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AURANIA RESOURCES LTD.

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

For the Year Ended December 31, 2019

(Expressed in Canadian Dollars unless otherwise indicated)



1 INTRODUCTION

Aurania Resources Ltd. (“Aurania” or the “Company”) is a publicly traded junior mining exploration company engaged in the identification, evaluation, acquisition, and exploration of mineral property interests, with a focus on precious metals and copper in South America. Aurania’s principal asset is a 100% holding of the Lost Cities – Cutucu project (“Project”) that covers approximately 208,000 hectares (“Ha”) in southeastern Ecuador. This Management’s Discussion and Analysis (“MD&A”) is a review of the financial condition and results of operations by the management (“Management”) of Aurania for the year ended December 31, 2019 (the “Reporting Period”). This MD&A is prepared as at April 16, 2020, unless otherwise indicated, and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2019 and the notes related thereto which have been prepared in accordance with International Financial Reporting Standards (“IFRS”). All monies are expressed in Canadian dollars unless otherwise indicated. Additional information relevant to the activities of the Company has been filed electronically through the System for Electronic Document Analysis and Retrieval (“SEDAR”) – <http://www.sedar.com> and are also available on the Company’s website <http://www.aurania.com>.

2 CAUTIONARY NOTE

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

3 2019 HIGHLIGHTS

Exploration

- **Reconnaissance exploration:**
 - Reconnaissance exploration has been completed 51% of the 207,764Ha concession area. This program has resulted in the definition of the following targets:
 - 20 epithermal targets for gold and silver;
 - Sedimentary-hosted high-grade copper-silver in sporadic exposures through thick jungle cover over 23 kilometers (“km”);
 - 8 targets for intrusive-related copper; and
 - Silver-zinc-lead mineralization with barite has been identified in sporadic outcrops along a trend of 15km.

- **Geophysics:**
 - 64 individual targets were identified in geophysical data from the Project for potential intrusive-related copper. 31 of these targets were identified as high-priority for follow-up and eight of these have been field-checked and show evidence of copper-mineralization and/or intense alteration.

- **Follow-up exploration:**
 - The following epithermal gold-silver targets are being mapped to refine the nature of the targets:
 - Two new targets at Yawi (Yawi E and F);
 - An area west of Crunchy Hill;
 - The following epithermal targets are being soil sampled to determine if they warrant scout drilling:
 - Yawi E and F;
 - Apai;
 - Sediment-hosted copper-silver targets: The focus is on determining the continuity of mineralization within specific sedimentary layers through mapping and soil sampling in the Tsenken target area:
 - Intrusive-related copper targets: The Tsenken N3 target is being systematically soil sampled and mapped in preparation for potential scout drilling with an ultra-light rig that has the capacity to drill to a maximum depth of 200m.

- **Scout drilling:**
 - Yawi – a total of 3,010m were drilled in 7 scout drill holes between October 24, 2019 and February 8, 2020:
 - Target A: two holes (YW-001 and 002) were completed for 1,093m;
 - Target B: three holes (YW-003, 006, and 007) were completed for a total of 1,053m; and
 - Target C: two holes (YW-004 and 005) were drilled for a combined 864m;
 - Crunchy Hill: scout drilling was conducted between March and May, 2019, with nine diamond drill holes completed for 3,204m. In February, 2020, an additional bore hole (CH-010) was drilled to a depth of 401m to test a target at greater depth than originally drilled.

- **Other exploration initiatives:**
 - Metron: On June 28, 2019, the Company contracted Metron Incorporated (“Metron”) to assist in the search for the “Lost Cities” (16th Century mining sites) by applying Bayesian Search Theory to the historic and scientific exploration data from the Project.”. An early update on this approach was provided on September 26, 2019. Further updates will be provided as data sets are added to the analysis. The principal objective of the work is to identify geographic areas with the highest likelihood of containing the Lost Cities (gold mining areas) of Logrono and Sevilla. An additional objective is to extend this mathematical approach to the Company’s exploration data to identify targets that may have been overlooked in conventional exploration analysis techniques; and
 - LiDAR: A contract was signed with VeriDaas on July 16, 2019 to undertake a detailed LiDAR survey of the whole Project area. Operational problems with VeriDaas’ equipment led to the signing of a contract to fly heliborne LiDAR over seven priority target areas subsequent to quarter-end on



February 3, 2020 and data acquisition was completed on March 8, 2020. Processed data has been delivered to the Company for interpretation and integration with its other data sets.

Corporate Social responsibility (“CSR”)

- Formal access agreements have been signed with 59% of the communities in the Project area, providing access to 60% of its surface area, and discussions with other communities are on-going.

Environment & Water

- Revegetation of the drill platforms is ongoing at Yawi. Application for the water-use permits required for scout drilling, has been made for 39 off-take points near high-priority targets that are being prepared for scout drilling;
- Subsequent to year-end, on March 10, 2020, the Company received ISO14001 accreditation for the environmental aspects of its exploration.

Mineral Property Interests

- **Mineral Concessions - payment of 2020 fees:**
 - Subsequent to year-end, between March 11 and 12, 2020, a total of USD2,077,640 (CAD 2,847,352) was paid in concession fees to the Ecuadorian government. Concession fees are a key part of maintaining the 42 concessions that constitute the Project, in good standing;
- **Mineral Concession - fees in Peru and Advance for Mineral Property Interests**
 - The Company made payments totalling approximately \$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 and 19 of the concession applications were rejected. 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 INGGEMMET and can be applied to future applications.

Finance

During the year ended December 31, 2019 the Company:

- On March 8, 2019, raised \$5,254,666 through the issuance of 1,946,172 common shares by way of a Rights Offering (“RO”);
- On January 28, 2019 converted a USD2.0 million convertible debt, owned by the Chairman, CEO and principal shareholder (“Principal Shareholder”) of the Company, into 877,192 common shares;
- Extended the maturity date on a \$569,828 Promissory Note to the Chairman, CEO and Principal Shareholder to May 29, 2020;
- On April 22, 2019 entered into a USD3,000,000 Shareholder Loan with the Chairman, CEO and Principal Shareholder of the Company. The loan is unsecured, has a term of two years and bears interest at a rate of 2% per annum. As this rate of interest is considered as being below the market rate, Accounting Standards require that the benefit of the interest rate difference is recorded in equity as a shareholder contribution, with the benefit being accreted over the life of the loan. The loan was used to advance the Company’s exploration strategy in both Ecuador and Peru;
- On September 20, 2019 the Company completed a two-tranche 1,651,875 unit non-brokered private placement for gross proceeds of \$4.46 million. Each \$2.70 unit consisted of one share and one-half common share purchase warrant. Each full warrant is exercisable into one common share at \$4.00 per common share for a period of 18 months.
- Raised \$5.5 million through the exercise of 1,807,177 share purchase warrants and 65,000 stock options; and
- Subsequent to the year-end the company raised a total of \$6.4 million by completing a three-tranche private placement with a group of strategic investors by issuing 2,087,139, \$3.10 units. Each unit



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consisted of one share and one-half common share purchase warrant: each full warrant is exercisable into one common share at \$4.25 per common share for a period of 18 months.

4 SELECTED ANNUAL INFORMATION

| | Year ended December 31, 2019 \$ | Year ended December 31, 2018 \$ |
|-----------------------------------|---------------------------------------|---------------------------------------|
| Cash | 5,229,341 | 817,021 |
| Total assets | 6,323,263 | 1,308,284 |
| Total liabilities | 4,925,812 | 3,882,210 |
| Shareholders' equity (deficiency) | 1,397,451 | (2,573,926) |
| Deficit | (42,096,918) | (25,668,365) |

The significant changes in the selected annual information resulted from the completion of a RO for \$5.2 million, converting a USD2 million loan owed to the Chairman, CEO and Principal Shareholder into shares, entering into a Promissory Note for USD3 million and the completion of a \$4.46 million non-brokered private placement that combined to fund the company's on-going operations (see 5.2 Finance), and \$5.5 million through the exercise of 1,807,177 share purchase warrants and 65,000 stock options. The change in deficit is discussed in detail in Section 6 Consolidated loss and comprehensive loss for the years ended December 31, 2019 and 2018.

5 DISCUSSION OF OPERATIONS

5.1 Exploration

Mineral Concessions and Obligations

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

Mineral concessions in Ecuador are currently regulated according to the following phases:

- up to four years of "Initial Exploration";
- up to four years of "Advanced Exploration";
- up to two years of "Economic Evaluation" of any deposit identified, which can be extended for an additional two-year period; and
- thereafter, the concessions are in the "Exploitation Phase".

Key requirements for maintaining the concessions in good standing have been met as follows:

- Year 1 (ended December 2017 and Annual Reports presented to the Ecuadorian authorities by March 31, 2018):
 - Concession fees of USD1,973,198 (USD9.50/Ha) were paid by September 30, 2017; and
 - Expenditure on the concessions was required to have exceeded the larger of the USD5.00/Ha (USD1,038,820) stipulated by law or the USD1,060,000 committed by the Company. In-country expenditure recorded in the annual reports presented to the Ecuadorian authorities for Year 1 was USD3,354,497, which exceeded the committed minimum expenditure;
- Year 2 (ended December 2018 and Annual Reports presented to the Ecuadorian authorities by March 31, 2019):
 - Concession fees of USD2,004,923 (USD9.65/Ha) were paid by March 31, 2018; and
 - Expenditure on the concessions was required to have exceeded the larger of the USD5.00/Ha (USD1,038,820) stipulated by law or the USD1,090,000 committed by the Company. The in-country expenditure recorded in the annual reports presented to the Ecuadorian authorities for Year 2 was USD4,396,820, which exceeded the committed minimum expenditure.
- Year 3 (up to December 2019, and to be reported by March 31, 2020):
 - Concession fees of USD2,046,475 (USD9.85/Ha) which were paid by March 31, 2019; and



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- Expenditure on the concessions was required to exceed the larger of the USD10.00/Ha (USD2,077,640) required by law or the USD2,098,000 committed by the Company. The Company reported expenditure of USD5,116,155 on the concessions in the year ended December 31, 2019, reported in its annual technical reports filed by March 31, 2020;
- The Environmental Registration and Environmental Management Plan required from the Ministry of the Environment for exploration of the concessions were received on June 30, 2017, and both are valid for the 4-year term of Initial Exploration. These documents were updated to incorporate scout drilling and were approved on June 10, 2019. The updated Environmental Registration and Environmental Management Plan provide permission for scout drilling on all of the concessions to a maximum for 20 drill pads per concession.

| 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 | 2,081,800 | Will be reported in March 2021 |

¹ Paid ² Requirement satisfied ³ Estimated

The size of the concession area constituting the Project may be reduced at the Company's discretion. The high annual concession fees provide a strong incentive to reduce the size of the Project area. The national concession application process was closed in December 2017 and is expected to re-open in mid-2020. The closure of the concession application process was for government administrative purposes. Consequently, no new concessions may be added to the Project area at this time. Mineral concessions may be cancelled by the State for various reasons, principally as a result of negligence or misrepresentation on the part of the entity which holds the concessions.

Future Mineral Concession Maintenance Requirements

Maintenance of the full 42-concession package through the Initial Exploration phase requires the following estimated expenditure for the fourth year of the Initial Exploration phase (summarized in the Table above):

Year 4 (up to December 2020, and to reported by March 31, 2021):

- Concession fees of USD2,077,640 (USD10/Ha), which were paid by March 31, 2020; and
- Expenditure on the concessions must exceed the larger of the USD10.00 (USD2,077,640) required by law or USD2,081,800 committed by the Company in the annual report for each concession submitted by March 31, 2020.

In Year 5 and beyond, the Company would be regulated by the requirements for conducting "Advanced Exploration" on selected target areas. Management is currently evaluating which parts of the 42-concession package are to be maintained and carried into the Advanced Exploration phase. Hence the required minimum expenditure on the areas to be carried into Advanced Exploration cannot be estimated by Management at the reporting date.

The Company engages a third-party accounting firm and legal counsel to ensure that the filings are completed and remitted on a timely basis.

Reconnaissance Exploration

The Company's regional exploration program involves blanket coverage of the Project in a stream sediment sampling program. 51% of the Project area has been covered to date. Analysis of these samples is used to identify areas of metal enrichment in the catchment basin associated with each sample point. These areas are prioritized as targets based on the combination of elements enriched in the drainage area, the extent to which the elements of interest are enriched, the size of the area of enrichment, as well as its association with geophysical and LiDAR features, where available. Up to eight exploration teams are involved in the stream sediment sampling program

at any one time. During the quarter, 93 stream sediment and 44 pan concentrate samples were taken for analysis.

A summary of the targets identified in the reconnaissance exploration program to-date is provided in the following Table. A new epithermal target has been identified by reconnaissance exploration; Tsanimp is conspicuous by its elevated mercury and antimony in stream sediment samples and extensive areas of sinter blocks.

| # | Target | Target Commodity | Target definition | | | Scout Drilling |
|--------------------------|----------------------|-----------------------|----------------------------|--------------------|-------------|--------------------------------|
| | | | Ridge-&-spur soil sampling | Grid soil sampling | Mapping | |
| Epithermal | | | | | | |
| 1 | Crunchy Hill | Gold-silver | ✓ | ✓ | ✓ | Undertaken Q2, 2019 & Q1, 2020 |
| 2 | Yawi A | | ✓ | ✓ | ✓ | Undertaken Q1 2020 |
| 3 | Yawi B | | ✓ | ✓ | ✓ | Undertaken Q1 2020 |
| 4 | Yawi C | | ✓ | ✓ | ✓ | Undertaken Q1 2020 |
| 5 | Yawi D | | ✓ | ✓ | In Progress | |
| 6 | Yawi E | | ✓ | ✓ | In Progress | |
| 7 | Yawi F | | ✓ | ✓ | In Progress | |
| 8 | Apai | | ✓ | In Progress | In Progress | |
| 9 | Latorre A | | ✓ | In Progress | | |
| 10 | Latorre East | | | | | |
| 11 | Latorre West | | | | | |
| 12 | Tinchi | | | | | |
| 13 | Tiria North | | ✓ | | | |
| 14 | Tiria East | | In Progress | | | |
| 15 | Tiria South | | ✓ | ✓ | In Progress | |
| 16 | Tiria West | | ✓ | | | |
| 17 | Chapi West | | | | | |
| 18 | Chapi South | | | | | |
| 19 | Tsanimp | | | | | |
| 20 | Tumpain West | | | | | |
| Sediment-hosted | | | | | | |
| 1 | Tsenken | Copper-silver | ✓ | ✓ | ✓ | |
| | Tsenken N - W | | | In Progress | In Progress | |
| 3 | Kirus | | ✓ | | | |
| Intrusive-related | | | | | | |
| 1 | Awacha | Copper or copper-gold | | | | |
| 2 | Jempe | | | | | |
| 3 | Tsenken | | | In progress | | |
| 4 | Tsenken N1 | | | In Progress | In Progress | |
| 5 | Tsenken N2 | | | ✓ | In Progress | |
| 6 | Tsenken N3 | | | ✓ | In Progress | |
| 7 | Kirus | | | | | |
| 8 | Yawints | | | | | |
| "Manto"-type | | | | | | |
| 1 | Shimpia – 15km trend | Silver-zinc-lead | In Progress | | | |

Target Development

Soil sampling and geological mapping are the primary tools used for follow-up exploration. The clay-rich soil, prevalent throughout the Project area, is efficient at capturing metals weathered from the underlying rock. The sampling of soil along ridge crests (“ridge-and-spur”) or subsequently in a regular grid pattern, provides a reliable method of homing in on the source of metals that drained into the rivers, giving rise to the enrichment detected by the stream sediment samples. Five teams are currently engaged in the sampling of soils in order to more precisely locate the source of metals in the target areas. During the quarter, 678 soil samples were taken.

The status of target development is as follows:

- **Epithermal gold-silver targets:**
 - Yawi:
 - Target A, B and C: Initial scout drilling has been completed (see below);
 - Target D: Scout drilling locations have been identified. Targets D, like Target B, lies in an extensive area of sinter blocks that are interpreted as vestiges of the upper part of an epithermal system, whereas targets A and C are exposed at a deeper erosion level;
 - Target E: Geological mapping has identified sinter blocks in an extensive area of pathfinder element enrichment;
 - Target F: Grid soil sampling has been completed and shows extensive areas of enrichment of epithermal pathfinder elements;
 - Latorre A: Ridge-and-spur soil sampling has been completed and extensive areas of silver, molybdenum and antimony enrichment were identified. Grid soil sampling has been completed over part of the area highlighted by the ridge-and-spur program;
 - Tiria South: Grid soil sampling shows that epithermal pathfinder elements such as antimony, arsenic, selenium and thallium, are enriched over an area 3km long and 400m wide. The Tiria South target is interpreted to be exposed at the level of antimony enrichment that lies between the land surface as it was at the time of mineralization and the underlying gold-silver zone expected in the idealized epithermal target concept;
 - Tiria East: Is 10km from Tiria South – and both targets lie on the same structure identified from satellite imagery and geophysics (radiometrics). Soil in the Tiria East target is enriched in the same elements as Tiria South, in an area 1.2km long and 300m wide, that is open to the north and to the south along trend of the structure that links Tiria South and Tiria East;
 - Tiria North: Is defined by enrichment of naturally occurring mercury, antimony and thallium on the margin of silver-zinc-lead mineralization in the Shimpia target. The mix of pathfinder elements suggest that this target is shallowly eroded – i.e. the gold-silver zone lies at slightly greater depth than in the other Tiria targets;
 - Tiria West: soil sampling along ridge-crests shows gold and silver enrichment over an area of 800m by 400m while silver and zinc enrichment increases 2km to the southeast on the margin of the Shimpia silver-zinc-lead target. Tiria West is therefore interpreted to be transitional from the deep, silver-zinc-lead part of the epithermal system towards the gold-silver zone;
 - Apai: Grid-pattern soil sampling is underway over an area measuring 1.2km by 0.5km in which sinter blocks are concentrated. The area around the sinter has elevated arsenic and mercury values in stream sediment samples.
- **Sediment-hosted copper-silver:**
 - Kirus: Initial ridge-and-spur soil sampling has been undertaken;
 - Tsenken-Sedimentary: Initial ridge-and-spur soil sampling has been undertaken and channel sampling is underway on exposures of copper-silver mineralization over a 2.5km trend. Outcrops of the sedimentary sheet have been used to estimate the form and inclination of the potentially mineralized layer.
- **Intrusive-related copper:**
 - Tsenken N2: Grid soil sampling has identified copper enrichment in coincident with magnetic features identified in the Company’s airborne geophysics program. At Tsenken N2, copper enrichment occurs over an area of 2,000 metres by 300m;



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- Tsenken N3: The magnetic feature at Tsenken N3 is similar to that at Tsenken N2. Soil sampling is ongoing, but results received from the first part of the target samples, show that copper is enriched over an area measuring approximately 500m square;
- Awacha: Stream sediment and pan concentrate sampling and initial geological mapping are underway.
- **Silver-zinc-lead target:**
 - Ridge-and-spur soil sampling is planned to cover the areas of the 15km long mineralized trend.

Scout Drilling

Scout drilling constitutes an integral part of exploration in deeply weathered and jungle-covered terrain such as that in the Project area. Scout drilling is necessary to confirm the validity of each target and will routinely be undertaken on the highest priority targets as part of the exploration program.

Yawi

3,010m was drilled in seven scout drill holes between October 24, 2019 and February 8, 2020 on Targets A, B and C in the Yawi epithermal gold-silver target area. No significant gold-silver mineralization was intersected. The drilling has revealed a large maar-diatreme system at Yawi. Maar-diatremes may be prospective for epithermal gold-silver. Vectors derived from mineral alteration and pathfinder element analyses from the drill core are being used to refine the target concept for carefully targeted geophysics designed to detect resistive zones that could be quartz veins to be evaluated with further scout drilling.

Crunchy Hill

Scout drilling at Crunchy Hill, which started the first week of March 2019, included 9 holes for 3,204m. No significant gold was intersected and minor silver mineralization was cut in hole CH-009. Subsequent to year-end, an additional scout drill hole was completed to a depth of 401m, based on a clearer understanding of the epithermal target garnered from the drilling at Yawi. Hence, in total, the scout drilling program at Crunchy Hill included 10 holes for 3,605m.

The nature of veins intersected in the scout drilling at Crunchy Hill and Yawi, are indicative of the upper part of an epithermal system. Fluid inclusion studies show that the hydrothermal fluids from which the veins formed at Crunchy Hill and Yawi were relatively cool and had already boiled where they were frozen into the veins as the silica solidified: boiling causes gold to precipitate from these hydrothermal fluids. Hence, the fluid inclusions are consistent with the gold-bearing zone being significantly below the elevation at which the veins were intersected in the scout drilling program.

Metron Contract

Metron has deep experience in applying Bayesian Search Theory through mathematical algorithms that combine scientific data with less reliable descriptive and anecdotal data, to generate probability maps. Their successes include the use of historical data to find a paddle steamer that was transporting bullion from the US Mint (the SS Central America), lost US (the USS Scorpion) and Soviet submarines and the black box of the Air France flight that disappeared over the mid-Atlantic. Their role in the Project is to integrate historical records with scientific exploration data such as geophysics, stream sediment sample results, geology, structural information and LiDAR to generate probability maps for the location of the Spanish colonial mines of Logroño and Sevilla that operated in the 16th Century. Metron's work is expected to provide a parallel analysis to Aurania's exploration approach that draws on the exploration experience of its Management team in southeastern Ecuador. The Company provided an early update that discusses how the first layers of data that have been incorporated into Metron's study have begun to provide indications of the possible location of the mines of Logroño and Sevilla. As further layers of data are incorporated and analysed, the target areas are expected to become more refined.

VeriDaas Agreement

On October 21, 2019, the Company announced that the aircraft equipped with LiDAR, originally contracted in July 16, 2019, had been mobilized to Ecuador. VeriDaas Corporation ("VeriDaas") has been contracted to perform this specialized LiDAR survey at a cost of USD591,000 to be paid in installments against a performance and product delivery schedule. As a result of VeriDaas' multiple, continued operation problems and equipment



failure, MPX from Ontario, Canada, was contracted to undertake a heliborne LiDAR survey over seven priority areas. The contract was signed subsequent to quarter-end on January 27, 2020 and data acquisition was completed on March 8, 2020. Processed data has been delivered to the Company for interpretation and integration with its other data sets. The cost estimate for the survey was USD75,000, exclusive of helicopter costs that was covered in a separate contract between AvioAndes, the Ecuadorian helicopter company, and Aurania.

Corporate Social Responsibility

The Company's CSR team, under the guidance of Toronto-based O-Trade, has developed a Social Management Plan (SMP) aimed at developing optimal ways of working with the local communities within the Project area, thereby mitigating social risk. The SMP includes early stakeholder engagement, social impact analysis, and defines potential mutually beneficial partnerships with the Ecuadorian government. Specifically, the Company is working with the ministries of the Environment, Health, Agriculture, Education and Social Inclusion and Economy in addition to its normal-course interaction with the Ministry of Energy and Non-Renewable Resources. All strategies and their implementation recognize and honour human and indigenous rights.

Formal access agreements have been established with 59% of communities representing 60% of the land area that lies within the Project area. In joint work between the communities and the Company, ten communities have benefitted directly, and 24 indirectly, from improved access and infrastructure. Since inception of the Project, the exploration team has created over 1,300 part-time work opportunities, equitably distributed across 32 communities. Scout drilling at Crunchy Hill in Q1, 2019 and at Yawi in Q4 2019 and Q1, 2020 resulted in part-time work for approximately 700 men and women.

The Company continues to engage with the ministries of Education, Social Inclusion and Economy, Health, Agriculture and Environment to find ways stimulating economic development in, and adjacent to, the Project area.

Environment & Water

Contaminated water, poor sanitation, and poor hygiene have been identified as the prime risk to the health of people living and working in the Project area; hence the Company is investing in education on basic sanitation and water purification methods in conjunction with a private foundation. Preliminary assessments of water quality have been completed in ten communities within the area of influence of the Project. The objective of the assessment is to evaluate various solutions and develop budgets that can be presented to regional government, foundations and communities to find a means of financing, implementing and maintaining potable water standards. Working with the communities and local authorities, potable water has been made available in two communities and piped, clean water, to a third community.

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

Mineral Concession fees – Peru and Advance for Mineral Property Interests

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, principally for inadvertently overlapping areas of archeological interest and environmentally sensitive areas. The actual granting of these concession may take six months or longer, especially now with the COVID-19 – related lockdown implemented in Peru, from the actual date of application for the concessions. The applications, along with the associated fees, were submitted in November 2019. 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.

5.2 Finance

At December 31, 2019, the Company had available cash of \$5,229,341 (December 31, 2018 - \$817,021). The Company has continued to fund its on-going work programs and obligations from a combination of public equity and debt instruments, significantly supported by its Chairman, Chief Executive Officer and Principal Shareholder, Dr. Keith Barron.

Rights Offering (RO)

On March 8, 2019, the Company announced that it had completed a RO for \$5,254,666 (gross), with the issuance of 1,946,172 common shares at \$2.70 per share. Eligible registered brokers were entitled to a commission of 3%. Cash paid for commissions and regulatory and legal costs, was \$232,608.

Stand-By Commitment

In connection with the RO, the Company entered into a stand-by purchase agreement with Dr. Keith Barron, 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 common shares from the 'Additional' shares pool. Both the basic and additional shares were purchased for \$2.70 per share. In connection with the Stand-By Commitment for the RO, Dr. Barron acquired 1,481,481 common shares.

Extension of 2017 Promissory Note

On January 28, 2019 and concurrent with the RO described above, the Company announced that it had negotiated a further extension of the 2017 Promissory Note with Dr. Barron, deferring the maturity date from May 29, 2019 to May 29, 2020 (the "New Maturity Date"), whereupon the principal amount and any accrued interest will be payable to Dr. Barron. The Company is currently indebted to Dr. Barron for \$569,828, pursuant to this Promissory Note. All other terms of this Promissory Note shall remain in full force and effect.

Repayment and Conversion of Convertible Debenture

On January 28, 2019 the Company announced the issued 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.

Exercise of Share Purchase Warrants and Stock Options

A total of 65,000 stock options and 1,807,177 common share purchase warrants were exercised for cash consideration of \$81,000 and \$5.4 million respectively.

Shareholder Loan 2019

On April 22, 2019 the Company announced that it has entered into an agreement with Dr. Keith Barron, the Company's Chairman, CEO and Principal shareholder, providing for a loan of up to US\$3,000,000 (the "Loan"). The Loan is unsecured, has a term of two years, and bears an interest rate of 2% per annum. As this rate of interest is considered as being below the market rate, Accounting Standards require that the benefit of the interest rate difference is recorded in equity as a shareholder contribution, with the benefit being accreted over the life of the loan. The loan was used to advance the Company's exploration strategy.

Private Placement September 2019

On September 20, 2019 the Company completed 1,651,875 unit, non-brokered private placement for gross proceeds of \$4.46 million. Each \$2.70 unit consisted of one share and one-half common share purchase warrant; each full warrant exercisable into one common share at \$4.00 per common share for a period of 18 months. Dr. Keith Barron, Chairman, CEO and Principal shareholder of the Company, acquired 642,482 units through a corporate entity over which he has direction and control.



Private Placement March 2020

Subsequent to the year end the Company completed a 2,087,139 unit, strategic non-brokered private placement for gross proceeds of \$6.4 million. Each \$3.10 unit consisted of one share and one-half common share purchase warrant: each full warrant exercisable into one common share at \$4.25 per common share for a period of 18 months.

5.3 Corporate

New members of the Board of Directors

During the period end, Aurania's shareholders approved all resolutions at its Annual and Special Meeting ("ASM") including the appointment of two new directors: Mr. Warren Gilman and Mr. Jonathan Kagan. Dr. Leanne Baker was appointed to the board immediately after the ASM. Mr. Marvin Kaiser, Dr. Gerald Harper and Ms. Elaine Ellingham did not stand for reelection at the ASM.

6 CONSOLIDATED LOSS AND COMPREHENSIVE LOSS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018.

| For the years ended December 31, | 2019 | 2018 |
|---|---------------------|-------------|
| Operating expenses | | |
| Exploration expenditures (detailed below) | \$11,710,794 | \$6,167,326 |
| Stock-based compensation | 1,813,530 | 1,330,366 |
| Investor relations | 857,390 | 697,342 |
| Office and general | 535,994 | 473,018 |
| Management fees | 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 | 75,000 | 68,396 |
| Amortization | 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 | 121,571 | 8,563 |
| Interest income | (9,093) | (9,127) |
| Interest and other financing expense | 36,096 | 291,167 |
| Accretion of promissory note | 332,202 | - |
| Loss and comprehensive loss for the year | \$16,602,833 | \$9,624,344 |

| For the years ended December 31, | 2019 | 2018 |
|---|---------------------|--------------------|
| ECUADOR & CANADA | | |
| GEOLOGY/FIELD: | | |
| - Salaries, benefits | \$2,071,202 | \$914,060 |
| - Camp costs, equipment, supplies | 375,388 | 411,151 |
| - Project management | 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 | - |
| - VAT ⁽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) VAT is a 12% value added tax added to most purchases, the nature of the Company's exploration business means that it does not have the revenues against which to recover these amounts with certainty and are therefore expensed.

For the year ended December 31, 2019, the Company incurred a loss of \$16,602,833 (2018 - \$9,624,344), increasing the accumulated deficit from \$25,668,365 in 2018 to \$42,096,918 in 2019. The Company's accounting policy is to expense exploration expenditures and therefore represents the vast majority (70%) of the total loss. Moreover, with a 55% increase in exploration expenditures it also represents most of the change in the loss for the year. A discussion of the principal expenditure items follows:

Exploration Expenditures

- **Salaries, benefits** include the cost of geologists, technicians, guides and a contingent of part-time field assistants. The 127% increase in expenditure from the prior year reflects the multiple levels of exploration now being undertaken simultaneously, including stream sediment sampling, target definition and scout drilling, each successively more costly, and over an increasing number of targets and areas;
- **Camp costs, equipment, supplies** expenditures gradually levelled-off during the year after higher start-up costs at the end of 2018 and early 2019. These costs will fluctuate going forward, as additional satellite camps are needed as programs expand into new areas of activity which can not be efficiently serviced from the current camps;
- **Project management** includes a portion of both salaries and benefits for the VP Exploration and the consulting fees of the President;



AURANIA

- **Travel, accommodation** costs rose significantly (248%) during the year to service increasing regular visits of internationally based management and consultants as well as a growing number of field staff rotations that are fly-in;
- **Office** includes administrative support at the Macas and Quito offices, and has remained approximately constant during the year;
- **Environment** costs rose 189% as a result of formalizing environmental reporting into a separate internal reporting entity that underscores the importance of this component of exploration, as well as additional environmental compliance items related to scout drilling and ISO14001 accreditation. The environment lead in the Macas field office is supported by experienced, external, Quito-based consultants;
- **Water** reflects the establishment of an internal reporting entity, the Technical Water Group, based in the field office at Macas, with responsibility for all matters related to water testing as a baseline before drilling, and water monitoring after drilling, as well as management of all water-related requirements and the application for water-use permits as required;
- **Drilling** relates to the scout drilling program at the Crunchy Hill and Yawi targets;
- **VAT** is an Ecuadorian value added tax paid on purchases and services.

Geochemistry

- The 12% increase in expenditure relates to the processing and assay of stream sediment, soil and rock samples. Although the overall analytical costs are similar, there have been increasingly more soil and rock chip samples taken as the Project advances through the phases of the exploration program;

Geophysics

- This includes fees and costs associated with the LiDAR survey and for on-going interpretation of data from the airborne magnetic survey that was completed in 2017, based on integrating fieldwork over the various geophysically-defined targets;

Corporate Social Responsibility

- Includes consulting fees, field costs, travel and accommodation of the CSR team, and various community initiatives. The 34% increase in CSR expenditure is due to more intense engagement with the communities on whose land the target areas lie, as well as management of community relations in preparation for and during the scout drilling across the various targets;

Administrative Support

- Includes Toronto personnel in the areas of project accounting, legal, translation, IT, communications and administration for the Lost Cities Project;

Concession costs

- Include the legal and other professional costs related to maintenance of mineral concessions and annual reporting to maintain the concessions in good standing, as well as CSR-negotiated access permissions from communities;

Mineral concession annual fees

- Ecuador: This expenditure relates to the annual and other fees for the 42 concessions, paid to the State. Annual fees paid to the Ecuadorian State increased from USD9.65/Ha in 2018 to USD9.85/Ha in 2019;
- 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, principally for inadvertently overlapping areas of archeological interest and environmentally sensitive areas. 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.

Other significant non-exploration expenditures

- **Stock-based compensation expense** was 36% higher in 2019 due partly due to new Stock Options for incoming board members and Officers, a general new option grant to employees and an increased in RSUs issued to field-based personnel;
- **Investor relations** increased 23% as a result of attending 40% more investor conferences in 2019 and the use of third-party consultants to increased investor-awareness not used in 2018 that cost approximately \$200,000. In-house costs of investor relations remained approximately constant;
- **Office and general** has seen a 13% rise as the company increases its capacity to support the growing operations in Ecuador, the majority of the increase related to travel and insurance, and a general increase in costs;
- **Management fees** increased 120% as the Company moved to retain key management positions that are now required on a full-time basis, where they had previously been part time. This included some months of overlapping additional costs during a transition period; and
- **Professional and administrative fees**, such as legal and accounting, doubled during the year proportional to the level of the increase in financing activity;
- **Regulatory and transfer agent fees** increased by 51% consistent with there being four major financing events in 2019 compared to two in 2018.

| Cash Flow Activities | Year ended December 31, 2019 | Year ended December 31, 2018 |
|---|---------------------------------|---------------------------------|
| Operating | \$(14,521,093) | \$(8,010,852) |
| Financing | 18,724,551 | 8,520,786 |
| Investing | 208,862 | (364,259) |
| Increase/(decrease) in cash during the period | \$4,412,320 | \$145,675 |

At the year ended December 31, 2019, the Company's cash position increased by \$4.4 million. The main cash outflows for the current reporting period consist of exploration and corporate expenditures described in the above section on Statement of Loss and are included as Operating activity in the Cash Flow statement and the principal cash inflows coming from financing activities as described in section 5.2 Finance.

7 SUMMARY OF QUARTERLY RESULT

| Quarters Ended | Net revenue (\$) | Net Loss (\$) | Loss per Share (\$) |
|--------------------|------------------|---------------|---------------------|
| December 31, 2019 | - | 6,216,914 | 0.14 |
| September 30, 2019 | - | 2,353,583 | 0.07 |
| June 30, 2019 | - | 2,910,745 | 0.09 |
| March 31, 2019 | - | 5,121,591 | 0.17 |
| December 31, 2018 | - | 2,087,577 | 0.07 |
| September 30, 2018 | - | 1,512,335 | 0.05 |
| June 30, 2018 | - | 1,948,898 | 0.07 |
| March 31, 2018 | - | 4,060,534 | 0.15 |
| December 31, 2017 | - | 1,690,051 | 0.07 |
| September 30, 2017 | - | 1,418,620 | 0.05 |

8 LIQUIDITY AND CAPITAL RESOURCES

The Company considers the capital that it manages to include share capital, share premium, warrants, contributed surplus and accumulated deficit, which at December 31, 2019 was a deficiency of \$1,397,451 (December 31, 2018 - surplus of \$2,573,926). The Company manages and adjusts its capital structure based on the funds needed in order to support the acquisition, exploration and development of mineral properties.



Management does this considering 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. The Company's ability to continue as a going-concern is dependent upon Management's ability to obtain the necessary financing to advance exploration on its Project and meet its liabilities as they come due.

Funding Outlook

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

The Company has been successful in funding its operations, including the payment of the 2019 concession fees, and the on-going exploration activities including scout drilling, CSR as well as corporate costs in both Ecuador and Toronto, through a combination of RO proceeds of \$5,254,666 (gross), a USD3 million loan from its Chairman, CEO and Principal Shareholder, a \$4.0 million Private Placement and \$5.5 million received from the exercise of 65,000 stock options and 1,807,177 warrants.

Novel Coronavirus ("COVID-19")

The Company's operations could be significantly adversely affected by the effects of a widespread global outbreak of a contagious disease, including the recent outbreak of respiratory illness caused by COVID-19. Subsequent to year-end, the Company has withdrawn all personnel from the Project area and the date of restart of field operations is unclear at this time. The Company cannot accurately predict the further impact that COVID-19 will have on its operations and the ability of others to meet their obligations with the Company, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company's operations and ability to finance its operations.

9 INDEBTEDNESS

The Company's activities are partially funded by loans from its Chairman, CEO and Principal Shareholder and are described in detail in the audited consolidated financial statements for the year ended December 31, 2019. The significant changes in those debt instruments during the quarter are described in section 5.2 Finance above.

10 EQUITY

Share Capital – Activity during the year ended December 31, 2019:

| | # Shares | Par Value | Share Premium |
|--|-------------------|--------------|---------------------|
| Balance – December 31, 2018 | 32,036,874 | \$319 | \$19,983,179 |
| Shares issued for rights offering | 1,946,172 | 20 | 5,254,646 |
| Less share issue costs | - | - | (191,705) |
| Shares issued for private placement | 1,651,875 | 17 | 4,460,046 |
| Less share issue costs | - | - | (154,072) |
| Shares issued for debt settlement | 877,192 | 9 | 2,987,085 |
| Shares issued for exercise of options | 65,000 | - | 117,216 |
| Shares issued for exercise of warrants | 1,756,233 | 18 | 6,160,291 |
| Warrants issued for private placement | - | - | (381,980) |
| Agents warrants issued for private placement | - | - | (15,625) |
| Balance – December 31, 2019 | 38,333,346 | \$383 | \$38,219,081 |



AURANIA

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 |

Stock options - Outstanding at 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 | 53,487 |
| 115,000 | 115,000 | \$0.60 | June 21, 2020 | 64,510 |
| 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 |



Restricted Stock Units - 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 |

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

| | 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 in the days following the year end 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 EXPENSE

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

| For the year ended December 31, | 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 granted to management for the years ended December 31, 2019 and 2018.

12 RELATED PARTY TRANSACTIONS

Related parties include the Board of Directors, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions. The Company entered into the following transactions with related parties during the years ended December 31, 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 by 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.
- (d) For other related party payables, see Financial Statements notes 8 Promissory note, Share Capital 9(iv), 9(vi), 9 (vii), 9 (viii) and 9(ix)

13 OFF-BALANCE SHEET TRANSACTIONS

There are no other transactions contemplated at this time.

14 PROPOSED TRANSACTIONS

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

15 CRITICAL ACCOUNTING ESTIMATES

The Company prepares its financial statements in accordance with IFRS. Significant assumptions about the future and other sources of estimation uncertainty that Management has made at the financial position reporting date,

that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

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

16 CHANGES IN ACCOUNTING POLICIES AND FINANCIAL INSTRUMENTS

Changes in Accounting Policies

During the year ended December 31, 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. Further detailed information is provided in Note 3 of the audited consolidated financial Statements.

Financial Instruments

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

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

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

17 RISKS AND UNCERTAINTIES

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

18 COMMITMENTS AND CONTINGENCIES

Environmental Contingencies

The Company's exploration activities are subject to various laws and regulations governing the protection of the environment. The Company conducts its operations 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 and general



office services. The terms include a monthly fee of \$12,000. The agreement 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 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 entered into a contract with a firm to provide data analytics and statistical analysis services to Aurania to help refine its search for the historical gold mining centres of Logroño de los Caballeros and Sevilla del Oro in Ecuador. Aurania agreed to pay USD150,000 in installments over two years against performance benchmarks, and granted 77,000 stock options on June 28, 2019, exercisable for five years.

On July 16, 2019, Aurania entered into a contract with a consulting firm to perform a specialized fixed wing 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.

19 SUBSEQUENT EVENTS

LIDAR survey

On February 3, 2020, the Company signed a separate contract with a second consulting firm to perform a specialized helicopter mounted LiDAR survey over priority areas of the Project. Pursuant to the contract the Company agreed to pay USD 74,798 in installments against a performance and product delivery schedule.

Appointment of Mrs. Carolyn Muir ("VP Investor Relations")

On February 14, 2020 Aurania announced Mrs. Carolyn Muir as VP Investor Relations.

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.

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.



Lead director

Subsequent to the year-end Alfred Lenarciak, Independent director since June 2018, was appointed as Lead director.

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.

NI 43-101 Technical Report on the Project

The Company filed a National Instrument 43-101 report entitled “A Technical Review of the Lost Cities – Cutucu Exploration Project, Morona-Santiago Province, Ecuador” with Effective Date of December 21, 2019, dated February 4, 2020, by independent consulting group Watts Griffis and McQuat Geological and Mining Consultants, of Toronto, Canada.

20 QUALIFIED PERSON

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

21 SHARE DATA

| As at | Common Shares | Warrants | Agents' Options and Warrants | Stock Options | RSUs | Fully Diluted |
|-------------------|---------------|-----------|------------------------------|---------------|---------|---------------|
| December 31, 2018 | 32,036,874 | 2,259,051 | 79,442 | 1,516,260 | 67,000 | 32,451,874 |
| December 31, 2019 | 38,333,356 | 936,501 | 15,914 | 2,906,260 | 189,700 | 35,478,249 |
| April 16, 2020 | 40,656,189 | 1,885,420 | 15,914 | 3,081,260 | 189,700 | 41,036,189 |

22 ADDITIONAL INFORMATION

The Company

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

Directors, Officers and Management

Keith Barron – Chief Executive Officer, Chairman of the Board of Directors (“Board”) and Director

Richard Spencer – President and Director

Warren Gilman – Director

Jonathan Kagan – Director

Leanne Baker – Director

Alfred Lenarciak – Director (Lead Director)

Antony Wood – Chief Financial Officer

Jean Paul Pallier – Vice President - Exploration (“VPX”)

Carolyn Muir – Vice President - Investor Relations

**Corporate Office**

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Email: info@aurania.com; Website: <http://www.aurania.com>

Registered Office

31 Victoria Street, Hamilton, HM 10, Bermuda.

Exchange Listings

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