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AURANIA RESOURCES LTD.

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

For the Three and Nine Months Ended September 30, 2020

(Expressed in Canadian Dollars unless otherwise indicated)



1 INTRODUCTION

Aurania Resources Ltd. (“Aurania” or the “Company”) is a publicly traded junior mineral exploration company engaged in the identification, evaluation, acquisition, and exploration of mineral property interests, with a focus on precious metals and copper in South America. Aurania’s principal asset is a 100% holding of the Lost Cities – Cutucu Project (“Lost Cities Project”) that covers approximately 208,000 hectares (“Ha”) in southeastern Ecuador. The Company has also applied for mineral concessions in adjacent northern Peru (“Peru Project”, and together with the Lost Cities Project, the “Projects”) and these applications are progressing through the lengthy review process. 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 three and nine months ended September 30, 2020 (the “Reporting Period”). This MD&A is prepared as at November 24, 2020, unless otherwise indicated, and should be read in conjunction with the unaudited condensed consolidated financial statements for the three and nine months ended September 30, 2020 and the notes related thereto which have been prepared in accordance with International Financial Reporting Standards (“IFRS”). All monies are expressed in Canadian dollars unless otherwise indicated. Additional information relevant to the activities of the Company has been filed electronically through the System for Electronic Document Analysis and Retrieval (“SEDAR”) – <http://www.sedar.com> and is 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, certain statements contained herein or incorporated by reference constitute forward-looking statements including, but not limited to, financing sources available to continue with the exploration of the Company’s Projects, the future financial or operating performance of the Company and its properties and Projects, government regulation of mining operations, political uncertainties, the ability of the Company to obtain all government approvals, permits and third party consents in connection with the Company’s exploration, development and operating activities, accidents and labour disputes, future anticipated and current exploration programs and expenditures, exploration results, the potential discovery and delineation of mineral deposits/resources/reserves and proposed business plans. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as “expects” or “does not expect”, “is expected”, “anticipates” or “does not anticipate”, “plans”, “estimates”, “believes”, “proposed”, “intends” or “does not intend”, or stating that certain actions, events or results “may”, “could”, “would”, “might” or “will” be, or not be, taken, occur or be or not be achieved) are not statements of fact and may contain forward-looking information.

Statements containing forward-looking information are based on the opinions, assumptions and estimates of Management, considered reasonable at the date the statements are made, including assumptions relating to: future prices of commodities; availability and costs of required goods and services to carry out planned activities; availability of financing on acceptable terms; timing and likelihood to obtain required regulatory approvals and assumptions about general economic conditions and trends. Statements containing forward-looking information 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, the supply and demand for metals (such as gold, silver and copper), currency 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, delayed 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, the potential impact of COVID-



19 on the Company, 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 information 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 Q3 2020 HIGHLIGHTS

3.1 Lost Cities Project

COVID-19 Response

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

Mineral Property Interests

- There are three principal components to maintaining the 42 concessions that constitute the Lost Cities Project, that covers 207,764Ha, in good standing as follows:
 - Annual concession fees of US\$2,077,640 (\$2,785,907) for 2020 were paid by the due date of March 31, 2020. The concession fee is paid directly to the SRI (Servicio de Rentas Internas) – the Ecuadorian tax authorities.
 - The annual concession report, that includes details of exploration carried out and expenditure made in 2019, was prepared and filed for each concession by the due date of March 2020. These reports are submitted to ARCERNR (this entity was formerly called ARCOM), the regulatory branch of the Ministry of Energy and Non-Renewable Resources (MENRR).
 - Reports on environmental impacts and related mitigation, have been submitted to the Ministry of the Environment and Water (the "MEW") by their due dates.

Exploration

- **Reconnaissance exploration:**
 - The objective of reconnaissance exploration is to define targets principally for gold, silver and copper in an area that has not previously been subjected to systematic exploration since Spanish Colonial times. Exploration methods used by the Company encompassed a heliborne magnetic and radiometric survey over the whole Lost Cities Project in 2017, regional mapping through remote satellite imagery and stream sediment sampling that has been completed over 52% of the Lost Cities Project. The LiDAR survey that was commissioned to cover the whole of the Lost Cities Project has not been undertaken due to operational issues with the US-based contractor. However, a heliborne LiDAR survey was conducted over priority target areas by a different company.
 - To date, reconnaissance exploration has resulted in the identification of the following targets:



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- Gold-silver: 20 epithermal targets.
- Sedimentary-hosted high-grade copper-silver in sporadic exposures through thick jungle cover over an area of 23 kilometers (“km”) long by 7km wide.
- Intrusive-related copper – 10 targets identified including:
 - Porphyries – that may contain gold in addition to copper.
 - Iron Oxide Copper-Gold (IOCG) systems;
- Silver-zinc-lead-barite mineralization of the carbonate replacement type, flanked by areas with enriched pathfinder elements for epithermal gold-silver, has been identified in sporadic outcrops along a trend of 15km.
- **Target-specific Exploration**
 - Scout drilling commenced in mid-September on the Tsenken target area where both intrusive-related copper and sedimentary-hosted copper-silver targets are located. Two holes, TS001 and TS002 were drilled by quarter-end for a total of 428m. To the date of this MD&A, three bore holes have been completed on the Tsenken N2 target for a total of 645m and two have been completed on the Tsenken N3 target for 724m. A total of 1,369m have been drilled in the five holes completed on the Tsenken targets.
- **Geophysics**
 - Geophysical work related to further data processing and generating magnetic inversion models has been undertaken for several target areas.
- **Geochemistry**
 - The number of samples taken for analysis in Q3, 2020 is as follows:
 - Stream sediments: 36
 - Rock-chip: 101
 - Soil: 1,779.

NI 43-101 Technical Report

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

Corporate Social responsibility (“CSR”)

- Formal access agreements have been signed with 33 of the 55 (60%) of the communities in the Lost Cities Project area, providing access to 65% of its surface area, and discussions with other communities are on-going.
- The Company assisted with the distribution of factual information regarding the COVID-19 virus, prepared by Ecuador’s Ministry of Health, to communities in its area of influence by having the material translated into the Shuar language and distributing copies, as well as through radio broadcasts.
- In response to the travel restrictions imposed by the Ecuadorian government and the dearth of employment opportunities during the COVID-19 pandemic, Aurania purchased and delivered dry food including rice, lentils, beans and canned fish to the communities within the area of influence of the Lost Cities Project in Q2. Two food deliveries were made as follows:
 - April 3-6: 8 tonnes of food were delivered to 970 families in 44 communities.
 - April 27-29: 10 tonnes of food were delivered to 1,292 families in 49 communities. The second relief effort was made in conjunction with the Step Forward Foundation, the Ministry of Social Inclusion with the help of the logistics arm of the Ecuadorian military.

Health & Safety

- The Company has implemented a strict COVID-19-related protocol, which includes having two medical doctors on staff working 24/7 in rotating shifts.
- A total of 1,306 COVID-19 tests have been undertaken by the Company on its personnel and on residents of the communities with which it is working since March 2020. Eleven Company personnel



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have tested positive for COVID-19 since the restart of operations in June 2020. All of these cases were identified before the individuals started work and they were isolated before they infected other staff members.

- The Company has worked with the Ministry of Health and the Provincial Government throughout the COVID-19 pandemic in the implementation of wide-ranging efforts to restrict the spread of the virus.

Environment & Water

- The MEW has confirmed that the restoration and revegetation of the drill platforms at Yawi meets the ministry's requirements.
- 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.
- The Company received ISO14001 accreditation for the environmental aspects of its exploration on March 10, 2020.
- Water systems of 53 of the 55 communities in the Lost Cities Project area have been evaluated to provide a plan and budget for the provision or restoration of clean water. The Company, in conjunction with the Step Forward Foundation, has restored access to clean water in six communities.

3.2 Peru Project

COVID-19 Response

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

Mineral Property Interests

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

Exploration

- **Data Compilation**
 - A significant amount of exploration data is available from INGEMMET and PeruPetro. To date, seismic, magnetic and gravity data from the concession areas applied for, and environs, has been delivered to the Company under a confidentiality agreement.
 - Compilation of the aforementioned exploration data is underway. The objective of the data compilation is to prioritize the areas with the greatest sedimentary-hosted copper-silver potential for focused exploration, and to allow the Company to relinquish lower priority areas to reduce the amount to be paid in annual concession fees. The annual concession fee in Peru is US\$3/Ha.
 - In addition, the geological consultant who undertook the satellite interpretation of the Lost Cities Project also interpreted the structural framework on which the concession applications were based. All of this data is being compiled and will form the basis of focused exploration.

3.3 Finance

During the nine months ended September 30, 2020, the Company raised \$7,556,631 principally through a non-brokered private placement of units (the "March 2020 Private Placement"), as well as through the exercise of warrants and stock options, resulting in the issuance of 2,919,833 shares. The Company also amended the Promissory Note 2017 and Promissory Note 2019 such that the notes become repayable on the day following the one-year anniversary of the lender requesting repayment. See section 5.3 Finance for further details. Subsequent to the period end the Company completed an overnight marketed public offering of units, including



the exercise in full of an over-allotment option, resulting in the issuance of a total of 2,679,500 shares and 1,339,750 warrants for gross proceeds to the Company of approximately \$11.5 million.

3.4 Personnel

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

4 SELECTED FINANCIAL INFORMATION

| | Nine months ended September 30, 2020 | Year ended December 31, 2019 |
|-----------------------------------|---|---------------------------------|
| Cash | \$2,017,266 | \$5,229,341 |
| Total assets | 2,969,115 | 6,323,263 |
| Total liabilities | 5,549,036 | 4,925,812 |
| Shareholders’ equity (deficiency) | (2,579,921) | 1,397,451 |
| Accumulated deficit | \$(55,038,915) | \$(42,096,918) |

The significant changes in the selected financial information displayed above resulted from the completion of a non-brokered private placement for \$6.34 million net of issue costs that improved the cash position. The change in deficit is discussed in detail under Section 6 for the nine months ended September 30, 2020, compared to nine months ended September 30, 2019.

5 DISCUSSION OF OPERATIONS

5.1 Lost Cities Project, Ecuador

Mineral Property Interests

Background

The Company acquired the rights, title and 100% interest in the Lost Cities Project comprised of 42 mineral concessions covering 207,764Ha in southeastern Ecuador, on May 26, 2017. The Lost Cities Project is subject to a 2% net smelter royalty (“NSR”) on metal production and a 2% net profits interest (“NPI”) on non-metallic materials such as gravel. 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.
- thereafter, the concessions are in the “Exploitation Phase”.

Obligations for “Initial Exploration” phase

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

- **Year 1 (ended December 2017):**
 - Concession fees of USD1,973,198 (USD9.50/Ha) were paid to the SRI by March 31, 2017.



- Annual Technical Reports were presented to ARCOM March 31, 2018, recording expenditure of USD3,354,497, which exceeded the minimum requirement of the larger of the USD5.00/Ha (USD1,038,820) stipulated by law or the USD1,060,000 committed by the Company.
- The annual report covering the environmental impact of exploration and steps taken to mitigate impacts (“Environmental Report”) for 2017 was approved by the MEW on September 4, 2019.
- **Year 2 (ended December 2018):**
 - Concession fees of USD2,004,923 (USD9.65/Ha) were paid to the SRI by March 31, 2018.
 - Annual Technical Reports were presented to ARCOM by March 31, 2019, recording expenditure of USD4,396,820, which exceeded the minimum requirement of the larger of the USD5.00/Ha (USD1,038,820) stipulated by law or the USD1,090,000 committed by the Company.
 - The Environmental Report was submitted to the MEW by the due date.
- **Year 3 (up to December 2019):**
 - Concession fees of USD2,046,475 (USD9.85/Ha) which were paid to the SRI by March 31, 2019.
 - Annual Technical Reports were presented to ARCOM by March 31, 2020, recording expenditure of USD5,116,155, which exceeded the minimum requirement of the larger of the USD10.00/Ha (USD2,077,640) required by law or the USD2,098,000 committed by the Company.
 - The Environmental Report was submitted to the MEW by the due date. Since the Company started scout drilling, it is required to submit six-monthly Environmental Reports. The six-monthly report has been submitted to the MEW.
- **Year 4 (up to December 2020):**
 - Concession fees of USD2,077,640 (USD10/Ha), were paid to the SRI by March 31, 2020.
 - Annual Technical Reports are scheduled to be presented to ARCOM by March 31, 2021. Minimum expenditure is required to exceed the larger of the USD10.00/Ha (USD2,077,640) required by law or the USD2,081,800 committed by the Company.
 - The Environmental Report for H1, 2020, has been submitted to the MEW.

The Environmental Registration and Environmental Management Plan required from the MEW 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 plans for scout drilling and were approved on June 10, 2019. The updated Environmental Registration and Environmental Management Plan provide permission for scout drilling throughout the Lost Cities to a maximum of 20 drill pads per concession during Initial Exploration.

The Company engages a third-party accounting firm and legal counsel to ensure that the filings associated with exploration activities and environmental impact, are completed and remitted on a timely basis. The Company is also required to meet certain other non-financial obligations to keep the concessions in good standing. Management believes the Company has complied with such obligations to date.

| Year | Concession Fees (USD) | Expenditure Required (USD) | Committed Expenditure (USD) | Actual Expenditure (USD) |
|----------|--------------------------|----------------------------|-----------------------------|--------------------------------|
| 1 (2017) | 1,973,198 ¹ | 1,038,820 ² | 1,060,000 ² | 3,354,497 |
| 2 (2018) | 2,004,923 ¹ | 2,077,640 ² | 1,090,000 ² | 4,396,820 |
| 3 (2019) | 2,046,475 ^{1,3} | 2,077,640 ² | 2,098,000 ² | 5,116,155 |
| 4 (2020) | 2,077,640 ¹ | 2,077,640 ² | 2,081,800 | Will be reported in March 2021 |

¹ Paid ² Requirement satisfied ³ Reported in 2019 ESTMA Annual Report

The size of the concession area constituting the Lost Cities Project may be reduced at the Company’s discretion. The high annual concession fees of USD10/Ha provides a strong incentive to reduce the size of the Lost Cities Project area. The national concession application process was closed in December 2017 for government administrative purposes. Consequently, no new concessions may be added to the Lost Cities Project area at this



time. The government has indicated its intention to open the cadaster in Q4, 2020. 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

From Year 5 onwards, 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. Concession fees double to USD20/Ha in the Advanced Exploration phase.

Exploration Reconnaissance

Reconnaissance is the first step of the exploration process with the objective of identifying which parts of the large concession area have potential to host mineral deposits of significant size and grade. Reconnaissance data is used to rank targets for further follow-up, although target ranking is a difficult process for many reasons including differing levels of exposure of mineral occurrences. The Company’s regional exploration program involves the following principal components:

- The airborne geophysical survey that covered the entire Lost Cities Project area and environs flown in 2017. This data continues to be modelled as geological context flows from field-based information.
- Interpretation of satellite imagery to provide regional geological maps. Some target areas are derived from this basic data, especially target related to fault geometry and the composition of the rock sequence, some units being more chemically reactive, and hence are more likely to host mineralization, than others.
- Blanket coverage of the Lost Cities Project in a stream sediment sampling program. This component of the reconnaissance is 52% complete. Analysis of these samples is used to identify areas of metal enrichment in the catchment basin associated with each sample point. These are prioritized as targets based on the combination of elements enriched in 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. Limited stream sediment sampling was done in Q3 due to the focus of exploration activities shifting to prepare more advanced targets for scout drilling.
- Bayesian Search Theory was applied to historic information gleaned from Colonial Spanish records and current exploration by Metron Incorporated (“Metron”). The objectives of this work were two-fold: to assist in the identification of targets using a mathematic method that is independent of the exploration data analysis being undertaken by the Company; and to identify geographic areas with the highest likelihood of containing the Lost Cities (gold mining areas) of Logroño and Sevilla. The results of Metron’s work are being followed-up in the field.
- A LiDAR survey was commissioned over the whole Lost Cities Project area but has not been completed due to operational issues with the US-based survey company, VeriDaaS. However, a helicopter LiDAR survey was conducted over priority target areas by a different company.

The budget for reconnaissance exploration recommended in the December 2019 Technical Report was \$600,000, principally to complete the stream sediment sampling program over the whole of the Lost Cities Project. \$581,905 was spent on reconnaissance exploration in the first nine months of 2020. Completion of the reconnaissance exploration requires ongoing stream sediment sampling and successful undertaking of the LiDAR survey, both of which are planned to be completed in 2021.

Target Development

Approach

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

- Geological and mineral alteration mapping, and rock-chip sampling of boulders in streams and outcrops;



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- Sampling of the clay-rich soil that is a medium for the capture metals weathered from the underlying bedrock. Soil sampling is usually done along ridge crests (“ridge-and-spur”) and subsequently in a regular grid pattern to home in on the source of metals that drained into the rivers, giving rise to the enrichment detected by the stream sediment samples.;
- Heliborne LiDAR:
 - Was conducted over the Yawi, Crunchy Hill, Apai, Tsenken, Kirus and Tiria-Shimpia target areas between February 3 and March 8 by MPX Geophysics Ltd. of Ontario, Canada.
 - The contract was signed on January 27, 2020. The cost of the survey was USD282,700, exclusive of helicopter costs that were covered in a separate contract between AvioAndes, the Ecuadorian helicopter company, and Aurania.
 - LiDAR has proved to be an invaluable exploration tool over deep jungle-covered areas such as those of the Lost Cities Project.
- Various types of geophysics may be used to refine the target area including more detailed magnetic (airborne and ground) surveys, field-based induced polarization (IP) surveys and various electromagnetic methods including magnetotellurics (“MT”). MT methods include those in which power is input into the ground with a generator (controlled-source i.e. CSAMT) and those that use ambient currents in the earth induced by lightning strikes and solar storms. Mobile MT (“MMT”) is a heliborne system of the latter, passive type.

Defined Targets

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

| # | Target | Target Commodity | Target definition | | | Scout Drilling |
|----|--------------|------------------------|----------------------------|--------------------|-------------|--------------------------------|
| | | | 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 | | ✓ | ✓ | ✓ | |
| 6 | Yawi E | | ✓ | ✓ | ✓ | |
| 7 | Yawi F | | ✓ | ✓ | In Progress | |
| 8 | Apai | | | In Progress | In Progress | |
| 9 | Latorre A | | ✓ | ✓ | | |
| 10 | Latorre East | | | | | |
| 11 | Latorre West | | | | | |
| 12 | Tinchi | | | | | |
| 13 | Tiria North | | ✓ | | | |
| 14 | Tiria East | | ✓ | ✓ | In Progress | |
| 15 | Tiria South | | ✓ | ✓ | ✓ | |
| 16 | Tiria West | | ✓ | | | |
| 17 | Chapi West | | | | | |
| 18 | Chapi South | | | | | |
| 19 | Tsanimp | | | | | |
| 20 | Tumpain West | | | | | |
| | | Sediment-hosted | | | | |
| 1 | Tsenken A | Copper-silver | ✓ | ✓ | ✓ | |
| 2 | Tsenken | | | In Progress | In Progress | |

| # | Target | Target Commodity | Target definition | | | Scout Drilling |
|-----------------------------------|----------------------|-----------------------|----------------------------|--------------------|-------------|----------------|
| | | | Ridge-&-spur soil sampling | Grid soil sampling | Mapping | |
| 3 | Tsenken B | | | ✓ | In Progress | |
| 4 | Kirus | | ✓ | In Progress | In Progress | |
| Intrusive-related | | | | | | |
| 1 | Awacha | Copper or copper-gold | | In progress | In Progress | |
| 2 | Jempe | | | | | |
| 3 | Tsenken | | | ✓ | | |
| 4 | Tsenken N1 | | | ✓ | In Progress | Planned Q4 |
| 5 | Tsenken N2 | | | ✓ | ✓ | In Progress |
| 6 | Tsenken N3 | | | ✓ | ✓ | |
| 7 | Tsenken N4 | | | ✓ | In progress | |
| 8 | Kirus | | | ✓ | In Progress | In progress |
| 9 | Yawints | | | | | |
| 10 | Alpha | | | | | |
| Carbonate Replacement type | | | | | | |
| 1 | Shimpia – 15km trend | Silver-zinc-lead | ✓ | | In Progress | |

Exploration expenditures by target type.

The budget recommended in the December 2019 Technical Report, along with expenditure in Q1-Q3, 2020, is shown by target-type in the table below.

| Exploration Category | December 2019 Technical Report Recommendation (\$) | Incurred 9 months ended September 30, 2020 (\$) | Variance (\$) | Reason | Use of Proceed* (\$) |
|--|--|---|---------------|--|----------------------|
| Regional / Reconnaissance Exploration | 600,000 | 581,905 | 18,095 | | 390,000 |
| Target Development | | | | | |
| Epithermal Gold-Silver | 2,530,000 | 1,054,146 | 1,475,854 | Further exploration is pending completion of geophysical surveys delayed by COVID-related restrictions | 1,970,000 |
| Sedimentary-Hosted Copper-Silver | 1,200,000 | 668,769 | 531,231 | Exploration emphasis shifted towards intrusive-related targets due to their emerging gold potential through the identification of Iron Oxide Copper-Gold potential | 887,000 |
| Intrusive-Related Copper | 1,000,000 | 2,166,898 | (1,166,898) | | 2,164,000 |
| Carbonate-Hosted Silver-Zinc-Lead | 170,000 | 497,888 | (327,448) | Further work has highlighted the silver potential of this target-type, and hence higher expenditure is justified. | 759,000 |
| Community Social Responsibility / Community Relations | 250,000 | 648,448 | (396,448) | Concession-wide evaluation of the communities within the concession area identified greater health and development needs. | 350,000 |
| Concessions | n/a | 2,785,907 | n/a | | 2,800,000 |
| Peru desktop studies | n/a | 251,079 | n/a | | 50,000 |
| Total | 5,750,000 | 8,653,040 | | | 9,370,000 |

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



Epithermal targets for gold-silver

- The December 2019 Technical Report recommended a budget of \$2,530,000 for exploration on epithermal targets. Actual expenditure on this target type was \$1,054,146 for the nine-month period ended September 30, 2020. Expenditure was curtailed on epithermal targets due to COVID-19 related access restrictions and associated delays with planned geophysical surveys.
- 20 targets have been identified.
- Crunchy Hill:
 - Scout drilling at Crunchy Hill, which started the first week of March 2019, included 9 holes for 3,204m. No significant gold was intersected, and minor silver mineralization was cut in hole CH-009. An additional scout drill hole was completed in Q1, 2020, to a depth of 401m, based on a clearer understanding of the epithermal target garnered from the drilling at Yawi. Hence, in total, the scout drilling program at Crunchy Hill included 10 holes for 3,605m.
 - The nature of veins intersected in the scout drilling at Crunchy Hill and Yawi, are indicative of the upper part of an epithermal system. Fluid inclusion studies show that the hydrothermal fluids from which the veins formed at Crunchy Hill and Yawi were relatively cool and had already boiled where they were frozen into the veins as the silica solidified: boiling causes gold to precipitate from these hydrothermal fluids. Hence, the fluid inclusions are consistent with the gold-bearing zone being significantly below the elevation at which the veins were intersected in the scout drilling program.
 - Detailed geophysics is planned to refine the target areas derived from mineral alteration zoning, and further drilling will be considered on completion of the geophysics.
- Yawi:
 - The first phase of scout drilling on the Yawi epithermal target (3,010m drilled in 7 drill holes) was undertaken between October 24, 2019 and February 8, 2020 on targets A, B and C.
 - The seven bore holes drilled at Yawi confirm a maar-diatreme environment. Alteration mineral vectors and slightly elevated silver values in holes YW-003, 6 and 7 indicate that the core of the mineralized system should lie to the southeast.
 - Detailed field investigation following vectors derived from the scout drilling at Yawi confirmed the presence of a diatreme breccia to the southeast of the area drilled. The diatreme breccia contains fragments of porphyry with copper mineralization (chalcopyrite and malachite) and vuggy silica, which is typical of epithermal deposits.
 - The exploration model for the area has been modified to focus on the margins of the diatreme as the source of the fragments plucked from the edge of the diatreme body. The diatreme appears to have cut part of an epithermal system or, alternatively, an epithermal system may have formed at the same time as the diatreme as seen in many gold-silver deposits.
 - Inversion modelling of magnetic data has refined the potential location and shape of the diatreme at Yawi.
 - Additional geophysics is planned to refine the target areas for additional scout drilling if warranted.
- Shimpia-Tiria:
 - Recent exploration in this area has made it more difficult to distinguish the Shimpia and Tiria targets. The silver-zinc-lead-barite mineralization that was originally named “Shimpia” has many features characteristic of epithermal mineralization similar to the “Tiria” group of targets. Our approach is now to view the targets as a continuum similar to the Cerro de Pasco – Marcapunta mineralized system in Peru that encompasses epithermal gold-silver and carbonate replacement silver-zinc-lead deposits. This target is discussed further below.
- Apai:
 - Mapping identified an area of vuggy silica with silver values up to 4.2g/t and slightly anomalous gold (up to 50ppb) and relict sinter surfaces were identified in another two areas. The target areas lie at the contact between lavas of the Santiago Formation and carbonate-bearing units of the overlying Chapiza Formation. Targets at Apai, therefore, lie at a similar stratigraphic position to the Fruta del Norte gold-silver deposit.
 - Extensive areas contain blocks of sinter and features preserved in the silica are being used to map potential fluid up-flow zones that would be more prospective than the more distal parts of the sinter terrace.



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- Further mapping, sampling and potentially geophysics, will be undertaken in due course.

Sediment-hosted copper-silver targets

- The December 2019 Technical Report recommended a budget of \$1,200,000 for exploration on sedimentary-hosted copper-silver targets. Actual expenditure on this target type was \$688,769 for the nine-month period ended September 30, 2020. Exploration focus shifted somewhat to intrusive-related targets due to recognition of the gold-potential of Iron Oxide Copper-Gold systems.
- The focus remains on determining the continuity of mineralization within specific sedimentary layers through mapping and soil sampling in the Tsenken and Kirus target areas. Soil sampling at Tsenken A and B has been focused on demonstrating continuity of copper along specific carbon-bearing layers.
- Soil sampling has identified a 600m long zone of copper enrichment at Tsenken B.

Intrusive-related copper targets

- The December 2019 Technical Report recommended a budget of \$1,000,000 for exploration on intrusive-related targets. Actual expenditure on this target type was \$2,166,898 for the nine-month period ended September 30, 2020.
- Porphyry copper:
 - Awacha:
 - Reconnaissance geophysics suggests that a cluster of porphyry targets is located in an upfaulted block in which erosion is deeper than in the remainder of the Lost Cities Project.
 - Soil sampling and alteration mineral mapping have been used to refine the specific targets within the suspected target cluster.
 - Inversion modelling of magnetic data is being used to refine the targets.
 - Heliborne Mobile MT geophysics is planned to refine the targets further in preparation for scout drilling.
 - IOCG:
 - Inversion modelling of the Company's magnetic data is being used to refine the targets in the Tsenken area.
 - Tsenken N1:
 - The target is a hydrothermal breccia in which rock chip sampling has returned high-grade copper and silver.
 - Soil sampling shows an area of copper over a 400m long zone that is open to the east;
 - Heliborne Mobile MT geophysics is planned to refine the targets further in preparation for scout drilling.
 - Tsenken N2:
 - Soil sampling showed enrichment in copper and a broad suite of elements partially coincident with a magnetic feature.
 - Scout drilling commenced in mid-September 2020 and three holes have been completed for a total of 645m.
 - Mineral alteration observed in the drill core is consistent with the target being an IOCG system rather than a porphyry.
 - Heliborne Mobile MT geophysics is planned to refine the target further before further scout drilling is considered.
 - Tsenken N3:
 - The target was modelled as a porphyry target on the basis of its magnetic signature and suite of elements enriched in soil in an area 1.7km long and 300m wide.
 - Scout drilling of two holes, with the 3rd ongoing, has intersected alteration typical of an IOCG system. Bore holes TS004 and TS005 totaled 724m.
 - Heliborne Mobile MT geophysics is planned and will be combined with the alteration data to assist with detailed targeting for to direct further scout drilling.



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

Carbonate Replacement silver-zinc-lead target: Tiria-Shimpia

- The December 2019 Technical Report recommended a budget of \$170,000 for exploration on epithermal targets. Actual expenditure on this target type was \$497,888 for the nine-month period ended September 30, 2020
- Heliborne LiDAR data was used to provide a more detailed interpretation of the fault network which soil geochemistry from ridge-and-spur soil sampling suggest controls the location of metal enrichment.
- Enrichment of silver, zinc, lead and epithermal pathfinder elements like arsenic and antimony, occur over a distance of 15km.
- A trial Mobile MT survey is planned over outcropping mineralization to test the effectiveness of the method to detect sulphides associated with this style of mineralization. If the test is positive, the whole of the 15km trend will be surveyed.

Corporate Social Responsibility

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

Formal access agreements have been established with 33 of the 55 communities (60%) representing 65% of the land area that lies within the Lost Cities Project area. In joint work between the communities and the Company, ten communities have benefitted directly, and 24 indirectly, from improved access and infrastructure. Since inception of the Lost Cities Project, the exploration team has created over 1,300 part-time work opportunities, equitably distributed across 32 communities. Scout drilling at Crunchy Hill in Q1 and Q2, 2019 and at Yawi in Q4 2019 and Q1, 2020 resulted in part-time work for approximately 700 men and women. The drilling at the Tsenken target has provided employment for a rotating team totalling 315 people.

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

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

Health and Safety

The Company has worked with the Ministry of Health in accessing outlying areas so that a COVID-19 related impact assessment could be done. 300 COVID-19 test kits were donated to the Ministry and to the provincial government of Morona Santiago. In addition, the Company implemented a strict COVID-related return-to-work protocol for its staff and the communities with which the Company is working. To date, that protocol resulted in the Company undertaking 1,306 COVID-19 tests on its staff and people from the communities with which it is working. Eleven people tested positive for the virus and were quarantined before they entered their place of work.

Environment & Water

Contaminated water, poor sanitation, and poor hygiene have been identified as the prime risk to the health of people living and working in the Lost Cities Project area; hence the Company is investing in education on basic sanitation and water purification methods in conjunction with the Step Forward Foundation. Preliminary assessments of water quality have been completed in 53 of the 55 communities within the area of influence of the Lost Cities Project. The objective of the assessment is to evaluate various solutions and develop budgets that can be presented to regional government, foundations and communities to find a means of financing, implementing and maintaining potable water standards. Working with the communities and local authorities, clean water has been made available to six communities and an effort is now being made to install sanitary batteries.

Revegetation of the drill platforms at Yawi was completed and the Company has received confirmation from the MEW that the restoration of the drill platforms meets the ministry's requirements. The company maintains a bond of approximately US\$40,000 to cover potential environmental damage caused by exploration of the Property.

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

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

5.2 Peru Project

Mineral Property Interests

Background

At the end of 2019, the Company, through its Peruvian subsidiary, Minera Vicus S.A.C, applied to INGEMMET for mineral concessions that cover more than 400,000Ha. The decision to enter Peru was based on the concept that the copper-silver mineralization found in the Lost Cities Project in Ecuador is part of a regional system similar to the Kupferschiefer in Poland-Germany or the Central African Copperbelt in Zambia and The Democratic Republic of Congo, both of which extend for hundreds of kilometers. Concession applications were submitted for priority exploration areas where the target stratigraphy either lies at surface or at shallow depth. The objective of the application for this large area of mineral concessions was to take advantage of this rare opportunity while there was minimal competition for the mineral concessions are progressing through the approval process.

Obligations Related to the Concession Applications

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

Exploration

Unlike the Lost Cities Project where no prior exploration data was available when the Company's exploration started, there is extensive geophysical data available in northern Peru. The geological consultant who undertook the satellite interpretation of the Lost Cities Project also interpreted the structural framework on which the concession applications were based. The Company applied to PeruPetro, the custodian of the geophysical data, for seismic, magnetic and gravity data from the vicinity of the Company's concession applications. The data has



been provided under a confidentiality agreement which allows for interpretations of the data to be released into the public domain. The Company is currently working with these datasets, the objective being to refine the target areas, allowing the Company to focus its field exploration efforts on the most prospective areas and allowing the Company to relinquish lower priority areas. The proposed exploration budget for the basic data compilation in Peru is \$50,000.

5.3 Finance

At September 30, 2020, the Company had raised \$7,566,631, net of fees, principally through the March 2020 Private Placement (described in more detail below) as well as the exercise of warrants and stock options, resulting in the issuance of 2,919,833 common shares in aggregate. The Company amended the Barron Promissory Notes (defined and described in more detail below) such that the notes become repayable on the day following the one-year anniversary of the Lender requesting repayment. Further details are provided below.

March 2020 Private Placement

On March 13, 2020, the Company announced that it had completed the March 2020 Private Placement for gross proceeds to the Company of \$6,470,131, resulting in the issuance of 2,087,139 common shares at \$3.10 per share and share issuance costs of \$132,377.

Amendment of Terms of Promissory Note 2017 and Promissory Note 2019

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

6 THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020, COMPARED TO THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019

| | Three months ended | | Nine months ended | |
|---|--------------------|------------------|-------------------|-------------------|
| | September 30, | | September 30, | |
| | 2020 | 2019 | 2020 | 2019 |
| | \$ | \$ | \$ | \$ |
| Operating Expenses: | | | | |
| Exploration expenditures | 2,079,646 | 1,359,246 | 8,653,040 | 7,418,132 |
| Stock-based compensation | 426,503 | 233,602 | 1,481,345 | 599,997 |
| Investor relations | 138,441 | 198,234 | 466,695 | 715,035 |
| Office and general | 252,103 | 216,399 | 687,363 | 545,992 |
| Business development | - | - | 388,279 | - |
| Management fees | 134,504 | 166,442 | 406,906 | 472,469 |
| Professional and administration fees | 99,721 | 57,648 | 326,922 | 157,778 |
| Regulatory and transfer agent fees | 24,825 | 31,462 | 140,506 | 138,527 |
| Director and advisor fees | 18,750 | 17,500 | 56,250 | 56,093 |
| Amortization | 11,862 | 9,262 | 34,727 | 26,157 |
| Project evaluation expenses including travel | - | 30,143 | 9,839 | 54,842 |
| Total expenses | 3,186,355 | 2,319,938 | 12,651,872 | 10,185,022 |
| Other expenses/income | | | | |
| (Gain) loss on foreign exchange | (32,331) | (13,210) | 30,021 | (22,684) |
| Loss on derivative | - | - | - | 121,571 |
| Interest income | (1,527) | (3,218) | (11,720) | (6,741) |
| Interest expense | 2,969 | (12,188) | 8,771 | 46,491 |
| Accretion of shareholder contribution | 139,599 | 207,610 | 387,951 | 207,610 |
| Loss and comprehensive loss for the period | 3,295,065 | 2,498,932 | 13,066,895 | 10,531,269 |

| | Three months ended September 30, | | Nine months ended September 30 | |
|---|-------------------------------------|--------------------|-----------------------------------|--------------------|
| | 2020 | 2019 | 2020 | 2019 |
| ECUADOR | | | | |
| GEOLOGY/FIELD: | | | | |
| - Salaries, benefits | \$659,844 | \$398,876 | \$1,783,279 | \$1,405,801 |
| - Camp costs, equipment, supplies | 192,437 | 41,053 | 474,971 | 243,018 |
| - Project management | 55,143 | 84,704 | 168,136 | 254,113 |
| - Travel, accommodation | 441,026 | 120,764 | 626,011 | 405,737 |
| - Office (Quito, Macas) | 42,207 | 25,550 | 71,333 | 88,953 |
| - Environment, health & safety | 143,877 | 42,172 | 329,423 | 148,130 |
| - Water | 59,256 | 15,016 | 108,953 | 40,324 |
| - Drilling | 115,651 | 8,586 | 419,263 | 593,301 |
| - VAT ⁽¹⁾ | 110,291 | 68,023 | 280,089 | 250,503 |
| GEOCHEMISTRY | 17,903 | 102,195 | 189,554 | 302,438 |
| GEOPHYSICS | 12,687 | 251,275 | 286,530 | 292,410 |
| EXPERT CONSULTANTS | 9,897 | - | 46,536 | - |
| OTHER TECHNICAL STUDIES | 37,763 | - | 131,317 | - |
| CORPORATE SOCIAL RESPONSIBILITY – fees, travel, supplies | 214,183 | 196,351 | 646,448 | 588,012 |
| ADMINISTRATIVE SUPPORT | - | - | - | - |
| LEGAL AND OTHER FOR CONCESSIONS | 10,219 | 4,267 | 54,211 | 29,334 |
| CONCESSION MAINTENANCE - permits | - | - | 2,785,907 | 2,721,812 |
| Total exploration expense – Ecuador & Canada | \$2,122,384 | \$1,358,832 | \$8,401,961 | \$7,363,886 |
| PERU | | | | |
| Other | | | | |
| - Costs related to concession fee applications | - | 414 | 171,031 | 54,246 |
| - Concession fees recoveries | (116,031) | - | (116,031) | - |
| - Technical Consulting | 23,485 | - | 57,838 | - |
| - Legal | 49,808 | - | 138,241 | - |
| Total exploration expense – Peru | (42,738) | 414 | 251,079 | 54,246 |
| TOTAL EXPLORATION EXPENSE | \$2,079,646 | \$1,359,246 | \$8,653,040 | \$7,418,132 |

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

The Company incurred a loss of \$13,066,895 for the period nine-months ended September 30, 2020, compared to \$10,531,269 in the corresponding period in 2019. Exploration expenditures represent the largest part of the difference and are discussed in detail below.

Geology/field

- **\$1,783,279** (2019 - \$1,405,801) for salaries and consulting fees for the exploration teams comprised of geologists, technicians, guides and other part-time or occasional field assistants. This 27% increase in expenditure over Q3, 2019 reflects expansion of the exploration team as more target-specific work and drilling is undertaken. Significant mutual benefit has been generated in the reconnaissance exploration effort through the training and contracting of technicians resident in the Cutucu area.
- **\$474,971** (2019 - \$243,018) for field supplies, equipment, food and accommodation for the exploration teams. The 95% increase in supplies and food for the field camps relates to the greater number of field teams deployed and more recently the cost of establishing the remote drilling camps.
- **\$168,136** (2019 - \$254,113) for project management fees; this includes salaries and benefits for the VP Exploration and an allocation of the time spent by the President on the Lost Cities Project. The amounts are impacted by the allocation of time between projects versus corporate activity and changes in exchange rates



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- **\$626,011** (2019 - \$405,737) – for in-country and international travel for the exploration team members. All travel-related costs dipped for the initial period of the COVID-19 pandemic when field operations were shut down. The sharp increase in travel-related costs is due to more extensive use of helicopters to access more remote areas of the concession block and to support scout drilling on return to work after the COVID – related shutdown.
- **\$71,333** (2019 - \$88,953) for overhead including rent, telecommunications and administration for the Macas and Quito offices.
- **\$329,423** (2019 - \$148,130) The 122% increase in expenditure in Environment, Health and Safety in Q3, 2020 compared with 2019 is due to the health and safety measures implemented due to the COVID-19 pandemic and increased work on environment-related matters in preparation for and during the ongoing drilling campaign. The Company makes use of the services of a well-qualified and experienced Quito-based consultant to oversee compliance and reporting for water, environmental and health & safety matters.
- **\$108,953** (2019 - \$40,324) for water management. In recognition of the importance of water management, an operating department has been established in Macas to manage water affairs. The increase in costs related to water affairs reflects the increase in activity related with permitting for water for drilling as well as monitoring to demonstrate that there is no contamination of water sources from drilling.
- **\$419,263** (2019 - \$593,301) drilling relates to the start of scout drilling at Tsenken N2 and N3 in mid-September and the scout drilling program undertaken at Yawi and Crunch Hill earlier in 2020. The difference in the amount from prior periods is due to the timing of the start-up of the current scout drill program.
- **\$280,089** (2019 - \$250,503) VAT is an Ecuadorian value added tax paid on purchases and services. The nature of the Company's exploration business means that it does not have revenues against which to recover these amounts with certainty and are they are therefore expensed.

Geochemistry

- **\$189,554** (2019 - \$302,438) this expenditure relates to the processing and assay of samples. In Q3, 2020 1,916 (36 stream sediment samples, 1,779 soil samples and 101 rock-chip) samples were analyzed compared with 3,812 (340 stream sediment samples, 3,374 soil samples and 98 rock-chip samples) in Q3, 2019.

Geophysics

- **\$286,530** (2019 - \$292,410) for consulting fees for on-going interpretation of data from the heliborne magnetic survey that was completed in 2017.

Expert Consultant

- **\$46,536** (2019 - \$nil) for consulting fees for review of data by a copper specialist, consulting and a training course on epithermal deposits and a third expert for a review of potential archeological sites (Spanish Road).

Other Technical Studies

- **\$131,317** (2019 - \$nil) which included fees to Metron Inc. for Bayesian analysis and to Watts, Griffis & McQuat for the December 2019 Technical Report.

Corporate Social Responsibility

- **\$646,448** (2019 - \$588,012) for consulting fees, field costs, travel and accommodation of the CSR team, and various community initiatives. The 10% increase in CSR expenditure from Q3 2019 to 2020 relates to engagement with a larger number of communities as access is granted to a larger area, as well as management of community relations and the Company's support during the COVID-19 pandemic.

Concession costs

- **\$54,211** (2019 - \$29,334) for legal and other professional costs related to maintenance of mineral concessions, CSR access permissions and annual reporting to maintain the concessions in good standing.

Mineral concession annual fees

- **CAD\$2,785,907** (2019 - CAD\$2,721,812) in annual and other fees for the 42 concessions, were paid to the State. Annual fees paid to the Ecuadorian State increased to USD10.00 in 2020 from USD9.65/Ha in 2019.



Other significant non-exploration expenditures are as follows:

- A stock-based compensation expense of **\$1,481,345** (2019 – \$599,997), has increased in line with the number of options and RSUs vesting in 2020.
- Investor relations **\$466,694** (2019 - \$715,035). Activity was curtailed toward the end of the first quarter due to the restrictions on gatherings and travel as a response to the COVID-19 virus and has remained consequently lower for the rest of the period due to the same travel and gathering restrictions.
- Office and general **\$687,363** (2019 - \$545,992). The increase was due to adding the administrative costs of the Peruvian subsidiary, moving the CFO function from part-time to full-time in 2020 and a general increase in administration to support the increased level of operational activity and expanded corporate complexity.
- Business development **\$388,279** (2019 - \$nil) expenditure related to increasing the Company's knowledge of, and exposure to, the South American business and potential investor community.
- Management fees of **\$406,906** (2019 - \$472,469).
- Professional and administrative fees of **\$326,922** (2018 - \$157,778) increased commensurate with the increase in legal and regulatory activity.
- Regulatory and transfer agent fees, Director Fees, project evaluation and amortization are broadly in line with the corresponding period.

| Cash Flow Activities | Nine months ended September 30, 2020 | Nine months ended September 30, 2019 |
|--|--|--|
| Operating | \$(10,737,649) | \$(9,470,711) |
| Financing | 7,566,631 | 13,616,000 |
| Investing | (41,057) | (2,438,532) |
| (Decrease)/Increase in cash during the period | \$(3,212,075) | \$1,706,757 |

For the nine months ended September 30, 2020, the Company's cash position decreased by \$3,212,075. 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 included as operating activity in the Cash Flow statement and the principal cash inflows came from financing activities as described in Section 5.3 Finance.

7 SUMMARY OF QUARTERLY RESULT

| Quarters Ended | Net revenue (\$) | Net Loss (\$) | Loss per Share (\$) |
|--------------------|------------------|---------------|---------------------|
| September 30, 2020 | - | 3,219,597 | 0.07 |
| June 30, 2020 | - | 2,034,877 | 0.05 |
| March 31, 2020 | - | 7,762,677 | 0.20 |
| December 31, 2019 | - | 6,216,914 | 0.14 |
| September 30, 2019 | - | 2,353,583 | 0.07 |
| June 30, 2019 | - | 2,910,745 | 0.09 |
| March 31, 2019 | - | 5,121,591 | 0.17 |
| December 31, 2018 | - | 2,087,577 | 0.07 |

Factors impacting the trends and variations in the timing and amount of expenditures over the quarters are discussed in Section 6 Three and Nine months ended September 30, 2020, compared to three and nine months ended September 30, 2019.

8 LIQUIDITY AND CAPITAL RESOURCES

Capital management

The Company considers the capital that it manages to include share capital, share premium, warrants, contributed surplus and shareholder contribution and accumulated deficit, which at September 30, 2020 was a total equity deficiency \$2,579,921 (December 31, 2019 equity surplus - \$1,397,451). The Company manages its capital structure and adjusts it, based on the funds needed in order to support the acquisition and exploration of mineral properties. Management does this in light of changes in economic conditions and the risk characteristics of the underlying assets. There has been no change with respect to the overall capital risk management strategy during the nine months ended September 30, 2020. Neither the Company nor its subsidiaries are subject to externally imposed capital requirements, other than those of the TSX Venture Exchange (“TSXV”), which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of twelve months. As at September 30, 2020, the Company may not be compliance with the policies of the TSXV. The impact of this violation is not known and is ultimately dependent on the discretion of the TSXV.

Exercise of options and warrants

During the period ended September 30, 2020, a total of \$1,228,877 was added to the treasury from the exercise of 717,000 stock options and 64,750 warrants.

Capital raises, short-term loan

On March 13, 2020, the Company completed the closing of a non-brokered private placement of units of the Company at a price of \$3.10 per unit, for total gross proceeds of \$6,470,131. Each unit consists of one common share of the Company and one-half of a common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at an exercise price of \$4.25 for a period of 18 months following the closing of the Offering.

Liquidity risk

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

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

At September 30, 2020, the Company has a cash and cash equivalents balance of \$2,017,266 (December 31, 2019 - \$5,229,341) to settle current liabilities of \$1,178,265 (December 31, 2019 - \$1,555,282). All the Company’s financial liabilities generally have contractual maturities of less than 30 days and are subject to normal trade terms, except for its promissory notes. In addition to the commitments disclosed in Note 15, the Company is obligated to the following contractual maturities of undiscounted cash flows as at September 30, 2020:

| In Canadian \$ equivalents | Carry amount | Contractual cash flows | October 1, 2020 to September 30, 2021 | Thereafter |
|---|--------------|------------------------|---------------------------------------|------------|
| Accounts payables and accrued liabilities | 1,178,265 | 1,178,265 | 1,178,265 | - |
| Promissory note 2017 (note 6) | 590,746 | 590,746 | - | 590,746 |
| Promissory note 2019 (note 6) | 3,780,025 | 4,154,161 | - | 4,154,161 |
| | 5,549,036 | 5,923,172 | 1,178,265 | 4,721,165 |



Funding Outlook

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

The Company has been successful in funding its operations, including the payment of the 2020 concession fees, and the on-going exploration activities including scout drilling, CSR activities as well as corporate costs in Ecuador, Peru and Canada, through a combination of Non-Brokered Private Placement proceeds of \$6,470,131 (gross), and \$1,228,877 received from the exercise of 717,000 stock options and 64,750 warrants. Subsequent to the period-end, the Company completed a \$11.5million overnight market public offering.

Novel Coronavirus ("COVID-19")

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

9 INDEBTEDNESS

The Company's activities are partially funded by Promissory note 2017 and Promissory note 2019 owed to Dr. Keith Barron, Chairman, CEO and principal shareholder and are described in detail in the unaudited condensed interim financial statements for the nine months period ended September 30, 2020. The significant changes in those debt instruments during the quarter are described in section 5.3 Finance above.

10 EQUITY

Share Capital – Activity during the nine months ended September 30, 2020:

| | # Shares | Par Value | Share Premium |
|--|-------------------|--------------|---------------------|
| Balance – December 31, 2019 | 38,333,346 | \$383 | \$38,219,081 |
| Shares issued for non-brokered private placement | 2,087,139 | 24 | 6,470,107 |
| Less share issue costs | - | - | (132,377) |
| Shares issued for exercise of warrants 2019 | 50,944 | - | 165,841 |
| Shares issued for exercise of warrants | 64,750 | - | 230,022 |
| Shares issued for exercise of options | 717,000 | 7 | 1,868,541 |
| Warrant issued for private placement | - | - | (585,000) |
| Balance – September 30, 2020 | 41,253,179 | \$414 | \$46,236,215 |



Stock Options - Activity during the nine months ended September 30, 2020:

| | Number of Options | Weighted Average Exercise Price | Estimated Fair Value |
|-------------------------------------|-------------------|---------------------------------|----------------------|
| Balance - December 31, 2019 | 2,906,260 | \$2.41 | \$3,573,576 |
| Issued | 300,000 | 3.16 | 469,205 |
| Exercised | (717,000) | (1.17) | (838,921) |
| Expired | (68,260) | (2.50) | (108,297) |
| Stock-based compensation expense | - | - | 854,674 |
| Balance – September 30, 2020 | 2,421,000 | \$2.80 | \$3,950,237 |

Stock options – Outstanding at September 30, 2020:

| Issued Number of Options | Exercisable Number of Options | Exercise Price | Expiry Date | Estimated Fair Value |
|--------------------------|-------------------------------|----------------|------------------|----------------------|
| 150,000 | 150,000 | \$2.30 | May 26, 2022 | 256,242 |
| 200,000 | 200,000 | \$2.00 | November 2, 2022 | 205,625 |
| 250,000 | 250,000 | \$2.89 | March 2, 2023 | 541,934 |
| 136,000 | 136,000 | \$2.68 | April 5, 2023 | 273,227 |
| 180,000 | 130,000 | \$3.40 | January 16, 2024 | 436,995 |
| 48,000 | 32,000 | \$3.40 | January 16, 2024 | 115,357 |
| 77,000 | 51,333 | \$3.97 | June 28, 2024 | 151,328 |
| 1,080,000 | 360,000 | \$2.70 | October 24, 2024 | 1,500,325 |
| 300,000 | 100,000 | \$3.16 | February 7, 2025 | 469,205 |
| 2,421,000 | 1,409,333 | | | \$3,950,237 |

Restricted Stock Units (“RSUs”) - The following summarizes the RSU activity during the nine months ended September 30, 2020:

| | Number of RSUs | Weighted Average Fair Value | Estimated Fair Value |
|-------------------------------------|----------------|-----------------------------|----------------------|
| Balance – December 31, 2019 | 189,700 | \$2.32 | \$143,171 |
| Stock-based compensation expense | - | - | 157,466 |
| Balance – September 30, 2020 | 189,700 | \$2.32 | \$300,637 |

Warrants - The following summarizes the warrants and Agents’ Options activity and outstanding warrants and Agents’ Options for the nine months ended September 30, 2020:

| | Number of Warrants/ Agents’ Options | Weighted Average Exercise Price | Estimated Fair Value |
|-------------------------------------|-------------------------------------|---------------------------------|----------------------|
| Balance – December 31, 2019 | 936,501 | \$3.90 | \$442,215 |
| Issued warrants private placement | 1,043,567 | 4.25 | 585,000 |
| Exercised | (64,750) | (3.08) | (30,772) |
| Expired | (34,900) | (3.00) | (16,601) |
| Balance – September 30, 2020 | 1,880,418 | \$4.14 | \$979,842 |

Outstanding warrants

| Expiry date | Number of Warrants | Exercise Price |
|-------------------------------------|--------------------|----------------|
| February 27, 2021 | 510,431 | \$4.00 |
| August 27, 2021 | 4,734 | \$4.00 |
| March 20, 2021 | 310,506 | \$4.00 |
| September 20, 2021 | 11,180 | \$4.00 |
| August 28, 2021 | 236,994 | \$4.25 |
| September 5, 2021 | 671,622 | \$4.25 |
| September 13, 2021 | 134,951 | \$4.25 |
| Balance – September 30, 2020 | 1,880,418 | |

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 nine months ended September 30, | 2020 | 2019 |
|--|--------------------|------------------|
| Salary - corporate ⁽¹⁾ | \$249,186 | \$472,469 |
| Salary – technical ⁽¹⁾ | 302,798 | 254,113 |
| Director and advisor fees ⁽²⁾ | 56,250 | 56,250 |
| Stock-based compensation for key management ⁽³⁾ | 671,908 | 117,396 |
| Total key management compensation expense | \$1,280,142 | \$900,228 |

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

⁽²⁾ Director's fees are \$37,500 per annum or \$3,750 per quarter.

⁽³⁾ This figure is the fair value expense of vested stock options and RSUs granted to key management during the nine months ended September 30, 2020 and 2019.

12 RELATED PARTY TRANSACTIONS

Related parties include the Board of Directors, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions. The Company entered into the following transactions with related parties during the nine months ended September 30, 2020 and 2019:

- (i) A total of \$21,581 (2019 - \$112,500), 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 September 30, 2020 is \$nil (December 31, 2019 - \$nil) owed to the CFO. These amounts are unsecured, non-interest bearing and due on demand.
- (ii) During the nine months ended September 30, 2020, the Company incurred \$108,000 (2019 - \$108,000) 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. At September 30, 2020 \$12,000 (December 31, 2019 - \$nil) remains payable to Big Silver Ltd., for unpaid services. These amounts are unsecured, non-interest bearing and due on demand.

13 OFF-BALANCE SHEET TRANSACTIONS

There are no off-balance sheet 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.
- (d) the existence and estimated number 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 nine months ended September 30, 2020, the Company adopted several new IFRS standards, interpretations, amendments and improvements of existing standards. These included the amendments to IAS 1, IAS 8 and IFRS 3. These amendments did not have any material impact on the Company's 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

Other than the impact of the COVID-19 pandemic (see section 8 Liquidity and Capital Resources above) and those risks and uncertainties disclosed in note 3 Capital and financial risk management of the unaudited condensed consolidated interim information for the nine months ended September 30, 2020, there are 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.



18 COMMITMENTS AND CONTINGENCIES

Environmental Contingencies

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

Service Costs and Consulting Agreements

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

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

On June 28, 2019, Aurania signed a contract with Metron, a consulting company that will 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 will pay USD150,000 in installments over two years against performance benchmarks, and granted 77,000 stock options exercisable for five years. The contract with Metron has come to an end with all payments having been made and stock options issued.

On July 16, 2019, Aurania signed a contract VeriDaaS, a US-based company 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 USD118,264 to date.

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.

On August 20, 2020, Aurania's Ecuadorian subsidiary signed a services agreement with Kluane Drilling Ltd. For the drilling of a minimum of 2,000m on various exploration targets starting with Tsenken.

On October 18, 2020, Aurania signed a contract with MPX Geophysics Ltd., a consultant who will provide an airborne geophysical (Mobile magnetotelluric) survey in Morona Santiago Province, Ecuador. Aurania will pay an estimated of USD198,640 exclusive of helicopter costs.

19 SUBSEQUENT EVENTS

Financing 2020

October 29, 2020, the Company closed an overnight marketed public offering of units of the Company (the "Units"), including the exercise in full of an over-allotment option (the "Offering"). A total of 2,679,500 Units were sold at a price of C\$4.30 per Unit (the "Offering Price") for gross proceeds of approximately C\$11.5 million. Each Unit is comprised of one common share in the capital of the Company (a "Common Share") and one-half Common Share purchase warrant (each whole warrant, a "Warrant"). Each Warrant shall entitle the holder to purchase one Common Share at C\$5.50 at any time on or before the date which is 24 months after the Closing Date. The Offering was completed pursuant to a syndicated underwriting agreement dated October 1, 2020 led by Cantor Fitzgerald Canada Corporation. Anticipated principal use of the proceeds of the Offering are for exploration and development expenditures at the Company's Lost Cities – Cutucu Project in Ecuador.

Options and RSUs granted

Subsequent to the period end, the Company granted 1,020,000 stock options to directors, officer, employees, and consultants and 343,800 Restricted Stock Units ("RSUs") to employees. The stock options have an exercise



price of \$3.51, are exercisable for five years and vest in three equal annual instalments. The RSUs are convertible into common shares of the company for five years, vesting in three equal annual instalments commencing one year from the date of grant.

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, 2019 | 38,333,356 | 936,501 | 15,914 | 2,906,260 | 189,700 | 42,381,731 |
| March 31, 2020 | 40,631,179 | 1,885,418 | 15,914 | 3,106,260 | 189,700 | 45,828,471 |
| June 30, 2020 | 40,816,179 | 1,885,420 | 15,914 | 2,900,000 | 189,700 | 45,807,213 |
| September 30, 2020 | 41,253,179 | 1,880,418 | 15,914 | 2,421,000 | 189,700 | 45,760,211 |
| November 24, 2020 | 43,932,679 | 3,204,251 | 176,684 | 2,421,000 | 189,700 | 49,924,314 |

22 ADDITIONAL INFORMATION

The Company

Aurania Resources Ltd. 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 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 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, Corporate Secretary
 Jean Paul Pallier – Vice President - Exploration (“VPX”)
 Carolyn Muir – Vice President - Investor Relations

Corporate Office

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

Registered Office

31 Victoria Street, Hamilton, HM 10, Bermuda.



AURANIA

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.