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AURANIA RESOURCES LTD.

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

For the Three and Nine Months Ended September 30, 2021

(Expressed in Canadian Dollars unless otherwise indicated)



INTRODUCTION

Aurania Resources Ltd. (“Aurania” or the “Company”) is a publicly traded junior mining exploration company engaged in the identification, evaluation, acquisition, and exploration of mineral property interests, with a focus on precious metals and copper in South America. Aurania’s principal asset is a 100% holding of the Lost Cities – Cutucu project (“Lost Cities Project”) that covers approximately 208,000 hectares (“Ha”) in southeastern Ecuador. The Company has also applied for mineral concessions in adjacent northern Peru (“Peru Project”, and together with the Lost Cities Project, the “Projects”) and these applications are progressing through the lengthy review process that precedes the granting of the mineral concessions. This Management’s Discussion and Analysis (“MD&A”) is a review of the financial condition and results of operations by the management (“Management”) of Aurania for the nine months ended September 30, 2021 (the “Reporting Period”). This MD&A is prepared as at November 25, 2021, unless otherwise indicated, and should be read in conjunction with the unaudited condensed consolidated financial statements for the three and nine months ended September 30, 2021 and the notes related thereto which have been prepared in accordance with International Financial Reporting Standards (“IFRS”). All monies are expressed in Canadian dollars unless otherwise indicated. Additional information relevant to the activities of the Company has been filed electronically through the System for Electronic Document Analysis and Retrieval (“SEDAR”) – <http://www.sedar.com> and are also available on the Company’s website <http://www.aurania.com>.

CAUTIONARY NOTE

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

1. Q3 2021 HIGHLIGHTS

1.1. Exploration - Lost Cities Project, Ecuador

1.1.1 COVID-19 Response

- The Company's office in Toronto, Canada remained closed during the period with personnel working remotely. The office in Quito, Ecuador, is operating as normal within the regulations issued by the Ecuadorian government.
- The Company continues to adhere to the strict health and safety protocols mandated by Ecuadorian central and provincial governments. The Company implemented further protocols designed to detect and isolate suspected COVID-19 infections as early as possible. In Q1, 2021, no cases were detected in the Company's workforce, six cases were identified in Q2, six cases in Q3 and a further one case recorded subsequent to quarter-end and to the date of this MD&A. Identified cases of infection were isolated with due medical attention provided. The people who were infected have fully recovered and have returned to work, having subsequently tested negative for COVID-19. 89% of employees and support staff have been vaccinated; the reason that two people have not been vaccinated is due to their pregnancy. Three of the vaccinated staff have subsequently been infected with COVID-19; they showed minor symptoms.

1.1.2 Exploration

(a) Reconnaissance

Stream sediment sampling had been completed over 64% of the Lost Cities Project by the end of Q3, 2021.

(b) Epithermal targets for gold-silver

Kuri-Yawi B1: Two holes were drilled for 1,948m (345m was drilled in Q1, 2021 and 1,603m was drilled in Q2, 2021) on a target area largely identified through MobileMT. The geophysics highlighted a possible epithermal target above a deeper porphyry-like target. The drill holes intersected epithermal-type vein textures over a vertical interval of approximately 800m although no significant mineralization was detected. No porphyry body was detected at depth. Geological information obtained from these drill holes was used to constrain a further iteration of the geophysical model through 3D inversion.

Latorre C: Sinter material previously identified defines probable upwelling zones that typically lie at the core of epithermal systems. One of these zones has associated gold in soil. MobileMT data shows the presence of a conductor at depth within the Latorre C target area.

Kuripan: A soil grid showed two main areas with enrichment of epithermal pathfinders, arsenic and selenium, with erratic gold values in the northern part of the target area. Sinter is exposed in the southern part of the target area.

(c) Sediment-hosted copper-silver targets

Eight holes have drilled at Tsenken N1: one in Q1 (722m), four in Q2 (1,461m), three in Q3 (1,769m). Hole 9 is scheduled to start shortly. The target name "Tsenken N1" originally referred to a target of restricted size, and the drilling in this area has expanded to cover the area originally designated as "Tsenken B".

(d) Intrusive-related copper targets

Kuri-Yawi: The deeper parts of holes YW-008 and YW-009 were designed to test a porphyry target at depth in the B1 area of Kuri-Yawi as described above. 1D MobileMT geophysics defined two other porphyry-style targets within the Kuri-Yawi area (Kuri-Yawi F and E), and these are being further evaluated for scout drilling. Target E consists of pathfinder element enrichment over a magnetic feature and target F lies in an area of quartz-sericite-pyrite ("QSP") mineral alteration, pathfinder enrichment in soil and intrusive phases in outcrop.

Tatasham: The Tatasham target is the largest magnetic target identified in the 2017 helicopter geophysical survey. Subsequent MobileMT coverage of the target in 2020, and associated 3D inversion of those data, provided more detail



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that resolved into a core magnetic area partially enclosed by elevated conductivity. Exploration is refining the area of most intense alteration and interest as a drill target.

Awacha: 3D inversion modelling of the Awacha area has refined the characteristics of the suspected porphyry cluster, which helps to focus the field work required to define drill targets in detail.

Tsenken N2 & N3: Drilling of the Tsenken N2 and N3 targets was completed in December 2020. These targets were downgraded as having no further interest.

Tsenken N4: The drilling at Tsenken N2 and N3 defined a mineral alteration vector towards the northeast. MobileMT defined two moderately conductive targets along trend of the vector, in the Tsenken N4 area, and they are ranked for drilling as iron oxide copper-gold (“IOCG”) targets.

(e) Carbonate Replacement silver-zinc-lead targets

Silver-zinc mineralization has now been found over an area that is 22km long at Tiria-Shimpia. Three scout holes were drilled in the northern part of the mineralized trend for 1,018m in Q3. Hole SH-003 intersected encouraging mineralization; 5m at 10.45g/t silver and 2.5% zinc. Hole SH-004 was drilled subsequent to quarter-end.

1.1.3 Mineral Property Interests

The Company made its annual concession fee payment of US\$2,077,640 (\$2,613,615) in March 2021, and thereby met a key requirement for maintaining the concession block in good standing. The requirements to maintain the concessions in good standing are detailed in the Financial Statements for the nine months ended September 30, 2021.

1.1.4 Corporate Social Responsibility (“CSR”)

The Company’s CSR team continues to be our first point of contact with local communities, the majority of which are indigenous. The Company currently has formal access agreements with 44 of the 55 communities (80%) within the concession area. The CSR team has worked in conjunction with the Step Forward Foundation and local residents to install clean water systems in nine communities.

1.1.5 Health & Safety

During Q3, there were no reportable accidents in the field.

1.1.6 Environment & Water

Monitoring of water quality upstream and downstream of offtake points for drilling and exploration camps is on-going and up to date and no issues have been detected. Two temporary drill camps have been constructed.

1.2 Exploration Project, Peru

1.2.1 COVID-19 Response

- Part-time contract personnel in Lima, Peru, are working remotely in compliance with Peruvian law.
- None of the exploration work in Peru yet requires access to the field, so the impact of COVID-19 protocols on operations is minimal.

1.2.2 Mineral Property Interests

The Company has discontinued some concession applications, leaving a total of 280 concessions, covering 275,676Ha in northern Peru. For purposes of management, the area considered as the “Core Property” consists of a total of 78 concessions covering 76,900Ha. Title has been granted to 25 of these concessions covering 24,700Ha, while a further 53 concessions covering 52,200Ha proceed through the application process. The “Related Properties” consist of 202



concessions covering 198,776Ha. Title has been granted to 57 of the concessions covering 56,300Ha in the Related Properties while a further 145 concessions covering 142,476Ha continue through the application process. Whether the application is in progress or has been granted the company is required to make an annual concession fee of US\$3.00 per hectare. During the period the Company paid a combined USD1.09 million in concession fees for 280 concessions. Further detail is provided in section 3.8.

1.2.3 Exploration - Data Compilation

Review of geophysical data, principally seismic, supported by magnetics and gravity, has revealed a framework of salt diapirs that is suspected to have played a key role in the concentration of copper. This work has resulted in a fundamental way of prioritizing concessions for their potential to host significant copper mineralization.

1.3 Personnel

- Ms. Nathalie Han was appointed to the Board in Q1, 2021.
- Mr. Lenarciak resigned from the board of directors in Q3, 2021.

2. SELECTED ANNUAL INFORMATION

Table 1: Selected annual information

	Nine months ended September 30, 2021	Year ended December 31, 2020
Cash	\$1,094,282	\$8,178,956
Total assets	1,538,504	9,109,624
Total liabilities	6,871,072	5,650,612
Shareholders' equity (deficiency)	(5,332,568)	3,459,012
Deficit	\$(79,488,301)	\$(60,463,012)

The change in deficit is discussed in detail in Section 4 Expenditures nine months ended September 30, 2021, compared to nine months ended September 30, 2020.

3. DISCUSSION OF OPERATIONS

3.1 Exploration expenditures by target type

Table 2: Accumulated project expenses by target type.

Exploration Category	Budgeted project expenditures				Actual expenditures						Differences	Discussion
	December 2019 Technical Report	Use of Proceeds October 2020 Offering ³	Use of Proceeds April 2021 Public offering/Private placement ³	Cumulative Total	12 months ending December 31, 2020	3 months ending March 31, 2021 ⁵	3 months ending June 30, 2021 ⁵	3 months ending September 30, 2021	9 months ending September 30, 2021	Cumulative Total		
Ecuador												
Regional / Reconnaissance Exploration	\$ 600,000	\$ 390,000	\$ 476,591	\$ 1,466,591	\$ 980,499	\$ 712,245	-\$ 20,609	\$ 526,787	\$ 1,218,423	\$ 2,198,922	-\$ 732,331	Refer to 3.1.1
Target Development				-			-					
Epithermal Gold-Silver	2,530,000	1,970,000	1,911,073	6,411,073	1,772,760	469,403	1,322,527	335,457	\$ 2,127,387	3,900,147	2,510,926	Refer to 3.1.2
Sediment-Hosted Copper-Silver	1,200,000	887,000	251,437	2,338,437	805,288	1,007,335	410,213	1,509,366	\$ 2,926,913	3,732,201	- 1,393,764	Refer to 3.1.3
Intrusive-Related Copper	1,000,000	2,164,000	115,780	3,279,780	4,223,749	454,008	569,733	894,790	\$ 1,918,531	6,142,280	- 2,862,500	Refer to 3.1.4
Carbonate-Hosted Silver-Zinc-Lead	170,000	759,000	1,393,592	2,322,592	670,043	364,920	654,123	332,435	\$ 1,351,477	2,021,520	301,072	Refer to 3.1.5
Community Social Responsibility	250,000	350,000	526,098	1,126,098	906,800	197,767	224,972	197,708	\$ 620,447	1,527,247	- 401,149	Refer to 3.5
Environmental, Health and Safety	-	-	292,968	292,968		137,724	207,457	324,147	\$ 669,328	669,328	- 376,360	
Concessions ¹	2,800,000	2,800,000	53,100	5,653,100	2,785,907	2,613,615	-	-	\$ 2,613,615	5,399,522	253,578	
Peru												
Concession and legal fees ²	-	-	327,156	327,156	219,314	-	1,052,059	10,013	\$ 1,062,072	1,281,386	- 954,230	Refer to 1.2
Desktop studies	-	50,000	134,823	184,823	68,759	180,264	28,658	10,178	\$ 219,100	287,859	- 103,036	
Total	\$ 8,550,000	\$ 9,370,000	\$ 5,482,618	\$ 23,402,618	\$ 12,433,119	\$ 6,137,281	\$ 4,449,132	\$ 4,140,881	\$ 14,727,294	\$ 27,160,413	-\$ 3,757,795	

¹ The 2019 Technical Report excluded a line item for concession fees

² USD352,925 of the concession payments made in June 2021 were satisfied by pre-existing credit certificates

³ Expenditures incurred have been largely consistent with the proposed use of proceeds with any variations discussed in the respective section.

⁴ The difference between the budget and actual expenditures was funded by a USD3 million loan from Dr. Keith Barron, Chairman, CEO and significant shareholder, principally used to acquire the Peru concessions.

⁵ Certain costs included in Regional Exploration and Target Definition in the first and second quarters has been reclassified to Environment, Health and Safety.

⁶ As target types become better refined certain cost have been reclassified

3.2 Exploration of the Lost Cities Project, Ecuador

3.2.1 Reconnaissance Exploration

The recommended budget for reconnaissance exploration, as outlined in the December 2019 Technical Report, was \$600,000. Actual expenditure was \$980,499 in 2020 and \$1,218,423 for the nine months ended September 30, 2021 (Table 2).

Emphasis shifted back to advancing various targets with soil sampling as a means of refining targets in Q3, 2021 from a greater emphasis on reconnaissance exploration in Q1, as illustrated by the number of soil samples taken as shown in the Table 3. 64% of the area of the Lost Cities Project has now been covered with this basic exploration technique.

Table 3: Summary of reconnaissance exploration samples taken in Q3, 2021.

Sample Type	Period					
	Q2, 2020	Q3, 2020	Q4, 2020	Q1, 2021	Q2, 2021	Q3, 2021
Stream sediment	28	36	380	291	75	65
Pan concentrate	-	-	-	96	-	-
Soil	1,245	1,779	654	495	1,657	1,314
Rock-chip	70	101	179	91	119	58
Total	1,343	1,916	1,638	973	1,841	1,437

3.2.2 Epithermal Targets for Gold-Silver

The December 2019 Technical Report recommended a budget of \$2,530,000 for exploration on epithermal gold-silver targets. Actual expenditure on this target type was \$1,772,760 in 2020 and \$2,127,387 in the nine months ended September 30, 2021 (Table 2). To date, a total of 4,958m has been drilled in nine holes on four epithermal gold-silver targets in the Kuri-Yawi area (Table 5) and 3,204m in 10 holes at Crunchy Hill. The next milestone for epithermal targets is for exploration work to refine targets for scout drilling, designed to intersect potentially economic mineralization or, at a minimum, confirm the presence of an epithermal system at Latorre C with a budgeted drill program of 750m by the end of Q2, 2022. The anticipated costs and associated details relating to the next milestone are set out below in Table 4.

Table 4: Summary of next milestones for each target type in the Lost Cities Project.

Target Type	Target	Budget	Drill metrage (m)		Milestones	
			Planned	Completed	Planned	Result Achieved
ECUADOR						
Target Development						
Epithermal Gold-Silver	Latorre C	\$356,820	750	0	Confirm presence of an epithermal system	Pending
	Kuri-Yawi B1		0			
Sediment-Hosted Copper-Silver	Tsenken N1/B	\$320,000	500	0	Confirm continuity of copper-silver mineralization between surface and depth	Pending
Intrusive-Related Copper	Tatasham	\$350,000	500	0	Confirm presence of porphyry-style alteration & mineralization	Pending
Carbonate-Hosted Silver-Zinc	Tiria-Shimpia	\$250,000	450	320	Confirm continuity of mineralization within sedimentary layering	Drilling completed subsequent to quarter-end, results are pending
Total			2,200	320		

(a) Kuri-Yawi:

The Yawi target area was renamed Kuri-Yawi to avoid confusion with a target of a similar name by one of the neighbouring companies in southeastern Ecuador.

- The first phase of scout drilling on the Kuri-Yawi area consisted of 7 holes for a total of 3,010m undertaken in Q4, 2019 to Q1, 2020 on targets A, B and C (Table 4).
- Drill holes 8 and 9 were completed in Q2, 2021 for an additional 1,948m.
- The bore holes drilled at Kuri-Yawi define a maar-diatreme environment in mafic volcanic host sequence.
- Alteration mineral vectors and elevated silver values in holes YW-003, 6 and 7 indicate that the core of the mineralized system should lie to the southeast. Hole YW-009, drilled to the southeast, has intense and pervasive hydrothermal clay mineral alteration (illite with areas of kaolinite) and silica-carbonate veinlets that exhibit epithermal textures over a vertical interval of some 800m, which are encouraging features consistent with proximity to an epithermal system.
- 1D inversion of MobileMT geophysical data collected in Q4, 2020 and Q1, 2021 delineated a target (Target D) that had the characteristics of an epithermal system above a deeper porphyry lying along trend of the vector described above. Drill holes YW-008 and YW-009 tested this target with negative results. 3D inversion modelling appears to provide a better means of processing MobileMT data in mountainous terrain and has defined different target locations from the 1D modelling.
- Further drilling has been suspended while the geological data from holes YW-008 and 009 are incorporated in the geological and geophysical models of the area.

Table 5: Drilling to date at Kuri-Yawi.

Hole #	Target	Dates		Hole Length (m)
		Start	End	
2019-2020 Campaign:				
YW-001		2019-10-25	2019-11-10	533.40
YW-002	Target A - epithermal	2019-11-15	2019-11-27	559.31
YW-003	Target B - epithermal	2019-12-02	2019-12-04	260.60
YW-004		2019-12-09	2019-12-18	516.64
YW-005	Target C - epithermal	2020-01-12	2020-01-17	347.47
YW-006		2020-01-21	2020-01-25	288.03
YW-007	Target B - epithermal	2020-01-28	2020-02-07	504.44
Sub-total metreage				3,009.89
2021 Campaign:				
YW-008	Target D – epithermal &	2021-03-24	2020-05-10	1,212
YW-009	porphyry	2021-05-17	2021-06-10	736
Sub-total metreage				1,948
Total				4,957.89

(b) Tiria-Shimpia:

Ongoing exploration in this area shows a consistent link between the Shimpia and Tiria targets. The silver-zinc-lead-barite mineralization that was originally named “Shimpia” has many features characteristic of epithermal mineralization similar to the “Tiria” group of targets. Our approach is now to view the targets as a continuum similar to the Colquijirca district that contains the Cerro de Pasco – Marcapunta mineralized system in Peru that encompasses epithermal gold-silver and carbonate replacement silver-zinc-lead deposits. This target is discussed further under Carbonate Replacement targets below.

(c) Latorre C:

Latorre C is a area in which sinter has been identified over an extensive area. Textural characteristics have been used to identify probable upwelling zones where geyser throats would have been located, and these represent the likely location of underlying epithermal veins. One of these zones has associated gold in soil. 1D MobileMT data modelling shows the presence of a conductor at depth that is consistent with the more proximal features in the sinter layer. Latorre C has been prioritized for scout drilling when and if funds are available in 2022.

(d) Kuripan:

Gold was panned from three different streams in the Kuripan target area. Epithermal-type silica veinlets occur in volcanic tuff in the area in which gold was panned, with concentrate samples returning up to 1 gram per tonne (“g/t”) gold. Stream sediment sample results have elevated concentrations of pathfinder elements such as silver, arsenic, antimony, mercury, molybdenum,



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selenium and thallium, that are commonly associated with epithermal gold systems. A soil grid implemented over the area highlighted by the stream anomalies returned anomalies in epithermal pathfinders such as arsenic, antimony, mercury, molybdenum, selenium and thallium. Erratic gold anomalies in soil up to 58ppb Au are presents to the north of the area. Kuripan has been ranked for drilling, depending on the availability of exploration funds in 2022, after Latorre C has been drilled.

3.2.3 Sediment-Hosted Copper-Silver Targets

The December 2019 Technical Report recommended a budget of \$1,200,000 for exploration on sedimentary-hosted copper-silver targets. Actual expenditure on this target type was \$805,288 in 2020 and \$2,926,913 in the nine months ended September 30, 2021 (Table 2). To date, 3,942m has been drilled in eight holes on sediment-hosted copper-silver targets (Table 6). The next milestone for sediment-hosted copper targets is for exploration work to confirm continuity of potentially economic mineralization from surface to depth with a budgeted drill program of 500m by the end of Q3, 2022 (Table 4).

- Drilling at Tsenken has underscored the fact that copper mineralization is likely to have been leached by today’s weathering profile for at least 120m below surface where the copper-silver mineralization is not bound to carbon fragments in the host rock. This means that different approaches are required to determine possible continuity of mineralization in sedimentary layers where they come to surface.
- Two holes were drilled on the Tsenken N1 target (Table 6) for a total of 1,155m in Q1, 2021. Hole TSN-001 intersected native copper immediately beneath a lava unit that provides a seal through which potentially mineralizing hydrothermal fluids would not be able to permeate. The identification of this lava seal resulted in a change to the target concept and holes TSN-002 and 003 were sited to intersect natural gas and oil trap sites where greater concentrations of copper sulphides could be expected. Copper mineralization trended from zero intersected in the westernmost hole, increasing in grade and number of mineralized intervals to the east.
- Holes TSN1-004 and TSN1-005 were drilled to the northwest of the west-east profile of holes TSN1-001 to TSN1-003 for an aggregate metreage of 609.45m (Table 6) on the concept of a link between copper-silver at Tsenken and silver-zinc at Tiria-Shimpia.
- Hole TSN1-006 was drilled near TSN1-003, designed to intersect sedimentary-hosted mineralization in close proximity to a fault that was active at the time of accumulation of the red-beds. The hole ended in salt which is thought to be a diapiric feature which could be many hundreds of metres wide.
- Hole TSN1-007 was sited in the west where the base of the red-bed sequence is located. The hole passed through the red-bed sequence into a 26m thick evaporite layer which, importantly, has approximately 50m of finely disseminated pyrite beneath it. Although the pyritic unit has no copper grade of interest, it is important in that it confirms the relevance of the exploration model that metal-bearing fluids (in the case of hole 7, iron-rich fluids) reacted with sulphate from the evaporite layer to precipitate iron sulphide (pyrite). The implication is that the layer beneath the evaporite is a target for copper mineralization closer to the faults that controlled the migration of metal-bearing fluids. Such a site will be tested with hole TSN1-009, and there is a possibility of deepening hole TSN1-008 to test for copper mineralization beneath the salt and evaporite layer.
- Hole TSN1-008 was sited to intersect a mineralized layer that had been mapped at surface and test below an area of enrichment of copper, arsenic and molybdenum in soil associated with an evaporite layer.

Table 6: Drilling to date sediment-hosted copper-silver

Hole #	Target	Drill Period		Length (m)
		Start	End	
TSN1-001	Tsenken N1	2021-02-08	2021-03-08	722.37
TSN1-002		2021-04-19	2021-05-08	432.60
TSN1-003		2021-05-13	2021-05-26	408.78
TSN1-004		2021-06-12	2021-06-21	324.39
TSN1-005		2021-06-28	2021-07-05	285.06
TSN1-006		2021-07-09	2021-07-30	666.10
TSN1-007		2021-08-07	2021-09-05	783.01
TSN1-008		2021-09-13	2021-09-21	319.64

3.2.4 Intrusive-Related Copper Targets

The December 2019 Technical Report recommended a budget of \$1,000,000 for exploration on intrusive-related targets. Actual expenditure on this target type was \$4,223,749 in 2020 and \$1,918,531 in the nine months ended September 30, 2021 (Table 2). This expenditure is significantly more than recommended at the time that the NI 43-101 Technical Report was written due to growing appreciation of the potential of intrusive-related mineralization in the Lost Cities Project area. To date, 1,891m has been drilled in six holes on the Tsenken N2 and N3 targets (Table 6). The next milestone for intrusive-related copper exploration is for field work and a modest drill program of 500m to confirm the presence of porphyry-style mineralization and mineral alteration by the end of Q1, 2022 (Table 4).

(a) Tatasham

3D inversion of MobileMT data from the Tatasham target have defined a core of low resistivity that coincides with sandstone that covers that target. A magnetic body that is approximately 4km long by 3km wide is partially enclosed by elevated conductivity. Geological mapping shows systematic mineral alteration in an area in which dacite domes have been identified. Further field work and focused soil sampling is being used to refine the target, which is thought to be a porphyry-skarn system. Exploration is refining the area of most intense alteration and interest as a drill target.

(b) Awacha

- Awacha is one of the only areas within the Lost Cities Project area in which extensive areas of QSP alteration has been mapped. QSP alteration is typical of the outer halo of copper and copper-gold porphyry deposits. The QSP alteration being exposed at surface in the Awacha area results from it being in an upfaulted block in which erosion is deeper than in the remainder of the Lost Cities Project.
- The target is a cluster of porphyries, a concept that is supported by prior regional magnetic geophysical data and the MobileMT data that was acquired in Q1, 2021.
- Soil sampling and alteration mineral mapping have been used to refine the specific targets within the target cluster.
- Based on refinement to the MobileMT processing method derived from the Kuri-Yawi area, MobileMT from the Awacha area is being reworked to define target location and depth so that drilling can be planned.

(c) Tsenken N2, N3 and N4 - Iron Oxide Copper-Gold (“IOCG”) targets:

- A total of 1,891m was drilled in six scout holes at Tsenken N2 and Tsenken N3 (Table 7).
- Drilling of the magnetic geophysical targets with which copper enrichment in soil is associated at Tsenken N2 and N3, intersected a lava unit that contains mineral alteration characteristic of IOCG systems.
- The distribution of native copper mineralization is consistent with mineral alteration trends that indicate that the core of the target area lies to the northeast of the Tsenken N2/N3 targets – in the Tsenken N4 area.
- MobileMT data acquired in the Q4 2020 – Q1 2021 geophysical survey delineated two areas of elevated conductivity along trend of the mineral alteration – mineralization vector and these are considered targets for continued scout drilling. These MobileMT targets lie in the Tsenken N4 area.
- The Tsenken N2/N3 targets have been downgraded due to minimal potential to host significant copper-gold mineralization.

Table 7: Drilling to date intrusive-related copper-silver

Hole #	Target	Drill Period		Length (m)
		Start	End	
TS-001		2020-09-13	2020-09-20	185.92
TS-002	Tsenken N2	2020-09-24	2020-10-01	246.88
TS-003		2020-10-06	2020-10-10	211.83
TS-004		2020-10-21	2020-10-30	230.12
TS-005	Tsenken N3	2020-10-31	2020-11-13	493.77
TS-006		2020-11-20	2020-12-16	522.12
Total				1,890.64

(d) Kuri-Yawi B1

As described in the Epithermal section above, the deeper part of the Kuri-Yawi B1 target was based on 1D inversion of MobileMT data that showed a feature that had characteristics of a porphyry. Drill holes YW-008 and YW-009 tested this target and no porphyry was intersected, which led to a review of the method by which the MobileMT data were processed, resulting in a change to 3D modelling of all targets.

3.2.5 Carbonate Replacement Silver-Zinc-Lead Targets

(a) Tiria-Shimpia

The December 2019 Technical Report recommended a budget of \$170,000 for exploration on carbonate replacement targets. Actual expenditure on this target type was \$670,043 for 2020 and \$1,351,477 for the nine months ended September 30, 2021 (Table 2) and significant additional funding is likely to be directed towards the target since Tiria-Shimpia has evolving into a target in which silver, zinc and associated elements are enriched in soil over a distance of 22km. The next milestone for carbonate-replacement silver-zinc targets is for scout drilling to confirm the extension of potentially economic mineralization from surface to depth with a drill program of 500m by the end of Q2, 2022 (Table 4).

An exploration summary of the carbonate-replacement target in the Lost Cities Project is as follows:

- Detailed mapping and sampling have identified mineralization that lies within the layering of the sedimentary rocks, commonly at the interface between sandstone and limestone, with the majority of the mineralization hosted by dolomitized limestone (hence the classification as CRD mineralization). Silver-zinc-lead also lies in steeply-inclined faults.
- Up to seven stacked layers of mineralization have been identified, extending between 500m and 1.2km along trend in the one area that has been intensely studied and sampled.
- Channel sampling has been undertaken where the mineralization is exposed from beneath the jungle floor.
- Results from the MobileMT survey that was flown over the northern part of the target area have been integrated with geological data from the field to refine target location, extension below surface, and shape.
- Three were drilled for a total of 770m in Q3 and hole 4 has been completed to a depth of 320.24m after quarter-end (Table 8).

Another significant aspect of the silver-zinc-lead mineralization at Tiria-Shimpia is its potential relationship to sediment-hosted copper-silver. The Kupferschiefer in Poland and Germany shows a gradual change from copper-silver through lead-silver to zinc-silver mineralization on a district-scale. By analogy, Tiria-Shimpia could be the zinc-rich part of an extensive mineralized system that may have lead-silver and copper-silver components within the same fertile sedimentary layers. Hence the findings at Tiria-Shimpia are being applied to the exploration for sediment-hosted copper-silver.

Table 8: Drilling to date on carbonate-replacement silver-zinc-lead targets

Hole #	Target	Drill Period		Length (m)
		Start	End	
TSH-001	Carbonate-replacement silver-zinc-lead	2021-07-01	2021-07-10	358.14
TSH-002		2021-07-14	2021-07-27	404.12
TSH-003		2021-08-09	2021-08-18	255.62
TSH-004		2021-11-02	2021-11-12	320.24
Total				1,338.12

3.3 Mineral Property Interests and obligations

The Company made its annual concession fee payment of US\$2,077,640 (\$2,613,615) by the deadline of the end of March 2021. The concession fee is a key component of keeping the 42 concessions that constitute the Lost Cities Project, in good standing. This and other requirements for concession maintenance are detailed in the condensed consolidated interim financial statements for the nine months ended September 30, 2021.

3.4 Corporate Social Responsibility

The Company’s CSR team is working closely with communities, 96% of which are Indigenous, within the Lost Cities Project area. The Company’s approach is aligned with the Equator Principles and United Nations Declaration on the Rights of Indigenous Peoples. A Stakeholder Engagement Plan incorporates early stakeholder engagement with a social impact analysis and defines



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opportunities for mutually beneficial partnerships between the communities, the Company and the Ecuadorian government. Specifically, the Company is working with the ministries of the Health, Agriculture, Education and Social Inclusion and Economy in addition to its normal-course interaction with the Ministry of Energy and Non-Renewable Resources (the “MENRR”) and Ministry of the Environment, Water and Ecological Transition (the “MEWET”), to identify areas where the economic benefit of its exploration work can be maximized.

The Company has currently active access agreements with 44 of the 55 communities (80%) that have land within the Lost Cities Project area. In joint work between the communities, the Company and the Step Forward Foundation, clean water is now available in nine communities, and this work is on-going. In Q1, 2021, 436 part-time work opportunities were created involving people from 36 communities, while in Q2, 475 people from 43 communities were employed part-time. In Q3, 883 people from 46 communities were employed part-time.

3.5 Health and Safety

The Company has maintained strict COVID-19 related protocols with the objective of minimizing the risk of spread of the virus. After 15 of the Company’s 44 employees in Ecuador tested positive for the COVID-19 virus in 2020, no cases were reported in Q1, 2021. In Q2, another wave of infection started with six cases identified, with a further six identified in Q3. Subsequent to quarter-end, one case has been detected and the person isolated. All of the infected people have recovered and are back at work as of the date of this MD&A. 89% of employees and support staff have been vaccinated; the reason that two people have not been vaccinated is due to their pregnancy. Three of the vaccinated staff have subsequently been infected with COVID-19; they showed minor symptoms.

3.6 Environment & Water

Contaminated water, poor sanitation, and poor hygiene have been identified as the prime risk to the health of people living and working in the Lost Cities Project area; hence the Company is investing in education on basic sanitation and water purification methods in conjunction with the Step Forward Foundation. Preliminary assessments of water quality have been completed in 53 of the 55 communities within the area of influence of the Lost Cities Project. The objective of each assessment is to evaluate various solutions and develop budgets that can be presented to regional government, foundations and communities to find a means of financing, implementing and maintaining clean (filtered) water systems as a first step and subsequently upgrading them to potable water systems. Working with the communities, the Step Forward Foundation and local authorities, clean water has been made available to nine communities and washrooms have been installed in six with a proportion of these projects being financed by the provincial government.

The Technical Water Group is in frequent contact with MEWET regarding the processing of water-use permits required for scout drilling. Careful monitoring of water quality upstream and downstream of water offtake points for drilling and camp use, is ongoing and no issues have been detected.

3.7 Mineral concessions

3.7.1 Ecuador Project

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 December 27 and 28, 2016 and the concessions were subsequently registered with the Mining Registry of the Mining and Non-Renewable Natural Resources Regulation and Control Agency in compliance with the Mining Law. The concessions 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:

- **Initial Exploration (up to four years).** On December 31, 2020, the Ecuadorian government adopted new legislation establishing that the four years of Initial Exploration starts on the day the mineral concession holder, having completed certain administrative acts, receives the permits required to effectively conduct work and not, as had previously been the



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case, the date when the concession is first granted. As a result, the effective date for the start of Initial Exploration is considered on a case-by-case basis with each concession having its own initiation date from which the four-year Initial Exploration term is counted. The administrative documents required before permits are granted include: i) Environmental Registry; ii) Certificate of non-affectation of water sources; and iii) Affidavit of not affecting public infrastructure.

Each year a concession holder is required to pay a concession fee and meet minimum expenditure requirements, calculated as follows:

- In accordance with the Mining Law, by March 31 each year a Company must pay a concession fee for each concession it holds. The concession fee during the Initial Exploration phase is calculated as 2.5% of the Unified Basic Remuneration ('UBR') per hectare. In 2021 the UBR was USD400, which equates to US\$10 per hectare. The UBR is assessed annually and is subject to change.
- The Concession holder is also required to make minimum qualifying expenditures on each concession such that they satisfy both the Required Expenditure which is USD\$5 per hectare during Initial Exploration, rising to \$10 per hectare thereafter, and the Committed Expenditure, an annual amount that the concession holder files with the Ministry of Energy and Non-Renewable Resources, that it is planning to spend in the subsequent year. Importantly, the annual concession fees are included in the calculation of the minimum expenditures required.
- The concession fees paid, potential future fee obligations and expenditure commitments are set out below.

Table 9. Summary of expenditure thresholds and commitments related to the Lost Cities Project

Initial Exploration Phase				
Year	Annual concession fee	Expenditure Required (USD)	Committed Expenditure	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
5 (2021)	2,077,640 ¹	2,077,640	2,081,800	- ³
Estimated 6 (2022)	2,077,640 ⁴	2,077,640 ⁵	- ⁶	- ³
Estimated 7 (2023)	1,831,390 ⁴	2,077,640 ⁵	- ⁶	- ³
Estimated 8 (2024)	\$495,000 ⁴	2,077,640 ⁵	- ⁶	- ³

¹ Paid

² Requirement satisfied.

³ Reported by March 31 of the following year.

⁴ The Initial Exploration fee obligation for years 2022, 2023 and 2024 are estimates only, and assume that all of the concessions will be held until their Initial Exploration expiry date and that the UBR remains at USD400. The Company is continuously evaluating the concessions and will not renew those of lower geological interest and therefore amounts to be paid and spent will reduce accordingly. The Company expects to reduce the number of concessions held by 50% by March 2022.

⁵ 2022, 2023 and 2024 amounts are estimated maximum Required Expenditures that assumes the current number of concessions are maintained and a continuing fee of USD10 per hectare

⁶ For 2022, 2023 and 2024 the Committed Expenditure are not known at this time as they are derived from annual work programs not yet determined.

- **Advanced Exploration (up to four years).** At any time prior to 60 days before the expiry of the Initial Exploration period, a concession holder can apply for a further four years of Advanced Exploration. The size of each concession must be reduced by a minimum of 10 hectares and the annual concession fee, still payable by March 31 each year, doubles to 5% of the UBR. For 2021 this would equate to USD\$20 per hectare.

In cases where an application to move a concession to Advanced Exploration occurs after the Initial Exploration concession fee is paid prior to March 31 of that year, the concession holder must pay the incremental difference in the concession fee between the date on which the resolution to start the advanced exploration period is issued until December 31 of that year.

At this time the Company does not know which and how many of its concessions will be advanced to the Advanced Exploration phase and therefore the total potential concession fee exploration and expenditure obligations for concessions that advance to Advanced Exploration is unknown.

- **Economic Evaluation (up to two years)** of any deposit identified, which can be extended for an additional two-year period; and

- Thereafter, the concessions are in the **Exploitation Phase**.

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 11 – Exploration expenses.

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 largest shareholder of the Company.

3.7.2 Peru Project

The Company holds applications for mineral concessions which once granted become “Titles” to mineral concessions. Whether the application is in progress or has been granted, the Company is required to make an annual concession fee of US\$3.00 per hectare.

a) Obligations related to the concession and concession applications

As of Q3, 2021, the Company’s land position in Peru consists of a total of 280 concession applications and concession titles covering 275,676Ha. From a management perspective, the concessions were subdivided into a “Core Property” where the bulk of the initial exploration work is recommended, and “Related Properties”, in which any work program would be largely contingent on exploration success in the Core Property.

The Core Property consists of 78 concessions covering 76,900Ha comprising 25 granted titles covering 24,700Ha and 53 concession applications covering 52,200Ha (Table 9). The Related properties consist of a total of 202 concessions covering 198,776Ha. Title has been granted for 57 of these, covering 56,300Ha, and 145, covering 142,476Ha continue through the application process.

Table 10. Summary of concession titles and concession applications that constitute the Company’s Peru Project.

Nature of Property	In application process		Title Granted		Total	
	N° of Concessions	N° of Hectares	N° of Concessions	N° of Hectares	N° of Concessions	N° of Hectares
Core Property	53	52,200	25	24,700	78	76,900
Related Properties	145	142,476	57	56,300	202	198,776
Totals	198	194,676	82	81,000	280	275,676

*Recorded as Advances for mineral property interests

- The applications are progressing through a process that includes verification that the applications do not cover existing concessions or ecologically fragile areas and the publication of the INGEMMET-vetted applications in the local press in the province in which the concession applications lie.
- An annual concession fee of US\$3.00 per hectare is required to be paid by the end of June to keep the concessions in good standing (Table 10).
- While the Company believes that the majority of its applications will be approved, there is no guarantee that all of the concession applications will be successful.
- At this time, the Company has no current plans to incur further expenditures on the project in Peru, and is considering alternatives to furthering this project, including the exploration of potential joint venture opportunities.

Table 11. Summary of concession-related obligations for the Peru Project.

Annual Obligations	Concession applications		Concessions granted		US\$
	number	hectares	number	hectares	
2021 obligations	298	286,876	117	115,800	1,208,029
Obligation satisfied by cash	-	-	-	-	(373,429)
Obligation satisfied by credit certificates ¹	-	-	-	-	(352,925)
Concessions applications dropped	(92)	(84,100)	-	-	(319,956)
Concessions granted dropped	-	-	(43)	(42,300)	(161,719)
	206	202,776	74	73,500	-
2022 obligations and annually thereafter	206	202,776	74	73,500	737,929 ²

¹ Previously recorded as Advances for mineral property interests

² The 2022 obligations and annually thereafter is approximately \$922,400 (USD737,929)

b) Exploration

Review of geophysical data, principally seismic supported by magnetics and gravity, has revealed a framework of salt diapirism controlled by a fault network that extends through northern Peru. Early work suggests that salt tectonics drove basin brines that are assumed to have contained copper, silver, and potentially lead and zinc, to specific trap-sites. This work has provided the Company with a means of prioritizing concessions for their potential to host significant copper mineralization.



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4. EXPENDITURES THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021, COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 2020

Table 12. Expenditures made in the three and nine-months ended September 30, 2021, compared with the same period in 2020.

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Operating Expenses:				
Exploration expenditures	\$4,140,881	\$2,079,646	\$14,727,294	\$8,653,040
Stock-based compensation	650,307	426,503	1,999,407	1,481,345
Investor relations	214,896	138,441	562,736	854,974
Office and general	231,145	252,103	753,020	687,363
Management fees	118,132	134,504	378,870	406,906
Professional and administration fees	81,428	99,721	254,083	326,922
Regulatory and transfer agent fees	42,941	24,825	163,333	140,506
Director and advisor fees	18,750	18,750	56,250	56,250
Amortization	16,079	11,862	43,108	34,727
Project evaluation expenses including travel	-	-	-	9,839
Total expenses	5,514,559	3,186,355	18,938,101	12,651,872
Other Expenses/(Income)				
(Gain) loss on foreign exchange	115,380	(32,331)	84,496	30,021
Interest income	(1,168)	(1,527)	(4,559)	(11,720)
Interest expense	-	2,969	-	8,771
Accretion of shareholder contribution	147,351	139,599	435,403	387,951
Net loss and comprehensive loss for the period	5,776,122	3,295,065	19,453,441	13,066,895

Table 13. Breakdown of exploration expenditures made in the three and nine-months ended September 30, 2021, compared with the same period in 2020

	Three months ended September 30,		Nine months ended September 30	
	2021	2020	2021	2020
Exploration expenditures				
ECUADOR				
GEOLOGY/FIELD:				
- Salaries, benefits	\$807,014	\$659,844	\$2,259,566	\$1,783,279
- Camp costs, equipment, supplies	629,433	215,530	1,519,914	531,968
- Project management	52,660	55,143	155,348	168,136
- Travel, accommodation	229,542	493,949	443,551	701,132
- Office (Quito, Macas)	26,423	47,272	67,131	79,893
- Environment, health & safety	324,147	161,142	669,328	368,954
- Water	69,260	59,256	138,830	108,953
- Drilling	1,519,214	115,651	3,452,434	419,263
GEOCHEMISTRY	85,820	20,051	222,898	212,300
GEOPHYSICS	26,671	14,210	993,687	320,914
EXPERT CONSULTANTS	137,931	9,897	209,185	46,536
OTHER TECHNICAL STUDIES	-	37,763	8,583	131,317
CORPORATE SOCIAL RESPONSIBILITY – fees, travel, supplies	197,708	222,457	620,447	689,198
LEGAL AND OTHER FOR CONCESSIONS	14,866	10,219	71,604	54,211
CONCESSION MAINTENANCE - permits	-	-	2,613,615	2,785,907
Total exploration – Ecuador & Canada	\$4,120,689	\$2,122,384	\$13,446,121	\$8,401,961
PERU				
- Costs related to concession fee applications	-	-	1,117,335	171,031
- Concession fees recoveries	-	(116,031)	-	(116,031)
- Technical Consulting	10,178	23,485	64,431	57,838
- Travel, accommodation	-	-	5,040	-
- Legal	10,014	49,808	94,317	138,241
Total exploration – Peru	20,192	(42,738)	1,281,173	251,079
TOTAL EXPLORATION	\$4,140,881	\$2,079,646	\$14,727,294	\$8,653,040

During the nine months ended September 30, 2021, the Company incurred a loss of \$19,453,440 (2020 - \$13,066,895), increasing the accumulated deficit from \$60,463,012 at December 31, 2020 to \$79,488,301 at September 30, 2021. The Company's



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accounting policy is to expense exploration expenditures and therefore exploration represents the majority (76%) of the total loss. The major contributor to the loss in the nine months ended September 30, 2021 over the corresponding period in 2020, is due to an \$6,074,254 increase in exploration expenses. A discussion of the principal expenditure items follows:

Exploration expenditures

Concession fee payments and related filings, the largest single expense item, were made on time in March to ensure the concessions remain in good standing. Other significant increases in expenditures included drilling and geophysics. The increased costs were largely planned as the Company started the on-going scout drilling campaign and MobileMT survey which has now been completed. The survey took longer than planned and as a consequence incurred higher than anticipated costs largely due to standby time for the helicopter due to bad weather that continued through Q1 and then improving in Q2, 2021. Other notable increases in camp costs due to number of camps and extended time camps were in operation, as well as increases in environment, health and safety expenses are as a result of the increased level of drilling and survey activity.

The Company's first helicopter-supported drill program in remote parts of the Project area in mountainous, tropical jungle, resulted in numerous unforeseen challenges, exacerbated by the on-going impact of the COVID-19 pandemic on operations. The effect of these challenges resulted in less meterage being drilled in the first quarter, and the planned drill program falling behind schedule. This resulted in an increase in estimated costs and time required to complete the overall drill program and required additional funding that was secured by way of a marketed overnight offering completed on April 1, 2021. The use of proceeds of that offering are detailed in the Short Form Offering Memorandum dated March 26, 2021.

Lost workdays due to COVID-19 have declined significantly since January 1, 2021, allowing drilling and field work to progress at an improved rate. The MobileMT survey continued to incur higher than planned costs through Q1, 2021 due to standby charges related to persistent poor weather. The survey was completed in the second quarter.

With the experience gained from the initial stage of the heli-supported drill campaign from October 2020 to March 2021, the Company adjusted its operations in the second quarter to its programs thereby accelerating the drilling and improving cost management.

To accelerate the program the Company:

- (a) Added a second drill rig, thereby doubling the targeted monthly meterage capacity while operational support costs increase modestly.
- (b) Is now using a helicopter to move the rig from one drill site to the next, rather than moving the rig by hand. This operational change is designed to save six days per move, which equates to savings of 120 days over the remainder of the drill program. The heli-supported move is now contributing to the increased rate of drilling per month. An important benefit of the heli-support is that moving the rig by helicopter reduces the involvement and movement of personnel through difficult terrain, reducing risk of slip-related accidents as well as the potential transfer of the COVID-19 virus.

By implementing these steps, the Company has improved its drill meterage per month significantly in the second quarter and is now regularly achieving over 75% of its drill meterage target and has improved its transitioning from drill pad to drill pad and from drill target to drill target as it gradually progresses through the list of targets for drilling in its Scout Drilling Program for 2021.

Other Operating Expenditures are as follows:

The Stock based compensation expense is the single largest expenditure item; it is a non-cash item recording the attributable cost of Stock Options and RSUs issued during and prior to the current period. Apart from the investor relations expense, all other costs are largely consistent year on year as there has been no appreciable increase in the scale of corporate and related expenditure. The investor relations expense did decline significantly in the period as a result of much-reduced in-person marketing due to COVID-19 and also due to fewer one-off marketing campaigns in comparison to the same period in 2020. Some other decreases were experienced in office and professional fees due in part to COVID-19 impacts and various other cost savings.

Table 14: Cash Flow activities

Cash Flow Activities	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Operating	\$(15,068,499)	\$(10,737,649)
Financing	8,091,077	7,566,631
Investing	(107,252)	(41,057)
Decrease/(increase) in cash during the period	\$(7,084,674)	\$(3,212,075)

At September 30, 2021, the Company's cash position decreased approximately by \$7.0million (Table 10). The main cash outflows for the current reporting period consist of exploration and corporate expenditures described in the above section on Statement of Loss and are included as Operating activity in the Cash Flow statement.

5. SUMMARY OF QUARTERLY RESULT

Table 15. Summary of quarterly result.

Quarters Ended	Net revenue	Net Loss	Loss per Share
September 30, 2021	-	\$5,776,122	\$0.12
June 30, 2021	-	6,099,460	0.14
March 31, 2021	-	7,577,859	0.17
December 31, 2020	-	5,473,841	0.12
September 30, 2020	-	3,219,597	0.07
June 30, 2020	-	2,034,877	0.05
March 31, 2020	-	7,762,677	0.20
December 31, 2019	-	6,216,914	0.14
September 30, 2019	-	2,353,583	0.07
June 30, 2019	-	2,910,745	0.09
March 31, 2019	-	5,121,591	0.17

6. LIQUIDITY AND CAPITAL RESOURCES

Capital management

The Company considers the capital that it manages to include share capital, share premium, shares to be issued, warrants, contributed surplus and shareholder contribution and accumulated deficit, which at September 30, 2021 was a deficiency of \$5,332,568 (December 31, 2020 – surplus of \$3,459,012). The Company manages its capital structure and adjusts it, based on the funds needed to support the acquisition and exploration of mineral properties. Management does this considering changes in economic conditions and the risk characteristics of the underlying assets. There has been no change with respect to the overall capital risk management strategy during the three and nine months ended September 30, 2021. 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 to maintain operations and cover general and administrative expenses for a period of nine months. As at September 30, 2021, the Company believes it is compliant with the policies of the TSXV.

Capital raises, short-term loan

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 common share in the capital of the Company and one common share purchase warrant. Each warrant entitles 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 overnight marketed public offering for gross proceeds of \$1,251,498.

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 September 30, 2021, the Company had available cash of \$1,094,282 (December 31, 2020 - \$8,178,956) to settle current liabilities of \$2,823,373 (December 31, 2020 - \$1,468,117). Also, the Company has long-term liabilities of \$4,047,699 (December 31, 2020 - \$4,182,495). 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 section 7, the Company is obligated to the following contractual maturities of undiscounted cash flows as at September 30, 2021:

Table 16. Summary of financial liabilities at September 30, 2021.

In Canadian \$ equivalents	Carry amount	Contractual cash flows	January 1, 2021 to September 30, 2021	Thereafter
Accounts payable and accrued liabilities	2,823,373	2,823,373	2,873,373	-
Promissory note 2017	506,742	582,659	-	582,659
Promissory note 2019	3,540,957	4,012,087	-	4,012,087
	6,871,072	7,418,119	2,873,373	4,594,746

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 2021 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 or other corporate transactions.

Funding Outlook

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

The Company has been successful in funding its operations, including the payment of the 2021 concession fees, and the on-going exploration activities including scout drilling, CSR activities as well as corporate costs in Ecuador, Peru and Canada.

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.

7. INDEBTEDNESS

Promissory note 2017- Mineral Concessions Loan (“MCL1”)

Table 17. Summary of indebtedness relating to promissory note 2017 at September 30, 2021.

For the nine months ended September 30, 2021 and the year ended December 31, 2020	2021	2020
Balance, beginning of period	\$567,102	\$569,828
Interest rate benefit recognized as shareholder contribution	(115,515)	-
Accretion expense	55,062	11,713
Foreign exchange translation gain	143	(14,439)
Balance, end of period	\$506,792	\$567,102

On March 20, 2017, Dr. Barron, advanced USD 2,000,000 by way of a promissory note to the Company to facilitate the payment of the 2017 mineral concession fees. USD 1,000,000 was repaid on May 17, 2017; USD 217,168 (\$280,000) was settled for 700,000 stock options, with an exercise price of \$0.40, on April 2, 2018 and \$500,000 was repaid in cash on August 16, 2018. 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 September 30, 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 accretion on the promissory note will be accounted for as a shareholder contribution until such time that the repayment is requested by the Lender.

Promissory Note issued in April 2019

Table 18. Summary of indebtedness relating to promissory note issued in April 2019 at September 30, 2021.

For the nine months ended SEPTEMBER 30, 2021 and the year ended DECEMBER 31, 2020	2021	2020
Balance, beginning of period/issuance of promissory note	\$3,615,393	\$3,370,530
Interest rate benefit recognized as shareholder contribution	(455,861)	(134,943)
Accretion expense	380,341	481,347
Foreign exchange translation gain	1,034	(101,541)
Balance, end of period	\$3,540,907	\$3,615,393

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 accretion on the promissory note will be accounted for as a shareholder contribution until such time that the repayment is requested by the Lender.

8. EQUITY

Stock Options – Activity during the nine months ended September 30, 2021:

Table 19. Summary of stock options issued with related expense.

	Number of Options	Weighted Average Exercise Price	Estimated Fair Value
Balance - December 31, 2020	3,541,000	\$2.99	\$5,151,939
Issued	240,000	3.21	296,620
Stock-based compensation expense	-	-	1,181,060
Balance – September 30, 2021	3,781,000	\$3.01	\$6,629,619

Stock options - Outstanding at September 30, 2021:

Table 20. Detail of options issued with estimated fair value.

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	180,000	\$3.40	April 5, 2023	457,200
48,000	48,000	\$3.40	January 16, 2024	121,920
77,000	77,000	\$2.97	June 28, 2024	170,940
880,000	293,334	\$2.70	October 24, 2024	1,633,410
200,000	66,667	\$2.70	December 31, 2021	369,077
300,000	100,000	\$3.16	February 7, 2025	662,566
920,000	339,997	\$3.51	November 17, 2025	1,341,912
100,000	33,333	\$3.51	December 31, 2021	145,860
100,000	33,333	\$3.25	December 22, 2025	153,086
200,000	66,667	\$3.21	January 25, 2026	254,416
40,000	10,000	\$2.52	July 1, 2026	42,204
3,781,000	1,984,331			\$6,629,619

Restricted Stock Units - The following summarizes the RSU activity during the nine months ended September 30, 2021:

Table 21. Summary of RSU activity in the nine months to September 30, 2021.

	Number of RSUs	Weighted Average Fair Value	Estimated Fair Value
Balance – December 31, 2020	420,500	\$3.07	\$208,098
Cancelled	(28,000)	-	(32,897)
Stock-based compensation expense	-	-	521,727
Balance – September 30, 2021	392,500	\$3.46	\$696,928

Shares to be Issued

Table 22. Share to be issued

	Number of Shares to be Issued	Estimated Fair Value
Balance – December 31, 2020	89,400	\$183,949
Share issued	(5,000)	(10,700)
Balance – September 30, 2021	84,400	\$173,249



Shares to be issued are Restricted Share Units (“RSUs”) that have fully vested but where the related shares have not yet been issued.

Warrants - The following summarizes the warrants and Agents’ Options activity and outstanding warrants and Agents’ Options for the nine months ended September 30, 2021:

Table 23. Summary of warrant and agents’ warrant activity in the nine months to September 30, 2021.

	Number of Warrants/ Agents’ Options	Weighted Average Exercise Price	Estimated Fair Value
Balance – December 31, 2020	3,380,938	\$4.87	\$2,463,801
Issued warrants overnight marketed offering	2,507,000	4.25	1,830,378
Issued warrants to agents	150,420	4.25	295,074
Issued warrants private placement	403,709	4.25	294,216
Expired	(836,351)	3.00	(395,255)
Balance – September 30, 2021	5,605,216	\$4.32	\$4,488,214

Outstanding warrants

Table 24. Summary of outstanding warrants at September 30, 2021.

Expiry date	Number of Warrants	Exercise Price
March 13, 2021 ¹	1,043,567	\$3.40
October 29, 2022	1,339,750	\$5.20
October 29, 2022	160,770	\$4.30
April 1, 2024	3,061,129	\$4.25
Balance – September 30, 2021	5,605,216	

¹Terms amended from an exercise price of \$4.25, expiring August 28, 2021 (236,944 warrants), September 5, 2021 (671,622 warrants) and September 13, 2021 (134,951 warrants).

9. KEY MANAGEMENT EXPENSE

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

Table 25. Summary of key management expense in the nine months to September 30, 2021.

For the nine months ended September 30,	2021	2020
Salary - corporate ⁽¹⁾	\$241,985	\$472,469
Salary – technical ⁽¹⁾	289,686	254,113
Director and advisor fees ⁽²⁾	56,250	56,250
Stock-based compensation for key management ⁽³⁾	786,436	117,396
Total key management compensation expense	\$1,374,357	\$900,228

⁽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 the nine months ended September 30, 2021 and 2020

10. RELATED PARTY TRANSACTIONS

Related parties include the Board of Directors, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions. The Company entered into the following transactions with related parties during the nine months ended September 30, 2021 and 2020:



AURANIA

- (i) During the nine months ended September 30, 2021, a total of \$nil (2020 - \$21,581), plus applicable taxes were charged to the Company by the Chief Financial Officer (“CFO”), pursuant to a consulting contract.
- (ii) During the nine months ended September 30, 2021, the Company incurred \$108,000 (2020 - \$108,000) of administrative service costs including office, rent and general office services, to Big Silver Ltd. a company owned and controlled by the Chairman, CEO and principal shareholder. At September 30, 2021, \$12,000 (2020 - \$12,000) remains payable to Big Silver Ltd., for unpaid services. These amounts are unsecured, non-interest bearing and due on demand.
- (iii) Certain Company employees undertake work for other companies with officers and directors in common and recharges those companies with the direct cost of the work done. The amounts receivable is unsecured, non-interest bearing and have no fixed terms of repayment. During the nine months ended September 30, 2021;
 - a. \$21,377 (2020-\$nil) was recharged to U308 Corp. whose President, CEO and Director, Dr. Richard Spencer is also Aurania’s President and Director, and Dr. Keith Barron, Director, Chairman and CEO of Aurania is also Chairman and Director of U308 Corp. On September 30, 2021, \$21,377 remained receivable.
 - b. \$1,805 (2020-\$nil) was recharged to Firestone Ventures Inc. Dr. Keith Barron, Chairman and CEO of the Company, is also President, CEO and Director of Firestone Ventures Inc. Dr. Richard Spencer, President and director of Aurania, also serves on the board of directors of Firestone Ventures Inc. On September 30, 2021, \$1,805 remained receivable, and
 - c. \$281 (2020-\$nil) was recharged to the Step Forward Foundation, a private charitable organization whose founder and Director Dr. Keith Barron, is also the Chairman and CEO of the Company. On September 30, 2021, \$281 remained receivable. This amount is unsecured, non-interest bearing and due on demand.
- (iv) For other related party transactions, see notes 6 and 10 of the unaudited condensed consolidated interim financial statements for the nine months ending September 30, 2021.

11. OFF-BALANCE SHEET TRANSACTIONS

There are no other transactions contemplated at this time.

12. PROPOSED TRANSACTIONS

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

13. CRITICAL ACCOUNTING ESTIMATES

The Company prepares its financial statements in accordance with IFRS. Significant assumptions about the future and other sources of estimation uncertainty that Management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

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



14. CHANGES IN ACCOUNTING POLICIES AND FINANCIAL INSTRUMENTS

Changes in Accounting Policies

During the nine months ended September 30, 2021, 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.

Financial Instruments

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

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

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

15. RISKS AND UNCERTAINTIES

There were no significant changes in the material risk and uncertainties faced by the Company from those reported in the Management Discussion and Analysis for the nine months ended September 30, 2021 apart from the increased risks associated with COVID-19 pandemic as discussed under section 8. Liquidity and Capital Resources above.

16. COMMITMENTS AND CONTINGENCIES

Environmental contingencies

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

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 \$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.

On July 9, 2021, the Company announced that it has retained Alpha Bronze, LLC. ("Alpha Bronze") to provide certain investor relations services. Under the terms of the agreement, Aurania will pay Alpha Bronze a monthly fee of US\$5,500 for a period of 12 months and grant Alpha Bronze 40,000 stock options with a term of five years, and an exercise price of \$2.52.

On August 26, 2021, the Company entered into a twelve-month public relations consulting agreement for services in Ecuador. Pursuant to the agreement the consultant is paid USD5,500 a month.

17. SUBSEQUENT EVENTS

Overnight marketed public offering

On October 21, 2021, 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 3,835,250 Units were sold at a price of \$1.80 per Unit (the “Offering Price”) for gross proceeds of approximately \$6.9 million. Each Unit is comprised of one (1) common share in the capital of the Company (each, a “Common Share”) and one Common Share purchase warrant (each whole warrant, a “Warrant”). Each Warrant entitles the holder to purchase one Common Share at \$2.20 at any time on or before the date which is 60 months after the Closing Date.

Concurrent Private Placement

On October 21, 2021, the Company closed its previously announced private placement of units of the Company (the “Units”). A total of 1,256,037 Units were sold at a price of \$1.80 per Unit (the “Offering Price”) for gross proceeds of approximately \$2.26 million. Each Unit is comprised of one (1) common share in the capital of the Company (each, a “Common Share”) and one Common Share purchase warrant (each whole warrant, a “Warrant”). Each Warrant entitles the holder to purchase one Common Share at \$2.20 at any time on or before the date which is 60 months after the Closing Date.

Change to Board of Directors.

On September 22, 2021, the Company announced that Mr. Lenarciak had resigned from its board of directors.

Exercise of stock options

Subsequent to the period end, Dr. Keith Barron, Chairman and exercised 20,000 stock options with an exercise price of \$2.68 per share.

18. QUALIFIED PERSON

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

19. SHARE DATA

Share data are shown in Table 23.

Table 26. Summary of share data.

As at	Common Shares	Shares to be issued	Warrants	Agents’ Options and Warrants	Stock Options	RSUs	Fully Diluted
December 31, 2020	43,951,179	183,949	3,204,254	176,684	3,541,000	420,500	51,383,017
March 31, 2021	43,956,179	84,400	2,383,317	176,684	3,751,000	392,500	48,968,911
June 30, 2021	46,868,388	84,400	5,294,026	327,104	3,741,000	392,500	56,707,418
September 30, 2021	46,868,388	84,400	5,294,026	311,190	3,781,000	392,500	56,731,504
November 25, 2021	51,979,675	84,400	10,926,618	541,305	3,761,000	392,500	67,705,498

20. ADDITIONAL INFORMATION

The Company

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

**Directors, Officers and Management**

Keith Barron – Chief Executive Officer, Chairman of the Board of Directors (“Board”) and Director
Richard Spencer – President and Director
Warren Gilman – Director
Jonathan Kagan – Director
Nathalie Han – Director
Antony Wood – Chief Financial Officer
Jean Paul Pallier – Vice President - Exploration (“VPX”)
Carolyn Muir – Vice President - Investor Relations

Corporate Office

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

Registered Office

31 Victoria Street, Hamilton, HM 10, Bermuda.

Exchange Listings

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