, end of year	**$ -**	**$2,476,672**

Discounts (premiums) on the convertible notes arise from (i) the allocation of basis to other instruments issued in the transaction, (ii) fees paid directly to the creditor and (iii) initial recognition at fair value, which is lower than face value. Discounts (premiums) are amortized through charges (credits) to interest expense over the term of the debt agreement. Amortization of debt discounts (premiums) amounted to $239,764 at December 2018 and $28,422 at December 31, 2019.

(Expressed in Canadian Dollars)

8. PROMISSORY NOTES AND CONVERTIBLE DEBENTURE, continued

Derivative liability

The carrying value of the embedded derivative liability on the Debenture is on the consolidated statement of financial position, with changes in the carrying value being recorded as derivative (gain) loss on the consolidated statement of loss. The fair value of the embedded derivative liability as of December 31, 2019 is $nil and the derivative loss for the year ended to December 31, 2019 is $121,571.

For the year ended DECEMBER 31,	2019	2018
Balance, beginning of year	**$435,390**	**$ 426,827**
Net change in fair value of derivative liability	121,571	8,563
Settled by shares issued upon conversion of debt	(556,961)	-
Balance, end of year	**$ -**	**$435,390**

Promissory Note issued in April 2019

On April 22, 2019, Dr. Barron, advanced USD3,000,000 by way of a promissory note to the Company. The loan is unsecured, with a term of two years, 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 shareholders 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.

For the year ended DECEMBER 31,	2019	2018
Issuance of promissory note	**$4,005,900**	**-**
Interest rate benefit recognized as shareholder contribution	(902,103)	-
Accretion expense	332,202	-
Foreign exchange translation gain	(65,469)	-
Balance, end of year	**$3,370,530**	**-**

9. SHARE CAPITAL

Authorized share capital at December 31, 2019 and 2018 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, 2019 is 38,403,453 (December 31, 2018 – 32,036,874). During the year ended December 31, 2018, the Company completed the following:

(i) **Warrant exercised**
On January 31, 2018, an agent exercised 41,650 Agents' Options which resulted in the issuance of 41,650 Common Shares and 20,825 Agents' Warrants. The Agents' Warrants entitled the agent to purchase 20,825 common shares until October 19, 2018 for $62,475. The warrants were assigned an estimated fair value of $15,000 using the Black-Scholes option pricing model using the following assumptions: expected dividend yield 0%, expected volatility 100%, a risk-free interest rate of 1.91% and an expected life of 9 months.

9. SHARE CAPITAL, continued

(ii) **Private placement**
On June 29, 2018, ("Tranche 1"), the Company issued 2,000,000 units, pursuant to a private placement financing ("2018 Offering"). Each unit consisted of one common share and one-half of one common share purchase warrant. Each whole warrant is exercisable to acquire one common share at $3.00 until December 29, 2019. Gross proceeds for the units were $4,000,000. Share issue costs of $360,911 attributable to the 2018 Offering, were deducted from the share premium account. The warrants were assigned an estimated fair value of $525,000 using the Black-Scholes option pricing model, using the following assumptions: expected dividend yield 0%, expected volatility 100%, a risk-free interest rate of 1.91% and an expected life of 18 months.

For Tranche 1, the Company agreed to pay compensation to the Agents including: cash payments of $158,885 and the issuance of 79,442 broker warrants ("2018 Broker Warrants"). Each 2018 Broker Warrant entitles the holder to acquire one common share at a price of $3.00 until December 29, 2019. The 2018 Broker Warrants were assigned an estimated fair value of $43,810 using the Black-Scholes option pricing model, using the following assumptions: expected dividend yield 0%, expected volatility 100%, a risk-free interest rate of 1.91% and an expected life of 18 months.

(ii) **Common shares**
Issued 1,030,000 common shares as a result of the exercise of 1,030,000 stock options previously granted to directors, officers and consultants, for proceeds of $460,000;

Issued 700,000 common shares as a result of the exercise of 700,000 stock options previously granted to a director/officer, in consideration of a debt settlement of $280,000 against the outstanding balance of MCL1.

Issued 530,536 common shares to holders of 530,536 (2017 Offering) warrants, for proceeds of $1,591,608, or $3.00 per common share; and

Issued an aggregate of 137,813 common shares for the exercise of 137,813 2017 Agents' Options. The consideration for the exercise of the Agents' Options was $275,626.

(iii) **RSU's**
On November 2, 2018, the Company issued 33,500 Common Shares for the issuance of 33,500 vested RSU's

During the year ended December 31, 2019, the Company completed the following:

(iv) **Rights offering**
On March 8, 2019, the Company announced that it had completed a rights offering ("Rights Offering") for $5,254,666 with the issuance of 1,946,172 common shares. Every shareholder had the right to acquire shares at $2.70 per share. Eligible registered brokers were entitled to a commission of 3%, and the cash paid for commissions, regulatory and legal cost, was $232,608.

(v) **Stand-by commitment**
In connection with the Rights Offering, the Company entered into a stand-by purchase agreement with Dr. Keith Barron, Chairman and Chief Executive Officer of the Company, for a commitment amount of $4,000,000 (the "Stand-By Commitment"). As a result, Dr. Barron exercised his rights' entitlement for the purchase of 1,385,790 common shares and purchased an additional 95,691

9. SHARE CAPITAL, continued

(v) **Stand-by commitment, continued**
common shares from the 'Additional' shares pool, as agreed. Both the basic and additional shares were purchased for $2.70 per share. In connection with the Stand-By Commitment for the Rights Offering, Dr. Barron did acquire 1,481,481 common shares.

(vii) **Repayment and conversion of convertible debenture (MCL2)**
On January 28, 2019, the Company announced the issuance of 877,192 common shares from treasury in connection with the repayment of the USD2.0 million convertible debenture issued by the Company to Dr. Barron on May 26, 2018. As dictated by the terms of the Debenture, the unpaid principal amount of USD2.0 million, was converted into common shares at the conversion price of $3.00 per common share, fixed at the March 20, 2018 Bank of Canada exchange rate of USD0.76 to $1.00 such that the maximum number of common shares to be issued upon the exercise of the conversion right would be 877,192 common shares. **See note 8 – Promissory Notes and Convertible Debenture.**

(viii) **Private Placement**
On September 20, 2019, Aurania announced completion of a non-brokered private placement for $4,460,063 (gross), with the issuance of 1,651,875 "units" at $2.70 per unit. Eligible registered brokers were entitled to a commission of 6% cash and warrants. Financing cost, including commissions was $154,072. Each unit consists of one common share and one-half common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at an exercise price of $4.00 for a period of 18 months following closing of the Offering. In addition, finders received 15,914 warrants exercisable into one common share at $4.00 per common share for 24 months. In connection with the financing, Dr. Keith Barron, Chairman and CEO of the Company, acquired 642,482 units through a corporate entity over which he has direction and control.

A value of $381,980 has been assigned to warrants using the Black-Sholes option pricing model using the following assumptions: expected dividend yield 0%, expected volatility of 71%, a risk free rate of 1.34% and an expected life of 1.5 years. Volatility is based on the historical trading of the Company's shares. A further $15,625 has been assigned to finders' warrants using the Black-Sholes option pricing model using the following assumptions: expected dividend yield 0%, expected volatility of 80%, a risk free rate of 1.34% and an expected life of 2 years. Volatility is based on the historical trading of the Company's shares.

(xi) **Shares to be issued**
50,944 shares were issued subsequent to the year-end relating to warrants exercised before the year end.

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, 2018, the Company:

(i) On March 2, 2018, the Company granted 250,000 stock options to two directors and one consultant. Each option is exercisable to acquire one common share at a price of $2.89. The options expire on March 2, 2023, and vest as follows: 1/3 on the grant date, 1/3 on March 2, 2019 and the remaining 1/3 on March 2, 2020. A total value of $541,934 has been assigned to the options using

9. SHARE CAPITAL, continued

Stock options, continued

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 2.1% and an expected life of 5 years. Volatility was based on the historical trading of the Company's shares. During the year ended December 31, 2018, $406,223 has been recorded as stock-based compensation expense for these options.

(ii) On April 5, 2018, the Company granted 300,000 stock options to a director/officer. Each option is exercisable to acquire one common share at a price of $2.68. The options expire on April 5, 2023, and vest as follows: 1/3 on the grant date, 1/3 on April 5, 2019 and the remaining 1/3 on April 5, 2020. A total value of $602,706 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 2.03% and an expected life of 5 years. Volatility was based on the historical trading of the Company's shares. During the year ended December 31, 2018, $423,719 has been recorded as stock-based compensation expense for these options.

(iii) On November 26, 2018 the Company granted 1,260 stock options to a consultant. Each option is exercisable to acquire one common share at a price of $3.00. The options expire on May 26, 2020. A total value of $1,168 has been assigned to the stock 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 2.24% and an expected life of 18 months. During the year ended December 31, 2018, the assigned value of $1,168 for these options was fully expensed.

(iv) During the year ended December 31, 2018, a total 1,730,000 stock options were exercised in consideration of cash and debt settlement.

During the year ended December 31, 2019, the Company:

(v) On January 16, 2019, the Company granted 180,000 and 48,000 stock options to consultants and employees. Each option is exercisable to acquire one common share at a price of $3.40 and $3.36, respectively. The options expire on January 16, 2024, and vest as follows: 48,000 vest 1/3 on the grant date and on the anniversary of that date 2020 and 2021 and 180,000 vest 75,000 July 16, 2019, 55,000 January 16, 2020 and 50,000 January 16, 2021.

Total value of $579,120 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 1.92% and an expected life of 5 years. Volatility was based on the historical trading of the Company's shares. At December 31, 2019, a total of $483,531 has been expensed for the vested options.

(vi) On June 28, 2019, the Company granted 77,000 stock options to a consultant. Each option is exercisable to acquire one common share at a price of $2.97. The options expire June 28, 2024, and vest as follows; 11,000 quarterly starting on September 30, 2019 and finishing with 22,000 options vesting on December 31, 2020.

A value of $170,940 has been assigned to the options using the Black-Scholes option pricing model

(Expressed in Canadian Dollars)

9. SHARE CAPITAL, continued

Stock options, continued

using the following assumptions: expected forfeiture rate of 0%, expected dividend yield of 0%, expected volatility of 100%, a risk-free interest rate of 1.39% and an expected life of 5 years. Volatility was based on the historical trading of the Company's shares. At December 31, 2019, a total of $102,758 has been expensed for the vested options.

(vii) On October 24, 2019, the Company granted 1,150,000 stock options to management, directors, consultants and employees of the Company. Each option is exercisable to acquire one common share at a price of $2.70. The option expires October 24, 2024, and vest in thirds: 1/3 immediately, 1/3 one year from the date of the grant and 1/3 two years after the date of the grant.

A value of $2,116,000 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 1.54% and an expected life of 5 years. Volatility was based on the historical trading of the Company's shares. At December 31, 2019, a total of $901,991 has been expensed for the vested options.

(viii) During the year ended December 31, 2019, a total 65,000 stock options were exercised for proceeds of $81,000.

(ix) The following summarizes the stock options activity for the years ended December 31, 2018 and 2019:

	Number of Options	Weighted Average Exercise Price	Estimated Fair Value
Balance - December 31, 2017	**2,695,000**	**$0.80**	**$1,134,838**
Issued	250,000	2.89	406,223
Issued	300,000	2.86	423,719
Issued	1,260	3.00	1,168
Exercised	(1,700,000)	(0.40)	(506,294)
Exercised	(30,000)	(2.00)	(25,794)
Stock-based compensation expense	-	-	372,992
Balance - December 31, 2018	**1,516,260**	**$2.92**	**$1,806,852**
Issued	180,000	$3.40	384,710
Issued	48,000	$3.36	98,821
Issued	77,000	$2.97	102,758
Issued	1,150,000	$2.70	901,991
Exercised	(10,000)	$2.00	(8,597)
Exercised	(20,000)	$2.00	(17,195)
Exercised	(35,000)	$0.60	(10,424)
Stock-based compensation expense	-	-	314,660
Balance – December 31, 2019	**2,906,260**	**$2.41**	**$3,573,576**

(Expressed in Canadian Dollars)

9. SHARE CAPITAL, continued

(ix) The following summarizes the stock options outstanding at the year ended December 31, 2019:

Issued Number of Options	Exercisable Number of Options	Exercise Price	Expiry Date	Estimated Fair Value
1,260	1,260	$3.00	May 26, 2020	$1,168
100,000	100,000	$0.60	July 13, 2021	53,488
115,000	115,000	$0.60	June 21, 2020	61,510
165,000	165,000	$0.60	August 24, 2020	88,254
150,000	150,000	$2.30	May 26, 2022	256,242
240,000	240,000	$2.00	November 2, 2022	246,750
90,000	90,000	$2.00	June 21, 2020	190,350
40,000	40,000	$2.00	August 24, 2020	84,600
250,000	166,667	$2.89	March 2, 2023	526,612
300,000	200,000	$2.68	April 5, 2023	576,322
180,000	75,000	$3.40	January 16, 2024	384,710
48,000	16,000	$3.40	January 16, 2024	98,821
77,000	25,666	$2.97	June 28, 2024	102,758
1,150,000	383,333	$2.70	October 24, 2024	901,991
2,906,260	**1,767,926**			**$3,573,576**

The weighted average contractual life remaining for stock options as at December 31, 2019 is 3.4 years (2018 – 3.4 years).

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, 2018 and 2019:

	Number of RSUs	Weighted Average Fair Value	Estimated Fair Value
Balance – December 31, 2017	**124,500**	**$1.35**	**$23,363**
RSU’s cancelled	(24,000)	(0.71)	(25,343)
Shares issued for RSU’s	(33,500)	(0.38)	(17,047)
Stock-based compensation expense	-	1.69	151,608
Balance – December 31, 2018	**67,000**	**$1.98**	**$132,581**
Share issued for RSUs	122,700	$2.50	10,590
Balance – December 31, 2019	**189,700**	**$2.32**	**$143,171**

The weighted average contractual life remaining for RSUs at December 31, 2019 is 4.47 years (December 31, 2018 – 2.25 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 October 24, 2019, the Company granted 122,700 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.

(Expressed in Canadian Dollars)

10. WARRANTS

The following summarizes the warrants and Agents' warrants activity and outstanding warrants and Agents' warrants for the years ended December 31, 2019 and 2018:

	Number of Warrants/ Agents' Options	Weighted Average Exercise Price	Estimated Fair Value
Balance – December 31, 2017	**1,744,645**	**$2.92**	**$883,874**
Exercised	(530,536)	$(3.00)	(248,777)
Exercised and cancelled agents' options	(144,200)	$(2.00)	(133,398)
Issued upon exercise of agents' options	20,825	$3.00	15,000
Issued	1,000,000	$3.00	525,000
Issued brokers' warrants	79,442	$3.00	43,810
Issued	109,700	$3.00	53,000
Expired brokers' warrants	(20,825)	$3.00	(15,000)
Balance – December 31, 2018	**2,259,051**	**$2.92**	**$1,123,509**
Issued warrants private placement	825,937	$4.00	381,980
Issued agents warrants	15,914	$4.00	15,625
Exercised	(1,807,177)	$(3.00)	(904,619)
Expired	(357,224)	$(3.00)	(174,280)
Balance – December 31, 2019	**936,501**	**$3.90**	**442,215**

Outstanding warrants

Expiry date	Number of Warrants	Exercise Price
March 6, 2020	94,650	$3.00
February 27, 2021	515,431	$4.00
August 27, 2021	4,734	$4.00
March 20, 2021	310,506	$4.00
September 20, 2021	11,180	$4.00
Balance – December 31, 2019	**936,501**	

Exercise of warrants

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

These warrants, each of which entitled the holder to purchase one common share of the Company at $3.00, were issued in private placements undertaken by the Company in 2017 and 2018.

11. 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)

11. 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,	2019	2018
Management fees corporate [1]	**317,175**	$279,803
Management fees technical [1]	**337,188**	256,306
Director and advisor fees [2]	**75,000**	68,396
Stock-based compensation for key management [3]	**1,229,934**	1,116,860
Total key management compensation expense	**$1,959,297**	**$1,721,365**

(1) Management fees corporate includes 100% CFO fees, Toronto, 100% salary/benefits of the Country Manager (Ecuador), 30% of the President's compensation and Aurania's employees. Management fees 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 or $3,750 per quarter.

(3) This figure is the fair value expense of vested stock options and RSUs granted to management for the years ended December 31, 2019 and 2018.

12. EXPLORATION EXPENDITURES

For the years ended December 31,	2019	2018(note 14)
ECUADOR & CANADA		
GEOLOGY/FIELD:		
- Salaries, benefits	**$2,071,202**	$914,060
- Camp costs, equipment, supplies	**375,388**	411,151
- Project management (note 11)	**337,188**	320,398
- Travel, accommodation	**601,754**	172,942
- Office (Quito, Macas)	**112,381**	105,944
- Environment, health & safety	**210,107**	72,619
- Water	**54,981**	-
- Drilling	**975,658**	-
- IVA [2]	**346,221**	131,903
GEOCHEMISTRY	**414,634**	368,680
GEOPHYSICS	**103,621**	48,039
OTHER TECHNICAL STUDIES	**273,793**	-
CORPORATE SOCIAL RESPONSIBILITY - fees, travel, supplies	**819,185**	609,352
FINANCIAL AND ADMINISTRATIVE SUPPORT SERVICES [1]	**170,185**	226,188
LEGAL COSTS FOR CONCESSION MAINTENANCE	**31,949**	173,617
CONCESSION MAINTENANCE – permits	**2,701,348**	2,612,433
Total exploration expense – Ecuador & Canada	**9,599,595**	$6,167,326
PERU		
- Concession fees-applications in progress	**1,739,560**	-
- Concession fees-applications rejected	**172,312**	-
- Other	**199,327**	-
Total exploration expense – PERU	**2,111,199**	-
TOTAL EXPLORATION EXPENSE	**$11,710,794**	$6,167,326

(1) Approximately 50% of the service costs incurred by the Company for the staffing engaged in the Toronto office has been charged to exploration expenditures to reflect the allocation of support services provided directly to the Project.

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

13. 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, 2019 and 2018:

(a) A total of $150,000 (2018 - $150,000), plus applicable taxes was charged to the Company by a management company controlled the President, for management consulting fees.

(b) A total of $163,141 (2018 - $75,000), plus applicable taxes were charged to the Company by the Chief Financial Officer ("CFO"), pursuant to a consulting contract. Included in accounts payable and accrued liabilities at December 31, 2019 is $15,288 (2018 - $Nil) owed to the CFO, for unpaid fees.

(c) During the year ended December 31, 2019, the Company incurred $144,000 (2018 - $510,000) 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, 2019 is $nil (2018-$82,500). These amounts are unsecured non-interest bearing and are due on demand. - **See note 16 Commitments and Contingencies.**

(d) For other related party payables, see notes 8 Promissory note, Share Capital 9(iv), 9(vi), 9 (vii), 9 (viii) and 9(ix).

14. RECLASSIFICATION OF PRIOR YEAR'S DATA FOR PRESENTATION

Certain of the 2018 comparative amounts have been reclassified to conform to the 2019 form of presentation.

15. SEGMENTED INFORMATION

At December 31, 2019, the Company's operations comprised one business segment engaged in mineral exploration and two operating segments - in Ecuador and Switzerland. Cash of $5,229,341 (December 31, 2018 - $805,365) is held in a Canadian chartered bank, $211,365 (December 31, 2018 - $11,167) being held in a chartered bank in Ecuador and the balance of $2,127 (December 31, 2018 - $489) being held in a chartered bank in Switzerland.

16. 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 to protect public health and the environment and believes that 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

(Expressed in Canadian Dollars)

16. COMMITMENTS AND CONTINGENCIES, continued

Service costs and consulting agreements, continued

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's President provides management services to the Company through a personal management company pursuant to a one-year, renewable consulting agreement. The President's annual compensation is $150,000. Should the Company effect early termination of the agreement, a three-month notice period is required, and Dr. Spencer would be entitled to an additional lump-sum cash payment equal to nine months of monthly retainer fee. Should Dr. Spencer's agreement be terminated due to a change of control, additional compensation would be payable to a maximum of two years' retainer fees and any unvested options would vest immediately.

The Company's Chief Financial Officer provides financial corporate consulting services to the Company pursuant to an annual, renewable consulting agreement, the terms include a monthly fee of $12,000.

The Company runs its corporate social responsibility ("CSR") program under the guidance of a Toronto consulting firm, in tandem with the exploration program. Compensation for services provided by the consultants is stipulated at $1,000 per diem for up to 10 days per month ("the base services"). Any additional services to be performed over and above the base services must be pre-approved in writing. Either party may terminate the CSR Contract with 30 days' written notice.

On June 28, 2019, Aurania signed a contract with a consultant who will provide data analytics and statistical analysis services to Aurania to help refine its search for the historical gold mining centres of Logrono de los Caballeros and Sevilla del Oro in Ecuador. Aurania will pay USD150,000 in installments over two years against performance benchmarks, and grant 77,000 stock options exercisable for five years (see note 9 (vi)).

On July 16, 2019, Aurania signed a contract with a consultant to perform a specialized LiDAR survey. Pursuant to the contract the Company will pay USD591,000 in installments against a performance and product delivery schedule. The Company has paid USD 118,264 to date.

17. 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% (2018 – 0%) are as follows:

(Loss) before taxes:	**$(16,602,833)**	$(9,624,344)
Expected income tax benefit based on statutory rate	**-**	-
Adjustments to expected income tax benefit:		
Adjustment for taxes in foreign operations	**$(2,943,000)**	$(1,701,000)
Change in foreign exchange rates	**382,000**	(284,000)
Non-deductible expenses	**7,000**	5,000
Tax benefits not recognized	**2,554,000**	1,980,000
Deferred income tax	**$-**	$-

(Expressed in Canadian Dollars)

17. INCOME TAXES, continued

(b) Deferred income tax balances

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

	2019 ($)	2018 ($)
Non-capital losses carry-forwards – Canada	**5,374,000**	3,471,000
Non-capital losses carry-forwards - Switzerland	**1,636,000**	1,672,000
Non-capital losses carry-forwards - Ecuador	**19,166,000**	11,169,000

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 $5,374,000 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
1,904,000	2039
5,374,000	

18. SUBSEQUENT EVENTS

LIDAR survey

On February 3, 2020, the Company signed a contract with a consultant to perform a specialized LiDAR survey. Pursuant to the contract the Company will pay USD 74,798 in installments against a performance and product delivery schedule.

Key management compensation

The Company is party to certain management contracts. These contracts contain minimum commitments of approximately $490,000 and additional contingent payments of up to approximately $980,000 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.

Granting of stock options

The Company granted an aggregate of 300,000 stock options to four senior employees of the Company. These are five-year options that vest over two years from the date of grant. The exercise price is $3.16 per share.

19. SUBSEQUENT EVENTS, continued

Payment of 2020 mineral concession fees

In March 2020, a total of $2,077,640 (CAD2,847,352) was paid to the Ecuador government, as payment in full for the renewal of the Mineral Concession Fees for the Company's Ecuador Project concessions.

Option and warrant exercises

Subsequent to December 31, 2019, 125,000 options and 59,750 warrants have been exercised.

Novel Coronavirus ("COVID-19")

The Company's operations could be significantly adversely affected by the effects of a widespread global outbreak of a contagious disease, including the recent outbreak of respiratory illness caused by COVID-19. The Company 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.

Private placement

Subsequent to December 31, 2019, the Company added $6,470,131 (2,087,139 shares) to the treasury from the completion of a non-brokered private placement.