AURANIA

AURANIA RESOURCES LTD.

CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2020 and 2019

(Expressed in Canadian Dollars)

INDEX

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Audit. Tax. Advisory.

Independent Auditor's Report

To the Shareholders of Aurania Resources Ltd.

Opinion

We have audited the consolidated financial statements of Aurania Resources Ltd. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of changes in equity (deficiency), consolidated statements of loss and comprehensive loss and the consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2020 and 2019 and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for opinion

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

Other information

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

McGovern Hurley LLP

McGovern Hurley LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
April 22, 2021

AURANIA RESOURCES LTD.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian Dollars)

AS AT	DECEMBER 31, 2020	DECEMBER 31, 2019
ASSETS		
Current assets		
Cash	**$8,178,956**	$5,229,341
Prepaid expenses and other receivables	**205,963**	481,655
Advances for mineral property interests (note 7)	**560,155**	463,268
Total current assets	**8,945,074**	6,174,264
Non-current assets		
Property and equipment (note 6)	**164,550**	148,999
TOTAL ASSETS	**$9,109,624**	$6,323,263
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (notes 12 and 17)	**$1,468,117**	$985,454
Promissory notes (note 8)	**-**	569,828
Total current liabilities	**1,468,117**	1,555,282
Long-term liability		
Promissory notes (note 8)	**4,182,495**	3,370,530
TOTAL LIABILITIES	**$5,650,612**	$4,925,812
SHAREHOLDERS' EQUITY (DEFICIENCY)		
Share capital (note 9)	**$440**	$383
Share premium (note 9)	**54,863,605**	38,219,081
Share to be issued (note 9)	**183,949**	165,841
Warrants (note 11)	**2,463,801**	442,215
Contributed surplus and shareholder contribution (note 9 and 10)	**6,410,229**	4,666,849
Accumulated deficit	**(60,463,012)**	(42,096,918)
Total equity (deficiency)	**3,459,012**	1,397,451
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)	**$9,109,624**	$6,323,263

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

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

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

AURANIA RESOURCES LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)

(Expressed in Canadian Dollars)

	ISSUED CAPITAL				RESERVES			
	Common Shares #	Share Capital	Share Premium	Shares to be issued	Warrants	Contributed Surplus	Accumulated Deficit	Total Equity (Deficiency)
Balance – December 31, 2018	**32,036,874**	**$319**	**$19,983,179**	**-**	**$1,123,509**	**$1,987,432**	**$(25,668,365)**	**$(2,573,926)**
Shares issued for rights offering (note 9 (v) and (vi))	1,946,172	20	5,254,646	-	-	-	-	5,254,666
Less share issue costs (note 9)	-	-	(191,705)	-	-	-	-	(191,705)
Shares issued for Private Placement (note 9 (viii))	1,651,875	17	4,460,046	-	-	-	-	4,460,063
Less share issue costs (note 9)	-	-	(154,072)	-	-	-	-	(154,072)
Share issued for debt settlement (notes 8 and 9 (vii))	877,192	9	2,987,085	-	-	-	-	2,987,094
Share issued for exercise options	65,000	-	117,216		-	(36,216)	-	81,000
Share issued for exercise of warrants (note 10)	1,756,233	18	6,160,291	-	(891,609)	-	-	5,268,699
Shares to be issued for exercise of warrants (note 10)	-	-	-	165,841	(13,010)	-	-	152,832
Warrants issued for Private Placement (notes 9 (viii) and 10)	-	-	(381,980)	-	381,980	-	-	-
Agents warrants issued for Private Placement (notes 9 (viii) and 10)	-	-	(15,625)	-	15,625	-	-	-
Expiry of warrants	-	-	-	-	(173,338)	-	173,338	-
Expiry of broker warrants	-	-	-	-	(942)	-	942	-
Stock based compensation – Restricted stock units “RSU’s” compensation (note 9)	-	-	-	-	-	10,590	-	10,590
Stock based compensation – Option compensation (note 9)	-	-	-	-	-	1,802,940	-	1,802,940
Shareholder Contribution (note 8)	-	-	-	-	-	902,103	-	902,103
Net loss for the year	-	-	-	-	-	-	(16,602,833)	(16,602,833)
Balance – December 31, 2019	**38,333,346**	**$383**	**$38,219,081**	**$165,841**	**$442,215**	**$4,666,849**	**$(42,096,918)**	**$1,397,451**
Shares issued for Private Placement (note 9 (i))	2,087,139	22	6,470,109	-	-	-	-	6,470,131
Less share issue costs (note 9)	-	-	(450,836)	-	(41,125)	-	-	(491,961)
Shares issued for Overnight Marketed Offering (note 9 (ii))	2,679,500	27	11,521,823	-	-	-	-	11,521,850
Less share issue costs (note 9)	-	-	(960,927)	-	(132,030)	-	-	(1,092,957)
Shares issued for warrants exercised in 2019 (note 9 (iii))	50,944	-	165,841	(165,841)	-	-	-	-
Shares issued for exercise of warrants (notes 9 (iii) and 10 (ix))	64,750	1	230,021	-	(30,772)	-	-	199,250
Shares issued for exercise of stock options (note 9 (iii))	717,000	7	1,868,540	-	-	(838,920)	-	1,029,627
Shares issued for RSUs (note 9 (iv))	18,500	-	42,067	-	-	(42,067)	-	-
Warrants issued for private placements (notes 9 (i) and 11)	-	-	(585,000)	-	585,000	-	-	-
Share to be issued for RSUs (note 9 (x))	-	-	-	183,949	-	(183,949)	-	-
Warrants issued for Overnight Marketed Offering (notes 9 (ii) and 11)	-	-	(1,657,114)	-	1,657,114	-	-	-
Expiry of warrants (note 11)	-	-	-	-	(16,601)	-	16,601	-
Expiry of stock options (note 10 (ix))	-	-	-	-	-	(108,297)	108,297	-
Stock-based compensation - Restricted stock units "RSUs" compensation (note 10 (x))	-	-	-	-	-	256,089	-	256,089
Stock based compensation – Option compensation (note 10 (x))	-	-	-	-	-	2,525,581	-	2,525,581
Shareholder Contribution (note 8)	-	-	-	-	-	134,943	-	134,943
Net loss for the year	-	-	-	-	-	-	(18,490,992)	(18,490,992)
Balance – December 31, 2020	**43,951,179**	**$ 440**	**$54,863,605**	**$183,949**	**$2,463,801**	**$6,410,229**	**$(60,463,012)**	**$3,459,012**

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

AURANIA RESOURCES LTD.

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(*Expressed in Canadian Dollars*)

For the years ended December 31,	2020	2019 (note 15)
Operating expenses		
Exploration expenditures (notes 7, 12 and 13)	**$12,433,119**	$11,540,609
Stock-based compensation (notes 10 and 12)	**2,781,670**	1,813,530
Investor relations and business development	**672,706**	857,390
Office and general	**878,109**	706,179
Management fees (note 12)	**527,397**	615,481
Professional and administrative fees	**456,044**	306,925
Regulatory and transfer agent fees	**190,120**	177,772
Directors' and advisor fees (note 12)	**75,000**	75,000
Amortization (note 6)	**48,378**	35,950
Project evaluation expenses including travel	**9,671**	71,511
Total expenses	**$18,072,214**	$16,200,347
Other expenses (income):		
Other income	**-**	(140,048)
Gain on foreign exchange	**(61,076)**	61,758
Loss on derivative (note 8)	**-**	121,571
Interest income	**(13,206)**	(9,093)
Interest and other financing expense (note 8)	**11,713**	36,096
Accretion of promissory note (note 8)	**481,347**	332,202
Loss and comprehensive loss for the year	**$18,490,992**	$16,602,833
Basic and diluted (loss) per share	($0.44)	($0.47)
Weighted average common shares outstanding - basic and diluted	41,757,519	35,098,249

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

AURANIA RESOURCES LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in Canadian dollars)

For the years ended December 31,	2020	2019
Cash flow from the following activities:		
Operating activities:		
Net loss for the year	**$(18,490,992)**	$(16,602,833)
Adjustment for:		
Amortization (note 6)	**48,378**	35,950
Accrued interest and accretion (note 8)	**493,060**	394,658
Stock-based compensation	**2,781,670**	1,813,530
Loss on derivative	**-**	121,571
Foreign exchange (note 8)	**(115,980)**	(184,552)
Non-cash items:		
Prepaid expenses and receivables	**275,692**	(231,370)
Advance for mineral property interest	**(96,887)**	(463,268)
Accounts payable, accrued liabilities	**482,663**	595,221
Net cash used in operating activities	**(14,622,396)**	(14,521,093)
Financing activities:		
Shares issued for rights offering	**-**	5,254,666
Less share issue costs	**-**	(191,705)
Shares issued for private placements	**6,470,131**	4,460,063
Less share issue costs	**(491,961)**	(154,072)
Shares issued for public offering	**11,521,850**	-
Less share issue costs	**(1,092,957)**	-
Shares issued for warrant exercises (note 11)	**199,250**	5,268,699
Shares issued for option exercises (note 9)	**1,029,627**	81,000
Promissory notes (note 8)	**-**	4,005,900
Net cash provided by financing activities	**17,635,940**	18,724,551
Investing activities:		
Increase in restricted cash	**-**	255,912
Purchase of property and equipment (note 6)	**(63,929)**	(47,050)
Net cash (used in) provided by investing activities	**(63,929)**	208,862
Increase in cash	**2,949,615**	4,412,320
Cash – beginning of year	**5,229,341**	817,021
Cash – end of year	**$8,178,956**	$5,229,341

Supplemental Information	2020	2019
Issuance of broker warrants	**$265,271**	$15,625
Shares issued in settlement of debt	**$-**	$2,987,093

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

1. NATURE OF OPERATIONS AND BUSINESS CONTINUANCE

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

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

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

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

Novel Coronavirus ("COVID-19")

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

As at December 31, 2020 the Company had current assets $8,945,074 (December 31, 2019 - $6,174,264) to fund current liabilities of: accounts payable and accrued liabilities of $1,468,117 (December 31, 2019 - $985,454), a promissory note of $nil (December 31, 2019 - $569,828), and long-term promissory notes of $4,182,495 (December 31, 2019 - $3,370,530). Further, the Company had an accumulated deficit of $60,463,012 (December 31, 2019 - $42,096,918) and working capital surplus of $7,476,957 (December 31, 2019 - surplus $4,618,982).

1. NATURE OF OPERATIONS AND BUSINESS CONTINUANCE, Continued

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

2. BASIS OF PRESENTATION

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

3. CHANGES IN ACCOUNTING POLICIES

During the year ended December 31, 2020, the Company adopted a number of new IFRS standards, interpretations, amendments and improvements of existing standards. These included IAS1 and IFRS3. These new standards and changes did not have any material impact on the Company's consolidated financial statements.

New and Amended IFRS standards not yet effective
During the year ended December 31, 2020, the Company adopted a number of amendments and improvements of existing standards. These included IAS 1 and IFRS 3. These new standards and changes did not have any material impact on the Company's financial statements.

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after January 1, 2021 or later periods. Many are not applicable to, or do not have a significant impact on, the Company and have therefore been excluded. The following have not been adopted and are being evaluated to determine their impact on the Company's consolidated financial statements:

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

IAS 1 – Presentation of Financial Statements ("IAS 1") was amended in January 2020 to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or noncurrent is based solely on a company's right to defer settlement at the reporting date. The right needs to be unconditional and must have substance. The amendments also clarify that the transfer of a company's own equity instruments is regarded as settlement of a liability, unless it results from the exercise of a conversion option meeting the definition of an equity instrument. The amendments are effective for annual periods beginning on January 1, 2023.

4. SIGNIFICANT ACCOUNTING POLICIES, continued

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

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

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

(a) Statement of compliance

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

These annual consolidated financial statements were approved and authorized by the Board of Directors on April 22, 2021.

(b) Basis of consolidation

Subsidiaries

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

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

4. SIGNIFICANT ACCOUNTING POLICIES, continued

(b) Basis of consolidation, continued

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

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

Segment reporting
A segment is a component of the Company that is distinguishable by economic activity (business segment), or by its geographical location (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Company operated in one business segment – Mineral exploration, and two geographical segments – Ecuador and Peru, during the years ended December 31, 2020 and December 31, 2019.

(c) Significant accounting judgments and estimates

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

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

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Estimation of decommissioning and restoration costs and the timing of expenditure
Management is not aware of any material restoration, rehabilitation and environmental provisions as at December 31, 2020 and 2019. Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value and these estimates are updated at least annually. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of a mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

4. SIGNIFICANT ACCOUNTING POLICIES, continued

(c) Significant accounting judgments and estimates, continued

Share-based payments and warrants
Management determines costs for share-based payments and warrants using market-based valuation techniques. The fair value of the market-based and performance-based non-vested share awards is

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

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

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

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

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

See note 17 – Commitments and Contingencies.

4. SIGNIFICANT ACCOUNTING POLICIES, continued

(d) Financial instruments

Financial assets

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

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES, continued

(d) Financial instruments, continued

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

Financial liabilities

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

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

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

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

- Level 1 — valuation based on quoted prices (unadjusted) observed in active markets for identical assets or liabilities.
- Level 2 — valuation techniques based on inputs that are quoted prices of similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; inputs other than quoted prices used in a valuation model that are observable for that instrument; and inputs that are derived from or corroborated by observable market data by correlation or other means.
- Level 3 — valuation techniques with significant unobservable market inputs.

4. SIGNIFICANT ACCOUNTING POLICIES, continued

(e) Compound financial instruments

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

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

(f) Exploration and evaluation expenditures

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

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

(g) Decommissioning, restoration and similar liabilities

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of an exploration property interest. Such costs arising from the decommissioning of a plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the related asset as soon as the obligation to incur such costs arises. The timing of the actual expenditure is dependent on a number of factors such as the life and nature of the asset and the operating license conditions. Discount rates using a pretax rate that reflect the time value of money are used to calculate the net present value. These costs are charged against profit or loss. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Changes in estimates of decommissioning costs are accounted for as a charge to operations. The periodic unwinding of the discount is recognized in consolidated statements of loss as an accretion expense. Management is not aware of any significant decommissioning or restoration obligations at December 31, 2020 and 2019.

(h) Foreign currency translation

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

4. SIGNIFICANT ACCOUNTING POLICIES, continued

(h) Foreign currency translation, continued

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

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

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

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

(i) Impairment of non-financial assets

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

(j) Basic and diluted loss per share

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

(k) Share-based payments

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

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

4. SIGNIFICANT ACCOUNTING POLICIES, continued

(k) Share-based payments, continued

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

(l) Income taxes

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

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

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

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

(m) Property, plant and equipment and amortization

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES, continued

(m) Property, plant and equipment and amortization, continued

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

5. CAPITAL AND FINANCIAL RISK MANAGEMENT

Capital management

The Company considers the capital that it manages to include share capital, share premium, warrants, contributed surplus, shareholder contribution and accumulated deficit, which at December 31, 2020 was a $3,459,012 (December 31, 2019 – $1,397,451). The Company manages its capital structure and makes adjustments to it, based on the funds needed in order to support the acquisition and exploration of mineral properties. Management does this in light of changes in economic conditions and the risk characteristics of the underlying assets. There has been no change with respect to the overall capital risk management strategy during the years ended December 31, 2020 and 2019. Neither the Company nor its subsidiaries are subject to externally imposed capital requirements, other than those of the TSX Venture Exchange ("TSXV"), which requires adequate working capital or financial resources of the greater of (i) $50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of six months. As at December 31, 2020, the Company believes it is compliant with the policies of the TSXV.

Exercise of options and warrants
During the year ended December 31, 2020, a total of $1,228,877 was added to the treasury from the exercise of 717,000 stock options and 64,750 warrants. **See note 10-Stock based-compensation and note 11-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 a 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. **See note 9- Share capital.**

On October 29, 2020, the Company closed an overnight marketed public offering of units of the Company (the "Units"), including exercise in full of the over-allotment option (the "Offering"). A total of 2,679,500 Units were sold at a price of $4.30 per Unit (the "Offering Price") for gross proceeds of approximately $11.5 million. Each Unit is comprised of one common share in the capital of the Company and one-half common share purchase warrant. Each whole warrant shall entitle the holder to purchase one common share at $5.50 at any time on or before the date which is 24 months after the Closing Date. **See note 9-Share capital.**

Financial risk management

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate, foreign currency, and commodity price risk). Risk management is carried out by

5. CAPITAL AND FINANCIAL RISK MANAGEMENT, continued

Financial risk management, continued

management, with guidance from the Audit Committee under policies approved by the Board of Directors (the "Board"). The Board also provides regular guidance for overall risk management. There have been no changes in the risks, objectives, policies and procedures during the years ended December 31, 2020 and 2019.

Credit risk

Credit risk is the risk of an unexpected loss if a third party to a financial instrument fails to meet its contractual obligations. The Company has no significant concentration of credit risk arising from its operations. Cash is held at select Canadian, Swiss, Ecuadorian and Peruvian financial institutions, from which management believes the risk of loss to be low. The Company does not have any material risk exposure to any single debtor or group of debtors.

Liquidity risk

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

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

The Company generates cash flow primarily from its financing activities. As at December 31, 2020, the Company had available cash of $8,178,956 (2019 - $5,229,341) to settle current liabilities of $1,468,117 (2019 - $1,555,282). Also, the Company has a long-term liability of $4,182,495 (2019 - $3,370,530) **See note 8 – Promissory notes and convertible debenture**. All the Company's financial liabilities generally have contractual maturities of less than 30 days and are subject to normal trade terms, except for its promissory notes. In addition to the commitments disclosed in Note 17, the Company is obligated to the following contractual maturities of undiscounted cash flows as at December 31, 2020:

In Canadian $ equivalents	Carry amount	Contractual cash flows	January 1 ,2021 to December 31, 2021	January 1 ,2022 to December 31, 2022
Accounts payable and accrued liabilities	1,468,117	1,468,117	1,468,117	-
Promissory note 2017 (note 6)	567,102	575,851	-	567,102
Promissory note 2019 (note 6)	3,615,392	3,965,204	-	3,615,392
	5,650,611	6,009,172	1,468,117	4,182,494

As the Company has no steady source of revenues or cash flow and has implemented its exploration plan as anticipated, it is highly probable that additional financing will be required during 2020 to further advance exploration at the Project, to meet ongoing financial obligations and discharge the Company's liabilities, in the normal course of business. The Company is considering different sources of potential funding to advance exploration, including equity issuances, short-term loans, the exercise of warrants and stock options and joint venture partnerships.

5. CAPITAL AND FINANCIAL RISK MANAGEMENT, continued

Financial risk management, continued

Market risk

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

(i) Interest rate risk

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

(ii) Foreign currency risk

Certain of the Company's expenses are incurred in USD, CHF and SOL are therefore subject to gains or losses due to fluctuations in these currencies. Management believes that the foreign exchange risk derived from currency conversions is best served by not hedging its foreign exchange risk. At December 31, 2020 and 2019, the Company's exposure to foreign currency risk with respect to amounts denominated in USD, CHF and SOL, was substantially as follows:

In Canadian $ equivalents	**December 31, 2020**	December 31, 2019
Cash	**$2,103,088**	$578,568
Advances for mineral properties	**560,155**	463,268
Accounts payable, accrued liabilities and promissory note	**(5,331,489)**	(4,707,579)
Net exposure	**$(2,668,246)**	$(3,665,743)

Commodity price risk

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

Commodity prices have fluctuated significantly in recent years. There is no assurance that these metals will be produced in the future or that a profitable market will exist for them. At December 31, 2020 and 2019, the Company was not a metals commodity producer.

Sensitivity analysis

At December 31, 2020 and 2019, both the carrying and fair value amounts of the Company's short-term financial instruments are approximately equivalent due to their short-term nature. The carrying amount of the long-term promissory note at December 31, 2019 approximates its fair value due to the short amount of time that had passed since its issuance. The fair value of the long-term promissory note at December 31, 2020 is approximately $3,934,000. This was estimated based on discounting the promissory notes at an estimated discount rate of 15% with term a term of one year.

5. CAPITAL AND FINANCIAL RISK MANAGEMENT, continued

Sensitivity analysis, continued

Based on Management's knowledge and experience of the financial markets, the Company believes that a 10% strengthening of the Canadian dollar against the USD, SOL and CHF at December 31, 2020 would have increased the net asset position of the Company by $267,000 (December 31, 2019 – $366,574). A 10% weakening of the Canadian dollar against the same would have had an equal but opposite effect.

6. PROPERTY AND EQUIPMENT

	Leasehold Improvements	Field Equipment	Furniture and Fixtures	Computer Equipment	Total
COST					
At December 31, 2018	**$27,545**	**$66,624**	**$6,358**	**$68,525**	**$169,052**
Additions	-	11,624	2,041	33,387	47,052
At December 31, 2019	**27,545**	**78,248**	**8,399**	**101,912**	**216,104**
Additions	-	44,311	-	19,618	63,929
At December 31, 2020	**27,545**	**122,559**	**8,399**	**121,530**	**280,033**
ACCUMULATED DEPRECIATION					
At December 31, 2018	**(2,994)**	**(10,029)**	**(277)**	**(17,855)**	**(31,155)**
Additions	(2,075)	(15,411)	(698)	(17,766)	(35,950)
At December 31, 2019	**(5,069)**	**(25,440)**	**(975)**	**(35,621)**	**(67,105)**
Additions	(2,074)	(18,162)	(758)	(27,384)	(48,378)
At December 31, 2020	**(7,143)**	**(43,602)**	**(1,733)**	**(63,005)**	**(115,483)**
NET BOOK VALUE					
At December 31, 2019	22,476	52,808	7,424	66,291	148,999
At December 31, 2020	**$20,402**	**$78,957**	**$6,666**	**$58,525**	**$164,550**

7. MINERAL PROPERTY INTERESTS

ECUADOR

a) Mineral concessions and obligations

The Company acquired the rights, title and 100% interest in the Lost Cities Project, comprised of certain mineral concessions covering 207,764Ha in southeastern Ecuador, on May 26, 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 are regulated according to the following phases:

- up to four years of “Initial Exploration”, as extended by the December 9, 2020 Ministerial decree.
- 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”.

7. MINERAL PROPERTY INTERESTS, continued

ECUADOR, continued

a) Mineral concessions and obligations, continued

Initial Exploration Phase. - Annual Mineral concession fee and expenditure obligations

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]	2,077,640[2]	2,098,000[2]	5,116,155
4 (2020)	2,077,640[1]	2,077,640[2]	2,081,800[2]	8,627,136

[1] Paid - The Concession Fee is the larger of $10/Ha or the amount of Committed Expenditure by the Company.
[2] Requirement satisfied.

Advanced Exploration Phase - Annual Mineral concession fee and expenditure obligation

On December 9, 2020 in recognition of operational delays caused by the COVID-19 pandemic, the Ministry of Energy and Non-Renewable Resources issued a Ministerial Decree that extends the Initial Exploration stage for a minimum of 18 months to a maximum of 36 months. This is assessed on a case by case and concession by concession basis. As a result of this extension the timing of the first payments for the Advanced Exploration phase, which double to USD$20/Ha, has been revised and is set out below, along with the maximum amounts payable. The amounts payable are expected to be less than the maximum as it is the Company's intention to drop concessions of low geological interest. The extent of any reduction in the number of concessions held is yet to be determined.

	Number of concessions	Hectares	Concession fee
Q2 2022	4	19,787	$395,741
Q3 2022	4	19,787	395,741
Q2 2023	1	4,947	98,935
Q4 2023	23	113,776	2,275,510
Q2 2024	10	49,468	989,352
	42	**207,764**	**$4,155,280**

Environmental Registration and Plan obligations.

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.

b) Relinquishment or cancellation of concessions

The size of the concession area constituting the Project may be reduced at the Company's discretion, based on exploration results. Conversely, mineral concessions can be cancelled by the State, for various reasons including, misrepresentation by the concession-holder of the stage of the concessions' exploration and development, by causing an excessive environmental impact, irreparable damage to Ecuadorian cultural heritage, or by the violation of human rights. **See note 13 – Exploration expenses**

7. MINERAL PROPERTY INTERESTS, continued

ECUADOR, continued

c) Exploration entitlements

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

PERU

Mineral concessions in Peru

In late 2019 the Company applied to the Peruvian Mining and Metallurgical Geological Institute "INGEMMET" for 418 mineral concessions which continue to be in progress. 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, $1,911,872 was expensed in 2019 related to the applications in progress and those rejected. The advances for mineral property interest of $560,155 (December 31, 2019 - $463,268) represent cash advances made to INGEMMET that can be applied to future applications. The Company has an annual obligation of $1,446,591 in regards to the Peru project concession payments.

8. PROMISSORY NOTES AND CONVERTIBLE DEBENTURE

Promissory Note - Mineral Concessions Loan ("MCL1")

For the year ended December 31,	2020	2019
Balance, beginning of year	**$569,828**	$579,915
Accrued interest	**11,713**	11,672
Foreign exchange translation (gain)	**(14,439)**	(21,759)
Balance, end of year	**$567,102**	$569,828

On March 20, 2017 ("Date of MCL1"), Dr. Barron (the "Lender") advanced USD 2,000,000 to ESA to facilitate the payment of the 2017 minerals concession fees, pursuant to an unsecured, promissory note loan at 2% annual interest. On May 29, 2017, the Company repaid USD 1,000,000 of the MCL1.

On April 2, 2018, the Lender settled $280,000 of MCL1 in consideration of exercising 700,000 stock options, at $0.40 per option. Accordingly, the Company issued 700,000 common shares to the Lender in exchange for reducing the principal owing on MCL1 by USD 217,168 ($280,000). On August 16, 2018 the Company repaid $500,000 of MCL1 in cash. The Lender of the Promissory note - Mineral Concessions Loan ("MCL1") maturing May 29, 2020 agreed to extend the maturity date to May 29, 2021 with all other terms and conditions remaining the same. On September 30, 2020, the Lender agreed to amend the terms of MCL1 such that it will become repayable on the day following the one year anniversary of the Lender requesting repayment. During the period ended December 31, 2020, the accrued interest and foreign exchange translation gain on the MCL1 are $11,713 and $14,439 (year ended December 31, 2019 - $11,672 and translation gain of $21,759). The Company has assessed the accounting for the amendment of the terms of the promissory note and concluded that the amendment is a modification. As such, the carrying amount of the liability at its modification date will be amortized over the new term of the promissory note.

8. PROMISSORY NOTES AND CONVERTIBLE DEBENTURE, continued

Convertible debenture – Mineral Concession Loan ("MCL2")

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

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

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

For the year ended December 31,	**2020**	2019
Balance, beginning of year	**$-**	**$2,476,672**
Interest expense	-	9,338
Amortization of debt discount	-	28,422
Foreign exchange gain immediately prior to conversion	-	(97,323)
Interest payable on convertible debenture	-	13,023
Settled by shares issued upon conversion of debt	-	(2,430,132)
Balance, end of year	**$-**	**$-**

Discounts (premiums) on the convertible notes arise from (i) the allocation of basis to other instruments issued in the transaction, (ii) fees paid directly to the creditor and (iii) initial recognition at fair value, which is lower than face value.

Derivative liability

The carrying value of the embedded derivative liability on the Debenture is recorded at its estimated fair value, with changes in the value being recorded as derivative (gain) loss on the consolidated statement of loss. The fair value of the embedded derivative liability as of December 31, 2020 and 2019 is as follows:

For the year ended December 31,	**2020**	2019
Balance, beginning of period	**$-**	**$ 435,390**
Loss on derivative	-	121,571
Settled by shares issued upon conversion of debt	-	(556,961)
Balance, end of period	**$ -**	**$-**

8. PROMISSORY NOTES AND CONVERTIBLE DEBENTURE, continued

Promissory note 2019

On April 22, 2019, Dr. Barron, advanced USD 3,000,000 by way of a promissory note to the Company. The loan is unsecured, with a term of two years, bearing an interest rate of 2% per annum which is considered to be below a market rate of interest for such a loan. IFRS requires that where an interest rate is below the market rate, estimated at 15%, there is deemed to be a benefit to the shareholders and as such that portion of the promissory loan considered to represent that benefit is recorded in equity as a shareholder contribution. The amount of the benefit is then recognized over the life of the promissory note as an accretion expense. On August 20, 2020, Dr. Barron agreed to amend the terms of his promissory note issued in 2019 such that it will become repayable on the day following the one year anniversary of Dr. Keith Barron requesting repayment. The Company has assessed the accounting for the amendment of the terms of the promissory note and concluded that the amendment is a modification. As such, the carrying amount of the liability at its modification date will be amortized over the new term of the promissory note. The accretion on the promissory note will be accounted for as a shareholder contribution until such time that the repayment is requested by the Lender.

For the year ended December 31,	2020	2019
Balance, beginning of period/issuance of promissory note	**$3,370,530**	**$4,005,900**
Interest rate benefit recognized as shareholder contribution	(134,943)	(902,103)
Accretion expense	481,347	332,202
Foreign exchange translation gain	(101,541)	(65,469)
Balance, end of period	**$3,615,393**	**$3,370,530**

9. SHARE CAPITAL

Authorized share capital at December 31, 2020 and 2019 is 1,000,000,000 common shares with a par value of $0.00001 per share. All shares issued are fully paid. The number of issued and outstanding common shares at December 31, 2020 is 43,951,179 (December 31, 2019 – 38,333,346). During the year ended December 31, 2020, the Company completed the following:

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

(ii) **Brokered overnight marketed public offering**
On October 29, 2020, the Company closed its previously announced overnight marketed public offering of units of the Company (the "Units"), including exercise in full of the over-allotment option (the "Offering"). A total of 2,679,500 Units were sold at a price of $4.30 per Unit (the "Offering Price") for gross proceeds of $11,521,850. Each Unit is comprised of one (1) common share in the capital of the Company (each, a "Common Share") and one-half Common Share purchase warrant (each whole warrant, a "Warrant"). Each Warrant shall entitle the holder to purchase one Common Share at $5.50

9. SHARE CAPITAL, continued

(ii) **Brokered overnight marketed public offering, continued**

at any time on or before the date which is 24 months after the Closing Date. The cash paid for broker, regulatory and legal costs, was $1,092,957. Values of $1,391,843 and $265,271 have been assigned to investor warrants and broker warrants respectively using the Black-Sholes option pricing model using the following assumptions: for the investor warrants and broker warrants, expected dividend yield 0%, expected volatility of 71%, a risk-free rate of 0.23% and an expected life of 2 years. Volatility is based on the historical trading of the Company's shares.

(iii) **Common shares**

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

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

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

(iv) **RSU's**

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

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

(i) **Rights offering**

On March 8, 2019, the Company announced that it had completed a rights offering ("Rights Offering") for $5,254,666 with the issuance of 1,946,172 common shares. Every shareholder had the right to acquire shares at $2.70 per share. Eligible registered brokers were entitled to a commission of 3%, and the cash paid for commissions, regulatory and legal cost, was $191,705.

(ii) **Stand-by commitment**

In connection with the Rights Offering, the Company entered into a stand-by purchase agreement with Dr. Keith Barron, Chairman and Chief Executive Officer of the Company, for a commitment amount of $4,000,000 (the "Stand-By Commitment"). As a result, Dr. Barron exercised his rights' entitlement for the purchase of 1,385,790 common shares and purchased an additional 95,691 common shares from the 'Additional' shares pool, as agreed. Both the basic and additional shares were purchased for $2.70 per share. In connection with the Stand-By Commitment for the Rights Offering, Dr. Barron did acquire 1,481,481 common shares.

(iii) **Repayment and conversion of convertible debenture (MCL2)**

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

9. SHARE CAPITAL, continued

(iv) **Private Placement**

On September 20, 2019, Aurania announced completion of a non-brokered private placement for $4,460,063 (gross), with the issuance of 1,651,875 "units" at $2.70 per unit. Eligible registered brokers were entitled to a commission of 6% cash and warrants. Financing cost, including commissions was $154,072. Each unit consists of one common share and one-half common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at an exercise price of $4.00 for a period of 18 months following closing of the Offering. In addition, finders received 15,914 warrants exercisable into one common share at $4.00 per common share for 24 months.

In connection with the financing, Dr. Keith Barron, Chairman and CEO of the Company, acquired 642,482 units through a corporate entity over which he has direction and control.

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

10. STOCK-BASED COMPENSATION

Stock options

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

During the year ended December 31, 2019, the Company has following stock option transactions:

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

Total value of $579,120 has been assigned to the options using the Black-Scholes option pricing model using the following assumptions: expected forfeiture rate of 0%, expected dividend yield of 0%, expected volatility of 100%, a risk-free interest rate of 1.92% and an expected life of 5 years. Volatility was based on the historical trading of the Company's shares.

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

10. STOCK-BASED COMPENSATION, continued

Stock options, continued

A value of $170,940 has been assigned to the options using the Black-Scholes option pricing model using the following assumptions: expected forfeiture rate of 0%, expected dividend yield of 0%, expected volatility of 100%, a risk-free interest rate of 1.39% and an expected life of 5 years. Volatility was based on the historical trading of the Company's shares.

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

A value of $2,116,000 has been assigned to the options using the Black-Scholes option pricing model using the following assumptions: expected forfeiture rate of 0%, expected dividend yield of 0%, expected volatility of 100%, a risk-free interest rate of 1.54% and an expected life of 5 years. Volatility was based on the historical trading of the Company's shares.

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

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

(v) On February 7, 2020, the Company granted 300,000 stock options to four senior employees of the Company. Each option is exercisable to acquire one common share at a price of $3.16. The options expire on February 7, 2025, and vest as follows: 100,000 vest 1/3 on the grant date and on the anniversary of that date 2021 and 2022. A total value of $708,000 has been assigned to the options using the Black-Scholes option pricing model using the following assumptions: expected forfeiture rate of 0%, expected dividend yield of 0%, expected volatility of 100%, a risk-free interest rate of 1.51% and an expected life of 5 years. Volatility was based on the historical trading of the Company's shares. To December 31, 2020, a total of $558,229 has been expensed for the vested options.

(vi) On November 18, 2020, the Company granted 1,020,000 stock options to consultant and employees. Each option is exercisable to acquire one common share at a price of $3.51. The options expire on December 31, 2021 and November 18, 2025, and vest as follows: 100,000 vest on December 31, 2020 and 306,667 vest 1/3 on the grant date and on the anniversary of that date 2021 and 2022. A total value of $2,016,540 has been assigned to the options using the Black-Scholes option pricing model using the following assumptions: expected forfeiture rate of 0%, expected dividend yield of 0%, expected volatility of 69.48%, a risk-free interest rate of 0.26% and an expected life of 5 years. Volatility was based on the historical trading of the Company's shares. To December 31, 2020, a total of $790,962 has been expensed for the vested options.

On December 23, 2020, the Company granted 100,000 stock options to consultant of the Company. Each option is exercisable to acquire one common share at a price of $3.25. The options expire on December 23, 2025, and vest as follows: 33,333 vest 1/3 on the grant date and on the anniversary of that date 2021 and 2022. A total value of $182,500 has been assigned to the options using the Black-Scholes option pricing model using the following assumptions: expected forfeiture rate of 0%, expected dividend yield of 0%, expected volatility of 70.42%, a risk-free interest rate of 0.22% and an expected life of 5 years. Volatility was based on the historical trading of the Company's shares. To December 31, 2020, a total of $64,841 has been expensed for the vested options.

10. STOCK-BASED COMPENSATION, continued

(vii) For year ended December 31, 2020, an aggregate of $2,539,690 of stock-based compensation was recorded for the fair value of vested stock options resulting from the grant of stock options in the current period and prior years.

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

(ix) The following summarizes the stock options activity during the years ended December 31, 2020 and 2019:

	Number of Options	Weighted Average Exercise Price	Estimated Fair Value
Balance - December 31, 2018	**1,516,260**	**$2.92**	**$1,806,852**
Issued	1,455,000	2.82	1,488,280
Exercised	(65,000)	1.25	(36,216)
Stock-based compensation expense	-	-	314,660
Balance - December 31, 2019	**2,906,260**	**2.41**	**3,573,576**
Issued	1,420,000	3.42	1,414,031
Exercised	(717,000)	1.45	(838,920)
Expired	(68,260)	2.50	(108,297)
Stock-based compensation expense	-	-	1,111,549
Balance – December 31, 2020	**3,541,000**	**$2.99**	**$5,151,939**

(x) The following summarizes the stock options outstanding at the year ended December 31, 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	April 5, 2023	454,423
48,000	32,000	$3.40	January 16, 2024	120,869
77,000	51,333	$2.97	June 28, 2024	167,518
880,000	293,334	$2.70	October 24, 2024	1,399,909
200,000	66,667	$2.70	December 31, 2021	318,161
300,000	100,000	$3.16	February 7, 2025	558,228
920,000	339,997	$3.51	November 17, 2025	713,417
100,000	33,333	$3.51	December 31, 2021	77,545
100,000	33,333	$3.25	December 22, 2025	64,841
3,541,000	**1,815,997**			**$5,151,939**

The weighted average contractual life remaining for stock options as at December 31, 2020 is 2.86 years (December 31, 2019 - 3.4 years) and the weighted average grant date fair value is $1.98 (December 31, 2019 - $1.71).

10. STOCK-BASED COMPENSATION, continued

Restricted Stock Units ("RSUs")

RSUs are granted to encourage employee performance and retention. The RSUs are awarded based on performance criteria and vest over three years in equal instalments. For each RSU that vests a common share in the company is issued. There is no cash option. The following summarizes the RSU activity for the years ended December 31, 2020 and 2019:

	Number of RSUs	Weighted Average Fair Value	Estimated Fair Value
Balance – December 31, 2018	**67,000**	**$1.98**	**$132,581**
Shares issued for RSU's	122,700	2.50	10,590
Balance – December 31, 2019	**189,700**	**2.32**	**143,171**
Issued	338,700	3.46	84,371
Shares issued for RSUs	(18,500)	(2.27)	(42,067)
Shares to be issued for RSUs	(89,400)	(2.06)	(183,949)
Stock-based compensation expense	-	-	206,572
Balance – December 31, 2020	**420,500**	**$3.07**	**$208,098**

The weighted average contractual life remaining for RSUs at December 31, 2020 is 5 years (December 31, 2019 - 4.47 years). The RSUs were not included in the computation of diluted net loss per share for the periods presented as they are anti-dilutive. On October 24, 2019, the Company granted 122,700 restricted stock units ("RSU's") to employees of the Company vesting over 3 years, and they were valued based on the quoted market price on the date of issuance. On November 18, 2020, the Company granted 338,700 restricted stock units ("RSU's") to employees of the Company vesting over 3 years, and they were valued based on the quoted market price on the date of issuance.

11. WARRANTS

The following summarizes the warrants and Agents' warrants activity and outstanding warrants and Agents' warrants for the years ended December 31, 2020 and 2019:

	Number of Warrants/ Agents' Options	Weighted Average Exercise Price	Estimated Fair Value
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**
Issued warrants private placement	1,043,567	4.25	585,000
Share issue costs attributable to warrants	-	-	(41,125)
Issued warrants	1,339,750	5.50	1,391,843
Issued agents warrants	160,770	4.30	265,271
Share issue costs attributable to warrants	-	-	(132,030)
Exercised	(64,750)	(3.08)	(30,772)
Expired	(34,900)	(3.00)	(16,601)
Balance – December 31, 2020	**3,380,938**	**$4.87**	**2,463,801**

11. WARRANTS, continued

Outstanding warrants

Expiry date	Number of Warrants	Exercise Price
February 27, 2021	510,431	$4.00
March 20, 2021	310,506	$4.00
August 27, 2021	4,734	$4.00
August 28, 2021	236,994	$4.25
September 5, 2021	671,622	$4.25
September 13, 2021	134,951	$4.25
September 20, 2021	11,180	$4.00
October 29, 2022	1,339,750	$5.20
October 29, 2022	160,770	$4.30
Balance – December 31, 2020	**3,380,938**	

Exercise of warrants
At December 31, 2020, 64,750 warrants with a weighted exercise price of $3.08 were exercised for proceeds of $199,250. Shares related to the exercise of 50,944 of these warrants were issued in the few days following December 31, 2019 and are recorded as shares to be issued.

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

12. KEY MANAGEMENT COMPENSATION EXPENSE

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

For the year ended December 31,	2020	2019
Management fees corporate [(1)]	**$327,936**	$317,175
Management fees technical [(1)]	**400,491**	337,188
Director and advisor fees [(2)]	**75,000**	75,000
Stock-based compensation for key management and directors [(3)]	**1,861,000**	1,229,934
Total key management compensation expense	**$2,664,427**	**$1,959,297**

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

(2) Director's fees are $15,000 per annum, per director or $3,750 per quarter.

(3) This figure is the estimated fair value expense of vested stock options and RSUs granted to key management and directors during the years ended December 31, 2020 and 2019.

13. EXPLORATION EXPENDITURES

For the years ended December 31,	2020	2019(note 15)
ECUADOR & CANADA		
GEOLOGY/FIELD:		
- Salaries, benefits (note 12)	**$2,374,944**	$2,071,202
- Camp costs, equipment, supplies	**1,082,566**	375,388
- Project management (note 12)	**222,079**	337,188
- Travel, accommodation	**195,207**	601,754
- Office (Quito, Macas)	**63,066**	112,381
- Environment, health & safety	**505,832**	210,107
- Water	**147,490**	54,981
- VAT [(1)]	**475,642**	346,221
- Drilling	**1,746,201**	975,658
GEOCHEMISTRY	**976,157**	414,634
GEOPHYSICS	**299,638**	103,621
EXPERT CONSULTANTS	**118,778**	-
OTHER TECHNICAL STUDIES	**288,065**	273,793
CORPORATE SOCIAL RESPONSIBILITY - fees, travel, supplies	**788,022**	819,185
LEGAL COSTS FOR CONCESSION MAINTENANCE	**75,452**	31,949
CONCESSION MAINTENANCE – permits	**2,785,907**	2,701,348
Total exploration expense – Ecuador & Canada	**12,145,046**	$9,429,410
PERU		
- Cost related to concession fee applications	**180,636**	1,911,872
- Concession fees recoveries	**(116,031)**	-
- Technical Consulting	**68,759**	-
- Legal	**154,709**	199,327
Total exploration expense – PERU	**288,073**	2,111,199
TOTAL EXPLORATION EXPENSE	**$12,433,119**	$11,540,609

(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.

14. RELATED PARTY TRANSACTIONS

Related parties include the Board of Directors, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions. The Company entered into the following transactions with related parties during the years ended December 31, 2020 and 2019:

(a) A total of $nil (2019 - $150,000), plus applicable taxes was charged to the Company by a management company controlled the President, for management consulting fees.

(b) A total of $21,581 (2019 - $163,141), plus applicable taxes were charged to the Company by the Chief Financial Officer ("CFO"), pursuant to a consulting contract and are included in **Note 12. Management Compensation Expenses**. Included in accounts payable and accrued liabilities at December 31, 2020 is $nil (2019 - $15,288) owed to the CFO, for unpaid fees.

14. RELATED PARTY TRANSACTIONS, continued

(c) During the year ended December 31, 2020, the Company incurred $144,000 (2019 - $144,000) of administrative service costs including office, rent and general office services, to Big Silver Ltd. a company owned and controlled by the Chairman, CEO and principal shareholder. Included in accounts payable and accrued liabilities at December 31, 2020 is $nil (2019 - $nil). These amounts are unsecured non-interest bearing and are due on demand. - **See note 17 Commitments and Contingencies.**

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

15. RECLASSIFICATION OF PRIOR YEAR'S DATA FOR PRESENTATION

Certain of the 2019 comparative amounts have been reclassified to conform to the 2020 form of presentation.

16. SEGMENTED INFORMATION

At December 31, 2020, the Company's operations comprised one business segment engaged in mineral exploration and two operating segments - in Ecuador, Peru and Switzerland. Cash of $8,107,008 (December 31, 2019 - $5,015,849) is held in a Canadian chartered bank, $38,419 (December 31, 2019 - $211,365) being held in a chartered bank in Ecuador and the balance of $2,083 (December 31, 2019 - $2,127) being held in a chartered bank in Switzerland and the balance of $31,446 (December 31, 2019 - $nil) being held in a chartered bank in Peru.

17. COMMITMENTS AND CONTINGENCIES

Environmental contingencies

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

Service costs and consulting agreements

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

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 July 16, 2019, Aurania signed a contract with a consultant to perform a specialized LiDAR survey. Pursuant to the contract the Company will pay $800,332 (USD 591,000) in installments against a performance and product delivery schedule. The Company has paid $160,153 (USD 118,264) to date.

The Company is party to certain management contracts. These contracts contain minimum commitments of approximately $693,000 and additional contingent payments of up to approximately

17. COMMITMENTS AND CONTINGENCIES

$1,040,000 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.

18. INCOME TAXES

(a) Provision for income taxes

Major items causing the Company's income tax rate to differ from the federal statutory rate of approximately 0% (2019 – 0%) were as follows:

	2020	2019
(Loss) before taxes:	**$(18,490,992)**	$(16,602,833)
Expected income tax benefit based on statutory rate	-	-
Adjustments to expected income tax benefit:		
- Adjustment for taxes in foreign operations	**(3,404,000)**	(2,943,000)
- Change in foreign exchange rates	**213,000**	382,000
- Non-deductible expenses	**9,000**	7,000
- Tax benefits not recognized	**3,182,000**	2,554,000
Deferred income tax	**$-**	$-

(b) Deferred income tax balances

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

	2020	**2019**
Non-capital losses carry-forwards – Canada	**$7,235,000**	$5,374,000
Non-capital losses carry-forwards - Switzerland	**$1,685,000**	$1,636,000
Non-capital losses carry-forwards - Peru	**$345,000**	$-
Non-capital losses carry-forwards - Ecuador	**$29,634,000**	$19,166,000

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

The losses which may reduce taxable income in Canada, amount to approximately $7,235,000 and expire as follows:

Amount	**Year of Expiry**
347,000	2033
341,000	2034
313,000	2035
262,000	2036
850,000	2037
1,357,000	2038
1,825,000	2039
1,940,000	2040
7,235,000	

19. SUBSEQUENT EVENTS

Vested RSUs converted to common shares
Subsequent to December 31, 2020, 6,500 RSU's have been exercised.

New Director
Subsequent to December 31, 2020, Nathalie Han was appointed to the Board.

Ecuador Concession payments
Subsequent to December 31, 2020, the Company completed payment of 2021 the annual mining concession fees and associated filing.

Brokered overnight marketed public offering and concurrent private placement
On April 1, 2021, the Company closed its previously announced overnight marketed public offering of units of the Company, including exercise in full of the over-allotment option (the "Offering"). A total of 2,507,000 Units were sold at a price of $3.10 per Unit for gross proceeds of $7,771,700. Each unit is comprised of one (1) common share in the capital of the Company and one common share purchase warrant. Each warrant shall entitle the holder to purchase one common share at $4.25 at any time on or before the date which is 36 months after the closing date.

In connection with the offering, the Company paid to the underwriters a cash commission of 6% of the gross proceeds from the offering and issued to the underwriters a number of compensation warrants equal to 6% of the Units sold under the offering. Each compensation warrant is exercisable into a Unit at the exercise price of $4.25 per unit until April 1, 2024.

On April 7, 2021 the Company closed its previously announced concurrent private placement of units with substantially the same terms and conditions as the units issued in the offering for gross proceeds of $1,251,498.