



# AURANIA

## **AURANIA RESOURCES LTD.**

**NOTICE OF MEETING**

**AND**

**MANAGEMENT INFORMATION CIRCULAR**

**WITH RESPECT TO**

**THE ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS**

**TO BE HELD ON JUNE 21, 2021**

### **COVID-19 Guidance:**

In the context of the effort to mitigate potential risks to the health and safety associated with COVID-19, and in compliance with the orders and directives of the Government of Canada, the Province of Ontario and the City of Toronto, the shareholders of Aurania Resources Ltd. are being discouraged from attending the Annual and Special Meeting of Shareholders in-person. All shareholders are encouraged to vote on the matters before the meeting by proxy in the manner set out in the Notice of Meeting and the Management Information Circular dated May 12, 2021.

## AURANIA RESOURCES LTD.

### NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

Notice is hereby given that an annual and special meeting (the “**Meeting**”) of the shareholders (“**Shareholders**”) of Aurania Resources Ltd. (the “**Company**”) will be held on June 21, 2021 at 11:00am **Eastern Time (“ET”)** via teleconference for the following purposes:

1. to receive and consider the financial statements of the Company for the year ended December 31, 2020 and the report of the auditors thereon;
2. to appoint UHY McGovern Hurley LLP, Chartered Accountants, as the auditors of the Company for the ensuing year and to authorize the directors to fix their remuneration;
3. to elect the directors of the Company for the ensuing year;
4. to consider and, if deemed advisable, to pass, with or without variation, an ordinary resolution to approve the Company’s Incentive Stock Option Plan for the ensuing year; and
5. to transact such other business as may properly come before the Meeting or any adjournments or postponements thereof.

The nature of the business to be transacted at the Meeting is described in further detail in the management information circular of the Company dated May 12, 2021 (the “**Circular**”). An “ordinary resolution” is a resolution passed by at least a majority of the votes cast by Shareholders who voted in respect of that resolution at the Meeting.

The record date for the determination of Shareholders entitled to receive notice of, and to vote at, the Meeting or any adjournments or postponements thereof, is May 10, 2021 (the “**Record Date**”). Shareholders whose names have been entered in the register of Shareholders at the close of business on the Record Date will be entitled to receive notice of, and to vote, at the Meeting or any adjournments or postponements thereof.

A Shareholder wishing to be represented by proxy at the Meeting or any adjournment thereof must deposit his/her/its duly executed form of proxy with the Company’s transfer agent and registrar, TSX Trust Company Inc. (“**TSX Trust**”), at 301 – 100 Adelaide Street West, Toronto, Ontario M5H 4H1 no later than 11:00 a.m. ET on **June 17, 2021** or, if the meeting is adjourned, not later than 48 hours, excluding weekends and statutory holidays in the City of Toronto, Ontario, preceding the time of such adjourned meeting. Shareholders who are unable to attend the Meeting in person, are requested to date, complete, sign and return the form of proxy so that as large a representation as possible may be had at the Meeting.

#### **Notice-and-Access**

The Company is utilizing notice-and-access (the “**Notice-and-Access Provisions**”) pursuant to National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer* and National Instrument 51-102 – *Continuous Disclosure Obligations*, for distribution of Meeting materials to registered and non-registered Shareholders.

#### **Website Where Meeting Materials are Posted**

The Notice-and-Access Provisions are a set of rules that allow reporting issuers to post electronic versions of proxy-related materials (such as proxy circulars and annual financial statements) on-line, via the System for Electronic Document Analysis and Retrieval (“**SEDAR**”) and one other website, rather than mailing paper copies of such materials to Shareholders. Electronic copies of the Circular, financial statements of the Company for the year-ended December 31, 2020 (“**Financial Statements**”) and management’s discussion and analysis of the Company’s results of operations and financial condition for 2020 (“**MD&A**”) may be found on the Company’s SEDAR profile at [www.sedar.com](http://www.sedar.com), on TSX Trust’s website at <http://docs.tsxtrust.com/2167>, and also on the Company’s website at <http://aurania.com/investors/annual-general-meeting>. The Company will not use a procedure known as “stratification”

in relation to the use of Notice-and-Access Provisions. Stratification occurs when a reporting issuer using the Notice-and-Access Provisions provides a paper copy of the Circular to some Shareholders with this notice package. In relation to the Meeting, all Shareholders will receive the required documentation under the Notice-and-Access Provisions, which will not include a paper copy of the Circular.

### **Obtaining Paper Copies of Materials**

The Company anticipates that using notice-and-access for delivery to all Shareholders will directly benefit the Company through a substantial reduction in both postage and material costs, and also promote environmental responsibility by decreasing the large volume of paper documents generated by printing proxy-related materials. Inquiries including questions about notice-and-access and/or requests for paper copies of this Circular, the Financial Statements and the MD&A for the year-ended December 31, 2020, may be directed to the Company's transfer agent, TSX Trust, toll-free by telephone at 1-866-600-5869 or via email at [TMXEInvestorservices@tmx.com](mailto:TMXEInvestorservices@tmx.com). A request for paper copies which are required in advance of the Meeting should be sent so that they are received by TSX Trust, by June 10, 2021 in order to allow sufficient time for Shareholders to receive the paper copies and to return their proxies or voting instruction forms to intermediaries not later than 48 hours (excluding Saturdays, Sundays and statutory holidays in the City of Toronto, Ontario) prior to the time set for the Meeting or any adjournments or postponements thereof (the "**Proxy Deadline**"). Any requests for paper copies received by the Company after June 10, 2021 will be delivered to Shareholders in accordance with applicable securities law.

### **VOTING**

## **COVID-19 Guidance**

**In the context of the effort to mitigate potential risks to the health and safety associated with COVID-19, and in compliance with the orders and directives of the Government of Canada, the Province of Ontario and the City of Toronto, the shareholders of Aurania Resources Ltd. are being discouraged from attending the Annual and Special Meeting of Shareholders in-person. All shareholders are encouraged to vote on the matters before the meeting by proxy in the manner set out in the Notice of Meeting and Circular.**

**To allow the Shareholders to follow the conduct of the Meeting, the Company is providing a teleconference facility that can be used by Shareholders and guests to follow the conduct of the Meeting in real time and to ask questions during the question period.**

### **Conference Call Details:**

**Date: Monday, June 21, 2021**

**Time: 11:00 am ET**

**Webcast URL: <http://services.choruscall.ca/links/aurania20210621.html>**

When prompted, webcast participants enter: First Name, Last Name, Company, Email Address.

### **PARTICIPANT TELEPHONE NUMBERS**

**Canada/USA Toll Free: 1-800-319-4610**

**Toronto Toll: +1-416-915-3239**

**UK & Europe Toll Free: 0808-101-2791**

*Callers should dial in 5 – 10 min prior to the scheduled start time and simply ask to join Aurania's call.*

**A "beneficial" or "non-registered" Shareholder will not be recognized directly at the Meeting for the purposes of voting common shares registered in the name of his/her/its broker; however, a beneficial Shareholder may**

**attend the Meeting in-person as proxyholder for the registered Shareholder and vote the common shares in that capacity. Only Shareholders as of the Record Date are entitled to receive notice of and vote at the Meeting. Shareholders who are unable or not planning to attend the Meeting in person, or any adjournments or postponements thereof, are requested to complete, date and sign the enclosed form of proxy (registered holders) or voting instruction form (beneficial holders) and return it in the envelope provided.** To be effective, the enclosed form of proxy or voting instruction form must be mailed or faxed so as to reach or be deposited with: (A) TSX Trust Company (in the case of registered holders) at Suite 301 – 100 Adelaide Street West, Toronto, Ontario M5H 4H1, Fax Number: 416-595-9593 prior to the Proxy Deadline, failing which such votes may not be counted, or (B) your intermediary (in the case of beneficial holders) with sufficient time for them to file a proxy by the Proxy Deadline.

DUE TO COVID-19-RELATED CONCERNS ALL SHAREHOLDERS WHO ARE ELIGIBLE TO VOTE AT THE MEETING ARE STRONGLY ENCOURAGED TO VOTE BY PROXY PRIOR TO THE PROXY DEADLINE IN THE MANNER SET OUT ABOVE. THE MANAGEMENT OF THE COMPANY IS DISCOURAGING IN-PERSON ATTENDANCE OF THE MEETING DURING THE PERIOD OF RESTRICTIONS ON PUBLIC GATHERINGS INSTITUTED OR RECOMMENDED BY HEALTH OFFICIALS IN CONNECTION WITH THE PROLIFERATION OF COVID-19.

The Management of the Company reserves the right to take any additional precautionary measures it deems appropriate in relation to the Meeting in response to further developments in respect of the COVID-19 outbreak including, if the Management of the Company considers necessary or advisable, providing a webcast version of the Meeting and/or hosting the Meeting solely by means of remote communication, placing restrictions on in-person attendance, or postponing or adjourning the Meeting. Changes to the Meeting date and/or means of holding the Meeting may be announced by way of press release. Please monitor our Company's news releases <http://aurania.com/news/press-releases> as well as the home page of the Company's website at <http://www.aurania.com> for updated information. The Management of the Company advises the Shareholders of the Company to check our Company website one week prior to the Meeting date for the most current information. If applicable and as appropriate, this webpage will contain required information that would allow shareholders to remotely dial-in or log-in for purposes of listening, but not participating in, the Meeting. We do not intend to prepare or mail an amended Circular in the event of changes to the Meeting's format.

**SHAREHOLDERS ARE REMINDED TO REVIEW THE INFORMATION CIRCULAR BEFORE VOTING.**

**DATED** this 12th day of May, 2021.

**BY ORDER OF THE BOARD OF DIRECTORS OF  
AURANIA RESOURCES LTD.**

(signed) "*Keith Barron*"

Dr. Keith Barron  
Chief Executive Officer, Chairman and Director

## AURANIA RESOURCES LTD.

### MANAGEMENT INFORMATION CIRCULAR

Aurania Resources Inc.(the “**Company**”) is utilizing the notice-and-access mechanism (the “**Notice-and-Access Provisions**”) under National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer* (“**NI 54-101**”) and National Instrument 51-102 – *Continuous Disclosure Obligations* (“**NI 51-102**”) for distribution of this management information circular (the “**Circular**”) to both registered and non-registered (or beneficial) holders (“**Shareholders**”) of common shares of the Company (“**Common Shares**”). Further information on notice-and-access is contained below under the heading *General Information in Respect of the Meeting – Notice-and-Access* and Shareholders are encouraged to read this information for an explanation of their rights.

### GENERAL INFORMATION IN RESPECT OF THE MEETING

#### Solicitation of Proxies

This Circular is furnished in connection with the solicitation of proxies by the Management of the Company for use at the annual and special meeting (the “**Meeting**”) of the Shareholders of the Company to be held at 11:00 a.m. ET on June 21, 2021 for the purposes set forth in the Notice of Annual and Special Meeting of Shareholders (the “**Notice**”). References in this Circular to the Meeting include any adjournment(s) or postponement(s) thereof. It is expected that the solicitation of proxies will be primarily by mail, however, proxies may also be solicited by the officers, directors and employees of the Company by telephone, electronic means, or personally. These persons will receive no compensation for such solicitation other than their regular fees or salaries. The cost of soliciting proxies in connection with the Meeting will be borne directly by the Company.

The board of directors of the Company (the “**Board**”) has fixed the close of business on May 10, 2021 as the record date, being the date for the determination of the registered Shareholders entitled to receive notice of, and to vote at, the Meeting. All duly completed and executed proxies must be received by the Company’s registrar and transfer agent, TSX Trust Company (“**TSX Trust**”) at Suite 301 – 100 Adelaide Street West, Toronto, Ontario M5H 4H1, Fax Number: 416.595.9593 not later than forty-eight (48) hours (excluding Saturdays, Sundays and statutory holidays in the City of Toronto, Ontario) prior to the time set for the Meeting or any adjournments or postponements thereof (the “**Proxy Deadline**”).

In this Circular, unless otherwise indicated, all dollar amounts “\$” are expressed in Canadian dollars.

Unless otherwise stated, the information contained in this Circular is as of May 12th, 2021.

#### **Notice and Access**

As noted above, the Company is utilizing the Notice-and-Access Provisions under NI 54-101 and NI 51-102 for distribution of this Circular to all registered Shareholders and Non-Registered Shareholders (as defined below).

The Notice-and-Access Provisions are a new set of rules that allow reporting issuers to post electronic versions of proxy-related materials (such as proxy circulars and annual financial statements) on-line, via the System for Electronic Document Analysis and Retrieval (“**SEDAR**”) and one other website, rather than mailing paper copies of such materials to Shareholders. Electronic copies of the Circular, financial statements of the Company for the year-ended December 31, 2020 (“**Financial Statements**”) and management’s discussion and analysis of the Company’s results of operations and financial condition for fiscal year 2020 (“**MD&A**”) may be found on the Company’s SEDAR profile at [www.sedar.com](http://www.sedar.com), on TSX Trust’s website at <http://docs.tsxtrust.com/2167> and also on the Company’s website at <http://aurania.com/investors/annual-general-meeting>. The Company will not use a procedure known as “stratification” in relation to the use of Notice-and-Access Provisions. Stratification occurs when a reporting issuer using the Notice-and-Access Provisions provides a paper copy of this Circular to some Shareholders with the notice package. In relation to the Meeting, all Shareholders will receive the required documentation under the Notice-and-Access Provisions, which will not include a paper copy of this Circular. **Shareholders are reminded to review this Circular before voting.**

Although this Circular, the Financial Statements and the MD&A will be posted electronically on-line as noted above, Shareholders will receive paper copies of a “notice package” via prepaid mail containing the Notice of Meeting with information prescribed by NI 54-101 and NI 51-102, a form of proxy or voting instruction form, and supplemental mail list return card for Shareholders to request they be included in the Company’s supplementary mailing list for receipt of the Company’s interim financial statements for the 2020 fiscal year.

The Company anticipates that Notice-and-Access will directly benefit the Company through a substantial reduction in both postage and material costs, and also promote environmental responsibility by decreasing the large volume of paper documents generated by printing proxy-related materials.

Shareholders with questions about Notice-and-Access can contact the Company’s transfer agent, TSX Trust, by telephone toll-free at 1-866-600-5869 or via email at [TMXEInvestorservices@tmx.com](mailto:TMXEInvestorservices@tmx.com). Shareholders may also obtain paper copies of the Circular, Financial Statements and MD&A free of charge by contacting TSX Trust at the toll-free number or email address above.

A request for paper copies which are required in advance of the Meeting should be sent so that they are received by TSX Trust, by June 10, 2021 in order to allow sufficient time for Shareholders to receive their paper copies and to return their form of proxy to TSX Trust (in the case of registered Shareholders), or their voting instruction form to their intermediaries (in the case of Non-Registered Shareholders, as such term is defined herein) by its due date.

### **Voting of Proxies**

The Common Shares represented by the form of proxy delivered to registered Shareholders (if same is properly executed and is received at the offices of TSX Trust at the address provided herein, not later than 48 hours (excluding Saturdays, Sundays and statutory holidays in the City of Toronto, Ontario) prior to the time set for the Meeting or any adjournment(s) or postponement(s) thereof), will be voted at the Meeting, and, where a choice is specified in respect of any matter to be acted upon, will be voted or withheld from voting in accordance with the specification made on any ballot that may be called for. **In the absence of such specification, proxies in favour of Management will be voted in favour of all resolutions described below under the heading “Matters to be Acted Upon”. The form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice and with respect to other matters which may properly come before the Meeting whether or not such matters are routine or contested.** At the time of the filing of this Circular, Management knows of no such amendments, variations or other matters to come before the Meeting. However, if any other matters that are not now known to Management should properly come before the Meeting, the form of proxy will be voted on such matters in accordance with the best judgment of the named proxies.

### **Appointment of Proxies**

The persons named in the enclosed form of proxy are officers and/or directors of the Company. **A Shareholder desiring to appoint some other person (who need not be a Shareholder) to represent him or her at the Meeting, may do so by inserting such person’s name in the blank space provided in the enclosed form of proxy or by completing another proper form of proxy and, in either case, depositing the completed and executed proxy at the offices of TSX Trust, at the address provided herein, not later than forty-eight (48) hours (excluding Saturdays, Sundays and statutory holidays in the City of Toronto, Ontario) prior to the time set for the Meeting or any adjournment(s) or postponement(s) thereof.**

A Shareholder forwarding the enclosed form of proxy may indicate the manner in which the appointee is to vote with respect to any specific item by checking the appropriate space. If the Shareholder giving the proxy wishes to confer a discretionary authority with respect to any item of business, then the space opposite the item is to be left blank. The Common Shares represented by the form of proxy submitted by a Shareholder will be voted in accordance with the directions, if any, given in the form of proxy.

To be valid, a form of proxy must be executed by a Shareholder or a Shareholder’s attorney duly authorized in writing or, if the Shareholder is a body corporate, under its corporate seal or, by a duly authorized officer or attorney.

### **Revocation of Proxies**

A proxy given pursuant to this solicitation may be revoked at any time prior to its use. A Shareholder who has given a proxy may revoke the proxy by:

- (i) completing and signing a proxy bearing a later date and depositing it at the offices of TSX Trust, Suite 301 – 100 Adelaide Street West, Toronto, Ontario M5H 4H1;
- (ii) depositing an instrument in writing executed by the Shareholder or by the Shareholder's attorney duly authorized in writing or, if the Shareholder is a body corporate, under its corporate seal or, by a duly authorized officer or attorney either with TSX Trust, Suite 301 – 100 Adelaide Street West, Toronto, Ontario M5H 4H1, at any time up to and including the last business day preceding the day of the Meeting or any adjournment(s) or postponement(s) thereof or with the Chairman of the Meeting prior to the commencement of the Meeting on the day of the Meeting or any adjournment(s) or postponement(s) thereof; or
- (iii) in any other manner permitted by law.

Such instrument will not be effective with respect to any matter on which a vote has already been cast pursuant to such proxy.

### **Voting by Non-Registered Shareholders**

Only registered Shareholders or the persons they appoint as their proxies are permitted to vote at the Meeting. Most Shareholders are “non-registered” or “beneficial” Shareholders (“**Non-Registered Shareholders**”) because the Common Shares they own are not registered in their names but are instead registered in the name of the brokerage firm, bank or trust company through which they purchased the Common Shares. Common Shares beneficially owned by a Non-Registered Shareholder are registered either: (i) in the name of an intermediary (“**Intermediary**”) that the Non-Registered Shareholder deals within respect of the Common Shares; or (ii) in the name of a clearing agency (such as CDS Clearing and Depository Services Inc.) of which the Intermediary is a participant. In accordance with applicable securities law requirements, the Company will have distributed copies via mail or electronically the Notice, the form of proxy, a request card for interim and annual materials and either this Circular, or in case of meetings conducted through the Notice-and-Access system like the Meeting, guidance on access to the Circular that is available electronically or in paper form on request (collectively, the “**Meeting Materials**”) to the clearing agencies and Intermediaries for distribution to Non-Registered Shareholders.

Intermediaries are required to forward the Meeting Materials to Non-Registered Shareholders unless a Non-Registered Shareholder has waived the right to receive such materials. Intermediaries often use service companies to forward the Meeting Materials to Non-Registered Shareholders. Generally, Non-Registered Shareholders who have not waived the right to receive Meeting Materials will either:

- (i) be given a voting instruction form **which is not signed by the Intermediary** and which, when properly completed and signed by the Non-Registered Shareholder and **returned to the Intermediary or its service company**, will constitute voting instructions (often called a “**voting instruction form**”) which the Intermediary must follow. Typically, the voting instruction form will consist of a one-page pre-printed form. Most brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. (“**Broadridge**”) in Canada and the United States. Broadridge typically prepares a machine-readable voting instruction form, mails those voting instruction forms to Non-Registered Shareholders and asks Non-Registered Shareholders to return the voting instruction form to Broadridge or otherwise communicate voting instructions to Broadridge (by way of the Internet or telephone, for example). Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of the shares to be represented at the Meeting. Sometimes, instead of the one-page pre-printed form, the voting instruction form will consist of a regular printed proxy form accompanied by a page of instructions which contains a removable label with a bar-code and other information. In order for this form of proxy to validly constitute a voting instruction form, the Non-Registered Shareholder must remove the label from the instructions and affix it to the form of proxy, properly complete and sign the form of proxy and submit it to the Intermediary or its service company in accordance with the instructions of the Intermediary or its service company. **A Non-Registered Shareholder who receives a voting instruction form cannot use that form to vote his or her Common Shares at the Meeting; or**

- (ii) be given a form of proxy **which has already been signed by the Intermediary** (typically by a facsimile, stamped signature), which is restricted as to the number of Common Shares beneficially owned by the Non-Registered Shareholder, but which is otherwise not completed by the Intermediary. Because the Intermediary has already signed the form of proxy, this form of proxy is not required to be signed by the Non-Registered Shareholder when submitting the proxy. In this case, the Non-Registered Shareholder who wishes to submit a proxy should properly complete the form of proxy and deposit it with TSX Trust at Suite 301 – 100 Adelaide Street West, Toronto, Ontario M5H 4H1, Fax Number: 416-595-9593.

In either case, the purpose of these procedures is to permit Non-Registered Shareholders to direct the voting of the Common Shares they beneficially own. Should a Non-Registered Shareholder who receives one of the above forms wish to vote at the Meeting, or any adjournment(s) or postponement(s) thereof, (or have another person attend and vote on behalf of the Non-Registered Shareholder), the Non-Registered Shareholder should strike out the person's named in the voting instruction form and insert the Non-Registered Shareholder or such other person's name in the blank space provided. **In either case, Non-Registered Shareholders should carefully follow the instructions of their Intermediary, including those regarding when and where the voting instruction form is to be delivered.**

A Non-Registered Shareholder may revoke a voting instruction form or a waiver of the right to receive Meeting Materials and to vote which has been given to an Intermediary at any time by written notice to the Intermediary provided that an Intermediary is not required to act on a revocation of a voting instruction form or of a waiver of the right to receive Meeting Materials and to vote, which is not received by the Intermediary at least seven (7) days prior to the Meeting.

Non-Registered Shareholders fall into two categories: those who object to their identity being made known to the issuers of securities which they own ("**Objecting Beneficial Owners**" or "**OBOs**") and those who do not object to their identity being made known to the issuers of the securities they own ("**Non-Objecting Beneficial Owners**" or "**NOBOs**"). Subject to the provisions of NI 54-101, issuers may request and obtain a list of their NOBOs from intermediaries. Pursuant to NI 54-101, issuers may obtain and use the NOBO list in connection with any matter relating to the affairs of the issuer, including the distribution of proxy-related materials directly to NOBOs. The Company is sending Meeting Materials directly to the NOBOs and will use and pay intermediaries and agents to send the Meeting Materials to NOBOs. The Meeting Materials are being sent to both registered and Non-Registered Shareholders. If you are a Non-Registered Shareholder, and the Company or its agent has sent the Meeting Materials to you, your name and address and information about your holdings of securities, have been obtained in accordance with applicable securities regulatory requirements from the Intermediary holding on your behalf. By choosing to send these Meeting Materials to you directly, the Company (and not the Intermediary holding on your behalf) has assumed responsibility for (i) delivering these Meeting Materials to you, and (ii) executing your proper voting instructions. Please return your voting instructions as specified above. The Company will pay an Intermediary for sending the Meeting Materials or a voting instruction form to the OBOs.

## **INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON**

No director or executive officer of the Company who has held such position at any time since the beginning of the Company's last financial year, or each proposed nominee for election as a director of the Company, or associates or affiliates of the foregoing persons, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matters to be acted upon at the Meeting other than the election of directors and the appointment of auditors, except for the following:

As of the date hereof, Options to purchase a total of 3,541,000 Common Shares have been issued to directors, officers, employees and consultants of the Company and remain outstanding. As at the date hereof, the number of Common Shares remaining available for issuance under the Option Plan is 725,339 (taking into account 420,500 RSU's issued and outstanding as at the date hereof). For a brief description of the Option Plan, please see: "*Securities Authorized for Issuance under Equity Compensation Plans – Stock Option Plan*". The full text of the Option Plan is attached hereto as Schedule "A".

## **VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES**

The authorized share capital of the Company consists of 1,000,000,000 Common Shares with a par value of \$0.00001 per Common Share. As at the date hereof, there are 46,868,398 Common Shares issued and outstanding.



Each Common Share entitles the holder thereof to one vote on all matters to be acted upon at the Meeting. The record date for the determination of Shareholders entitled to receive notice of the Meeting has been fixed at May 10, 2021 (the “**Record Date**”). All such holders of record of Common Shares on the Record Date are entitled either to attend and vote thereat in person the Common Shares held by them or, provided a completed and executed proxy shall have been delivered to the Company’s transfer agent, TSX Trust, prior to the Proxy Deadline, to attend and to vote thereat by proxy the Common Shares held by them.

To the knowledge of the directors and executive officers of the Company, as of the date hereof, no person or company beneficially owns, controls or directs, directly or indirectly, voting securities of the Company carrying 10% or more of the voting rights attached to all outstanding Common Shares, other than as listed in Table 1.

**Table 1. List of Shareholders that beneficially own, control or direct, directly or indirectly, voting securities of the Company carrying 10% or more of the voting rights attached to all outstanding Common Shares.**

| Name of Shareholder         | Number of Common Shares <sup>(1)(2)(3)</sup> | Percentage of Common Shares <sup>(1)(2)</sup> |
|-----------------------------|--|---|
| Keith Barron <sup>(3)</sup> | 19,890,028                                   | 42%   |

Notes:

- (1) The information regarding Common Shares beneficially owned, controlled or directed, not being within the knowledge of the Company, has been obtained by the Company from publicly disclosed information and/or furnished by the Shareholder listed above.
- (2) On a non-diluted basis.
- (3) 18,228,546 of the Common Shares noted above are held by Bambazonke Holdings Ltd., a company controlled by Dr. Keith Barron.

## **EXECUTIVE COMPENSATION**

### **Compensation Discussion and Analysis**

The purpose of this Compensation Discussion and Analysis is to provide information about the Company’s executive compensation philosophy, objectives, and processes and to discuss compensation decisions relating to the Company’s Chief Executive Officer (“**CEO**”), President, Chief Financial Officer (“**CFO**”), and, if applicable, its three most highly compensated individuals acting as, or in a like capacity as, executive officers of the Company whose total compensation was individually equal to more than \$150,000 (the “**NEOs**” or “**Named Executive Officers**”), during the Company’s most recently complete financial year, being the financial year ended December 31, 2020 (the “**Last Financial Year**”). The NEOs of the Company during the Last Financial Year were Dr. Keith Barron (the Company’s CEO and Chairman), Dr. Richard Spencer (the Company’s President), Tony Wood (the Company’s CFO) and Mr. Jean Paul Pallier (the Company’s Vice President, Exploration).

### **Compensation, Nomination and Governance Committee**

The compensation, nomination and governance committee of the Board (the “**CNGC**”) is currently comprised of all four independent directors, namely Nathalie Han, Alfred Lenarciak, Warren Gilman, Jonathan Kagan, all of whom are independent within the meaning of Canadian Securities Administrator’s National Instrument 58-101 – *Disclosure of Corporate Governance Practices* (“**NI 58-101**”). There is currently no Chairperson since the passing of former Company director and CNGC Chair, Leanne Baker in December 2020. The Board anticipates maintaining the CNGC to assist in fulfilling its corporate governance responsibilities under applicable laws, to promote a culture of integrity throughout the Company, to assist the Board in setting director and senior executive compensation, and to develop and submit to the Board recommendations with respect to other employee benefits as the CNGC sees fit. In the performance of its duties, the CNGC will be guided by the following principles: (i) establishing sound compensation practices that are in the interests of Shareholders and that contribute to effective and efficient decision-making; (ii) offering competitive compensation to attract, retain and motivate the very best qualified executives in order for the Company to meet its goals; and (iii) acting in the best interests of the Company and its Shareholders by being fiscally responsible.

All proposed CNGC members have direct or indirect experience that is relevant to their responsibilities regarding executive compensation, as outlined below. As current or former senior executive officers, each member of the CNGC

has developed skills and experience in executive compensation issues which enable them as a group to make decisions on the suitability of the Company's compensation policies and practices.

**Alfred Lenarciak** – Mr. Lenarciak was appointed as a Director of Aurania on June 13, 2018. He is a civil and mining engineer with over 25 years of experience in financing and strategic development of resource companies in North and South America, Africa, Europe and Asia. In 1983, he studied finance at the University of Quebec and worked in investment banking in the junior mining industry until 1990. He was then retained by the World Bank to oversee the privatization of the mining industry in Poland. Between 1992 and 2014, Mr. Lenarciak served on the board of directors of more than a dozen TSX-listed companies. In May 2015, Mr. Lenarciak was elevated to Cavaliere Member of the Vatican's Order of Pope Saint Silvester and in May 2019, he received the Silver Cross of Merit. He is a published author of seven books in the USA since 2014, and his books have been distributed in over 40 countries.

**Jonathan Kagan** – Mr. Kagan was appointed as a Director of Aurania on June 20, 2019. He has over 30 years of experience as an investment banker and is currently managing partner of Corporate Partners, LLC. Mr. Kagan began his career in the investment banking division of Lazard in 1980 and became General Partner in 1987. Mr. Kagan has served on a number of NYSE and NASDAQ-listed companies, as well as private companies, where he helped determine compensation for the officers and directors.

**Warren Gilman** – Mr. Gilman was appointed as a Director of Aurania on June 20, 2019. He was appointed director of NexGen Energy Ltd. on July 21, 2017. He was appointed Chairman and CEO of Queen's Road Capital Investments Limited in 2019. Prior to that he was Chairman and CEO of CEF Holdings Limited. Previously he was Vice Chairman of CIBC World Markets. Mr. Gilman was also previously Managing Director and Head of Asia Pacific Region for CIBC for 10 years where he was responsible for all of CIBC's activities across Asia. Mr. Gilman is a mining engineer who co-founded CIBC's Global Mining Group in 1988. During his 26 years with CIBC, he ran the mining team in Canada, Australia and Asia and worked in the Toronto, Sydney, Perth, Shanghai and Hong Kong offices of CIBC. He has acted as advisor to the largest mining companies in the world including BHP, Rio Tinto, Anglo American, Noranda, Falconbridge, Meridian Gold, China Minmetals, Jinchuan and Zijin and has been responsible for some of the largest equity capital markets financings in Canadian mining history. In March 2019, Mr. Gilman was appointed to the Board of AIM listed Chaarat Gold Holdings Ltd. Mr. Gilman obtained his B.Sc. in Mining Engineering at Queen's University and his MBA from the Ivey Business School at Western University. He is Chairman of the International Advisory Board of Western University and a member of the Dean's Advisory Board of Laurentian University. Mr. Gilman is a resident of Hong Kong, China.

**Nathalie Han** - Ms. Han was appointed as a Director of Aurania on January 27, 2021. She is Managing Director and Founder of La Paix Capital AG based in Zurich, since 2016. Prior to this, she was with Craton Capital (Schweiz) AG in Zurich for over five years as Principal Advisor of a renewable and sustainable resources fund, Principal at OMERS Capital Markets in Toronto, one of the largest public pension funds and an Investment Analyst at Capital International CDPQ (La Caisse de dépôt et placement du Québec) in Montréal, also one of the largest Canadian public pension funds. Ms. Han has over twenty years' experience in investment management, deal structuring, financing, due diligence and investment research, especially in clean energy, oil and gas, and the natural resource sectors. She is a Chartered Financial Analyst (CFA) and holds a MSc in Administration (Finance) from Concordia University, and a BCom, Joint Honours in Economics and Finance from McGill University.

The CNGC's purpose is, among other things, to: (i) review and recommend to the Board the compensation plans, including the securities-based compensation plans, long term incentive plans, and such other compensation plans or structures as are adopted by the Company from time to time; and (ii) establish and periodically review the Company's policies in the area of management benefits and perquisites. In performing its duties, the CNGC has the authority to engage and compensate any outside advisors that it determines to be necessary to permit it to carry out its duties.

### Compensation Process

The Board relies on the knowledge and experience of the members of the CNGC to set appropriate levels of compensation for senior officers. Neither the Company nor the CNGC has engaged any executive compensation

consultant who has a role in determining or recommending the amount or form of senior officer compensation during the Company's two most recently completed financial years or since the Last Financial Year.

The CNGC reviews the various elements of the NEOs' compensation in the context of the total compensation package (including salary, consulting fees and prior awards under the Company's incentive stock option plan (the "**Option Plan**") originally adopted by the Board on February 15, 2011 and amended on November 15, 2017, with the amendment having been most recently ratified and approved by Shareholders per the requirements of the TSX Venture Exchange (the "**TSX-V**") at the annual and special meeting of Shareholders held on June 10, 2020 (the "**2020 Meeting**") and recommends compensation packages for NEOs. The CNGC's recommendations regarding NEO compensation are presented to the independent members of the Board for their consideration and approval.

### **Principles and Objectives of the Compensation Program**

The primary goal of the Company's executive compensation program is to attract, motivate and retain top quality individuals at the executive level. The program is designed to ensure that the compensation provided to the Company's senior officers is determined with regard to the Company's business strategy and objectives and financial resources, and with the view of aligning the financial interests of the senior officers with the financial interests of the Shareholders.

### **Compensation Program Design and Analysis of Compensation Decisions**

Standard compensation arrangements for the Company's senior officers are comprised of the elements listed in Table 2, which are linked to the Company's compensation and corporate objectives.

**Table 2. Summary of elements of the standard compensation arrangements for the Company's senior officers and associated linked corporate objectives.**

| <b>Compensation Element</b>            | <b>Link to Compensation Objectives</b>                   | <b>Link to Corporate Objectives</b>   |
|--|--|---|
| Base Salary and/or Consulting Fees     | Attract and Retain                                       | Competitive pay ensures access to skilled employees necessary to achieve corporate objectives.  |
| Stock Options & Restricted Stock Units | Motivate and Reward<br>Align interests with Shareholders | Long-term incentives motivate and reward senior officers to increase Shareholder value by the achievement of long-term corporate strategies and objectives. |

### **Performance and Compensation**

The Company is an exploratory stage mining company and does not expect to be generating revenues from operations in the foreseeable future. As a result, the use of traditional performance standards, such as corporate profitability, is not considered by the CNGC to be appropriate in the evaluation of corporate or NEO performance. The compensation of senior officers is based, in part, on trends in the mineral exploration industry as well as achievement of the Company's business plans. The Board did not establish any quantifiable criteria during the Last Financial Year with respect to base compensation payable or the amount of equity compensation granted to NEOs and did not benchmark against a peer group of companies.

#### **Base Salaries and Consulting Fees**

The Company provides senior officers with base salaries or consulting fees which represent their minimum compensation for services rendered or expected to be rendered. Base compensation for NEOs depends on the scope of their experience, responsibilities, leadership skills, performance, length of service, general industry trends and competitiveness practices, and the Company's existing financial resources. Base salaries will be reviewed annually by the CNGC.

During the Last Financial Year, the following arrangements in respect of NEOs involving base salaries were in place:

On May 26, 2017, pursuant to a part-time consulting agreement, Richard M. Spencer was appointed as the Company's President. From January 1, 2020 the part-time consulting contract was superseded by a full-time employment contract with a \$250,000 annual salary.

The Company's CFO, Tony Wood was paid a consulting fee of \$12,500 per month for 50% of his time until January 31, 2020. From February 1, 2020, the part-time consulting contract was superseded by a full-time employment contract with a \$240,000 annual salary.

Jean Paul Pallier was appointed as the Company's Vice President, Exploration on November 2, 2017, after having provided technical consulting services to the Company since 2009. The Company's Vice President, Exploration is contracted through the Company's Ecuadorian subsidiary, Ecuasolidus, SA. ("ESA"). ESA paid approximately \$222,079.

### Stock Options and RSUs

The grant of incentive stock options ("Options") and Restricted Stock Units ("RSUs") pursuant to the Company's incentive stock option and RSU plans are an integral component of the compensation arrangements of the senior officers of the Company. The Board believes that the grant of Options and RSUs to senior officers and Common Share ownership by such officers serves to motivate such officers to strive towards achievement of the Company's long-term strategic objectives, which benefits the Shareholders. Options and RSUs may be awarded to directors, officers, employees and consultants of the Company by the Board on the recommendation of the CNGC. Decisions with respect to options granted are based upon the individual's level of responsibility and their contribution towards the Company's goals and objectives, and additionally may be awarded in recognition of the achievement of a goal or extraordinary service. The Board considers the overall number of Options and RSUs that are outstanding relative to the number of outstanding Common Shares in determining whether to make any new grants of Options and/or RSUs and the size of such grants. Based on the foregoing factors, the Board granted 1,420,000 Options and 338,700 RSUs on November 17, 2020.

### Compensation Risk Considerations

The CNGC is responsible for considering, establishing and reviewing executive compensation programs, and whether the programs encourage unnecessary or excessive risk-taking. The Company believes the programs are balanced and do not motivate unnecessary or excessive risk-taking. The Company does not currently have a policy that restricts directors or NEOs from purchasing financial instruments, including, for greater certainty, prepaid variable forward contracts, equity swaps, collars, or units of exchange funds that are designed to hedge or offset a decrease in the market value of equity. However, to the knowledge of the Company as of the date of hereof, no director or NEO of the Company has participated in the purchase of such financial instruments.

Base salaries are fixed in amount and thus do not encourage risk-taking. While annual incentive awards focus on the achievement of short-term or annual goals and short-term goals may encourage the taking of short-term risks at the expense of long-term results, the Company is focused on instilling a long-term view in its employees and consultants to encourage long-term value creation through the discovery of quality mineral deposits. Annual incentive awards are based on various personal and company-wide achievements. Such performance goals are subjective and include achieving individual and/or corporate targets and objectives, as well as general performance in day-to-day corporate activities which would trigger the award of a bonus payment to the NEOs. The determination as to whether a target has been met is ultimately made by the Board (after receiving recommendations of the CNGC) and the Board reserves the right to make positive or negative adjustments to any bonus payment if they consider them to be appropriate. Funding of the annual incentive awards is capped by the Option and RSU plans and the distribution of funds to the NEOs is at the discretion of the CNGC.

Option awards are important to further align employees' interests with those of the Shareholders. The ultimate value of the awards is tied to the Company's stock price and since awards are staggered and subject to long-term vesting schedules, they help ensure that NEOs have significant value tied into long-term stock price performance.

Table 3 provides information for the Last Financial Year and the years ended December 31, 2020 and 2019 regarding compensation earned by each of the following NEOs.

**Table 3: Summary Compensation Table for NEOs**

| Name and principal position   | Year Ended Dec 31 | Salary (\$) | Share-based awards (\$) | Option-based awards (\$) <sup>(1)(2)(3)(4)(5)</sup> | Non-equity incentive plan compensation (\$) |                           | Pension value (\$) | All other compensation (\$) <sup>(10)</sup> | Total compensation (\$) |
|---|-------------------|-------------|-------------------------|---|---|---------------------------|--------------------|---|-------------------------|
|   |                   |             |                         |   | Annual incentive plans                      | Long-term incentive plans |                    |   |                         |
| Keith Barron <sup>(2)(4)(5)(9)</sup><br><i>Chairman and CEO</i>         | 2020              | Nil         | Nil                     | 198,000   | N/A   | N/A                       | N/A                | 15,000                                      | 213,000                 |
|   | 2019              | Nil         | Nil                     | 39,217  | N/A   | N/A                       | N/A                | 15,000                                      | 54,217                  |
|   | 2018              | Nil         | Nil                     | 602,706   | N/A   | N/A                       | N/A                | 15,000                                      | 617,706                 |
| Richard Spencer <sup>(1)(2)(3)(5)(6)(9)</sup><br><i>President</i>       | 2020              | 250,000     | Nil                     | 434,000   | N/A   | N/A                       | N/A                | Nil   | 684,000                 |
|   | 2019              | 150,000     | Nil                     | 39,217  | N/A   | N/A                       | N/A                | 15,000                                      | 204,217                 |
|   | 2018              | 150,000     | Nil                     | 108,387   | N/A   | N/A                       | N/A                | 15,000                                      | 273,387                 |
| Tony Wood <sup>(1)(2)(5)(9)</sup><br><i>CFO and Corporate Secretary</i> | 2020              | 220,000     | Nil                     | 375,000   | N/A   | N/A                       | N/A                | Nil   | 595,000                 |
|   | 2019              | 84,000      | Nil                     | 39,217  | N/A   | N/A                       | N/A                | Nil   | 123,217                 |
| Jean Paul Pallier <sup>(1)(5)(7)(8)(9)</sup><br><i>VP Exploration</i>   | 2020              | 222,079     | 64,940                  | 177,000   | N/A   | N/A                       | N/A                | Nil   | 464,019                 |
|   | 2019              | 192,775     | 43,100                  | 39,217  | N/A   | N/A                       | N/A                | Nil   | 275,092                 |
|   | 2018              | 201,742     | 40,800                  | Nil   | N/A   | N/A                       | N/A                | Nil   | 242,542                 |

**Notes:**

- (1) On February 7, 2020, the Company granted a total of 300,000 Options, including 100,000 to Dr. Richard Spencer, 75,000 to Jean Paul Pallier and 75,000 to Tony Wood with an exercise price of \$3.16 and an expiry date of February 7, 2025. The fair value of these Options at the date of grant was estimated using the Black-Scholes valuation model with 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. The fair value assigned to these Options on the grant date was \$708,000.
- (2) On November 18, 2020, the Company granted a total of 1,020,000 Options to directors, officers, consultants and employees, with an exercise price of \$3.51 and an expiry date of November 18, 2025 of which 100,000 Options were granted to each of Dr. Barron, Dr. Spencer and Tony Wood. The fair value of these Options at the date of grant was estimated using the Black-Scholes valuation model with the following assumptions: expected forfeiture rate of 0%, expected dividend yield of 0%, expected volatility of 69%, a risk-free interest rate of 0.26% and an expected life of 5 years. The fair value assigned to these options on the grant date was \$2,016,540.
- (3) On March 2, 2018, the Company granted a total of 250,000 Options to two directors and one consultant, with an exercise price of \$2.89 and an expiry date of March 2, 2023 of which 50,000 Options were granted to Dr. Spencer. The fair value of these Options at the date of grant was estimated using the Black-Scholes valuation model with the following assumptions: expected forfeiture rate of 0%, expected dividend yield of 0%, expected volatility of 100%, a risk-free interest rate of 2.1% and an expected life of 5 years. The fair value assigned to these Options on the grant date was 108,387. Volatility was based on the historical trading of the Company's shares.
- (4) On April 5, 2018, the Company granted a total of 300,000 options to Dr. Barron, with an exercise price of \$2.68 and an expiry date of April 5, 2023. The fair value of these Options at the date of grant was estimated using the Black-Scholes valuation model with the following assumptions: expected forfeiture rate of 0%, expected dividend yield of 0%, expected volatility of 100%, a risk-free interest rate of 2.03% and an expected life of 5 years. The fair value assigned to these Options on the grant date was \$602,706. Volatility was based on the historical trading of the Company's shares.
- (5) On October 24, 2019, the Company granted a total of 50,000 options to each of Dr. Barron, Dr. Spencer, Jean Paul Pallier and Tony Wood with an exercise price of \$2.70 and an expiry date of October 24, 2024. The fair value of these Options at the date of grant was estimated using the Black-Scholes valuation model with the following assumptions: expected forfeiture rate of 0%, expected dividend yield of 0%, expected volatility of 100%, a risk-free interest rate of 2% and an expected life of 5 years. The fair value assigned to these Options on the grant date was \$196,085. Volatility was based on the historical trading of the Company's shares.
- (6) During the financial year ending December 31, 2020, the Company paid \$33,697 in consulting fees to a management company controlled by Dr. Spencer. Included in the fees is a charge of \$33,697 for technical services provided to the Company by the spouse of the President, who is a Spanish-speaking, geographic information systems geoscientist. Her scope of work, to analyze historical records and capture relevant geographic information in a geographic information system for the purpose of defining the location of historic sites within the Lost Cities – Cutucu Project area, was issued by the Company's CEO, and her invoices are reviewed and approved by the CEO.

- (7) Mr. Pallier has been Chief Geologist to the Company since 2009 and was appointed as Vice President, Exploration on November 02, 2017. During the Last Financial Year, a total of \$222,076 was charged to the Company on account of Mr. Pallier's salary and government prescribed benefits deductions.
- (8) On November 2, 2020, 2019 and 2018, Mr. Pallier was entitled to 17,000, 17,000 and 17,000 vested RSUs respectively. The value of each RSU on the vesting date was \$3.82, \$2.40 and \$2.54 respectively, the closing prices of the Common Shares listed on the TSX-V as of November 2, 2020, 2019 and 2018. On November 18, 2020 Mr. Pallier was granted 51,000 RSUs which will vest in three yearly equal amounts starting November 18, 2021.
- (9) The Company chose the Black-Scholes valuation model as it is a well-recognized model and an industry standard methodology in the valuation of options.
- (10) These amounts relate to director fees that were paid for the year ended December 31, 2020. No other compensation was paid to the directors.

## **Incentive Plan Awards to NEOs**

### **Outstanding Share Awards and Option Awards**

Table 4 provides information regarding the incentive plan awards for each NEO outstanding as of December 31, 2020.

**Table 4. Summary of incentive plan awards for the Company's NEOs outstanding as of December 31, 2020.**

| Name                             | Option-based Awards   |  |  |   | Share-based Awards   |   |
|----------------------------------|---|--|--|---|--|---|
|                                  | Number of Common Shares underlying unexercised options (#)  | Option exercise price (\$)                   | Option expiration date   | Value of unexercised in-the-money options (\$) <sup>(1)</sup> | Number of shares or units of shares that have not vested (#) | Market or payout value of share awards that have not vested <sup>(6)</sup> (\$) |
| Keith Barron <sup>(2)</sup>      | 100,000<br>50,000<br>136,000                                | 3.51<br>2.70<br>2.68                         | November 17, 2025<br>October 24, 2024<br>April 5, 2023   | -<br>32,500<br>91,120   | N/A<br>N/A<br>N/A  | N/A<br>N/A<br>N/A   |
| Richard Spencer <sup>(3)</sup>   | 100,000<br>100,000<br>50,000<br>150,000<br>60,000<br>50,000 | 3.16<br>3.51<br>2.70<br>2.30<br>2.00<br>2.89 | February 7, 2025<br>November 17, 2025<br>October 24, 2024<br>May 26, 2022<br>November 2, 2022<br>March 2, 2023 | 19,000<br>-<br>32,500<br>157,500<br>81,000<br>23,000          | N/A<br>N/A<br>N/A<br>N/A<br>N/A<br>N/A                       | N/A<br>N/A<br>N/A<br>N/A<br>N/A<br>N/A  |
| Tony Wood <sup>(4)(7)</sup>      | 100,000<br>75,000<br>180,000<br>50,000                      | 3.16<br>3.51<br>3.40<br>2.70                 | February 7, 2025<br>November 17, 2025<br>January 16, 2024<br>October 24, 2024                                  | 14,250<br>-<br>-<br>32,500                                    | N/A<br>N/A<br>N/A<br>N/A                                     | N/A<br>N/A<br>N/A<br>N/A  |
| Jean Paul Pallier <sup>(5)</sup> | 75,000<br>50,000<br>50,000                                  | 3.16<br>2.70<br>2.00                         | February 7, 2025<br>October 24, 2024<br>November 2, 2022   | 14,250<br>32,500<br>67,500                                    | 51,000   | 170,850   |

**Note:**

- (1) Aggregate dollar amount of in-the-money unexercised options held as at December 31, 2020. This figure is computed based on the difference between the market value of the Common Shares on the TSX-V as at December 31, 2020, and the exercise price of the option. The closing price of the Common Shares on the TSX-V as of December 31, 2020, was \$3.35.
- (2) Dr. Barron was a director and a NEO of the Company during the financial year ended December 31, 2020. Any compensation received by Dr. Barron in his capacity as a director of the Company is reflected in the Summary Compensation Table for NEOs (Table 3).
- (3) Dr. Spencer was a director and a NEO of the Company during the financial year ended December 31, 2020 and did not receive compensation as a director.
- (4) Compensation received by Mr. Wood in his capacity as CFO and Corporate Secretary of the Company is reflected in the Summary Compensation Table for NEOs (Table 3).
- (5) Mr. Pallier served as the Company's Vice President, Exploration during the financial year ended December 31, 2020. Any compensation received by Mr. Pallier in his capacity as an officer of the Company is reflected in the Summary Compensation Table for NEOs (Table 3).
- (6) Aggregate dollar value of the unvested RSUs as at December 31, 2020. The closing price of the Common Shares listed on the TSX-V on December 31, 2020 was \$3.35.

- (7) Mr. Wood has been awarded 180,000 Options prior to his appointment as the Company's CFO in May of 2019 during his services to the Company as a consultant. The numbers of Options in this table includes the awards of options made prior to Mr. Wood becoming CFO.

### Incentive Plan Awards – Value Vested or Earned During the Year

Table 5 provides information regarding the value vested or earned on incentive plan awards for each NEO during the year ended December 31, 2020.

**Table 5. Summary of the value vested or earned on incentive plan awards for the Company's NEOs outstanding as of December 31, 2020.**

| <b>Name</b>                                | <b>Option-based awards – Value vested during the year (\$)</b> | <b>Share-based awards – Value vested (\$)</b> | <b>Non-equity incentive plan compensation – Value earned during the year (\$)</b> |
|--|--|---|---|
| Keith Barron <sup>(2)(3)(8)</sup>          | Nil  | Nil   | Nil   |
| Richard Spencer <sup>(1)(4)(6)(7)(8)</sup> | 27,333   | Nil   | Nil   |
| Tony Wood <sup>(6)(7)(8)(9)</sup>          | 26,417   | Nil   | Nil   |
| Jean Paul Pallier <sup>(5)(6)(7)</sup>     | 26,417   | 64,940 <sup>(5)</sup>                         | Nil   |

**Notes:**

- (1) Calculated based on the closing price of the Common Shares on the TSX-V at the vesting date less the exercise price of the vested Options multiplied by the number of vested options. The Options granted on March 2, 2018 (50,000 granted to Richard Spencer), vest one-third (1/3) on the date of grant, one-third (1/3) on the first anniversary of the date of grant and one-third (1/3) on the second anniversary of the date of grant. On March 2, 2020, the exercise price was \$2.89, and the closing price of the Common Shares on the TSX-V was \$2.76.
- (2) Calculated based on the closing price of the Common Shares on the TSX-V at the vesting date less the exercise price of the vested Options multiplied by the number of vested Options. The Options granted on April 5, 2018 (300,000 granted to Keith Barron), vest one-third (1/3) on the date of grant, one-third (1/3) on the first anniversary of the date of grant and one-third (1/3) on the second anniversary of the date of grant. On April 5, 2020, the exercise price was \$2.68, and the closing price of the Common Shares on the TSX-V was \$2.16.
- (3) Dr. Barron was a director and CEO of the Company during the financial year ended December 31, 2020. Any compensation received by Dr. Barron in his capacity as a director of the Company is reflected in the Summary Compensation Table for NEOs (Table 3).
- (4) Dr. Spencer was a director and CEO of the Company during the financial year ended December 31, 2020. Any compensation received by Dr. Spencer in his capacity as a director of the Company is reflected in the Summary Compensation Table for NEOs (Table 3).
- (5) Calculated based on the closing price of the Common Shares on the TSX-V at the vesting date (November 2, 2020), which was \$3.82. Mr. Pallier received 17,000 vested RSUs on November 2, 2020 as part of 51,000 RSUs granted to him on November 2, 2017. 51,000 RSUs granted 2020 remain unvested as of the date hereof.
- (6) Calculated based on the closing price of the Common Shares on the TSX-V at the vesting date less the exercise price of the vested options multiplied by the number of vested Options. The Options granted on October 24, 2019 (50,000 granted to Richard Spencer, 50,000 to Tony Wood and 50,000 to Jean Paul Pallier), vest one-third (1/3) on the date of grant, one-third (1/3) on the first anniversary of the date of grant and one-third (1/3) on the second anniversary of the date of grant. The exercise price is \$2.70, and the closing price of the Common Shares on the TSX-V on October 24, 2020 was \$4.12.
- (7) Calculated based on the closing price of the Common Shares on the TSX-V at the vesting date less the exercise price of the vested options multiplied by the number of vested Options. The Options granted on February 7, 2020 (100,000 granted to Richard Spencer, 75,000 to Tony Wood and 75,000 to Jean Paul Pallier), vest one-third (1/3) on the date of grant, one-third (1/3) on the first anniversary of the date of grant and one-third (1/3) on the second anniversary of the date of grant. The exercise price is \$3.16, and the closing price of the Common Shares on the TSX-V on February 7, 2020 was \$3.27.
- (8) Calculated based on the closing price of the Common Shares on the TSX-V at the vesting date less the exercise price of the vested options multiplied by the number of vested Options. The Options granted on November 18, 2020 (100,000 granted to Keith Barron, Richard Spencer and Tony Wood) vest one-third (1/3) on the date of grant, one-third (1/3) on the first anniversary of the date of grant and one-third (1/3) on the second anniversary of the date of grant. The exercise price is \$3.51, and the closing price of the Common Shares on the TSX-V on November 18, 2020 was \$3.49.
- (9) Calculated based on the closing price of the Common Shares on the TSX-V at the vesting date less the exercise price of the vested options multiplied by the number of vested Options. The Options granted on January 1, 2019 (180,000 granted to Tony Wood) vest one-third 75,000, 55,000 and 50,000 on July 16, 2019, June 16, 2020 and January 16, 2021. The exercise price is \$3.40, and the closing price of the Common Shares on the TSX-V on June 16, 2020 was \$2.76.

### Incentive Plan Awards – Value Vested or Earned During the Year

The outstanding Options-based awards referenced above were issued pursuant to the Company's Option Plan.

### Pension Plan Benefits

As at the date of this Circular, the Company does not have any pension plan.

### **Termination and Change of Control Benefits**

#### **Employment Agreements**

Other than as described below, there are no agreements, compensation plans, contracts or arrangements whereby a NEO is entitled to receive payments from the Company in the event of the resignation, retirement or other termination of the NEO's employment with the Company, change of control of the Company or a change in the NEO's responsibilities following a change of control.

*Keith Barron, Chief Executive Officer*

Dr. Barron does not have termination or change of control benefits at this time.

*Richard Spencer, President*

On January 1, 2020 Dr. Spencer entered into a full-time employment agreement. In the event that his employment is terminated by the Company without just cause then the Company shall pay a lump sum equal to 12 months' salary, increasing by one month's salary per completed year of service hereunder to a maximum of 24 months' salary. For the year ending December 31, 2020 the payment for termination without just cause would be \$250,000. If, at any time within twelve months following a change of control, he ceases to be an employee of the Company for any reason whatsoever other than for just cause then he shall be entitled to a lump sum payment equal to two years' base salary and two times the average bonus from the preceding two years, and all remaining unexercised stock options granted to him will vest immediately. For the year ended December 31, 2020 the change of control payment would be \$500,000.

*Tony Wood, Chief Financial Officer*

Until February 1, 2020, Mr. Wood was remunerated pursuant to a consulting contract with a 30-day notice provision. Pursuant to a full-time employment agreement, entered into on February 1, 2020, in the event that his employment is terminated by the Company without just cause then the Company shall pay a lump sum equal to 12 months' salary, increasing by one month's salary per completed year of service hereunder to a maximum of 24 months' salary. For the year ending December 31, 2020 the payment would be \$240,000. If, at any time within twelve months following a change of control, he ceases to be an employee of the Company for any reason whatsoever other than for just cause then he shall be entitled to a lump sum payment equal to two years' base salary and two times the average bonus from the preceding two years, and all remaining unexercised stock options granted to him will vest immediately. For the year ended December 31, 2020 the change of control payment would be \$480,000.

*Jean Paul Pallier, Vice President, Exploration*

In the event that Mr. Pallier's contract with ESA is terminated without cause, or he is constructively dismissed, ESA will pay Mr. Pallier 125% of one month's salary for each year or fraction of a year worked for ESA. If the contract had been terminated on December 31, 2020 the obligation would have been approximately \$130,000.

### **Director Compensation**

The Board determines the level of compensation for directors based on recommendations from the CNGC. The Board reviews directors' compensation as needed, considering time commitment, risks and responsibilities to ensure that the amount of compensation adequately reflects the responsibilities and risks of being a director and makes adjustments as deemed necessary.

Effective April 11, 2013, the Board adopted a cash compensation program for its directors with respect to general directors' duties, meeting attendance or for additional service on Board committees. Directors are entitled to receive annual compensation of \$15,000. Further, directors are reimbursed for all reasonable out-of-pocket expenses incurred in attending Board, committee or Shareholder meetings and otherwise incurred in carrying out their duties as directors of the Company.



Directors may receive Option and RSU grants as determined by the Board in accordance with the applicable incentive compensation plan. The exercise price of Options or RSUs is determined by the Board, but shall in no event be less than the market price of the Common Shares at the time of the Option grant, less any permissible discounts pursuant to the terms of the applicable incentive compensation plan and the policies of the TSX-V.

Table 6 sets out the total compensation paid to each of the Company's directors (who are not NEOs) during the Last Financial Year.

**Table 6. Summary of the total compensation paid to each of the Company's directors who are not NEOs in the year ending December 31, 2020.**

| Name                            | Fees earned (\$) | Share-based awards (\$) | Option-based awards (\$) <sup>(1)</sup> | Non-equity incentive plan compensation (\$) | Pension Value (\$) | All other Compensation (\$) | Total (\$) |
|---------------------------------|------------------|-------------------------|---|---|--------------------|-----------------------------|------------|
| Alfred Lenarciak <sup>(1)</sup> | 15,000           | Nil                     | 197,700                                 | Nil   | Nil                | Nil                         | 212,700    |
| Leanne Baker <sup>(1)(2)</sup>  | 15,000           | Nil                     | 197,700                                 | Nil   | Nil                | Nil                         | 212,700    |
| Warren Gilman <sup>(1)</sup>    | 15,000           | Nil                     | 197,700                                 | Nil   | Nil                | Nil                         | 212,700    |
| Jonathan Kagan <sup>(1)</sup>   | 15,000           | Nil                     | 197,700                                 | Nil   | Nil                | Nil                         | 212,700    |

Notes

- (1) On November 18, 2020, the Company granted a total of 400,000 Options: 100,000 to each of Mr. Lenarciak, Dr. Baker, Mr. Gilman and Mr. Kagan. These Options have an exercise price of \$3.51 and expiry date of November 18, 2025. The fair value of these Options at the date of grant was estimated using the Black-Scholes valuation model with the following assumptions: expected forfeiture rate of 0%, expected dividend yield of 0%, expected volatility of 69%, a risk-free interest rate of 0.26% and an expected life of 5 years. The fair value assigned to these options on the grant date was \$790,800. Volatility was based on the historical trading of the Company's shares.
- (2) Leanne Baker passed away on December 22, 2020 during the financial year ended December 31, 2020.

**Incentive Plan Awards to Directors**

**Outstanding Share Awards and Option Awards**

Table 7 provides information regarding the incentive plan awards for each of the Company's directors (who are not NEOs) outstanding as of December 31, 2020.

**Table 7. Summary of incentive plan awards for each of the Company's directors who are not NEOs as of December 31, 2020.**

| Name                        | Option-based Awards  |                            |  |   | Share-based Awards   |  |
|-----------------------------|--|----------------------------|--|---|--|--|
|                             | Number of Common Shares underlying unexercised options (#) | Option exercise price (\$) | Option expiration date                                 | Value of unexercised in-the-money options (\$) <sup>(1)</sup> | Number of shares or units of shares that have not vested (#) | Market or payout value of share awards that have not vested (\$) |
| Leanne Baker <sup>(2)</sup> | 33,000<br>133,000  | 3.51<br>2.70               | November 18, 2025<br>October 24, 2024                  | 86,667  | N/A  | N/A  |
| Warren Gilman               | 100,000<br>200,000   | 3.51<br>2.70               | November 18, 2025<br>October 24, 2024                  | 86,667  | N/A  | N/A  |
| Jonathan Kagan              | 100,000<br>200,000   | 3.51<br>2.70               | November 18, 2025<br>October 24, 2024                  | 86,667  | N/A  | N/A  |
| Alfred Lenarciak            | 100,000<br>50,000<br>150,000                               | 3.51<br>2.70<br>2.89       | November 18, 2025<br>October 24, 2024<br>March 2, 2023 | 90,667  | N/A  | N/A  |

**Notes:**

- (1) Aggregate dollar amount of in-the-money unexercised vested options held as at December 31, 2020. This figure is computed based on the difference between the market value of the Common Shares on the TSX-V as at December 31, 2020, and the exercise price of the option. The closing price of the Common Shares on the TSX-V on December 31, 2020 was \$3.35.
- (2) Leanne Baker passed away on December 22, 2020 during the financial year ended December 31, 2020.

***Incentive Plan Awards – Value Vested or Earned During the Year***

Table 8 provides information regarding the value vested or earned on incentive plan awards for each of the Company's directors (who are not NEOs) during the year ended December 31, 2020.

**Table 8. Summary of the value vested or earned on incentive plan awards for directors of the Company during the year ended December 31, 2020.**

| Name                        | Option-based awards – Value vested during the year <sup>(1)(2)(3)</sup> (\$) | Share-based awards – Value vested (\$) | Non-equity incentive plan compensation – Value earned during the year (\$) |
|-----------------------------|--|--|--|
| Leanne Baker <sup>(4)</sup> | 94,667   | Nil                                    | Nil  |
| Warren Gilman               | 94,667   | Nil                                    | Nil  |
| Jonathan Kagan              | 94,667   | Nil                                    | Nil  |
| Alfred Lenarciak            | 23,667   | Nil                                    | Nil  |

**Notes:**

- (1) Calculated based on the closing price of the Common Shares on the TSX-V at the vesting date less the exercise price of the vested Options multiplied by the number of vested Options. 150,000 Options granted on March 2, 2017 to Mr. Lenarciak, vest one-third (1/3) on the date of grant, one-third (1/3) on the first anniversary of the date of grant and one-third (1/3) on the second anniversary of the date of grant. The exercise price was \$2.89 and the closing price of the Common Shares on the TSX-V on March 2, 2020, was \$2.68.
- (2) Calculated based on the closing price of the Common Shares on the TSX-V at the vesting date less the exercise price of the vested Options multiplied by the number of vested Options. The Options granted on October 24, 2019 (50,000 Options to Mr. Lenarciak and 200,000 to each of Dr. Baker, Mr. Gilman and Mr. Kagan), vest one-third (1/3) on the date of grant, one-third (1/3) on the first anniversary of the

date of grant and one-third (1/3) on the second anniversary of the date of grant. The exercise price was \$2.70 and the closing price of the Common Shares on the TSX-V on October 24, 2020, was \$4.12.

- (3) Calculated based on the closing price of the Common Shares on the TSX-V at the vesting date less the exercise price of the vested Options multiplied by the number of vested Options. The Options granted on November 18, 2020 (100,000 Options to each of Mr. Lenarciak, Dr. Baker, Mr. Gilman and Mr. Kagan), vest one-third (1/3) on the date of grant, one-third (1/3) on the first anniversary of the date of grant and one-third (1/3) on the second anniversary of the date of grant. The exercise price was \$3.51 and the closing price of the Common Shares on the TSX-V on November 20, 2020, was \$3.49.
- (4) Leanne Baker passed away on December 22, 2020 during the financial year ended December 31, 2020.

### *Incentive Plan Awards – Value Vested or Earned During the Year*

The outstanding Options-based awards referenced above were issued pursuant to the Option Plan

## **SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS**

### **10% Rolling Stock Option Plan**

The Company adopted an Option Plan on February 15, 2011. On November 15, 2017 the Option Plan was amended and last ratified and approved by the Shareholders pursuant to the requirements of the TSX-V (as discussed further below) at the 2020 Meeting. As of the date of this Circular, the Company has 3,541,000 Options outstanding to purchase Common Shares, representing approximately 8.0% of the Company's issued and outstanding shares.

The Option Plan is a "rolling" stock option plan and therefore no Options shall be granted under the Option Plan if such grant could result, at any time, in a number of Common Shares reserved for issuance pursuant to the Options granted that exceeds 10% of the issued and outstanding Common Shares as of the date of the grant.

The Option Plan is administered by the Board and the CNGC. The purpose of the Option Plan is to attract, retain and motivate certain directors, officer, employees, service providers, consultants or management company employees/consultants of the Company (the "**Eligible Persons**") and to advance the interests of the Company by providing such persons with the opportunity, through Options, to acquire an increased proprietary interest in the Company. The CNGC determines to whom Options are to be granted, the terms and provisions of the respective Option agreements, the time or times at which such Options shall be granted, the dates such Options become exercisable, the number of Common Shares subject to each Option, and the purchase price of such Common Shares, and presents a formal proposal to the Board for consideration, and as appropriate, approval. All other questions relating to the administration of the Option Plan and the interpretation of the provisions thereof and of the related Option agreements are resolved by the Board and the CNGC.

The TSX-V policies relating to security-based compensation arrangements require that a majority of Shareholders must approve all unallocated Options every year after the institution of any security-based compensation arrangement that does not have a fixed maximum aggregate of issuable securities. Accordingly, Shareholders will be asked at the Meeting to approve the unallocated Options for the upcoming year.

The following information is intended to be a brief description and summary of the material features of the Option Plan.

- (a) The aggregate number of Common Shares reserved for issuance pursuant to Options and Restricted Stock Units ("**RSU**") granted to insiders of the Company, shall not exceed 10% of the total number of Common Shares then outstanding, unless disinterested Shareholder approval is obtained.
- (b) The aggregate number of Common Shares reserved for issuance pursuant to Options or RSUs granted to any one person or entity within any 12-month period shall not exceed 5% of the total number of Common Shares on a non-diluted basis then outstanding, unless disinterested Shareholder approval is obtained.
- (c) The aggregate maximum number of Common Shares available for issuance from treasury under the Option Plan at any given time shall not exceed 10% of the issued and outstanding Common Shares (on a non-diluted basis) or such other number as may be approved by the TSX-V, from time to time.

Any Common Shares subject to an Option which has been granted under the Option Plan and which has been cancelled, repurchased, expired or terminated in accordance with the terms of the Option Plan without having been exercised, will again be available under the Option Plan.

- (d) The exercise price of an Option shall be determined by the Board at the time each Option is granted, provided that such price shall not be less than the last closing price of the Common Shares on the TSX-V.
- (e) The Board may determine when any Option will become exercisable and may determine that the Option will be exercisable immediately upon the date of grant, or in instalments or pursuant to a vesting schedule. However, unless the Board determines otherwise, Options issued pursuant to the Option Plan will vest immediately on the date of grant.
- (f) In the event an optionee ceases to be eligible for the grant of Options under the Option Plan, Options previously granted to such person will cease to be exercisable within a period of 90 days after the date such person ceases to be eligible under the Option Plan, or for a longer period as determined by the Board, provided that no Option shall remain outstanding for any period which exceeds the earlier of: (i) the expiry date of such Option; and (ii) 12 months following the date such person ceases to be eligible under the Option Plan.
- (g) In the event of a Change of Control (as defined in the Option Plan), all Options granted to optionees shall be immediately exercisable for 90 days thereafter, subject to Section 9.1 of the Option Plan.

The full text of the Option Plan is attached as Schedule “A” to the Circular.

### **Restricted Stock Unit Plan**

On June 13, 2018, Shareholders approved the Restricted Stock Unit Plan (the “**RSU Plan**”), a copy of which is attached hereto as Schedule “B”. The purpose of the RSU Plan is to advance the interests of the Company and its subsidiaries by: (i) assisting the Company and its subsidiaries in attracting and retaining individuals with experience and ability; (ii) allowing certain executive officers, directors, and key employees of the Company and its subsidiaries to participate in the long term success of the Company, and (iii) promoting a greater alignment of interests between the executive officers and key employees designated under the RSU Plan and the Shareholders. The RSU Plan is available to directors, officers, employees and consultants which are collectively referred to in the RSU Plan as “Service Providers” of the Company, as determined by the Board (the “**Eligible Grantees**”). On November 2, 2017, October 24, 2019 and November 18, 2020 the Company granted 124,500, 122,700 and 338,700 RSUs respectively, to officers, employees and consultants. As of the date of this Circular, 24,000 RSUs had been cancelled, 52,000 RSUs were settled in Common Shares, and 89,400 RSUs are to be issued into Common Shares, leaving a total of 420,500 unvested RSUs issued and outstanding.

The following information is intended to be a brief description and summary of the material features of the RSU Plan:

- (a) The Company is authorized to issue up to 2,275,973 RSUs pursuant to the RSU Plan.
- (b) The total number of Common Shares issuable to insiders under the Option Plan and the RSU Plan, at any time or in any one-year period, shall not exceed 10% of the issued and outstanding Common Shares of the Company.
- (c) The total number of Common Shares issuable to any person within any one-year period under the RSU Plan shall not exceed 1% of the issued and outstanding Common Shares of the Company.
- (d) The total number of Common Shares issuable to all persons within any one-year period under the RSU Plan shall not exceed 2% percent of the issued and outstanding Common Shares of the Company.
- (e) Neither awards nor any rights under any such awards shall be assignable or transferable. If any Common Shares covered by an award are forfeited, or if an award terminates without delivery of

any Common Shares subject thereto, then the number of Common Shares counted against the aggregate number of Common Shares available under the RSU Plan with respect to such award shall, to the extent of any such forfeiture or termination, again be available for making awards under the RSU Plan.

- (f) The RSU Plan shall terminate automatically after ten years from the date initially approved by the Board (April 25, 2017) and may be terminated on any earlier date or extended by the Board.

The Board may at any time, in its sole discretion, amend, suspend, terminate or discontinue the RSU Plan and may amend the terms and conditions of any awards thereunder, subject to (a) any required approval of any applicable regulatory authority or the TSX-V, and (b) approval of Shareholders, provided that Shareholder approval shall not be required for the following amendments and the Board may make changes which may include but are not limited to: (i) amendments of a 'housekeeping nature'; (ii) changes to vesting provisions; (iii) changes to the term of the RSU Plan or awards made under the RSU Plan; or (iv) changes to performance criteria term. The Board may amend, modify, or supplement the terms of any outstanding award.

The full text of the RSU Plan is attached as Schedule "B" to the Circular.

### Restricted Stock Units

The RSU Plan provides that the Board of the Company may, from time to time, in its sole discretion, grant awards of RSUs to Eligible Grantees. Each RSU shall represent the right to receive one Common Share, subject to the restrictions and vesting provisions provided in the RSU Plan. The Board may, in its sole discretion, establish a period of time (a "**Vesting Period**") applicable to such RSUs. Each award of RSUs may be subject to a different Vesting Period. The Board may, in its sole discretion, prescribe restrictions in addition to or other than the expiration of the Vesting Period, including the satisfaction of corporate or individual performance objectives, which may be applicable to all or any portion of the RSUs. Notwithstanding the foregoing, (a) RSUs that vest solely by the passage of time shall not vest in full in less than three (3) years from the grant date; (b) RSUs for which vesting may be accelerated by achieving performance targets shall not vest in full in less than one (1) year from the grant date; and (c) RSUs granted to outside directors vest, (i) at the election of an outside director at the time the award is granted, within a minimum of one (1) year to a maximum of three (3) years following the grant date, as such outside director may elect, and (ii) if no election is made, upon the earlier of a Change of Control (as such term is defined in the RSU Plan) or his or her resignation from the Board.

Restrictions on any RSUs shall lapse immediately and become fully vested in the Eligible Grantee upon a Change of Control. If an Eligible Grantee's employment is terminated with cause, the Company may, within 30 days, annul any award previously granted if the Eligible Grantee is an employee of the Company or an affiliate thereof. If an Eligible Grantee's employment is terminated with or without cause, unless the Board otherwise provides in an award agreement or in writing after the award agreement is issued, any RSUs that have not vested and will not vest within 30 days from the date of termination, or with respect to which all applicable restrictions and conditions have not lapsed, shall immediately be deemed forfeited. Upon the death of an Eligible Grantee, any RSUs granted thereto which, prior to the Eligible Grantee's death, have not vested, will immediately vest and the Eligible Grantee's estate shall be entitled to receive payment in accordance with the terms of the RSU Plan.

### Equity Compensation Plans Information

Table 9 provides details of the equity securities of the Company authorized for issuance as of December 31, 2020, pursuant to the Company's equity compensation plans currently in place.

**Table 9. List of the equity securities of the Company authorized for issuance as of December 31, 2020, pursuant to the Company's equity compensation plans currently in place.**

| Plan Category   | Number of securities to be issued upon exercise of outstanding Options, warrants and rights (a) | Weighted-average exercise price of outstanding Options, warrants and rights (b) | Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) <sup>(1)</sup> |
|---|---|---|--|
| Equity compensation plans approved by securityholders     | 3,961,500   | \$2.89 <sup>(3)</sup>   | 431,768  |
| Equity compensation plans not approved by securityholders | N/A   | N/A   | N/A  |
| <b>Total</b>  | <b>3,961,500<sup>(2)</sup></b>  | <b>\$2.89</b>   | <b>431,768</b>   |

Notes:

- (1) As at December 31, 2020, a total of 4,393,268 Options were issuable pursuant to the Option Plan, representing 10% of the issued and outstanding Common Shares. A total of 2,275,973 RSUs are issuable pursuant to the RSU Plan, representing 5.2% of the issued and outstanding Common Shares as at December 31, 2020. As at December 31, 2020, 420,500 RSUs are issued and outstanding to Eligible Grantees, representing 0.96% of the issued and outstanding Common Shares of the Company. As at December 31, 2020, a total of 1,855,473 RSUs remain available for future issuance.
- (2) Representing approximately 7.1% of the issued and outstanding Common Shares as at December 31, 2020.
- (3) As at December 31, 2020, the Company issued 3,541,000 Options with a weighted average exercise price of \$2.89 carrying an estimated value of \$5,151,939. As at December 31, 2020, the Company had 420,500 RSUs issued and outstanding carrying an estimated value of \$176,960. The RSUs outstanding do not carry a weighted-average exercise price.

## **MATTERS TO BE ACTED UPON**

### **1. Appointment of Auditors**

UHY McGovern Hurley LLP, Chartered Accountants (“**McGovern Hurley**”), are the independent registered certified auditors of the Company. McGovern Hurley was first appointed as auditors of the Company on December 21, 2010.

**Unless the Shareholder has specifically instructed in the enclosed form of proxy that the Common Shares represented by such proxy are to be withheld or voted otherwise, the persons named in the accompanying proxy will vote FOR the appointment of McGovern Hurley as auditors of the Company to hold office until the next annual meeting of Shareholders or until a successor is appointed and to authorize the Board to fix the remuneration of the auditors.**

### **2. Election of Directors**

At the Meeting, the following six (6) persons named hereunder will be proposed for election as directors of the Company. Management does not contemplate that any of the nominees will be unable to serve as a director, but if that should occur for any reason prior to the Meeting, it is intended that discretionary authority shall be exercised by the persons named in the accompanying proxy to vote the proxy for the election of any other person or persons in place of any nominee or nominees unable to serve. Each director elected will hold office until the close of the next annual meeting of Shareholders, or until his or her successor is duly elected unless prior thereto, he or she resigns or his or her office becomes vacant by reason of death or other cause.

#### Majority Voting for Directors

The Board has adopted a policy requiring that in an uncontested election of directors, any nominee who receives a greater number of votes “withheld” than votes “for” will tender a resignation to the Chairman of the Board promptly following the Meeting. The CNGC of the Board will consider the offer of resignation and, except in special circumstances, will recommend that the Board accept the resignation. The Board will make its decision and announce it in a press release within 90 days following the Meeting, including the reasons for rejecting the resignation, if applicable. The nominee will not participate in any CNGC or Board deliberations on the resignation offer. The policy does not apply in circumstances involving contested director elections.

#### Nominees

Table 10 sets forth the name of all persons proposed to be nominated for election as directors, their place of residence, position held, and periods of service with, the Company, or any of its affiliates, their principal occupations and the approximate number of Common Shares of the Company beneficially owned, controlled or directed, directly or indirectly, by them.

Shareholders have the option to (i) vote for all the directors of the Company listed in the table below; (ii) vote for some of the directors and withhold for others; or (iii) withhold for all of the directors. **Unless the Shareholder has specifically instructed in the enclosed form of proxy that the Common Shares represented by such proxy are to be withheld or voted otherwise, the persons named in the accompanying proxy will vote FOR the election of each of the proposed nominees set forth below as directors of the Company.**

**Table 10. Details of the persons proposed to be nominated for election as directors of the Company.**

| Name, Province or State and Country of Residence           | Date First Became a Director | Present Principal Occupation and Positions Held During the Preceding Five Years   | Number of Common Shares Beneficially Owned, Directly or Indirectly, or Over Which Control or Direction is Exercised <sup>(1)</sup> |
|--|------------------------------|---|--|
| Keith Barron <sup>(4)</sup><br><i>Valais, Switzerland</i>  | July 2, 2007                 | Geologist: Chairman and CEO of the Company. Founder & Director of U3O8 Corp. since 2005; CEO since 2017 and Chairman of Firestone Ventures Inc. since 2010  | 19,890,028   |
| Alfred Lenarciak <sup>(2)(3)(4)</sup><br><i>Bahamas</i>    | June 13, 2018                | Author: published 7 books in the USA since 2014, distributed in over 40 countries; Civil and Mining Engineer with over 25 years of experience in financing and strategic development of resource companies in North and South America, Africa, Europe and Asia. | 23,100   |
| Richard Spencer<br><i>Ontario, Canada</i>                  | March 6, 2017                | Geologist: President Aurania Resources since May 26, 2017; President and CEO of U3O8 Corp. since January 2008; Director of Firestone Ventures Inc. since November 2017.   | 42,300   |
| Warren Gilman <sup>(2)(4)</sup><br><i>Hong Kong, China</i> | June 20, 2019                | Mining Engineer: Director of NexGen Energy Ltd. on July 21, 2017 to present; Chairman and CEO of Queen's Road Capital Investments Limited in 2019; Chairman and CEO of CEF Holdings from 2011 to 2019;  | Nil  |
| Jonathan Kagan <sup>(2)</sup><br><i>New York, USA</i>      | June 20, 2019                | Investment Banker: Managing Principal of Corporate Partners from 2005 to Present; Chairman and Director of Mapleton Radio since 2006;   | 20,000   |
| Nathalie Han <sup>(2)</sup><br><i>Zurich, Switzerland</i>  | January 27, 2021             | Managing Director and Founder of La Paix Capital AG, an investment advisory firm specialized in global energy and natural resources, since 2016.  | 16,100   |

**Notes:**

- (1) The information with respect to the Common Shares beneficially owned, controlled or directed is not within the direct knowledge of the Company and has been furnished by the respective individuals.
- (2) Member of the Audit Committee, Chairperson is Jonathan Kagan. Member of the CNGC.
- (3) Lead director, appointed by the Board on March 4, 2020
- (4) Member of the Safety, Environment and Social Responsibility Committee. Keith Barron is the Chairperson.

*Corporate Cease Trade Orders, Bankruptcies, Penalties or Sanctions*

No individual set forth in Table 10 is, as at the date of this Circular, or has been, within 10 years before the date of this Circular, a director, chief executive officer or chief financial officer of any company (including the Company) that:

- (a) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days that was issued while such individual was acting in the capacity as director, chief executive officer or chief financial officer; or
- (b) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after such individual ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while such proposed director was acting in the capacity as director, chief executive officer or chief financial officer.

Except as noted below, no individual set forth in Table 10 (or any personal holding company of any such individual) is, as of the date of this Circular, or has been within 10 years before the date of this Circular, a director or executive officer of any company (including the Company) that, while such individual was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Mr. Jonathan Kagan, a director of the Company, was a director of Gump's Holdings LLC, a United States private retailer of home furnishings and jewelry which declared bankruptcy in August 2018. On August 1, 2020 a claim was registered with the United States Bankruptcy Court District of Nevada, naming managers directors and officers of Gump's Holdings LLC, including Mr. Kagan (collectively the "Gump Defendants") as defendants. The plaintiff alleges that Gump Defendants failed to oversee internal controls and financial reporting of Gump's Holdings LLC which led to Gump's Holdings LLC's failure to meet its obligations under a certain credit facility with a lender which resulted in forfeiture of Gump's Holdings LLC's credit line with the lender and contributed to the bankruptcy of Gump's Holdings LLC in August 2018. According to the plaintiff's allegation, the failure of Gump Defendants to oversee internal controls and financial reporting which prevented the corporate directors of Gump's Holdings LLC from being fully informed of the status of obligations under the credit facility of the lender constitute a breach of fiduciary duty by the Gump Defendants and precludes the exclusion of liability under the Operating Agreement of Gump's Holdings LLC. The decision on whether the statement of claim will be accepted or whether claim will be dismissed is pending as at the date hereof. The amount of a successful claim or settlement, if any, may be covered by the insurers of Gump's Holdings LLC.

No individual as set forth in Table 10 (or any personal holding company of any such individual) has, within the ten (10) years before the date of this Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of such individual.

No individual set forth in Table 10 (or any personal holding company of any such individual) has been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

**3. Approval of Option Plan for Upcoming Year**

The TSX-V requires all listed companies with a 10% rolling incentive stock option plan, like the Company's Option Plan, to obtain annual shareholder approval of the current incentive stock option plans for the upcoming year.



Accordingly, Shareholders will be asked at the Meeting to consider and, if deemed advisable, to pass an ordinary resolution ratifying and approving the Option Plan for the ensuing year.

**The Board recommends that Shareholders vote FOR the approval of the Option Plan for the ensuing year.**

**Unless the Shareholder has specifically instructed in the enclosed form of proxy that the Common Shares represented by such proxy are to be voted against the approval of the Option Plan for the ensuing year, the persons named in the accompanying proxy will vote FOR the approval of the Option Plan for the ensuing year. To be adopted, this resolution requires a simple majority (50% plus one) of votes of Shareholders at the Meeting.**

#### **4. Other Matters**

Management of the Company knows of no amendment, variation or other matter to come before the Meeting other than the matters referred to in the Notice. However, if any other matter properly comes before the Meeting, the form of proxy furnished by the Company will be voted on such matters in accordance with the best judgment of the persons voting the proxy.

### **STATEMENT OF CORPORATE GOVERNANCE**

#### **Board of Directors**

The Board and senior management consider good corporate governance to be central to the effective and efficient operation of the Company. The Board is committed to a high standard of corporate governance practices. The Board believes that this commitment is not only in the best interest of the Shareholders, but that it also promotes effective decision making at the Board level.

NI 58-101 defines an “independent director” as a director who has no direct or indirect “material relationship” with the issuer. A “material relationship” is as a relationship which could, in the view of the Board, be reasonably expected to interfere with the exercise of a member’s independent judgment. The Board maintains the exercise of independent supervision over Management by ensuring that the majority of its non-executive directors are independent.

The Board is currently comprised of six (6) directors being Keith Barron, Nathalie Han, Alfred Lenarciak, Warren Gilman, Jonathan Kagan and Richard Spencer. Following the election of the nominated directors, Messrs. Gilman, Kagan, Lenarciak and Ms. Han will be independent within the meaning of NI 58-101. Drs. Barron and Spencer are not independent as they are executive officers of the Company and thereby have a “material relationship” with the Company.

The Board believes that it functions independently of Management and reviews its procedures on an ongoing basis to ensure that it is functioning independently of Management. The Board meets without Management present, as circumstances require. When conflicts arise, interested parties are precluded from voting on matters in which they may have an interest. Considering the guidelines contained in National Policy 58-201 – *Corporate Governance Guidelines*, the Board convenes meetings, as deemed necessary, of the independent directors, at which non-independent directors and members of Management are not in attendance.

#### **Other Public Company Directorships**

The following members of the Board currently hold directorships in other reporting issuers as set forth in Table 11.

**Table 11. Summary of other Directorships held by the Company's Board.**

| <b>Name of Director</b> | <b>Name of Reporting Issuer</b>                     | <b>Market</b>    |
|-------------------------|---|------------------|
| Keith Barron            | U3O8 Corp.<br>Firestone Ventures Inc.               | TSX-V<br>TSX-V   |
| Richard Spencer         | U3O8 Corp.<br>Firestone Ventures Inc.               | TSX-V<br>TSX-V   |
| Alfred Lenarciak        | N/A   | N/A              |
| Warren Gilman           | NexGen Energy Ltd.<br>Chaarat Gold Holdings Limited | TSX, NYSE<br>LSE |
| Jonathan Kagan          | N/A   | N/A              |
| Nathalie Han            | N/A   | N/A              |

### **Orientation and Continuing Education of Board Members**

New directors receive an orientation on the role of the Board, its committees, and the nature and operation of the Company's business, which consists of the following:

- an orientation session with senior officers to receive an overview the Company's business and affairs;
- an orientation session with the chairperson of each standing committee; and
- an orientation session with legal counsel and the representatives of the Company's auditors.

Continuing education is provided to directors through provision of literature regarding current developments and annual seminars on corporate governance developments. The Chief Executive Officer of the Company takes primary responsibility for the orientation and continuing education of directors and officers.

### **Code of Business Conduct and Ethics**

The Board has adopted a written code of business conduct and ethics to encourage and promote a culture of ethical business conduct amongst the directors, officers, employees and consultants of the Company. Copies of the Company's code of conduct are available on the company's website at [www.aurania.com](http://www.aurania.com) or upon written request from the CEO or CFO of the Company. The CNGC is responsible for ensuring compliance with the Company's code of conduct. There have been no departures from the Company's code of conduct since its adoption.

In addition to those matters which, by law, must be approved by the Board, the approval of the Board is required for:

- the Company's annual business plan and budget;
- major acquisitions or dispositions by the Company; and
- transactions which are outside of the Company's existing business.

To ensure the directors exercise independent judgment in considering transactions and agreements in which a director or officer has a material interest, all such matters are considered and approved by the independent directors. Any interested director would be required to declare the nature and extent of his interest and would not be entitled to vote at meetings of directors which evoke such a conflict.

The Company believes that it has adopted corporate governance procedures and policies which encourage ethical behaviour by the Company's directors, officers and employees.

### **Nomination of Directors**

The CNGC holds the responsibility for the appointment and assessment of directors.

The CNGC seeks to achieve a balance of knowledge, experience and capability among the members of the Board. When considering candidates for director, the CNGC takes into account a number of factors including, but not limited

to, the following (although candidates need not possess all of the following characteristics and not all factors are weighted equally):

- personal qualities and characteristics, accomplishments and reputation in the business community;
- current knowledge and contacts in the countries and/or communities in which the Company does business and in the Company's industry sectors or other industries relevant to the Company's business; and
- the ability and willingness to commit adequate time to Board and committee matters and be responsive to the needs of the Company.

The Board will periodically assess the appropriate number of directors on the Board and whether any vacancies on the Board are expected due to retirement or otherwise. If vacancies are anticipated, or otherwise arise, or the size of the Board is expanded, the CNGC will consider various potential candidates for director. Candidates may come to the attention of the CNGC through current directors or Management, shareholders or other persons. These candidates will be evaluated at regular or special meetings of the CNGC and may be considered at any point during the year.

The CNGC considers candidates for directors by annual review of the credentials of nominees for re-election to be named in the Management's proxy's materials. The annual review considers an evaluation of the effectiveness of the Board and the performance of each director, the continuing validity of the credentials underlying the appointment of each director and the continuing compliance with the eligibility rules under applicable conflict of interest guidelines.

The CNGC, whenever considered appropriate, may direct the Chairman of the Board to advise each nominee director, prior to appointment to the Board, of the credentials underlying the recommendation of such nominee director's candidacy. The CNGC may recommend to the Board at the annual meeting of the Board, the allocation of Board members to each of the Board committees, and where a vacancy occurs at any time in the membership of any Board committee, the CNGC may recommend to the Board a member to fill such vacancy. The CNGC has the sole authority to retain and terminate any search firm to be used to identify nominee director candidates, including the sole authority to approve fees and other terms of such retention. The CNGC monitors on a continuing basis and, whenever considered appropriate, makes recommendations to the Board concerning the corporate governance of the Company.

### **Compensation**

The CNGC of the Board reviews the compensation of the directors and senior officers. The CNGC reviews and makes recommendations to the Board regarding the granting of Options to directors and senior officers, compensation for senior officers, and compensation for senior officers' and directors' fees, if any, from time to time. Senior officers and directors may be compensated in cash and/or equity for their expert advice and contribution towards the success of the Company.

The form and amount of cash compensation will be evaluated by the CNGC, which will be guided by the following goals:

- compensation should be commensurate with the time spent by senior officers and directors in meeting their obligations and reflective of the compensation paid by companies similar to the Company in size, business and stage of development; and
- the structure of the compensation should be simple, transparent and easy for Shareholders to understand. Shareholders will be given the opportunity to vote on all new or substantially revised equity compensation plans for directors as required by regulatory policies.

### **Safety, Environment and Social Responsibility Committee ("SESR Committee")**

The Company's core values include respect, integrity and a commitment to the protection of life, health and the environment for present and future generations. The main purpose of the SESR Committee is to review, monitor and make recommendations to the Board in respect of the health and safety, environmental, community, business conduct, risk management, corporate social responsibilities policies, programs and management procedures of the Company and its subsidiaries in order to verify that such policies and activities reflect, and are in accordance with, the Company's core values.

Additionally, the SESR Committee will assist the Board in carrying out its responsibilities with respect to overseeing the exploration and operating activities of the Company with respect to the Company's mineral projects, including the Lost Cities – Cutucu Project, from a technical, financial, budgeting and scheduling perspective.

The SESR Committee may review or investigate any activities of the Company relating to health and safety, environmental, community relations, business conduct and corporate social responsibility and will have unrestricted access to any officers and employees of the Company, the independent auditors, consultants and advisors at reasonable costs, and such information and resources as the SESR Committee considers necessary in order to perform its duties and responsibilities. The SESR will communicate directly with the independent auditors of the Company.

The members of the SESR Committee include Keith Barron, as Chairperson, Warren Gilman and Alfred Lenarciak.

The areas of responsibility of the SESR Committee include:

- **Corporate Social Responsibility:** The Company is committed to the respect of communities directly impacted by its activities, and to the overall health and safety of its stakeholders, its employees and their families. The Company believes that a safe and healthy workplace is a moral imperative reflecting the Company's respect for the individual. The Company is committed to the protection of the environment through the responsible stewardship of its properties. Protection of the environment is essential to the health of the communities and resources upon which the Company relies, and is beneficial to, the Company and its stakeholders.
- **Health and Safety:** The SESR Committee's responsibilities with respect to safety and health matters shall include reviewing and making recommendations, as appropriate, regarding the Company's safety and health program, including corporate occupational health and safety policies and procedures. It shall also satisfy itself that Management of the Company monitors trends and reviews current and emerging issues in the safety and health field and evaluates their potential impact on the Company.
- **Environment:** The SESR Committee's responsibilities with respect to environmental matters shall include reviewing and making recommendations, as appropriate, regarding the Company's environmental management program, including corporate environmental policies and procedures. It shall also satisfy itself that Management of the Company monitors trends and reviews current and emerging issues in the environmental field and evaluates their potential impact on the Company.
- **Community:** The SESR Committee's responsibilities with respect to community responsibility matters will include recommending actions for developing social policies, programs, procedures and activities in communities where the Company conducts its business to ensure that the principles set out in such policies are being adhered to and achieved and to integrate such activities with, and participate in, local communities as good corporate citizens. The SESR Committee will also receive reports from Management on the social responsibility programs, including diversity, social inclusion, community relations, sustainable development and security policies and procedures. It shall recommend actions to ensure meaningful and transparent engagement and communications with all stakeholders and seek to build mutually beneficial relationships with the communities that are impacted by the Company's activities. It shall monitor the Company's contribution to social development and a culture of continuous improvement in its workforce. The SESR Committee shall ensure that Management is monitoring trends and reviewing current and emerging issues in the corporate social responsibility field and evaluating their potential impact on the Company. It shall review reports from Management on the Company's corporate social responsibility performance to assess the effectiveness of the program and to evaluate recommended changes that may improve effectiveness.

### **Other Board Committees**

On March 4, 2020, the Board adopted the Company's corporate governance manual dated February 21, 2020 (the "**Corporate Governance Manual**"). The Corporate Governance Manual contains: the Charter of the Board of Directors, the Charter of the Audit Committee, the Charter of the SESR Committee; the Charter of the CNGC, the Code of Business Conduct and Ethics, and the Whistleblower Policy of the Company. The full text of the Corporate Governance Manual is available on the Company's website at [www.aurania.com](http://www.aurania.com) and upon written request from the CEO or CFO of the Company.

## **Assessments**

The Board does not consider formal assessments useful given the stage of the Company's business and operations. However, the Chairman of the Board meets at least annually with each director individually, which facilitates a discussion of his or her contribution and that of other directors. When needed, time is set aside at a meeting of the Board for a discussion regarding the effectiveness of the Board and its committees. If appropriate, the Board then considers procedural or substantive changes to increase the effectiveness of the Board and its committees. On an informal basis, the Chairman of the Board is also responsible for reporting to the Board on areas where improvements can be made. Any agreed upon improvements required to be made are implemented and overseen by the CNGC. A more formal assessment process will be instituted as, if, and when the Board considers it to be necessary.

## **AUDIT COMMITTEE INFORMATION**

For information concerning the Audit Committee of the Company including membership qualifications, audit and other fees paid and the text of the Audit Committee charter, please refer to the "Audit Committee Disclosure" section of the Company's most recent Annual Information Form ("AIF").

## **INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS**

During the year ended December 31, 2020, no director, executive officer or associate of any director or executive officer of the Company was indebted to the Company, nor were any of these individuals indebted to any other entity which indebtedness was the subject of a guarantee, support agreement, letter of credit or similar arrangement or understanding provided by the Company, including under any securities purchase or other program.

## **INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

Except as disclosed in the Company's most recent AIF, under the heading "Interest of Management and Others in Material Transactions", which, to the extent applicable, is incorporated herein by reference, the Company and Management are not aware of any material interest, direct or indirect, of any informed person of the Company, or any associate or affiliate of any informed person" (as such term is defined in NI 51-102) or proposed nominee for election of directors of the Company, in any transaction or any proposed transaction since the commencement of the Last Financial Year which has materially affected or would materially affect the Company or any of its subsidiaries.

## **ADDITIONAL INFORMATION**

Additional information relating to the Company may be found under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com). Inquiries including requests for copies of this information circular, the Financial Statements and MD&A for the year ended December 31, 2020 may be directed to the Company's transfer agent, TSX Trust, toll-free by telephone at 1-866-600-5869 or via email at [TMXEInvestorservices@tmx.com](mailto:TMXEInvestorservices@tmx.com). Additional financial information is provided in the Financial Statements and MD&A for the year ended December 31, 2020 which is also available on SEDAR and the Company's website at [www.aurania.com](http://www.aurania.com).

## **APPROVAL**

The contents of this information circular and the sending thereof to the Shareholders have been approved by the Board.

### **BY ORDER OF THE BOARD OF DIRECTORS**

(signed) "*Keith Barron*"

Keith Barron  
Chief Executive Officer, Chairman and Director

**SCHEDULE “A”**  
**STOCK OPTION PLAN**

**[As amended November 15, 2017]**

1. **Purpose of Plan**

- 1.1 The purpose of the Plan is to attract, retain and motivate Eligible Persons and to advance the interests of the Corporation by providing such persons with the opportunity, through share options, to acquire an increased proprietary interest in the Corporation.

2. **Defined Terms**

Where used herein, the following terms shall have the following meanings, respectively:

- 2.1 **“Black-Out Period”** means a time when pursuant to any policies of the Corporation that securities of the Corporation may not be traded by certain persons as designated by the Corporation, including any holder of an Option;
- 2.2 **“Board”** means the board of directors of the Corporation or, if established and duly authorized to act, the nominating and compensation committee of the board of directors of the Corporation or another committee appointed for such purpose by the board of directors of the Corporation;
- 2.3 **“Business Day”** means any day, other than a Saturday or a Sunday, on which the Exchange is open for trading;
- 2.4 **“Consultant”** means an individual (including an individual whose services are contracted through a personal holding corporation) with whom the Corporation or any Subsidiary has a contract for substantial services;
- 2.5 **“Corporation”** means Aurania Resources Ltd. and includes any successor corporation thereto and any subsidiary thereof;
- 2.6 **“Eligible Person”** means any director, officer, employee (part-time or full-time), service provider, Consultant or Management Company Employee/Consultant of the Corporation or any Subsidiary;
- 2.7 **“Exchange”** means the TSX Venture Exchange and, where the context permits, any other exchange on which the Shares are or may be listed from time to time;
- 2.8 **“Insider”** means a “reporting insider” as defined in National Instrument 55-104 - *Insider Reporting Requirements and Exemptions* (NI 55-104) as adopted by the Canadian Securities Administrators;
- 2.9 **“Investor Relations Activities”** means any activities or oral or written communications, by or on behalf of the Corporation or shareholder of the Corporation, that promote or reasonably could be expected to promote the purchase or sale of securities of the Corporation, but does not include:
- (a) the dissemination of information provided, or records prepared, in the ordinary course of business of the Corporation
    - (i) to promote the sale of products or services of the Corporation, or
    - (ii) to raise public awareness of the Corporation,
- that cannot reasonably be considered to promote the purchase or sale of securities of the Corporation;

- (b) activities or communications necessary to comply with the requirements of
    - (i) applicable securities laws, policies or regulations,
    - (ii) the rules, and regulations of the Exchange or the bylaws, rules or other regulatory instruments of any other self-regulatory body or exchange having jurisdiction over the Corporation;
  - (c) communications by a publisher of, or writer for, a newspaper, magazine or business or financial publication, that is of general and regular paid circulation, distributed only to subscribers to it for value or to purchasers of it, if
    - (i) the communication is only through the newspaper, magazine or publication, and
    - (ii) the publisher or writer received no commission or other consideration other than for acting in the capacity of publisher or writer; or
  - (d) the activities or communications that may be otherwise specified by the Exchange.
- 2.10 **“Issuer”** means Aurania Resources Ltd.
- 2.11 **“Listed Share”** means a share or other security that is listed on the Exchange.
- 2.12 **“Management Company Employee/Consultant”** means an individual employed/retained by a Person providing management services to the Issuer, which are required for the ongoing successful operation of the business enterprise of the Corporation, but excluding a Person engaged in Investor Relations Activities.
- 2.13 **“Market Price”** means the last closing price of the Corporation’s Listed Shares before either the issuance of the news release or the filing of the Price Reservation Form (Form 4A) required to fix the price at which the securities are to be issued or deemed to be issued (the “Notice of the Transaction”), except under the following circumstances, where applicable:
- (a) *“Consolidation Exception”* The Market Price is to be adjusted for any share consolidation or split. If the notice of the transaction is within 5 days following a consolidation of the Issuer’s share capital, the minimum price per share will be the greater of the Market Price, adjusted for any share consolidation or split, or \$0.05 for shares and \$0.10 for the exercise price of Warrants and incentive stock options;
  - (b) *“Material Information Exception”* If the Corporation announces Material Information regarding the affairs of the Issuer after providing notice of the transaction and if the Exchange determines that a party to the transaction should reasonably have been aware of that pending Material Information, then the Market Price will be at least equal to the closing price of the Listed Shares on the Trading Day after the day on which that Material Information was announced;
  - (c) *“Price Interference Exception”* If the Exchange determines that the closing price is not a fair reflection of the market for the Listed Shares and the Listed Shares appear to have been high-closed or low-closed, then the Exchange will determine the Market Price to be used;
  - (d) *“Suspension Exception”* If the Issuer is suspended from trading or has for any reason not traded for an extended period of time, the Exchange may determine the deemed Market Price to be used; and
  - (e) *“Minimum Price Exception”* The Exchange will not generally permit Listed Shares to be issued from treasury at a price less than \$0.05 nor will the Exchange generally permit any securities convertible into Listed Shares including incentive stock options and Warrants to be issued with an effective conversion price of less than \$0.10 per Listed Share.

- 2.14 “**Option**” means an option to purchase Shares granted under the Plan;
- 2.15 “**Option Price**” means the price per Share at which Shares may be purchased under the Option, as the same may be adjusted from time to time in accordance with Article 9;
- 2.16 “**Optionee**” means an Eligible Person to whom an Option has been granted;
- 2.17 “**Person**” means an individual, a corporation, a partnership, an unincorporated association or organization, a trust, a government or department or agency thereof and the heirs, executors, administrators or other legal representatives of an individual and an associate or affiliate of any thereof as such terms are defined in the *Securities Act* (Ontario);
- 2.18 “**Plan**” means Aurania Resources Ltd. Stock Option Plan 2012, as the same may be amended or varied from time to time;
- 2.19 “**Share Compensation Arrangement**” means any stock option, stock option plan, employee stock purchase plan or any other compensation or incentive mechanism involving the issuance or potential issuance of Shares, including a share purchase from treasury which is financially assisted by the Corporation by way of a loan, guarantee or otherwise;
- 2.20 “**Shares**” means the common shares of the Corporation or, in the event of an adjustment contemplated by Article 9, such other shares or securities to which an Optionee may be entitled upon the exercise of an Option as a result of such adjustment; and
- 2.21 “**Subsidiary**” means any corporation which is a subsidiary as such term is defined in the *Securities Act* (Ontario) (as such provision is from time to time amended, varied or re-enacted) of the Corporation.

### 3. Administration of the Plan

- 3.1 The Plan shall be administered by the Board in accordance with the rules and policies of the Exchange in respect of employee stock option plans. The Board shall receive recommendations of Management and shall determine and designate from time to time those Eligible Persons to whom an Option should be granted and the number of Shares, which will be optioned from time to time to any Eligible Person and the terms and conditions of the grant.
- 3.2 The Board shall have the power, where consistent with the general purpose and intent of the Plan and subject to the specific provisions of the Plan:
- (a) to establish policies and to adopt, prescribe, amend or vary rules and regulations for carrying out the purposes, provisions and administration of the Plan and make all other determinations necessary or advisable for its administration;
  - (b) to interpret and construe the Plan and to determine all questions arising out of the Plan and any Option granted pursuant to the Plan and any such interpretation, construction or determination made by the Board shall be final, binding and conclusive for all purposes;
  - (c) to determine which Eligible Persons are granted Options and to grant Options;
  - (d) to determine the number of Shares covered by each Option;
  - (e) to determine the Option Price;
  - (f) to determine the time or times when Options will be granted and exercisable;



- (g) to determine if the Shares which are subject to an Option will be subject to any restrictions upon the exercise of such Option; and
- (h) to prescribe the form of the instruments relating to the grant, exercise and other terms of Options which initially shall be substantially in the form annexed hereto as Schedule "A".

#### 4. Shares Subject to the Plan

- 4.1 Options may be granted in respect of authorized and unissued Shares provided that, subject to increase by the Board, the receipt of the approval of the Exchange and the approval of shareholders of the Corporation, the maximum aggregate number of Shares reserved by the Corporation for issuance and which may be purchased upon the exercise of all Options shall not exceed 10% of the issued and outstanding shares of the Corporation (on a non-diluted basis) or such other number as may be approved by the Exchange, from time to time. No fractional Shares may be purchased or issued under the Plan.

#### 5. Eligibility; Grant; Terms of Options

- 5.1 Options may be granted to bona fide Eligible Persons.
- 5.2 Options may be granted by the Corporation pursuant to the recommendations of the Board from time to time provided and to the extent that such decisions are approved by the Board.
- 5.3 Subject to the provisions of this Plan, the number of Shares subject to each Option, the Option Price, the expiration date of each Option, the extent to which each Option is exercisable from time to time during the term of the Option and other terms and conditions relating to each such Option shall be determined by the Board. At no time shall the period during which an Option shall be exercisable exceed 5 years.
- 5.4 Except where not permitted by the Exchange, if an option expiration date falls within a Black-Out Period or within ten (10) Business Days of the end of a Black-Out Period, the term of such Option shall be extended to the date which is ten (10) Business Days following the end of such Black-Out Period.
- 5.5 In the event that no specific determination is made by the Board with respect to any of the following matters, the period during which an Option shall be exercisable shall be 5 years from the date the Option is granted to the Optionee and the Options shall vest on the date of the grant, except that options issued to Persons employed in Investor Relations Activities must vest in stages over not less than 12 months with no more than one-quarter (1/4) of the options vesting in any three month period.
- 5.6 The Option Price of Shares which are the subject of any Option shall in no circumstances be granted with an exercise price lower than the Market Price of the Shares.
- 5.7 The maximum number of Shares which may be issued to any one Optionee under this Plan together with any other Share Compensation Arrangement in any 12-month period shall not exceed 5% of the Shares outstanding (on a non-diluted basis) from time to time, unless disinterested shareholder approval is obtained.
- 5.8 The maximum number of Shares which may be reserved for issuance to all Insiders under this Plan together with any other Share Compensation Arrangement shall not exceed 10% of the Shares outstanding (on a non-diluted basis) from time to time.
- 5.9 The maximum number of Shares which may be issued to all Insiders under this Plan together with any other Share Compensation Arrangement in any 12-month period shall not exceed 10% of the Shares outstanding (on a non-diluted basis) from time to time.
- 5.10 The maximum number of Shares which may be issued to any one Person retained as a Consultant or as a Management Company Employee/Consultant under the Plan or any other Share Compensation Arrangement

in any 12-month period shall not exceed 2% of the Shares outstanding (on a non-diluted basis) from time to time.

- 5.11 The maximum number of shares which may be issued to Persons engaged in Investor Relations Activities under this Plan together with any other Share Compensation Arrangement in any 12-month period shall not exceed 2% of the Shares outstanding (on a non-diluted basis) from time to time.
- 5.12 Any entitlement to acquire Shares granted pursuant to the Plan or any other Share Compensation Arrangement prior to the Optionee becoming an Insider shall be excluded for the purposes of the limits set out in 5.9 above.
- 5.13 An Option is personal to the Optionee and is non-assignable and non-transferable. Where an Option is granted to a company wholly owned by an Optionee, such company must agree at the time of the grant, not to effect or permit any transfer of ownership of Options or shares of such company, nor issue any additional shares to any individual or entity for so long as Options remain outstanding to the credit of that company, except with the prior written consent of the Corporation, the Exchange and any other applicable regulatory authority.
- 5.14 Notwithstanding any provision contained in this Plan, no Optionee may exercise any Option granted under this Plan and no Shares may be issued upon exercise of an Option unless such exercise and issuance are in compliance with all applicable securities laws or other legislation of the jurisdiction of residence of such Person. Unless the potential Optionee is a resident of Canada, the Corporation may require, as a condition of the grant of Options, that the potential Optionee provide a written acknowledgement that the grant of the Options does not violate any such laws.

## 6. Exercise of Options

- 6.1 Subject to the provisions of the Plan, an Option may be exercised from time to time by delivery to the Corporation at its registered office of a written notice of exercise addressed to the Secretary of the Corporation specifying the number of Shares with respect to which the Option is being exercised and accompanied by a cash payment in full of the Option Price of the Shares to be purchased. Certificates for such Shares shall be issued and delivered to the Optionee within a reasonable period of time following the receipt of such notice and payment.
- 6.2 Notwithstanding any of the provisions contained in the Plan or in any Option, the Corporation's obligation to issue Shares to an Optionee pursuant to the exercise of an Option shall be subject to:
  - (j) completion of such registration or other qualification of such Shares or obtaining approval of such governmental or regulatory authority as counsel to the Corporation shall reasonably determine to be necessary or advisable in connection with the authorization, issuance or sale thereof;
  - (k) the listing of such Shares on the Exchange; and
  - (l) the receipt from the Optionee of such representations, agreements and undertakings, including as to future dealings in such Shares, as the Corporation or its counsel reasonably determines to be necessary or advisable in order to safeguard against the violation of the securities laws of any jurisdiction.

In this connection the Corporation shall, to the extent necessary, take all reasonable steps to obtain such approvals, registrations and qualifications as may be necessary for the issuance of such Shares in compliance with applicable securities laws and for the listing of such Shares on the Exchange. If any Shares cannot be issued to any Optionee for any reason including, without limitation, the failure to obtain necessary shareholder, regulatory or stock exchange approval, then the obligation of the Corporation to issue such Shares shall terminate and any Optionee's contribution or Option Price paid to the Corporation shall be returned to the Optionee.

## 7. Amendment Procedure

7.1 Where permissible, the Corporation retains the right to amend or terminate the terms and conditions of the Plan by resolution of the Board. If required, any amendments shall be subject to the prior consent of any applicable regulatory bodies, including the Exchange. Any amendment to the Plan shall take effect with respect to all outstanding Options on the date of, and all Options granted after, the effective date of such amendment, provided that in the event any amendment materially and adversely affects any outstanding Options it may apply to such outstanding Options only with the mutual consent of the Corporation and the Optionees to whom such Options have been granted. The Board shall have the power and authority to approve amendments relating to the Plan or to Options, without further approval of the shareholders of the Corporation, to the extent that such amendments relate to:

- (a) altering, extending or accelerating the terms and conditions of vesting of any Options;
- (b) amending the termination provisions of an Option, which amendment shall include altering the expiry date of an Option in accordance with Article 8 for any reason acceptable to the Board in the circumstances where the Optionee has ceased to be an Eligible Person;
- (c) determining adjustments pursuant to Article 9 hereof;
- (d) amending the definitions contained within the Plan, including but not limited to the definition of "Eligible Person" under the Plan except as provided in Section 7.2(e);
- (e) amending or modifying the mechanics of exercise of the Options as set forth in Article 6;
- (f) effecting amendments of a "housekeeping" nature including, without limiting the generality of the foregoing, any amendment for the purpose of curing any ambiguity, error, inconsistency or omission in or from the Plan;
- (g) effecting amendments necessary to comply with the provisions of applicable laws (including, without limitation, the rules, regulations and policies of the Exchange);
- (h) effecting amendments respecting the administration of the Plan; and
- (i) effecting amendments necessary to suspend or terminate the Plan.

7.2 Approval of the shareholders of the Corporation shall be required for the following types of amendments:

- (a) increasing the number of Shares issuable under the Plan, except such increase by operation of Section 4.1 and in the event of an adjustment contemplated by Article 9;
- (b) amending the Plan which amendment could result in the aggregate number of Shares of the Corporation issued to Insiders within any one year period under the Plan together with any other security-based compensation arrangement, or issuable to Insiders at any time under the Plan together with any other security-based compensation arrangement, exceeding 10% of the issued and outstanding Shares;
- (c) reducing the Option Price of the Option or cancelling the Option and replacing such Option with a lower Option Price under such replacement Option, subject to approval by disinterested shareholders, except as permitted pursuant to Article 9;
- (d) an extension of the term of an option granted under the Plan benefiting an Insider;
- (e) amending the listed categories contained in the definition of "Eligible Persons" hereunder which would have the potential of broadening or increasing participation in the Plan by Insiders;

- (f) amending Section 7.1 hereof and this Section 7.2; and
- (g) making any amendments required to be approved by shareholders under applicable law (including, without limitation, pursuant to the rules, regulations and policies of the Exchange).

Disinterested shareholder approval must be obtained for (i) any reduction in the exercise price of an outstanding option, if the option holder is an Insider; and (ii) any grant of options to Insiders, within a 12 month period, exceeding 10% of the Corporation's issued shares.

Where required by the policies of the Exchange, the shareholder approval required by this Section 9.2 shall be by the majority vote of the shareholders of the Corporation excluding any votes cast by Insiders who are entitled to participate as Eligible Persons under the Plan or who will specifically benefit from the proposed amendment. In the event of any conflict between Sections 7.1 and this Section 7.2, the latter shall prevail to the extent of the conflict.

#### 8. Termination of Employment; Death

- 8.1 All Options shall be for a term (the "**Term**") determined in the discretion of the Board at the time of the granting of the stock options, provided that no Option shall have a term exceeding five years.
- 8.2 Options granted to an Eligible Person who is not engaged in Investor Relations Activities must expire within 90 days after the Optionee ceases to be in at least one of the prescribed categories of Eligible Person, or such longer period as may be determined by the Board up to a period of one (1) year.
- 8.3 Options granted to an Eligible Person who is engaged in Investor Relations Activities must expire within 30 days after the Optionee ceases to be engaged to provide Investor Relations Activities.
- 8.4 If, before the expiry of an Option in accordance with the terms thereof, the Optionee is no longer an Eligible Person by reason of the death of the Optionee, such Option may, subject to the terms thereof and any other terms of the Plan, be exercised by the legal representative(s) of the estate of the Optionee at any time during the first six months following the death of the Optionee or such longer period as may be determined by the Board up to a period of one (1) year (but prior to the expiry of the Option in accordance with the terms thereof) but only to the extent that the Optionee was entitled to exercise such Option at the date the Optionee was no longer an Eligible Person.
- 8.5 Options shall not be affected by any change of employment or status of the Optionee or by the Optionee ceasing to be a director where the Optionee continues to be an Eligible Person.

#### 9. Change in Control and Certain Adjustments

- 9.1 Notwithstanding any other provision of this Plan in the event of:
  - (j) the acquisition by any Person of Shares or rights or options to acquire Shares of the Corporation or securities which are convertible into Shares of the Corporation or any combination thereof such that after the completion of such acquisition such Person would be entitled to exercise 50% or more of the votes entitled to be cast at a meeting of the shareholders; or
  - (k) the sale by the Corporation of all or substantially all of the property or assets of the Corporation;then notwithstanding that at the effective time of such transaction the Optionee may not be entitled to all the Shares granted by the Option, the Optionee shall be entitled to exercise the Options to the full amount of the Shares remaining at that time within 90 days of the close of any such transaction.
- 9.2 Appropriate adjustments with respect to Options granted or to be granted, in the number of Shares optioned and in the Option Price, shall be made by the Board to give effect to adjustments in the number of Shares of the Corporation resulting from subdivisions, consolidations or reclassifications of the Shares of the

Corporation, the payment of stock dividends or cash dividends by the Corporation (other than dividends in the ordinary course), the distribution of securities, property or assets by way of dividend or otherwise (other than dividends in the ordinary course), or other relevant changes in the capital stock of the Corporation or the amalgamation or merger of the Corporation with or into any other entity, subsequent to the approval of the Plan by the Board. The appropriate adjustment in any particular circumstance shall be conclusively determined by the Board in its sole discretion, subject to approval by the Shareholders of the Corporation and to acceptance by the Exchange respectively, if applicable.

#### 10. Miscellaneous Provisions

- 10.1 The holder of an Option shall not have any rights as a shareholder of the Corporation with respect to any of the Shares covered by such Option until such holder shall have exercised such Option in accordance with the terms of the Plan (including tendering payment in full of the Option Price of the Shares in respect of which the Option is being exercised) and the issuance of Shares by the Corporation.
- 10.2 Nothing in the Plan or any Option shall confer upon an Optionee any right to continue as an Eligible Person or affect in any way the right of the Corporation or any Subsidiary to terminate the Eligible Person or any Consultant which has employed or retained the Eligible Person; nor shall anything in the Plan or any Option be deemed or construed to constitute an agreement, or an expression of intent, on the part of the Corporation or any Subsidiary to extend the status of the Optionee as an Eligible Person beyond the time which he would normally be retired pursuant to the provisions of any present or future retirement plan of the Corporation, any Subsidiary or Consultant or beyond the time at which he would otherwise be retired pursuant to the provisions of any contract with the Corporation, any Subsidiary or a Consultant.
- 10.3 To the extent required by law or regulatory policy or necessary to allow Shares issued on exercise of an Option to be free of resale restrictions, the Corporation shall report the grant, exercise or termination of the Option to the Exchange and the appropriate securities regulatory authorities.
- 10.4 The Plan will be governed by and construed in accordance with the laws of the Province of Ontario.
- 10.5 If any provision of this Plan or any agreement entered into pursuant to the Plan contravenes any law or any order, policy, by-law or regulation of any regulatory body or Exchange having authority over the Corporation or the plan then such provision shall be deemed to be amended to the extent required to bring such provision into compliance therewith.

#### 11. Approval

- 11.1 The Plan shall be subject to acceptance by the Exchange or any other relevant regulatory authority. Any Options granted prior to such acceptance shall be conditional upon such acceptance being given and no such Options may be exercised unless such acceptance is given.
- 11.2 The Plan must receive Shareholder approval yearly, at the Company's Annual General Meeting.

[End of Plan.]

## SCHEDULE “B”

### RESTRICTED STOCK UNIT INCENTIVE PLAN

[as adopted by Shareholders on June 13, 2017]

Aurania Resources Ltd., a corporation incorporated under the laws of Bermuda (the “**Company**”), sets forth herein the terms of its Restricted Stock Unit Incentive Plan (the “**Plan**”), as follows:

#### **1. PURPOSE**

The Plan is intended to enhance the Company’s and its Affiliates’ (as defined herein) ability to attract and retain highly qualified officers, directors, key employees, consultants and other persons, and to motivate such officers, directors, key employees, consultants and other persons to serve the Company and its Affiliates and to expend maximum effort to improve the business results and earnings of the Company, by providing to such persons an opportunity to acquire or increase a direct proprietary interest in the operations and future success of the Company. To this end, the Plan provides for the grant of restricted stock units. Any of these awards of restricted stock units may, but need not, be made as performance incentives to reward attainment of annual or long-term performance goals in accordance with the terms hereof (as such performance goals are specified in the Award Agreement).

#### **2. DEFINITIONS**

For purposes of interpreting the Plan and related documents (including Award Agreements), the following definitions shall apply:

**2.1 “Affiliate”** means, with respect to the Company, any person or company if it is a Subsidiary entity of the other or if both are Subsidiary entities of the same person or company within the meaning of Multilateral Instrument 61-101 – *Protection of Minority Shareholders in Special Transactions*.

**2.2 “Award”** means a grant of Restricted Stock Units under the Plan.

**2.3 “Award Agreement”** means the written agreement between the Company and a Grantee that evidences and sets out the terms and conditions of an Award.

**2.4 “Board”** means the Board of Directors of the Company.

**2.5 “Cause”** means, as determined by the Board and unless otherwise provided in an applicable agreement with the Company or an Affiliate, (i) gross negligence or willful misconduct in connection with the performance of duties; (ii) conviction of a criminal offense; or (iii) material breach of any term of any employment, consulting or other services, confidentiality, intellectual property or non-competition agreements, if any, between the Service Provider and the Company or an Affiliate.

**2.6 “Change of Control”** means (i) a takeover bid for a sufficient number of Shares such that if such number of Shares are tendered into the bid and the bid closes, the bidder and all parties acting jointly or in concert with the bidder (the “**bid group**”) would have direction or control over more than 50% of the outstanding common shares of the Company, excluding the shares subject to the Plan, unless parties exercising control or direction over a blocking number of common shares of the Company have provided by the date (the “**blocking date**”) which is five business days before the initial expiry date of the bid, their written undertaking to all Grantees under the Plan not to tender into the bid, in the aggregate, at least a blocking number of Shares; “**blocking number**” means that number of common shares of the Company which, if withheld from being tendered into the bid and assuming no increase in the number of outstanding common shares of the Company, would result in the bidder not acquiring direction or control over more than 50% of the outstanding common shares of the Company immediately following

closing of the bid; (ii) a merger, consolidation, combination, reorganization or other transaction pursuant to which a party, or parties acting jointly and in concert, would acquire direction or control over more than 50% of the outstanding common shares of the Company or more than 50% of the votes attaching to all of the voting securities of any successor entity resulting from such transaction; (iii) a sale of all or substantially all of the assets of the Company determined on either a consolidated or a non-consolidated basis; or (iv) the election or appointment to the Board of a number of persons who represent a majority of the Board and who were not proposed or approved by a majority of the Board as previously constituted.

The effective date of a Change of Control is (a) for the purposes of (i), the date immediately following the blocking date; (b) for the purposes of (ii) and (iii), the date of the latest of shareholder, other stakeholder, Court or other required approval of the transaction; and for the purposes of (iv), the date of the shareholder resolution or other corporate action approving the election or appointment.

**2.7 “Committee”** means the nominating and compensation committee the Board, and designated from time to time by resolution of, the Board, which shall be constituted as provided in Section 3.2.

**2.8 “Company”** means Aurania Resources Ltd.

**2.9 “Consultant”** means, in relation to the Company, an individual (other than an Employee or a Director of the Issuer) or company that:

- (a) is engaged to provide on an ongoing bona fide basis, consulting, technical, management or other services to the Company or to an Affiliate of the Company, other than services provided in relation to a distribution;
- (b) provides the services under a written contract between the Company or the Affiliate and the individual or the company, as the case may be;
  - (i) in the reasonable opinion of the Company, spends or will spend a significant amount of time and attention on the affairs and business of the Company or an Affiliate of the Company; and
  - (ii) has a relationship with the Company or an Affiliate of the Company that enables the individual to be knowledgeable about the business and affairs of the Company.

**2.10 “Director”** means a director, senior officer or Management Company Employee of the Company.

**2.11 “Effective Date”** means April 25, 2017, the date the Plan is approved by the Board.

**2.12 “Employee”** means:

- (a) an individual who is considered an employee of the Company or its Subsidiary under the *Income Tax Act* (Canada) (and for whom income tax, employment insurance and CPP deductions must be made at source);
- (b) an individual who works full-time for the Company or its Subsidiary providing services normally provided by an employee and who is subject to the same control and direction by the Company over the details and methods of work as an employee of the Company, but for whom income tax deductions are not made at source; or
- (c) an individual who works for the Company or its Subsidiary on a continuing and regular basis for a minimum amount of time per week (the number of hours should be disclosed in the submission) providing services normally provided by an employee and who is

subject to the same control and direction by the Company over the details and methods of work as an employee of the Company, but for whom income tax deductions are not made at source.

**2.13 “Fair Market Value”** means the value of a Share, determined as follows: if on the Grant Date or other determination date the Shares are listed on the TSX Venture Exchange or another established national or regional stock exchange or is publicly traded on an established securities market, the Fair Market Value of the Company’s Shares shall be the closing price of the Shares on such exchange or in such market (if there is more than one such exchange or market the Board shall determine the appropriate exchange or market) on the Grant Date or such other determination date (or if there is no such reported closing price, the Fair Market Value shall be the mean between the highest bid and lowest asked prices or between the high and low sale prices on such trading day) or, if no sale of Shares is reported for such trading day, on the next preceding day on which any sale shall have been reported. If the Shares are not listed on such an exchange, quoted on such system or traded on such a market, Fair Market Value shall be the value of a Share as determined by the Board in good faith.

**2.14 “GAAP”** means, at any time, accounting principles generally accepted in Canada applying IFRS, including those set out in the Handbook of the Chartered Professional Accountants of Canada, at the relevant time applied on a consistent basis.

**2.15 “Grant Date”** means, as determined by the Board, the latest to occur of (i) the date as of which the Board approves an Award, (ii) the date on which the recipient of an Award first becomes eligible to receive an Award under Section 6 hereof, or (iii) such other date as may be specified by the Board.

**2.16 “Grantee”** means a person who receives or holds an Award under the Plan.

**2.17 “IFRS”** means International Financial Reporting Standards adopted by the International Accounting Standards Board from time to time.

**2.18 “Management Company Employee”** means an individual employed by a person providing management services to the Company, which are required for the ongoing successful operation of the business enterprise of the Company, but excluding a person engaged in investor relations activities.

**2.19 “Outside Director”** means a member of the Board who is not an officer or employee of the Company.

**2.20 “Plan”** means this Aurania Resources Ltd. Restricted Stock Unit Incentive Plan.

**2.21 “Restricted Stock Unit” or “RSU”** means a bookkeeping entry representing the right to receive one Share, subject to the restrictions and vesting provisions provided herein, and awarded to a Grantee pursuant to Section 8 hereof.

**2.22 “Securities Act”** means the *Securities Act* (Ontario), as now in effect or as hereafter amended.

**2.23 “Service”** means service of a Service Provider to the Company or an Affiliate. Unless otherwise stated in the applicable Award Agreement, a Grantee’s change in position or duties shall not result in interrupted or terminated Service, so long as such Grantee continues to be a Service Provider to the Company or an Affiliate. Subject to the preceding sentence, whether a termination of Service shall have occurred for purposes of the Plan shall be determined by the Board, which determination shall be final, binding and conclusive.

**2.24 “Service Provider”** means an Employee, Director, or Consultant of the Company or its Subsidiary.

**2.25 “Share(s)”** means the issued and outstanding common shares of the Company.



**2.26** “**Subsidiary**” means any “subsidiary entity” of the Company within the meaning of Multilateral Instrument 61-101 – *Protection of Minority Shareholders in Special Transactions*.

### **3. ADMINISTRATION OF THE PLAN**

#### **3.1 Board**

The Board shall have such powers and authorities related to the administration of the Plan as are consistent with the Company’s articles and applicable law. The Board shall have full power and authority to take all actions and to make all determinations required or provided for under the Plan, any Award or any Award Agreement, and shall have full power and authority to take all such other actions and make all such other determinations not inconsistent with the specific terms and provisions of the Plan that the Board deems to be necessary or appropriate to the administration of the Plan, any Award or any Award Agreement. All such actions and determinations shall be by the affirmative vote of a majority of the members of the Board present at a meeting or by unanimous consent of the Board executed in writing in accordance with the Company’s articles and applicable law. The interpretation and construction by the Board of any provision of the Plan, any Award or any Award Agreement shall be final, binding and conclusive.

#### **3.2 Committee**

The Board from time to time may delegate to the Committee such powers and authorities related to the administration and implementation of the Plan, as set forth in Section 3.1 above and other applicable provisions, as the Board shall determine, other than the Board’s power and authority to grant awards or to issue Shares to Grantees upon the vesting of an Award, consistent with the articles of the Company and applicable law.

(i) Except as provided in Subsection (ii) and except as the Board may otherwise determine, the Committee, if any, appointed by the Board to administer the Plan shall consist of two or more Outside Directors of the Company who meet such requirements as may be established from time to time by the securities regulatory authorities for such incentive plans and who comply with the independence requirements of applicable securities regulatory policies.

(ii) The Board may also appoint one or more separate committees of the Board, each composed of one or more directors of the Company who need not be Outside Directors, who may administer the Plan and may determine all terms of such Awards.

Notwithstanding the foregoing, the Board may not delegate its authority to grant Awards or to issue Shares to Grantees upon the vesting of an Award.

In the event that the Plan, any Award or any Award Agreement entered into hereunder provides for any action to be taken by or determination to be made by the Board, such action may be taken or such determination may be made by the Committee if the power and authority to do so has been delegated to the Committee by the Board as provided for in this Section. Unless otherwise expressly determined by the Board, any such action or determination by the Committee shall be final, binding and conclusive. To the extent permitted by law, the Committee may delegate its authority under the Plan to a member of the Board.

#### **3.3 Terms of Awards**

Subject to the other terms and conditions of the Plan, the Board shall have full and final authority to:

- (i) designate Grantees;
- (ii) determine the number of Shares to be subject to an Award;
- (iii) establish the terms and conditions of each Award (including, but not limited to, the nature and

duration of any restriction or condition (or provision for lapse thereof) relating to the vesting or forfeiture of an Award and any other terms or conditions);

- (iv) prescribe the form of each Award Agreement evidencing an Award;
- (iv) establish performance criteria; and
- (v) amend, modify, or supplement the terms of any outstanding Award. Such authority specifically includes the authority, in order to effectuate the purposes of the Plan but without amending the Plan, to modify Awards to eligible individuals who are foreign nationals or are individuals who are employed outside Canada to recognize differences in local law, tax policy, or custom.

As a condition to any subsequent Award, the Board shall have the right, at its discretion, to require Grantees to return to the Company Awards previously made under the Plan. Subject to the terms and conditions of the Plan, any such new Award shall be upon such terms and conditions as are specified by the Board at the time the new Award is made. The Board shall have the right, in its discretion, to make Awards in substitution or exchange for any other award under another plan of the Company, any Affiliate, or any business entity to be acquired by the Company or an Affiliate. The Company may retain the right in an Award Agreement to cause a forfeiture of the gain realized by a Grantee on account of actions taken by the Grantee in violation or breach of or in conflict with any employment agreement, non-competition agreement, any agreement prohibiting solicitation of employees or clients of the Company or any Affiliate thereof or any confidentiality obligation with respect to the Company or any Affiliate thereof or otherwise in competition with the Company or any Affiliate thereof, to the extent specified in such Award Agreement applicable to the Grantee. Furthermore, the Company may, within 30 days, annul an Award if the Grantee is an employee of the Company or an Affiliate thereof and is terminated for Cause. The grant of any Award shall be contingent upon the Grantee executing the appropriate Award Agreement.

### **3.4 No Liability**

No member of the Board or of the Committee shall be liable for any action or determination made in good faith with respect to the Plan or any Award or Award Agreement.

### **3.5 Book Entry**

Notwithstanding any other provision of this Plan to the contrary, the Company may elect to satisfy any requirement under this Plan for the delivery of share certificates through the use of book-entry.

## **4. SHARES SUBJECT TO THE PLAN**

Shares issued or to be issued under the Plan shall be authorized but unissued shares. Subject to adjustment as provided in Section 11 hereof, the maximum number of Shares available for issuance under the Plan shall be 2,275,973. The number of Shares issued or to be issued under the Plan and all other security-based compensation arrangements, at any time, shall not exceed 20% of the total number of the issued and outstanding Shares. If any Shares covered by an Award are forfeited, or if an Award terminates without delivery of any Shares subject thereto, then the number of Shares counted against the aggregate number of Shares available under the Plan with respect to such Award shall, to the extent of any such forfeiture or termination, again be available for making Awards under the Plan. The Board shall have the right to substitute or assume Awards in connection with mergers, reorganizations, separations, or other transactions. The number of Shares reserved pursuant to this Section 4 may be increased by the corresponding number of Awards assumed and, in the case of a substitution, by the net increase in the number of Shares subject to Awards before and after the substitution.

Notwithstanding the foregoing:

- (i) the number of securities issuable to insiders of the Company under all security-based compensation arrangements, including the Plan, at any time, cannot exceed 10% of the

issued and outstanding Shares;

- (ii) the number of securities issued to insiders of the Company pursuant to such arrangements, within any one-year period, cannot exceed 10% of the issued and outstanding Shares;
- (iii) the number of Shares issuable to any one Service Provider or other individual pursuant to an Award within any one-year period, cannot exceed 1% of the issued and outstanding Shares; and
- (iv) the aggregate number of Shares issuable to all Service Providers pursuant to Awards within any one-year period, cannot exceed 2% of the issued and outstanding Shares.

## **5. EFFECTIVE DATE, DURATION AND AMENDMENTS**

### **5.1 Effective Date**

The Plan shall be effective as of the Effective Date, subject to approval of the Plan by the Company's shareholders within one year of the Effective Date. Upon approval of the Plan by the shareholders of the Company as set forth above, all Awards made under the Plan on or after the Effective Date shall be fully effective as if the shareholders of the Company had approved the Plan on the Effective Date. If the shareholders fail to approve the Plan within one year after the Effective Date, any Awards made hereunder shall be null and void and of no effect.

### **5.2 Term**

The Plan shall terminate automatically ten (10) years after the Effective Date and may be terminated on any earlier date or extended as provided in Section 5.3.

### **5.3 Amendment and Termination of the Plan**

The Board may, at any time and from time to time, amend the Plan, subject to prior TSX Venture Exchange approval, or suspend, extend or terminate the Plan as to any Shares as to which Awards have not been made. An amendment shall be contingent on approval of the Company's shareholders to the extent stated by the Board, required by applicable law or required by applicable stock exchange listing requirements. However, amendments of a housekeeping nature, changes to vesting provisions, changes to the term of the Plan or Awards made hereunder or changes to performance criteria will not require shareholder approval.

## **6. AWARD ELIGIBILITY AND LIMITATIONS**

### **6.1 Service Providers**

Subject to this Section 6, Awards may be made under the Plan to any Service Provider, as the Board shall determine and designate from time to time. The Company and the Grantee of Restricted Stock Units are responsible for ensuring and confirming that the Grantee of Restricted Stock Units is a bona fide Service Provider.

### **6.2 Successive Awards**

An eligible person may receive more than one Award, subject to such restrictions as are provided herein.

### **6.3 Stand-Alone, Additional, Tandem, and Substitute Awards**

Awards granted under the Plan may, in the discretion of the Board, be granted either alone or in addition to, in tandem with, or in substitution or exchange for, any other Award or any award granted under another plan of the Company, any Affiliate, or any business entity to be acquired by the Company or an Affiliate, or any other right

of a Grantee to receive payment from the Company or any Affiliate. Such additional, tandem, and substitute or exchange Awards may be granted at any time. If an Award is granted in substitution or exchange for another Award, the Board shall require the surrender of such other Award in consideration for the grant of the new Award.

## **7. AWARD AGREEMENT**

Each Award granted pursuant to the Plan shall be evidenced by an Award Agreement, in such form or forms as the Board shall from time to time determine. Award Agreements granted from time to time or at the same time need not contain similar provisions but shall be consistent with the terms of the Plan.

## **8. TERMS AND CONDITIONS OF RESTRICTED STOCK UNITS**

### **8.1 Grant of Restricted Stock Units**

Awards shall be in the form of Restricted Stock Units. Subject to the restrictions and vesting provisions provided in Section 8.2, each RSU shall entitle the Grantee to receive one Share.

### **8.2 Restrictions and Vesting**

At the time a grant of Restricted Stock Units is made, the Board may, in its sole discretion, establish a period of time (a “**Vesting period**”) applicable to such Restricted Stock Units. Each Award of Restricted Stock Units may be subject to a different Vesting period. The Board may, in its sole discretion, at the time a grant of Restricted Stock Units is made, prescribe restrictions in addition to or other than the expiration of the Vesting period, including the satisfaction of corporate or individual performance objectives, which may be applicable to all or any portion of the Restricted Stock Units in accordance with Section 9.1 Notwithstanding the foregoing, (i) Restricted Stock Units that vest solely by the passage of time shall not vest in full in less than three (3) years from the Grant Date; (ii) Restricted Stock Units for which vesting may be accelerated by achieving performance targets shall not vest in full in less than one (1) year from the Grant Date; and (iii) Restricted Stock Units granted to Outside Directors vest, (a) at the election of an Outside Director at the time the Award is granted, within a minimum of one (1) year to a maximum of three (3) years following the Grant Date, as such Outside Director may elect, and (b) if no election is made, upon the earlier of a Change of Control in accordance with Section 11.2 or his or her resignation from the Board.

Restricted Stock Units may not be sold, transferred, assigned, pledged or otherwise encumbered or disposed of (other than to the Grantee’s beneficiary or estate, as the case may be, upon the death of the Grantee) during the Vesting period.

Upon the death of a Grantee, any RSUs granted to such Grantee which, prior to the Grantee’s death, have not vested, will immediately vest and the Grantee’s estate shall be entitled to receive payment in accordance with Section 8.6 hereof.

### **8.3 Restricted Stock Unit Accounts**

An account will be maintained by the Secretary of the Company, or such other officer of the Company as the Board may designate, in the name and for the benefit of the Grantee, in which will be recorded the number of RSUs granted to the Grantee, the Grant Date and expiry date of the RSUs.

### **8.4 Rights of Holders of Restricted Stock Units**

#### **(a) Voting and Dividend Rights**

Grantees of Restricted Stock Units shall have no rights as shareholders of the Company. The Board may provide in an Award Agreement evidencing a grant of Restricted Stock Units that the Grantee shall be entitled to receive, upon the Company’s payment of a cash dividend on its outstanding Shares, a cash payment for each

Restricted Stock Unit granted equal to the per-share dividend paid on the outstanding Shares. Such Award Agreement may also provide that such cash payment will be deemed reinvested in additional Restricted Stock Units at a price per unit equal to the Fair Market Value of the Shares on the date that such dividend is paid.

**(b) Creditor's Rights**

A Grantee shall have no rights other than those of a general creditor of the Company. Restricted Stock Units represent an unfunded and unsecured obligation of the Company, subject to the terms and conditions of the applicable Award Agreement.

**8.5 Termination of Service**

Unless the Board otherwise provides in an Award Agreement or in writing after the Award Agreement is issued, subject to prior TSX Venture Exchange approval, upon the termination of a Grantee's Service, any Restricted Stock Units granted to a Grantee that have not vested and will not vest within 30 days from the date of termination, or with respect to which all applicable restrictions and conditions have not lapsed, shall immediately be deemed forfeited. Upon forfeiture of Restricted Stock Units, the Grantee shall have no further rights with respect to such Award, including but not limited to any right to receive dividends with respect to the Restricted Stock Units.

**8.6 Delivery of Shares**

Upon the expiration or termination of the Vesting period and the satisfaction of any other restrictions prescribed by the Board, the Restricted Stock Units shall vest and shall be settled in Shares issued by the Company from treasury and, unless otherwise provided in the Award Agreement, a share certificate for that number of Shares equal to the number of vested RSUs shall be delivered, free of all such restrictions, to the Grantee or the Grantee's beneficiary or estate, as the case may be.

Settlement of RSUs shall be in Shares issued by the Company from treasury. The Committee shall specify the circumstances in which Awards shall be made or forfeited in the event of termination of Service by the Grantee prior to vesting.

**8.7 Exchange Hold Period**

If the Award is granted to a director, officer, promoter or other insider of the Company, then the Award will bear an Exchange Hold Period (as defined in TSX Venture Exchange Policies), and the following legend will be inserted onto the first page of the Award Agreement:

*Without prior written approval of the TSX Venture Exchange and compliance with all applicable securities legislation, the Shares represented by this agreement when vested and issued thereunder may not be sold, transferred, hypothecated or otherwise traded on or through the facilities of the TSX Venture Exchange or otherwise in Canada or to or for the benefit of a Canadian resident until ♦, 20 ♦, [i.e., four months and one day after the date of Award grant].*

**9. TERMS AND CONDITIONS OF AWARDS**

**9.1 Performance Conditions**

The granting and vesting of RSUs may be subject to such performance conditions as may be specified by the Board in the Award Agreement. The Board may use such business criteria and other measures of performance as it may deem appropriate in establishing any performance conditions and may exercise its discretion to reduce the amounts payable under any Award subject to performance conditions.

**9.2 Performance Goals Generally**

The performance goals for Awards shall consist of one or more business criteria and a targeted level or levels of performance with respect to each of such criteria, as specified by the Committee consistent with this Section 9.1. Performance goals shall be objective and shall otherwise meet the requirements that the level or levels of performance targeted by the Committee result in the achievement of performance goals being “substantially uncertain”. The Committee may determine that Awards shall vest upon achievement of any one performance goal or that two or more of the performance goals must be achieved as a condition to the vesting of an Award. Performance goals may differ for Awards granted to any one Grantee or to different Grantees.

### **9.3 Business Criteria**

The Board, in its sole discretion, may establish business criteria for the purpose of establishing performance goals in accordance with Section 9.1, including but not limited to, one or more of the following business criteria for the Company, on a consolidated basis, and/or specified Subsidiaries or business units of the Company (except with respect to the total shareholder return and earnings per share criteria): (1) total shareholder return; (2) such total shareholder return as compared to total return (on a comparable basis) of a publicly available index such as, but not limited to, the S&P/TSX Composite Index; (3) past service to the Company; (4) net income; (5) pre-tax earnings; (6) earnings before interest expense, taxes, depreciation and amortization; (7) pre-tax operating earnings after interest expense and before bonuses, service fees, and extraordinary or special items; (8) operating margin; (9) earnings per share; (10) return on equity; (11) return on capital; (12) return on investment; (13) operating earnings; (14) working capital; (15) ratio of debt to shareholders’ equity; (16) revenue; and (17) free cash flow and free cash flow per share. Business criteria may be measured on an absolute basis or on a relative basis (i.e., performance relative to peer companies) and on a GAAP or non-GAAP basis.

### **9.4 Timing for Establishing Performance Goals**

Performance goals shall be established not later than 90 days after the beginning of any performance period applicable to such Awards, or at such other date as may be determined by the Board.

### **9.5 Written Determinations**

All determinations by the Committee as to the establishment of performance goals, the amount of any Award and as to the achievement of performance goals relating to Awards, and the amount of any final Awards, shall be made in writing.

## **10. REQUIREMENTS OF LAW**

### **10.1 General**

The Plan shall comply with the provisions of any applicable law or regulation of any governmental authority, including without limitation any federal, state or provincial securities laws or regulations and the requirements of any stock exchange having jurisdiction. The failure to comply with such laws or regulations, including without limitation the *Securities Act*, may result in a termination of the Plan and/or the forfeiture of previously granted RSUs.

## **11. EFFECT OF CHANGES IN CAPITALIZATION**

### **11.1 Changes in Shares**

If the number of outstanding Shares is increased or decreased or the Shares are changed into or exchanged for a different number or kind of shares or other securities of the Company on account of any recapitalization, reclassification, stock split, reverse split, combination of shares, exchange of shares, stock dividend or other distribution payable in capital stock, or other increase or decrease in such shares effected without receipt of consideration by the Company occurring after the Effective Date, the number and kinds of shares for which Awards may be made under the Plan shall be adjusted proportionately and accordingly by the Company. In addition, the

number and kind of shares for which Awards are outstanding shall be adjusted proportionately and accordingly so that the proportionate interest of the Grantee immediately following such event shall, to the extent practicable, be the same as immediately before such event. Notwithstanding the foregoing, in the event of any distribution to the Company's shareholders of securities of any other entity or other assets (including an extraordinary cash dividend but excluding a non-extraordinary dividend payable in cash or in shares of the Company) without receipt of consideration by the Company, the Company may, in such manner as the Company deems appropriate, adjust the number and kind of shares subject to outstanding Awards.

### **11.2 Change of Control**

Upon the occurrence of a Change of Control, all outstanding Restricted Stock Units shall be deemed to have vested, and all restrictions and conditions applicable to such Restricted Stock Units shall be deemed to have lapsed and the Shares subject to such Restricted Stock Units shall be issued and delivered, immediately prior to the occurrence of such Change of Control.

### **11.3 Adjustments**

Adjustments under Section 11.1 relating to Shares or securities of the Company shall be made by the Board, whose determination in that respect shall be final, binding and conclusive. No fractional shares or other securities shall be issued pursuant to any such adjustment, and any fractions resulting from any such adjustment shall be eliminated in each case by rounding downward to the nearest whole Share. The Board may provide in the Award Agreement at the time of grant, or any time thereafter with the consent of the Grantee, for different provisions to apply to an Award in place of those described in Sections 11.1 and 11.3.

### **11.4 No Limitations on Company**

The making of Awards pursuant to the Plan shall not affect or limit in any way the right or power of the Company to make adjustments, reclassifications, reorganizations, or changes of its capital or business structure or to merge, consolidate, dissolve, or liquidate, or to sell or transfer all or any part of its business or assets.

## **12. GENERAL PROVISIONS**

### **12.1 Disclaimer of Rights**

No provision in the Plan or in any Award or Award Agreement shall be construed to confer upon any individual the right to remain in the employ or service of the Company or any Affiliate, or to interfere in any way with any contractual or other right or authority of the Company either to increase or decrease the compensation or other payments to any individual at any time, or to terminate any employment or other relationship between any individual and the Company. In addition, notwithstanding anything contained in the Plan to the contrary, unless otherwise stated in the applicable Award Agreement, no Award granted under the Plan shall be affected by any change of duties or position of the Grantee, so long as such Grantee continues to be a director, officer, consultant or employee of the Company or an Affiliate. The obligation of the Company to issue Shares or pay any benefits pursuant to this Plan shall be interpreted as a contractual obligation only in respect of those amounts described herein, in the manner and under the conditions prescribed herein. The Plan shall in no way be interpreted to require the Company to transfer any amounts to a third-party trustee or otherwise hold any amounts in trust or escrow for payment to any Grantee or beneficiary under the terms of the Plan.

### **12.2 Non-exclusivity of the Plan**

Neither the adoption of the Plan nor the submission of the Plan to the shareholders of the Company for approval shall be construed as creating any limitations upon the right and authority of the Board to adopt such other incentive compensation arrangements (which arrangements may be applicable either generally to a class or classes of individuals or specifically to a particular individual or particular individuals) as the Board in its discretion determines desirable.

### **12.3 Withholding Taxes**

The Company or an Affiliate, as the case may be, shall have the right to deduct from payments of any kind otherwise due to a Grantee any federal, provincial, state, or local taxes of any kind required by law to be withheld with respect to the vesting of an Award or upon the issuance of any Shares upon the vesting of an Award. At the time of such vesting, lapse, or exercise, the Grantee shall pay to the Company or the Affiliate, as the case may be, any amount that the Company or the Affiliate may reasonably determine to be necessary to satisfy such withholding obligation.

### **12.4 Captions**

The use of captions in this Plan or any Award Agreement is for the convenience of reference only and shall not affect the meaning of any provision of the Plan or such Award Agreement.

### **12.5 Other Provisions**

Each Award granted under the Plan may contain such other terms and conditions not inconsistent with the Plan as may be determined by the Board, in its sole discretion.

### **12.6 Number and Gender**

With respect to words used in this Plan, the singular form shall include the plural form, the masculine gender shall include the feminine gender, etc., as the context requires.

### **12.7 Severability**

If any provision of the Plan or any Award Agreement shall be determined to be illegal or unenforceable by any court of law in any jurisdiction, the remaining provisions hereof and thereof shall be severable and enforceable in accordance with their terms, and all provisions shall remain enforceable in any other jurisdiction.

### **12.8 Governing Law**

The validity and construction of this Plan and the instruments evidencing the Award hereunder shall be governed by the laws of the Province of Ontario, other than any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of this Plan and the instruments evidencing the Awards granted hereunder to the substantive laws of any other jurisdiction.

### **12.9 No Representation or Warranty**

The Company makes no representation or warranty as to the future market value of any Shares issued in accordance with the provisions of the Plan.

### **12.10 Conflict**

In the event of any conflict between the provisions of this Plan and an Award Agreement, the provisions of this Plan shall govern.

### **12.11 Time of Essence**

Time is of the essence of this Plan and of each Award Agreement. No extension of time will be deemed to be or to operate as a waiver of the essentiality of time.





# AURANIA

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**AURANIA RESOURCES LTD.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**Years Ended December 31, 2020 and 2019**

(Expressed in Canadian Dollars)

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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.

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

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

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

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

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

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

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

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

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



**Chartered Professional Accountants  
Licensed Public Accountants**

Toronto, Ontario  
April 22, 2021

**AURANIA RESOURCES LTD.****CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(Expressed in Canadian Dollars)

| <b>AS AT</b>   | <b>DECEMBER 31,<br/>2020</b> | <b>DECEMBER 31,<br/>2019</b> |
|--|------------------------------|------------------------------|
| <b>ASSETS</b>  |                              |                              |
| <b>Current assets</b>  |                              |                              |
| 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                      |
| <b>Total current assets</b>                                      | <b>8,945,074</b>             | <b>6,174,264</b>             |
| <b>Non-current assets</b>  |                              |                              |
| Property and equipment (note 6)                                  | 164,550                      | 148,999                      |
| <b>TOTAL ASSETS</b>  | <b>\$9,109,624</b>           | <b>\$6,323,263</b>           |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)</b>         |                              |                              |
| <b>LIABILITIES</b>   |                              |                              |
| <b>Current liabilities</b>                                       |                              |                              |
| Accounts payable and accrued liabilities (notes 12 and 17)       | \$1,468,117                  | \$985,454                    |
| Promissory notes (note 8)  | -                            | 569,828                      |
| <b>Total current liabilities</b>                                 | <b>1,468,117</b>             | <b>1,555,282</b>             |
| <b>Long-term liability</b>                                       |                              |                              |
| Promissory notes (note 8)  | 4,182,495                    | 3,370,530                    |
| <b>TOTAL LIABILITIES</b>   | <b>\$5,650,612</b>           | <b>\$4,925,812</b>           |
| <b>SHAREHOLDERS' EQUITY (DEFICIENCY)</b>                         |                              |                              |
| 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)                 |
| <b>Total equity (deficiency)</b>                                 | <b>3,459,012</b>             | <b>1,397,451</b>             |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)</b>   | <b>\$9,109,624</b>           | <b>\$6,323,263</b>           |
| 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               |                    |                     |                       | Total Equity<br>(Deficiency) |
|---|--------------------|---------------|---------------------|------------------------|--------------------|---------------------|-----------------------|------------------------------|
|   | Common<br>Shares # | Share Capital | Share Premium       | Shares to be<br>issued | Warrants           | Contributed Surplus | Accumulated Deficit   |                              |
| <b>Balance – December 31, 2018</b>  | <b>32,036,874</b>  | <b>\$319</b>  | <b>\$19,983,179</b> | <b>-</b>               | <b>\$1,123,509</b> | <b>\$1,987,432</b>  | <b>\$(25,668,365)</b> | <b>\$(2,573,926)</b>         |
| 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)                 |
| <b>Balance – December 31, 2019</b>  | <b>38,333,346</b>  | <b>\$383</b>  | <b>\$38,219,081</b> | <b>\$165,841</b>       | <b>\$442,215</b>   | <b>\$4,666,849</b>  | <b>\$(42,096,918)</b> | <b>\$1,397,451</b>           |
| 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 (iii))                        | 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)                 |
| <b>Balance – December 31, 2020</b>  | <b>43,951,179</b>  | <b>\$ 440</b> | <b>\$54,863,605</b> | <b>\$183,949</b>       | <b>\$2,463,801</b> | <b>\$6,410,229</b>  | <b>\$(60,463,012)</b> | <b>\$3,459,012</b>           |

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)*

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

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                |
|--|---------------------|---------------------|
| <b>Cash flow from the following activities:</b>            |                     |                     |
| <b>Operating activities:</b>                               |                     |                     |
| 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             |
| <b>Net cash used in operating activities</b>               | <b>(14,622,396)</b> | <b>(14,521,093)</b> |
| <b>Financing activities:</b>                               |                     |                     |
| 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           |
| <b>Net cash provided by financing activities</b>           | <b>17,635,940</b>   | <b>18,724,551</b>   |
| <b>Investing activities:</b>                               |                     |                     |
| Increase in restricted cash                                | -                   | 255,912             |
| Purchase of property and equipment (note 6)                | (63,929)            | (47,050)            |
| <b>Net cash (used in) provided by investing activities</b> | <b>(63,929)</b>     | <b>208,862</b>      |
| <b>Increase in cash</b>                                    | <b>2,949,615</b>    | <b>4,412,320</b>    |
| <b>Cash – beginning of year</b>                            | <b>5,229,341</b>    | <b>817,021</b>      |
| <b>Cash – end of year</b>                                  | <b>\$8,178,956</b>  | <b>\$5,229,341</b>  |
| <b>Supplemental Information</b>                            | <b>2020</b>         | <b>2019</b>         |
| 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.



# AURANIA RESOURCES LTD.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

(Expressed in Canadian Dollars)

### 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).

# AURANIA RESOURCES LTD.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

(Expressed in Canadian Dollars)

### 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.

## AURANIA RESOURCES LTD.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

(Expressed in Canadian Dollars)

#### 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.

## AURANIA RESOURCES LTD.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

(Expressed in Canadian Dollars)

#### 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.

## AURANIA RESOURCES LTD.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

(Expressed in Canadian Dollars)

#### 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.

## AURANIA RESOURCES LTD.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

(Expressed in Canadian Dollars)

#### 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.

## AURANIA RESOURCES LTD.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

(Expressed in Canadian Dollars)

#### 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.

## **AURANIA RESOURCES LTD.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the years ended December 31, 2020 and 2019

(Expressed in Canadian Dollars)

#### **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:



## **AURANIA RESOURCES LTD.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the years ended December 31, 2020 and 2019

(Expressed in Canadian Dollars)

#### **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.

## AURANIA RESOURCES LTD.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

(Expressed in Canadian Dollars)

#### 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.

## AURANIA RESOURCES LTD.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

(Expressed in Canadian Dollars)

#### 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

## AURANIA RESOURCES LTD.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

(Expressed in Canadian Dollars)

#### 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.

## AURANIA RESOURCES LTD.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

(Expressed in Canadian Dollars)

#### 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,<br>2020 | December 31,<br>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)          |
| <b>Net exposure</b>                                       | <b>\$(2,668,246)</b> | <b>\$(3,665,743)</b> |

##### 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.

## AURANIA RESOURCES LTD.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

(Expressed in Canadian Dollars)

#### 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<br>Improvements | Field<br>Equipment | Furniture and<br>Fixtures | Computer<br>Equipment | Total     |
|---------------------------------|---------------------------|--------------------|---------------------------|-----------------------|-----------|
| <b>COST</b>                     |                           |                    |                           |                       |           |
| 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   |
| <b>ACCUMULATED DEPRECIATION</b> |                           |                    |                           |                       |           |
| 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) |
| <b>NET BOOK VALUE</b>           |                           |                    |                           |                       |           |
| 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".

**AURANIA RESOURCES LTD.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the years ended December 31, 2020 and 2019

(Expressed in Canadian Dollars)

**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 <sup>1</sup> | \$1,038,820 <sup>2</sup>   | \$1,060,000 <sup>2</sup>    | \$3,354,497              |
| 2 (2018) | 2,004,923 <sup>1</sup>   | 2,077,640 <sup>2</sup>     | 1,090,000 <sup>2</sup>      | 4,396,820                |
| 3 (2019) | 2,046,475 <sup>1</sup>   | 2,077,640 <sup>2</sup>     | 2,098,000 <sup>2</sup>      | 5,116,155                |
| 4 (2020) | 2,077,640 <sup>1</sup>   | 2,077,640 <sup>2</sup>     | 2,081,800 <sup>2</sup>      | 8,627,136                |

<sup>1</sup> Paid - The Concession Fee is the larger of \$10/Ha or the amount of Committed Expenditure by the Company.<sup>2</sup> 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**

## AURANIA RESOURCES LTD.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

(Expressed in Canadian Dollars)

#### 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.



## AURANIA RESOURCES LTD.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

(Expressed in Canadian Dollars)

#### 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               |
|---|------------|--------------------|
| <b>Balance, beginning of year</b>                     | <b>\$-</b> | <b>\$2,476,672</b> |
| 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)        |
| <b>Balance, end of year</b>                           | <b>\$-</b> | <b>\$-</b>         |

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              |
|--|-------------|-------------------|
| <b>Balance, beginning of period</b>              | <b>\$-</b>  | <b>\$ 435,390</b> |
| Loss on derivative                               | -           | 121,571           |
| Settled by shares issued upon conversion of debt | -           | (556,961)         |
| <b>Balance, end of period</b>                    | <b>\$ -</b> | <b>\$-</b>        |

## AURANIA RESOURCES LTD.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

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#### 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               |
|---|--------------------|--------------------|
| <b>Balance, beginning of period/issuance of promissory note</b> | <b>\$3,370,530</b> | <b>\$4,005,900</b> |
| 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)           |
| <b>Balance, end of period</b>                                   | <b>\$3,615,393</b> | <b>\$3,370,530</b> |

#### 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

## AURANIA RESOURCES LTD.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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#### 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.**

## AURANIA RESOURCES LTD.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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#### 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.

## AURANIA RESOURCES LTD.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(Expressed in Canadian Dollars)

#### 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.

# AURANIA RESOURCES LTD.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

(Expressed in Canadian Dollars)

### 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<br>Options | Weighted Average<br>Exercise Price | Estimated<br>Fair Value |
|------------------------------------|----------------------|------------------------------------|-------------------------|
| <b>Balance - December 31, 2018</b> | <b>1,516,260</b>     | <b>\$2.92</b>                      | <b>\$1,806,852</b>      |
| Issued                             | 1,455,000            | 2.82                               | 1,488,280               |
| Exercised                          | (65,000)             | 1.25                               | (36,216)                |
| Stock-based compensation expense   | -                    | -                                  | 314,660                 |
| <b>Balance - December 31, 2019</b> | <b>2,906,260</b>     | <b>2.41</b>                        | <b>3,573,576</b>        |
| 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               |
| <b>Balance - December 31, 2020</b> | <b>3,541,000</b>     | <b>\$2.99</b>                      | <b>\$5,151,939</b>      |

- (x) The following summarizes the stock options outstanding at the year ended December 31, 2020:

| Issued<br>Number of<br>Options | Exercisable<br>Number of<br>Options | Exercise Price | Expiry Date       | Estimated<br>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                  |
| <b>3,541,000</b>               | <b>1,815,997</b>                    |                |                   | <b>\$5,151,939</b>      |

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).

**AURANIA RESOURCES LTD.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the years ended December 31, 2020 and 2019

(Expressed in Canadian Dollars)

**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<br>RSUs | Weighted Average<br>Fair Value | Estimated<br>Fair Value |
|------------------------------------|-------------------|--------------------------------|-------------------------|
| <b>Balance – December 31, 2018</b> | <b>67,000</b>     | <b>\$1.98</b>                  | <b>\$132,581</b>        |
| Shares issued for RSU's            | 122,700           | 2.50                           | 10,590                  |
| <b>Balance – December 31, 2019</b> | <b>189,700</b>    | <b>2.32</b>                    | <b>143,171</b>          |
| 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                 |
| <b>Balance – December 31, 2020</b> | <b>420,500</b>    | <b>\$3.07</b>                  | <b>\$208,098</b>        |

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<br>Warrants/<br>Agents' Options | Weighted<br>Average<br>Exercise Price | Estimated Fair<br>Value |
|--|---|---------------------------------------|-------------------------|
| <b>Balance – December 31, 2018</b>         | <b>2,259,051</b>                          | <b>\$2.92</b>                         | <b>\$1,123,509</b>      |
| 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)               |
| <b>Balance – December 31, 2019</b>         | <b>936,501</b>                            | <b>3.90</b>                           | <b>442,215</b>          |
| 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)                |
| <b>Balance – December 31, 2020</b>         | <b>3,380,938</b>                          | <b>\$4.87</b>                         | <b>2,463,801</b>        |

**AURANIA RESOURCES LTD.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the years ended December 31, 2020 and 2019

(Expressed in Canadian Dollars)

**11. WARRANTS, continued****Outstanding warrants**

| <b>Expiry date</b>                 | <b>Number of Warrants</b> | <b>Exercise Price</b> |
|------------------------------------|---------------------------|-----------------------|
| 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                |
| <b>Balance – December 31, 2020</b> | <b>3,380,938</b>          |                       |

**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:

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

<sup>(1)</sup> 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.

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

<sup>(3)</sup> 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.



**AURANIA RESOURCES LTD.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the years ended December 31, 2020 and 2019

(Expressed in Canadian Dollars)

**13. EXPLORATION EXPENDITURES**

| For the years ended December 31,                                | 2020                | 2019(note 15)       |
|---|---------------------|---------------------|
| ECUADOR & CANADA  |                     |                     |
| <b>GEOLOGY/FIELD:</b>   |                     |                     |
| - 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 <sup>(1)</sup>  | 475,642             | 346,221             |
| - Drilling  | 1,746,201           | 975,658             |
| <b>GEOCHEMISTRY</b>   | 976,157             | 414,634             |
| <b>GEOPHYSICS</b>   | 299,638             | 103,621             |
| <b>EXPERT CONSULTANTS</b>                                       | 118,778             | -                   |
| <b>OTHER TECHNICAL STUDIES</b>                                  | 288,065             | 273,793             |
| <b>CORPORATE SOCIAL RESPONSIBILITY - fees, travel, supplies</b> | 788,022             | 819,185             |
| <b>LEGAL COSTS FOR CONCESSION MAINTENANCE</b>                   | 75,452              | 31,949              |
| <b>CONCESSION MAINTENANCE – permits</b>                         | 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           |
| <b>TOTAL EXPLORATION EXPENSE</b>                                | <b>\$12,433,119</b> | <b>\$11,540,609</b> |

(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 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.
- 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.

## AURANIA RESOURCES LTD.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

(Expressed in Canadian Dollars)

#### 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

**AURANIA RESOURCES LTD.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the years ended December 31, 2020 and 2019

(Expressed in Canadian Dollars)

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

**(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      | <b>\$7,235,000</b>  | \$5,374,000  |
| Non-capital losses carry-forwards - Switzerland | <b>\$1,685,000</b>  | \$1,636,000  |
| Non-capital losses carry-forwards - Peru        | <b>\$345,000</b>    | \$-          |
| Non-capital losses carry-forwards - Ecuador     | <b>\$29,634,000</b> | \$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 |
|-------------------------|----------------|
| <b>347,000</b>          | 2033           |
| <b>341,000</b>          | 2034           |
| <b>313,000</b>          | 2035           |
| <b>262,000</b>          | 2036           |
| <b>850,000</b>          | 2037           |
| <b>1,357,000</b>        | 2038           |
| <b>1,825,000</b>        | 2039           |
| <b><u>1,940,000</u></b> | 2040           |
| <b>7,235,000</b>        |                |

## **AURANIA RESOURCES LTD.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the years ended December 31, 2020 and 2019**

(Expressed in Canadian Dollars)

#### **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.



# AURANIA

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**AURANIA RESOURCES LTD.**

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

**For the Year Ended December 31, 2020**

(Expressed in Canadian Dollars unless otherwise indicated)



## 1 INTRODUCTION

Aurania Resources Ltd. (“Aurania” or the “Company”) is a publicly traded junior mining exploration company engaged in the identification, evaluation, acquisition, and exploration of mineral property interests, with a focus on precious metals and copper in South America. Aurania’s principal asset is a 100% holding of the Lost Cities – Cutucu project (“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 year ended December 31, 2020 (the “Reporting Period”). This MD&A is prepared as at April 22, 2020, unless otherwise indicated, and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2020 and the notes related thereto which have been prepared in accordance with International Financial Reporting Standards (“IFRS”). All monies are expressed in Canadian dollars unless otherwise indicated. Additional information relevant to the activities of the Company has been filed electronically through the System for Electronic Document Analysis and Retrieval (“SEDAR”) – <http://www.sedar.com> and are also available on the Company’s website <http://www.aurania.com>.

## 2 CAUTIONARY NOTE

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

## 3 2020 HIGHLIGHTS

### 3.1 Lost Cities Project

#### COVID-19 Response

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

#### Mineral Property Interests

There are three principal components to maintaining the 42 concessions that constitute the Lost Cities Project, that covers 207,764Ha, in good standing as follows:

- Annual concession fees of US\$2,077,640 (\$2,785,907) for 2020 were paid by the due date of March 31, 2020. The concession fee is paid directly to the SRI (Servicio de Rentas Internas) – the Ecuadorian tax authorities.
- The annual concession report, that includes details of exploration carried out and expenditure made in 2019, was prepared and filed for each concession by the due date in March 2020. These reports are submitted to ARCERNR (this entity was formerly called ARCOM), the regulatory branch of the Ministry of Energy and Non-Renewable Resources (the “MENRR”).
- Reports on environmental impacts and related mitigation, have been submitted to the Ministry of the Environment and Water (the “MEW”) by their due dates.

#### Exploration

##### Reconnaissance exploration:

The objective of reconnaissance exploration is to define targets principally for gold, silver and copper in an area that has not previously been subjected to systematic exploration since Spanish Colonial times in the late 1500s. Exploration methods used by the Company encompassed a heliborne magnetic and radiometric survey over the whole Lost Cities Project in 2017, regional mapping through remote satellite imagery and stream sediment sampling that has been completed over 57% of the Lost Cities Project. The LiDAR survey that was commissioned to cover the whole of the Lost Cities Project has not been undertaken due to operational issues with the US-based contractor. However, a heliborne LiDAR survey was conducted over priority target areas by MPX Geophysics of Ontario, Canada. To date, reconnaissance exploration has resulted in the identification of the following targets:

- Gold-silver: 15 epithermal targets.
- Sedimentary-hosted high-grade copper-silver in sporadic exposures through thick jungle cover over an area of 23 kilometers (“km”) long by 7km wide.
- Intrusive-related copper – 11 targets identified including:
  - Porphyries – that may contain gold in addition to copper.
  - Iron Oxide Copper-Gold (IOCG) systems;
- Silver-zinc-lead-barite mineralization of the carbonate replacement (“CRD”) type, flanked by areas with enriched pathfinder elements for epithermal gold-silver, has been identified in sporadic outcrops along a trend of 15km.

#### Target development:



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Scout drilling commenced in mid-September on the Tsenken target area where both intrusive-related copper and sedimentary-hosted copper-silver targets are located. Three holes, TS001 -TS003 were drilled, for a total of 645m, at Tsenken N2 and three holes were completed at Tsenken N3 for 1,246m for a total of 1,891m. Both targets were downgraded, with mineral vectors identified in the six drill holes indicating that the core of a potential IOCG system lies in the Tsenken N4 target area .

### Geophysics

A MobileMT geophysical survey, in which magnetotelluric and magnetic data are measured, commenced on November 9, 2020 and by year-end, 313-line kilometres had been flown.

### Geochemistry

- The number of samples taken for analysis in Q4, 2020 is as follows:
  - Stream sediments: 380
  - Soil: 654
  - Rock-chip: 179
  - Drill core samples: 425.

### NI 43-101 Technical Report

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

### Corporate Social responsibility (“CSR”)

- Formal access agreements are in effect with 36 of the 55 (65%) of the communities in the Lost Cities Project area, providing access to 70% of its surface area, and discussions with other communities are on-going.
- The Company assisted with the distribution of factual information regarding the COVID-19 virus, prepared by Ecuador’s Ministry of Health, to communities in its area of influence by having the material translated into the Shuar language and distributing copies, as well as through radio broadcasts.
- In response to the travel restrictions imposed by the Ecuadorian government and the dearth of employment opportunities during the COVID-19 pandemic, Aurania purchased and delivered dry food including rice, lentils, beans and canned fish to the communities within the area of influence of the Lost Cities Project in Q2. Two food deliveries were made as follows:
  - April 3-6: 8 tonnes of food were delivered to 970 families in 44 communities.
  - April 27-29: 10 tonnes of food were delivered to 1,292 families in 49 communities. The second relief effort was made in conjunction with the Step Forward Foundation, the Ministry of Social Inclusion with the help of the logistics arm of the Ecuadorian military.

### Health & Safety

- The Company has implemented a strict COVID-19-related protocol, which includes having two medical doctors on staff working 24/7 in rotating shifts.
- A total of 2,138 COVID-19 tests have been undertaken by the Company on its personnel and on residents of the communities with which it is working since March 2020.
- The Company has worked with the Ministry of Health and the Provincial Government throughout the COVID-19 pandemic in the implementation of wide-ranging efforts to restrict the spread of the virus.

### Environment & Water

- On March 10, 2020, the Corporation received ISO14001 accreditation for the environmental aspects of its exploration.
- The MEW has confirmed that the restoration and revegetation of the drill platforms at Yawi meets the ministry’s requirements.
- Drill platforms in the Tsenken N2 and N3 target areas have been restored with native species in the same density that they were found to occur in species counts completed prior to excavation of the platforms.





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- Application for the water-use permits required for scout drilling, has been made for 39 off-take points near high-priority targets that are being prepared for scout drilling.
- Water systems of 53 of the 55 communities in the Lost Cities Project area have been evaluated to provide a plan and budget for the provision or restoration of clean water. The Company, in conjunction with the Step Forward Foundation, has restored access to clean water in six communities.

### 3.2 Peru Project

#### COVID-19 Response

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

#### Mineral Property Interests

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

#### Exploration - Data Compilation

- A significant amount of exploration data is available from INGGEMMET and PeruPetro. To date, seismic, magnetic and gravity data from the concession areas applied for, and environs, has been delivered to the Company under a confidentiality agreement.
- Compilation of the aforementioned exploration data is underway. The objective of the data compilation is to prioritize the areas with the greatest sedimentary-hosted copper-silver potential for focused exploration, and to allow the Company to relinquish lower priority areas to reduce the amount to be paid in annual concession fees. The annual concession fee in Peru is USD3/Ha.
- In addition, the geological consultant who undertook the satellite interpretation of the Lost Cities Project also interpreted the structural framework on which the concession applications were based. All of this data is being compiled and will form the basis of focused exploration.

### 3.3 Finance

During the year, the Company raised \$17,635,940 net, principally through a non-brokered private placement of units in March, the completion of an overnight marketed offering in October, as well as through the exercise of warrants and stock options, resulting in the issuance of 5,617,833 shares. The Company also amended the Promissory Note 2017 and Promissory Note 2019 such that the notes become repayable on the day following the one-year anniversary of the lender requesting repayment. See section 5.3 Finance for further details.

### 3.4 Personnel

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



## 4 SELECTED ANNUAL INFORMATION

|                                   | Year ended<br>December 31, 2020 | Year ended<br>December 31, 2019 |
|-----------------------------------|---------------------------------|---------------------------------|
| Cash                              | \$8,178,956                     | \$5,229,341                     |
| Total assets                      | 9,109,624                       | 6,323,263                       |
| Total liabilities                 | 5,650,612                       | 4,925,812                       |
| Shareholders' equity (deficiency) | 3,459,012                       | 1,397,451                       |
| Deficit                           | \$(60,463,012)                  | \$(42,096,918)                  |

The significant changes in the selected annual information resulted from the completion of a Private Placement financing for \$6.47million and an Overnight Marketed Offering for \$11.5million that combined to fund the company's on-going operations (see 5.2 Finance) and \$1.2 million through the exercise of 64,750 share purchase warrants and 717,000 stock options. The change in deficit is discussed in detail in Section 6 Consolidated loss and comprehensive loss for the years ended December 31, 2020 and 2019.

## 5 DISCUSSION OF OPERATIONS

### 5.1 Lost Cities Project, Ecuador

#### Mineral Property Interests and obligations

The Company acquired the rights, title and 100% interest in the Lost Cities Project, comprised of 42 mineral concessions covering 207,764Ha in southeastern Ecuador, on May 26, 2017. The 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 (discussed below).
- up to four years of "Advanced Exploration";
- up to two years of "Economic Evaluation" of any deposit identified, and this term may be extended for an additional two-year period; and
- thereafter, the concessions are in the "Exploitation Phase".

#### 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 <sup>1</sup> | 1,038,820 <sup>2</sup>     | 1,060,000 <sup>2</sup>      | 3,354,497                |
| 2 (2018) | 2,004,923 <sup>1</sup> | 2,077,640 <sup>2</sup>     | 1,090,000 <sup>2</sup>      | 4,396,820                |
| 3 (2019) | 2,046,475 <sup>1</sup> | 2,077,640 <sup>2</sup>     | 2,098,000 <sup>2</sup>      | 5,116,155                |
| 4 (2020) | 2,077,640 <sup>1</sup> | 2,077,640 <sup>2</sup>     | 2,081,800 <sup>2</sup>      | 8,627,136                |

<sup>1</sup> Paid - The Concession Fee is the larger of \$10/Ha or the amount of Committed Expenditure by the Company.

<sup>2</sup> 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 and delays in the issuance of other permits required for exploration, the Ministry of Energy and Non-Renewable Resources issued a Ministerial Decree that results in the extension of the Initial Exploration phase of Aurania's concessions for a period of between 18 and 36 months. The extension applicable to each concession is assessed on a case by case basis. As a result of this extension the timing of the first payments for the Advanced Exploration phase has been revised and is summarized 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 that are deemed to have poor exploration potential. 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            |
|         | <b>42</b>             | <b>207,764</b> | <b>\$4,155,280</b> |

<sup>1</sup>The annual fee for concessions carried through to Advanced Exploration double to USD20/Ha

#### 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 Initial Exploration term.

#### Relinquishment or cancellation of concessions

The size of the concession area constituting the Lost Cities 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.

### Reconnaissance Exploration

Reconnaissance is the first step of the exploration process with the objective of identifying which parts of the large concession area have potential to host mineral deposits of significant size and grade. Reconnaissance data are used to rank targets for further follow-up. Target ranking is a difficult process for many reasons including that mineral deposits are often not associated with the most conspicuous features evident in the exploration data. The Company's regional exploration program involves the following principal components:

- The heliborne geophysical survey (magnetic and radiometric data acquisition) that covered the entire Lost Cities Project area and environs flown in 2017. This data continues to be modelled as geological context flows from field-based information.
- Interpretation of satellite imagery to provide regional geological maps. Some target areas are derived from this basic data, especially target related to fault geometry and the composition of the rock sequence, some units being more chemically reactive, and hence are more likely to host mineralization, than others.
- Blanket coverage of the Lost Cities Project in a stream sediment sampling program. This component of the reconnaissance is 57% complete. Analysis of these samples is used to identify areas of metal enrichment in the catchment basin associated with each sample point. These are prioritized as targets based on the combination of elements enriched in each drainage area, the extent to which the elements of interest are enriched, the size of the area of enrichment, as well as its association with geophysical and LiDAR features, where available. Although limited stream sediment sampling was done in Q3 due to the focus of exploration activities shifting to prepare more advanced targets for scout drilling, the pace of reconnaissance exploration accelerated again in Q4.
- Bayesian Search Theory was applied to historic information gleaned from Colonial Spanish records and current exploration by Metron Incorporated ("Metron"). The objectives of this work were two-fold: to assist in the identification of targets using a mathematic method that is independent of the exploration data analysis being undertaken by the Company; and to identify geographic areas with the highest likelihood of containing the Lost Cities (gold mining areas) of Logroño and Sevilla. The results of Metron's work are being followed-up in the field.
- A LiDAR survey was commissioned over the whole Lost Cities Project area but has not been completed due to operational issues with the US-based survey company, VeriDaaS. However, a heliborne LiDAR survey was conducted over priority target areas by Ontario-based MPX Geophysics Ltd.



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The budget for reconnaissance exploration recommended in the December 2019 Technical Report was \$600,000, principally to complete the stream sediment sampling program over the whole of the Lost Cities Project. \$980,498 was spent on reconnaissance exploration in the year ended December 31, 2020. Completion of the reconnaissance exploration requires ongoing stream sediment sampling and successful undertaking of the LiDAR survey, both of which are planned to be completed in 2021.

## Target Development

### Approach

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

- Geological and mineral alteration mapping, and rock-chip sampling of boulders in streams and outcrops.
- Sampling of the clay-rich soil that is a medium for the capture of metals weathered from the underlying bedrock. Soil sampling is usually done along ridge crests ("ridge-and-spur") and subsequently in a regular grid pattern to home in on the source of metals that drained into the rivers, giving rise to the enrichment detected by the stream sediment samples.
- Heliborne LiDAR was conducted over the Yawi, Crunchy Hill, Apai, Tsenken, Kirus and Tiria-Shimpia target areas between February 3 and March 8 by MPX Geophysics Ltd. of Ontario, Canada.
- The contract was signed on January 27, 2020. The cost of the survey was USD\$282,700, exclusive of helicopter costs that were covered in a separate contract between AvioAndes, the Ecuadorian helicopter company, and Aurania.
- LiDAR has proved to be an invaluable exploration tool over deep jungle-covered areas such as those of the Lost Cities Project.
- Various types of geophysics may be used to refine the target area including more detailed magnetic (airborne and ground) surveys, field-based induced polarization (IP) surveys and various electromagnetic methods including magnetotellurics ("MT"). MT methods include those in which power is input into the ground with a generator (controlled-source i.e. CSAMT) and those that use ambient currents in the earth induced by lightning strikes and solar storms. MobileMT is a heliborne system of the latter, passive type.

### Defined Targets

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

| # | Target       | Target Commodity  | Target definition          |                    |         | Scout Drilling  | Status   |
|---|--------------|-------------------|----------------------------|--------------------|---------|---|--|
|   |              |                   | Ridge-&-spur soil sampling | Grid soil sampling | Mapping |   |  |
|   |              | <b>Epithermal</b> |                            |                    |         |   |  |
| 1 | Crunchy Hill | Gold-silver       | ✓                          | ✓                  | ✓       | Undertaken Q2, 2019 & Q1, 2020. 10 scout holes drilled for 3,605m | MobileMT planned   |
|   | Yawi A       |                   | ✓                          | ✓                  | ✓       | Undertaken Q1 2020 3,010m was drilled in 7 holes                  | Downgraded   |
|   | Yawi B       |                   | ✓                          | ✓                  | ✓       |   |  |
|   | Yawi C       |                   | ✓                          | ✓                  | ✓       |   |  |
|   | Yawi D       |                   | ✓                          | ✓                  | ✓       |   |  |
|   | Yawi E       |                   | ✓                          | ✓                  | ✓       |   | MobileMT defined porphyry target – recategorized as porphyry |
| 2 | Yawi F       |                   | ✓                          | ✓                  | ✓       | MobileMT defined epithermal & porphyry targets                    | Scout drilling planned                                       |
| 3 | Apai         |                   |                            | ✓                  | ✓       |   | MobileMT planned   |
| 4 | Latorre A    |                   | ✓                          | ✓                  |         |   |  |
|   | Latorre C    |                   |                            |                    |         | MobileMT partially defined porphyry target                        | Recategorized as porphyry target                             |
| 5 | Latorre East |                   |                            |                    |         |   | MobileMT planned   |



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| #  | Target               | Target Commodity           | Target definition          |                    |             | Scout Drilling                   | Status                 |
|----|----------------------|----------------------------|----------------------------|--------------------|-------------|----------------------------------|------------------------|
|    |                      |                            | Ridge-&-spur soil sampling | Grid soil sampling | Mapping     |                                  |                        |
| 6  | Latorre West         |                            |                            |                    |             |                                  |                        |
|    | Tinchi               |                            |                            |                    |             |                                  | Downgraded             |
| 7  | Tiria North          |                            | ✓                          |                    |             |                                  | MobileMT planned       |
| 8  | Tiria East           |                            | ✓                          | ✓                  | ✓           |                                  |                        |
| 9  | Tiria South          |                            | ✓                          | ✓                  | ✓           |                                  |                        |
| 10 | Tiria West           |                            | ✓                          |                    |             |                                  |                        |
| 11 | Chapi West           |                            |                            |                    |             |                                  |                        |
| 12 | Chapi South          |                            |                            |                    |             |                                  |                        |
| 13 | Tsanimp              |                            |                            |                    |             |                                  |                        |
| 14 | Tumpain West         |                            |                            |                    |             |                                  |                        |
| 15 | Alto Yaupi           |                            |                            |                    |             |                                  |                        |
|    |                      |                            | Sediment-hosted            |                    |             |                                  |                        |
| 1  | Tsenken A            | Copper-silver              | ✓                          | ✓                  | ✓           |                                  |                        |
| 2  | Tsenken              |                            |                            | In Progress        | In Progress |                                  |                        |
| 3  | Tsenken B            |                            |                            | ✓                  | In Progress |                                  |                        |
| 4  | Kirus                |                            | ✓                          | In Progress        | In Progress |                                  |                        |
|    |                      | Intrusive-related          |                            |                    |             |                                  |                        |
| 1  | Awacha               | Copper or copper-gold      |                            | In progress        | In Progress | MobileMT in progress             |                        |
| 2  | Jempe                |                            |                            |                    |             |                                  |                        |
| 3  | Tsenken              |                            |                            | ✓                  |             |                                  |                        |
| 4  | Tsenken N1           |                            |                            | ✓                  | ✓           | MobileMT feature & breccia       | Scout drilling planned |
|    | Tsenken N2           |                            |                            | ✓                  | ✓           | 645m drilled in 3 holes          | Downgraded             |
|    | Tsenken N3           |                            |                            | ✓                  | ✓           | 1,246m drilled in 3 holes        |                        |
| 5  | Tsenken N4           |                            |                            | ✓                  | ✓           | MobileMT refined target area     | Scout drilling planned |
| 6  | Kirus                |                            | ✓                          | ✓                  | ✓           |                                  |                        |
| 7  | Tatasham             |                            |                            |                    |             |                                  |                        |
| 8  | Sunka                |                            |                            |                    |             |                                  |                        |
| 9  | Latorre C            |                            |                            |                    |             | MobileMT defined porphyry target | Scout drilling planned |
| 10 | Yawi E               |                            |                            |                    |             |                                  |                        |
| 11 | Yawi West            |                            |                            |                    |             |                                  |                        |
|    |                      | Carbonate Replacement type |                            |                    |             |                                  |                        |
| 1  | Shimpia – 15km trend | Silver-zinc-lead           | ✓                          | ✓                  | ✓           | MobileMT in progress             | Scout drilling planned |

## Exploration expenditures by target type.

The budget recommended in the December 2019 Technical Report, along with expenditure in the year ended December 31, 2020, is shown by target-type in the table below.

| Exploration Category                         | December 2019 Technical Report Recommendation (\$) | Incurred for the year ended December 31, 2020 (\$) | Variance (\$) | Reason  |
|--|--|--|---------------|---|
| <b>Regional / Reconnaissance Exploration</b> | 600,000  | 980,499  | (380,499)     | Refocus on reconnaissance exploration to identify target areas that may be closer to surface & to apply exploration concepts derived from the on-going scout drilling |
| <b>Target Development</b>                    |  |  |               |   |
| Epithermal Gold-Silver                       | 2,530,000  | 1,772,760  | 752,240       | Further exploration is pending completion of geophysical surveys delayed by COVID-related travel restrictions and inclement weather                                   |



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### Exploration expenditures by target type, continued

| Exploration Category   | December 2019<br>Technical Report<br>Recommendation<br>(\$) | Incurred for the<br>year ended<br>December 31,<br>2020 (\$) | Variance<br>(\$) | Reason   |
|--|---|---|------------------|--|
| Sedimentary-Hosted Copper-Silver                                 | 1,200,000   | 805,288   | 394,712          | Exploration emphasis shifted towards intrusive-related targets due to their emerging gold potential through the identification of Iron Oxide Copper-Gold systems |
| Intrusive-Related Copper   | 1,000,000   | 4,223,749   | (3,223,749)      |  |
| Carbonate-Hosted Silver-Zinc-Lead                                | 170,000   | 670,043   | (500,043)        | Further work has highlighted the silver potential of this target-type, and hence higher expenditure is justified.  |
| <b>Community Social Responsibility /<br/>Community Relations</b> | 250,000   | 906,800   | (656,800)        | Concession-wide evaluation of the communities within the concession area identified greater health and development needs.  |
| <b>Concessions</b>   | n/a   | 2,785,907   | n/a              |  |
| <b>Peru desktop studies</b>                                      | n/a   | 288,073   | n/a              | Availability of high-quality seismic data required more detailed study. Concession processing was also more expensive due to COVID-related delays                |
| <b>Total</b>   | <b>5,750,000</b>  | <b>12,433,119</b>   |                  |  |

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

### Epithermal targets for gold-silver

The December 2019 Technical Report recommended a budget of \$2,530,000 for exploration on epithermal targets. Actual expenditure on this target type was \$1,772,760 for the year. Expenditure was curtailed on epithermal targets due to COVID-19 related access restrictions and associated delays with planned geophysical surveys. 20 targets have been identified.

#### Crunchy Hill:

- Scout drilling at Crunchy Hill, which started the first week of March 2019, included 9 holes for 3,204m. No significant gold was intersected, and minor silver mineralization was cut in hole CH-009. An additional scout drill hole was completed in Q1, 2020, to a depth of 401m, based on a clearer understanding of the epithermal target garnered from the drilling at Yawi. Hence, in total, the scout drilling program at Crunchy Hill included 10 holes for 3,605m.
- The nature of veins intersected in the scout drilling at Crunchy Hill and Yawi, are indicative of the upper part of an epithermal system. Fluid inclusion studies show that the hydrothermal fluids from which the veins formed at Crunchy Hill and Yawi were relatively cool and had already boiled where they were frozen into the veins as the silica solidified: boiling causes gold to precipitate from these hydrothermal fluids. Hence, the fluid inclusions are consistent with the gold-bearing zone being significantly below the elevation at which the veins were intersected in the scout drilling program.
- Airborne MobileMT geophysics is planned to refine the target areas derived from mineral alteration zoning, and further drilling will be considered on completion of the geophysics.

#### Yawi:

- The first phase of scout drilling on the Yawi epithermal target (3,010m drilled in 7 drill holes) was undertaken between October 24, 2019 and February 8, 2020 on targets A, B and C.
- The seven bore holes drilled at Yawi confirm a maar-diatreme environment. Alteration mineral vectors and slightly elevated silver values in holes YW-003, 6 and 7 indicate that the core of the mineralized system should lie to the southeast.
- Detailed field investigation following vectors derived from the scout drilling at Yawi confirmed the presence of a diatreme breccia to the southeast of the area drilled. The diatreme breccia contains fragments of porphyry with copper mineralization (chalcopyrite and malachite) and vuggy silica, which is typical of one type of epithermal deposit.



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- The exploration model for the area has been modified to focus on the margins of the diatreme as the source of the fragments plucked from the edge of the diatreme body. The diatreme appears to have cut part of an epithermal system or, alternatively, an epithermal system may have formed at the same time as the diatreme as seen in many gold-silver deposits.
- Inversion modelling of magnetic data has refined the potential location and shape of the diatreme at Yawi.
- MobileMT geophysics is planned to refine the target areas for additional scout drilling, which is scheduled for Q1, 2021.

### **Shimpia-Tiria:**

- Recent 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 Cerro de Pasco – Marcapunta mineralized system in Peru that encompasses epithermal gold-silver and carbonate replacement silver-zinc-lead deposits. This target is discussed further below.

### **Apai:**

- Mapping identified an area of vuggy silica with silver values up to 4.2g/t and slightly anomalous gold (up to 50ppb) and relict sinter surfaces were identified in another two areas. The target areas lie at the contact between lavas of the Santiago Formation and carbonate-bearing units of the overlying Chapiza Formation. Targets at Apai, therefore, lie at a similar stratigraphic position to the Fruta del Norte gold-silver deposit.
- Extensive areas contain blocks of sinter and features preserved in the silica are being used to map potential fluid up-flow zones that would be more prospective than the more distal parts of the sinter terrace.
- Further mapping, sampling and MobileMT geophysics, are planned for the target area.

### **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 for the year. Exploration focus shifted somewhat to intrusive-related targets due to recognition of the gold-potential of Iron Oxide Copper-Gold systems.

- The focus remains on determining the continuity of mineralization within specific sedimentary layers through mapping and soil sampling in the Tsenken and Kirus target areas. Soil sampling at Tsenken A and B has been focused on demonstrating continuity of copper along specific carbon-bearing layers.
- Soil sampling has identified a 600m long zone of copper enrichment at Tsenken B.

### **Intrusive-related copper targets**

The December 2019 Technical Report recommended a budget of \$1,000,000 for exploration on intrusive-related targets. Actual expenditure on this target type was \$4,223,749 for the year.

### **Porphyry copper - Awacha:**

- Reconnaissance geophysics suggests that a cluster of porphyry targets is in an upfaulted block in which erosion is deeper than in the remainder of the Lost Cities Project.
- Soil sampling and alteration mineral mapping have been used to refine the specific targets within the suspected target cluster.
- Inversion modelling of magnetic data is being used to refine the targets.
- Heliborne MobileMT geophysics is planned to refine the targets further in preparation for scout drilling.

### **IOCG:**

- Inversion modelling of the Company's magnetic data is being used to refine the targets in the Tsenken area.

### **Tsenken N1:**

- The target is a hydrothermal breccia in which rock chip sampling has returned high-grade copper and silver.
- Soil sampling shows an area of copper over a 400m long zone that is open to the east.





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- Heliborne MobileMT geophysics is planned to refine the targets further in preparation for scout drilling.

### Tsenken N2:

- Soil sampling showed enrichment in copper and a broad suite of elements partially coincident with a magnetic feature.
- Scout drilling commenced in mid-September 2020 and three holes were completed for a total of 645m.
- Mineral alteration observed in the drill core is consistent with the target being an IOCG system rather than a porphyry.
- Heliborne MobileMT geophysics is planned to refine the target further before further scout drilling is considered.

### Tsenken N3:

- The target was modelled as a porphyry target on the basis of its magnetic signature and suite of elements enriched in soil in an area 1.7km long and 300m wide.
- Scout drilling of three holes has intersected alteration typical of an IOCG system. Bore holes TS004 - TS006 totaled 1,246m.
- Heliborne MobileMT geophysics is planned and will be combined with the alteration data to assist with detailed targeting for to direct further scout drilling.

### Tsenken N4:

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

### Carbonate Replacement silver-zinc-lead targets

#### Tiria-Shimpia:

- The December 2019 Technical Report recommended a budget of \$170,000 for exploration on epithermal targets. Actual expenditure on this target type was \$670,043 for the year.
- Heliborne LiDAR data was used to provide a more detailed interpretation of the fault network which soil geochemistry from ridge-and-spur soil sampling suggest controls the location of metal enrichment.
- Enrichment of silver, zinc, lead and epithermal pathfinder elements like arsenic and antimony, occur over a distance of 15km.
- A trial MobileMT survey is planned over outcropping mineralization to test the effectiveness of the method to detect sulphides associated with this style of mineralization. If the test is positive, the whole of the 15km trend will be surveyed.

### Use of Proceeds by target type

| Exploration Category                                  | Use of Proceed per October 2020 Offering | Use of Proceeds spent from October Offering | Discussion   |
|---|--|---|--|
| Regional / Reconnaissance Exploration                 | \$390,000                                | \$152,755                                   |  |
| <b>Target Development</b>                             |  |   |  |
| Epithermal Gold-Silver                                | 1,970,000                                | 549,890                                     | In general funds have been spent in accordance with the Use of Proceeds, concentrating on the intrusive related targets at the start of program. However, progress was slower than anticipated with extra time and costs required to advance the drilling and MobileMT survey during the period. Consequently, additional funding was required to ensure that further time delays are mitigated, and the stated project milestones can be completed. |
| Sedimentary-Hosted Copper-Silver                      | 887,000                                  | 108,752                                     |  |
| Intrusive-Related Copper                              | 2,164,000                                | 1,821,437                                   |  |
| Carbonate-Hosted Silver-Zinc-Lead                     | 759,000                                  | 116,155                                     |  |
| Community Social Responsibility / Community Relations | 350,000                                  | 188,954                                     |  |
| Concessions   | 2,800,000                                | -   |  |
| Peru desktop studies                                  | 50,000                                   | 18,761                                      |  |
| <b>Total</b>  | <b>9,370,000</b>                         | <b>2,956,704</b>                            |  |





### Corporate Social Responsibility

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

Formal access agreements are in place with 36 of the 55 communities (65%) representing 70% of the land area that lies within the Lost Cities Project area. In joint work between the communities and the Company, ten communities have benefitted directly, and 24 indirectly, from improved access and infrastructure. Since inception of the Lost Cities Project, the exploration team has created over 1,300 part-time work opportunities, equitably distributed across 32 communities. Scout drilling at Crunchy Hill in Q1 and Q2, 2019 and at Yawi in Q4 2019 and Q1, 2020 resulted in part-time work for approximately 700 men and women. The drilling at the Tsenken target has provided employment for a rotating team of 315 people.

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

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

### Health and Safety

The Company has worked with the Ministry of Health in accessing outlying areas so that a COVID-19 related impact assessment could be done. 300 COVID-19 test kits were donated to the Ministry and to the provincial government of Morona Santiago. In addition, the Company implemented a strict COVID-related return-to-work protocol for its staff and the communities with which the Company is working. To date, that protocol resulted in the Company undertaking 2,138 COVID-19 tests on its staff and people from the communities with which it is working.

Of the 44 employees of Aurania's Ecuadorian subsidiary, 15 (34%) tested positive for COVID-19 in 2020 and, on testing positive, were lodged in an isolated facility for 14 days or until they tested negative for COVID-19, along with staff who had been exposed to people who later tested positive. This aggressive protocol resulted in 378 lost workdays by employees and contractors, causing disruption in continuity and planned rotations of personnel, with a loss in efficiency. The advantage of this aggressive protocol, however, was that, to the Company's knowledge, it has not transmitted the virus that causes COVID-19 to the local communities in which it operates or is in contact with.

In Q1, 2021, the infection rate of staff and contractors has fallen to zero since January 1, 2021. However, the strict protocols will be kept in place in an attempt to avoid the introduction of new variants of the virus into the workplace or the communities in which the Company operates or is in contact with.

### Environment & Water

Contaminated water, poor sanitation, and poor hygiene have been identified as the prime risk to the health of people living and working in the Lost Cities Project area; hence the Company is investing in education on basic sanitation and water purification methods in conjunction with the Step Forward Foundation. Preliminary assessments of water quality have been completed in 53 of the 55 communities within the area of influence of the Lost Cities Project. The objective of the assessment is to evaluate various solutions and develop budgets that



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can be presented to regional government, foundations and communities to find a means of financing, implementing and maintaining potable water standards. Working with the communities and local authorities, clean water has been made available to six communities and an effort is now being made to install sanitary batteries.

Revegetation of the drill platforms at Yawi was completed and the Company has received confirmation from the MEW that the restoration of the drill platforms meets the ministry's requirements. The company maintains a bond of USD\$42,107 to cover potential environmental damage caused by exploration of the Property.

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

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

## 5.2 Peru Project

### Mineral Property Interests

In late 2019 the Company applied to the Peruvian Mining and Metallurgical Geological Institute "INGEMMET" for certain mineral concessions which continued to be in progress at the year end. While the Company believes its application will be approved, there is no guarantee that all concessions will be received by the Company. Of the total cash advance to INGGEMMET to apply for concessions, \$1,911,872 was expensed in 2019 related to the applications in progress including those rejected. The advances for mineral property interest of \$560,155 (December 31, 2019 - \$463,268) represent that portion of the cash advances made to INGGEMMET that can be applied to future applications and annual concession fees.

| Concession payment obligations at year ended<br>December 31, | 2021<br>Q2       | 2022 onwards<br>Q2 |
|--|------------------|--------------------|
| <b>Concession applied for and in progress</b>                |                  |                    |
| Number of concessions  | 418              | -                  |
| Hectares   | 401,276          | 377,276            |
| Concession payments  | \$1,446,591      | \$1,446,591        |
| Concession payments covered by certificates                  | 560,155          | -                  |
| Concession payments not covered by certificates              | 886,052          | 1,446,591          |
| <b>Total concession payment obligations</b>                  | <b>\$886,052</b> | <b>\$1,446,591</b> |

The company is in the process of prioritizing the key concessions and expects to significantly reduce the number of hectares and associated fees ahead of the required payment date.

Subsequent to the year end 30 new concessions were applied for and 6 applications were granted. The required payments were made utilizing certificate credits of USD\$85,647 and USD\$18,000 respectively leaving a balance of approximately \$428,704 (USD\$334,925) to be used for future payments.

### Obligations Related to the Concession Applications

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



## **Exploration**

Unlike the Lost Cities Project where no prior exploration data was available when the Company's exploration started, there is extensive geophysical data available in northern Peru. The geological consultant who undertook the satellite interpretation of the Lost Cities Project also interpreted the structural framework on which the concession applications were based. The Company applied to PeruPetro, the custodian of the geophysical data, for seismic, magnetic and gravity data from the vicinity of the Company's concession applications. The data has been provided under a confidentiality agreement which allows for interpretations of the data to be released into the public domain. The Company is currently working with these datasets, the objective being to refine the target areas, allowing the Company to focus its field exploration efforts on the most prospective areas and allowing the Company to relinquish lower priority areas. The exploration budget for the basic data compilation in Peru of \$50,000 has been exceeded with \$288,073 spent. The additional expenditure was warranted due to COVID-related delays on the processing of concession applications and the outstanding quality of geophysical data received from the Peruvian state demanding careful analysis.

## **5.3 Finance**

During the year, the Company raised \$17,635,940 net, principally through a non-brokered private placement of units in March, the completion of an overnight marketed offering in October, as well as through the exercise of warrants and stock options, resulting in the issuance of 5,617,833 shares. The Company also amended the Promissory Note 2017 and Promissory Note 2019 such that the notes become repayable on the day following the one-year anniversary of the lender requesting repayment. See section 5.3 Finance for further details.

### **March 2020 Private Placement**

On March 13, 2020, the Company announced that it had completed the March 2020 Private Placement for gross proceeds to the Company of \$6,470,131, resulting in the issuance of 2,087,139 common shares at \$3.10 per share and share issuance costs of \$491,961.

### **October Overnight Marketed Offering**

On October 29, 2020, the Company announced that it had completed an overnight marketed offering consisting of 2,679,500 units sold at a price of \$4.30 per unit for gross proceeds of approximately \$11.5 million. Each unit consisted of one share and one half of a common share purchase warrant at an exercise price of \$5.50, exercisable for two years. The Offering was completed pursuant to an underwriting agreement among the Company and Cantor Fitzgerald Canada Corporation, as lead underwriter and sole bookrunner, and a syndicate of underwriters. In connection with the Offering, the Company paid the Underwriters a fee of C\$690,312 and issued 160,770 compensation warrants to the Underwriters. Each Compensation Warrant is exercisable into a unit at the exercise price of \$4.30 per unit until October 29, 2022.

Anticipated use of the proceeds of the Offering are for exploration expenditures at the Company's Lost Cities Project in Ecuador, initial exploration in adjacent Peru and for working capital and general corporate purposes.

### **Amendment of Terms of Promissory Note 2017 and Promissory Note 2019**

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

## 6 CONSOLIDATED LOSS AND COMPREHENSIVE LOSS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019.

| For the years ended December 31,                | 2020                | 2019                |
|---|---------------------|---------------------|
| <b>Operating expenses</b>                       |                     |                     |
| Exploration expenditures (detailed below)       | \$12,433,119        | \$11,540,609        |
| Stock-based compensation                        | 2,781,670           | 1,813,530           |
| Investor relations and business development     | 672,706             | 857,390             |
| Office and general                              | 878,109             | 706,179             |
| Management fees                                 | 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                     | 75,000              | 75,000              |
| Amortization                                    | 48,378              | 35,950              |
| Project evaluation expenses including travel    | 9,671               | 71,511              |
| <b>Total expenses</b>                           | <b>\$18,072,214</b> | <b>\$16,200,347</b> |
| <b>Other expenses (income):</b>                 |                     |                     |
| Other income                                    | -                   | (140,048)           |
| Gain on foreign exchange                        | (61,076)            | 61,758              |
| Loss on derivative                              | -                   | 121,571             |
| Interest income                                 | (13,206)            | (9,093)             |
| Interest and other financing expense            | 11,713              | 36,096              |
| Accretion of promissory note                    | 481,347             | 332,202             |
| <b>Loss and comprehensive loss for the year</b> | <b>\$18,490,992</b> | <b>\$16,602,833</b> |

| For the years ended December 31,                                | 2020              | 2019               |
|---|-------------------|--------------------|
| ECUADOR & CANADA  |                   |                    |
| <b>GEOLOGY/FIELD:</b>   |                   |                    |
| - Salaries, benefits  | \$2,374,944       | \$2,071,202        |
| - Camp costs, equipment, supplies                               | 1,082,566         | 375,388            |
| - Project management  | 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 <sup>(1)</sup>  | 475,642           | 346,221            |
| - Drilling  | 1,746,201         | 975,658            |
| <b>GEOCHEMISTRY</b>   | <b>976,157</b>    | <b>414,634</b>     |
| <b>GEOPHYSICS</b>   | <b>299,638</b>    | <b>103,621</b>     |
| <b>EXPERT CONSULTANTS</b>                                       | <b>118,778</b>    | <b>-</b>           |
| <b>OTHER TECHNICAL STUDIES</b>                                  | <b>288,065</b>    | <b>273,793</b>     |
| <b>CORPORATE SOCIAL RESPONSIBILITY - fees, travel, supplies</b> | <b>788,022</b>    | <b>819,185</b>     |
| <b>LEGAL COSTS FOR CONCESSION MAINTENANCE</b>                   | <b>75,452</b>     | <b>31,949</b>      |
| <b>CONCESSION MAINTENANCE – permits</b>                         | <b>2,785,907</b>  | <b>2,701,348</b>   |
| <b>Total exploration expense – Ecuador &amp; Canada</b>         | <b>12,145,046</b> | <b>\$9,429,410</b> |

|   |                     |                     |
|---|---------------------|---------------------|
| 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             |
| <b>Total exploration expense – PERU</b>       | <b>288,073</b>      | <b>2,111,199</b>    |
| <b>TOTAL EXPLORATION EXPENSE</b>              | <b>\$12,433,119</b> | <b>\$11,540,609</b> |

(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.

For the year ended December 31, 2020, the Company incurred a loss of \$18,490,992 (2019 - \$16,602,833), increasing the accumulated deficit from \$42,096,918 in 2019 to \$60,463,012 in 2020. The Company's accounting policy is to expense exploration expenditures and therefore represents the majority (69%) of the total loss. The major contributors to the increase in loss in the year is an \$892,510 increase in exploration expenses and a \$1million increase in stock-based compensation. A discussion of the principal expenditure items follows:

#### Geology/field

- **\$2,374,944** (2019 - \$2,071,202) for salaries and consulting fees for the exploration teams comprised of geologists, technicians, guides and other part-time or occasional field assistants. This 15% increase in expenditure over 2019 reflects expansion of the exploration team as more target-specific work and drilling is undertaken. Significant mutual benefit has been generated in the reconnaissance exploration effort through the training and contracting of technicians resident in the Lost Cities Project area.
- **\$1,082,566** (2019 - \$375,388) camp costs and equipment supplies for the exploration teams. The 280% increase is due in part to the need to establish and operate remote drill camps and sites which are helicopter- supported, in addition to a general expansion of the work programs and the number of locations. Significant costs were also incurred in the year due to COVID-19 with unforeseen expenditures being incurred to quickly shutdown camps and safely extract personnel and then later to re-open the camps once government approved safety protocols had been implemented.
- **\$222,079** (2019 - \$337,188) for project management fees; this includes salaries and benefits for the VP Exploration and an allocation of the time spent by the President on the Lost Cities Project. The amounts are impacted by the allocation of time between projects versus corporate activity and changes in exchange rates.
- **\$195,207** (2019 - \$601,754) for in-country and international travel for the exploration team members. All travel-related costs dipped for the initial period of the COVID-19 pandemic when field operations were shut down.
- **\$63,066** (2019 - \$112,381) for field offices and administration including rent, telecommunications and administration for the Macas and Quito offices.
- **\$505,832** (2019 - \$210,107) The 240% increase in expenditure in Environment, Health and Safety compared with 2019 is due to the health and safety measures implemented due to the COVID-19 pandemic and increased work on environment-related matters in preparation for and during the ongoing drilling campaign. The Company makes use of the services of a well-qualified and experienced Quito-based consultant to oversee compliance and reporting for water, environmental and health & safety matters.
- **\$147,490** (2019 - \$54,981) for water management. In recognition of the importance of water management, an operating department has been established in Macas to manage water affairs. The increase in costs related to water affairs reflects the increase in activity related with permitting for water for drilling as well as monitoring to demonstrate that there is no contamination of water sources from drilling.
- **\$475,642** (2019 - \$346,221) VAT is an Ecuadorian value added tax paid on purchases and services. The nature of the Company's exploration business means that it does not have revenues against which to recover these amounts with certainty and are they are therefore expensed.



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- **\$1,746,201** (2019 - \$975,658) drilling includes drill contractor and helicopter support costs and relates to the start of scout drilling at the Tsenken targets in the latter part of the year and the scout drilling program undertaken at Yawi and Crunch Hill earlier in 2020.

### Geochemistry

- **\$976,157** (2019 - \$414,634) this expenditure relates to the processing and assay of samples. The increase is due to the increase in drilling activity, rock chip, soil and stream sampling of expanded target and reconnaissance exploration activity. In 2020 6,720 (545 stream sediment, 79 panned concentrate, 5,098 soil, 573 rock-chip and 425 core) samples were analyzed.

### Geophysics

- **\$299,638** (2019 - \$103,621) for consulting fees for on-going interpretation of data from the heliborne magnetic survey that was completed in 2017 and for the ongoing MobileMT survey.

### Expert Consultant

- **\$118,778** (2019 - \$nil) for consulting fees for review of data by a copper specialist, consulting and a training course on epithermal deposits and a third expert for a review of potential archeological sites (Spanish Road).

### Other Technical Studies

- **\$288,065** (2019 - \$273,793) which included fees to Metron Inc. for Bayesian analysis and to Watts, Griffis & McQuat for the December 2019 Technical Report.

### Corporate Social Responsibility

- **\$788,022** (2019 - \$819,185) for consulting fees, field costs, travel and accommodation of the CSR team, and various community initiatives. These costs are largely in line with the previous year. The increased costs of support the communities in which the Company works during the initial stages of the COVID-19 pandemic as off-set by the reduced field work during that time.

### Legal costs for concession maintenance

- **\$75,452** (2019 - \$31,949) for legal and other professional costs related to maintenance of mineral concessions, CSR access permissions and annual reporting to maintain the concessions in good standing.

### Concession maintenance – permits

- **CAD\$2,785,907** (2019 - CAD\$2,701,348) in annual and other fees for the 42 concessions, were paid to the State. Annual fees paid to the Ecuadorian State increased to USD10.00 in 2020 from USD9.65/Ha in 2019.

### Other significant non-exploration expenditures are as follows:

- A stock-based compensation expense of **\$2,781,670** (2019 – \$1,813,530), has increased in line with the number of options and RSUs vesting in 2020.
- Investor relations **\$672,706** (2019 - \$857,390). In general investor relations activity was curtailed toward the end of the first quarter due to the restrictions on gatherings and travel as a response to the COVID-19 pandemic. Although in person activity has gradually been replaced with on-line activity costs have remained lower due to reduced levels of travel and gathering restrictions.
- Office and general **\$878,109** (2019 - \$706,179). The increase was due to adding the administrative costs of the Peruvian subsidiary, moving the CFO function from part-time to full-time in 2020 and a general increase in administration to support the increased level of operational activity and expanded corporate complexity.
- Management fees of **\$527,397** (2019 - \$615,481).
- Professional and administrative fees of **\$456,044** (2019 - \$306,925) increased commensurate with the increase in legal and regulatory activity.
- Regulatory and transfer agent fees, Director Fees, project evaluation and amortization are broadly in line with the corresponding period.

| <b>Cash Flow Activities</b>                   | <b>Year ended<br/>December 31, 2020</b> | <b>Year ended<br/>December 31, 2019</b> |
|---|---|---|
| Operating                                     | <b>\$14,622,396</b>                     | \$(14,521,093)                          |
| Financing                                     | <b>17,635,940</b>                       | 18,724,551                              |
| Investing                                     | <b>(63,929)</b>                         | 208,862                                 |
| Increase/(decrease) in cash during the period | <b>\$2,949,615</b>                      | \$4,412,320                             |

At the year ended December 31, 2020, the Company's cash position increased by \$2.95million. The main cash outflows for the current reporting period consist of exploration and corporate expenditures described in the above section on Statement of Loss and are included as Operating activity in the Cash Flow statement and the principal cash inflows coming from financing activities as described in section 5.2 Finance.

## 7 SUMMARY OF QUARTERLY RESULT

| <b>Quarters Ended</b> | <b>Net revenue</b> | <b>Net Loss</b> | <b>Loss per Share</b> |
|-----------------------|--------------------|-----------------|-----------------------|
| December 31, 2020     |                    | \$2,949,615     | \$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                  |

## 8 LIQUIDITY AND CAPITAL RESOURCES

### Capital management

The Company considers the capital that it manages to include share capital, share premium, warrants, contributed surplus and shareholder contribution and accumulated deficit, which at December 31, 2020 was a total equity surplus \$3,459,012 (December 31, 2019 equity surplus - \$1,397,451). The Company manages its capital structure and adjusts it, based on the funds needed in order to support the acquisition and exploration of mineral properties. Management does this in light of changes in economic conditions and the risk characteristics of the underlying assets. There has been no change with respect to the overall capital risk management strategy during the year ended December 31, 2020. Neither the Company nor its subsidiaries are subject to externally imposed capital requirements, other than those of the TSX Venture Exchange ("TSXV"), which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of twelve months. As at December 31, 2020, the Company may not be compliance with the policies of the TSXV. The impact of this violation is not known and is ultimately dependent on the discretion of the TSXV.

### Exercise of options and warrants

During the 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.

### Capital raises

During the year, the Company raised \$16.41million, net of share issue costs, through a non-brokered private placement of units in March, the completion of an overnight marketed offering in October. The Company also amended the Promissory Note 2017 and Promissory Note 2019 such that the notes become repayable on the day following the one-year anniversary of the lender requesting repayment. See section 5.3 Finance for further details.



## Liquidity risk

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

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

At December 31, 2020, the Company has a cash and cash equivalents balance of \$8,178,956 (December 31, 2019 - \$5,229,341) to settle current liabilities of \$1,468,117 (December 31, 2019 - \$1,555,282). All the Company's financial liabilities generally have contractual maturities of less than 30 days and are subject to normal trade terms, except for its promissory notes. In addition to the commitments disclosed in Note 15, the Company is obligated to the following contractual maturities of undiscounted cash flows as at December 31, 2020:

| In Canadian \$ equivalents               | Carry amount | Contractual cash flows | January 1, 2020 to December 31, 2021 | Thereafter |
|--|--------------|------------------------|--------------------------------------|------------|
| Accounts payable and accrued liabilities | 1,468,117    | 1,468,117              | 1,468,117                            | -          |
| Promissory note 2017                     | 567,102      | 575,851                | -                                    | 567,102    |
| Promissory note 2019                     | 3,615,392    | 3,965,204              | -                                    | 3,615,392  |
|  | 5,650,611    | 6,009,172              | 1,468,117                            | 4,182,494  |

## 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 2020 concession fees, and the on-going exploration activities including scout drilling, CSR activities as well as corporate costs in Ecuador, Peru and Canada, through a combination an overnight marketed offering of \$11,521,850 (gross), a Non-Brokered Private Placement proceeds of \$6,470,131 (gross), and \$1,228,877 received from the exercise of 717,000 stock options and 64,750 warrants.

## Novel Coronavirus ("COVID-19")

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

## 9 INDEBTEDNESS

The Company's activities are partially funded by loans from its Chairman, CEO and Principal Shareholder and are described in detail in the audited consolidated financial statements for the year ended December 31, 2020. The significant changes in those debt instruments during the quarter are described in section 5.2 Finance above.





## 10 EQUITY

Share Capital – Activity during the year ended December 31, 2020:

|                                    | Number of<br>Options | Weighted<br>Average<br>Exercise Price | Estimated<br>Fair Value |
|------------------------------------|----------------------|---------------------------------------|-------------------------|
| <b>Balance - December 31, 2018</b> | <b>1,516,260</b>     | <b>\$2.92</b>                         | <b>\$1,806,852</b>      |
| Issued                             | 1,455,000            | 2.82                                  | 1,488,280               |
| Exercised                          | (65,000)             | 1.25                                  | (36,216)                |
| Stock-based compensation expense   | -                    | -                                     | 314,660                 |
| <b>Balance - December 31, 2019</b> | <b>2,906,260</b>     | <b>2.41</b>                           | <b>3,573,576</b>        |
| Issued                             | 1,420,000            | 3.42                                  | 1,414,031               |
| Exercised                          | (717,000)            | 1.44                                  | (838,920)               |
| Expired                            | (68,260)             | 2.50                                  | (108,297)               |
| Stock-based compensation expense   | -                    | -                                     | 1,111,549               |
| <b>Balance – December 31, 2020</b> | <b>3,541,000</b>     | <b>\$2.89</b>                         | <b>\$5,151,939</b>      |

Stock options - Activity for the years ended December 31, 2019 and 2020:

| Issued<br>Number of<br>Options | Exercisable<br>Number of<br>Options | Exercise Price | Expiry Date       | Estimated<br>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                  |
| <b>3,541,000</b>               | <b>1,815,997</b>                    |                |                   | <b>\$5,151,939</b>      |

**Restricted Stock Units** - The following summarizes the RSU activity for the years ended December 31, 2020 and 2019:

|                                    | Number of RSUs | Weighted Average<br>Fair Value | Estimated<br>Fair Value |
|------------------------------------|----------------|--------------------------------|-------------------------|
| <b>Balance – December 31, 2018</b> | <b>67,000</b>  | <b>\$1.98</b>                  | <b>\$132,581</b>        |
| Shares issued for RSU's            | 122,700        | 2.50                           | 10,590                  |
| <b>Balance – December 31, 2019</b> | <b>189,700</b> | <b>2.32</b>                    | <b>143,171</b>          |
| 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                 |
| <b>Balance – December 31, 2020</b> | <b>420,500</b> | <b>\$3.07</b>                  | <b>\$208,098</b>        |



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

|  | Number of<br>Warrants/<br>Agents' Options | Weighted<br>Average<br>Exercise Price | Estimated Fair<br>Value |
|--|---|---------------------------------------|-------------------------|
| <b>Balance – December 31, 2018</b>         | <b>2,259,051</b>                          | <b>\$2.92</b>                         | <b>\$1,123,509</b>      |
| 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)               |
| <b>Balance – December 31, 2019</b>         | <b>936,501</b>                            | <b>3.90</b>                           | <b>442,215</b>          |
| 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)                |
| <b>Balance – December 31, 2020</b>         | <b>3,380,938</b>                          | <b>\$4.87</b>                         | <b>2,463,801</b>        |

### Outstanding warrants

| Expiry date                        | Number of<br>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         |
| <b>Balance – December 31, 2020</b> | <b>3,380,938</b>      |                |

### 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.

## 11 KEY MANAGEMENT EXPENSE

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

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

<sup>(1)</sup> 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.

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

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

## 12 RELATED PARTY TRANSACTIONS

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

- 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.
- 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. Included in accounts payable and accrued liabilities at December 31, 2020 is \$nil (2019 - \$15,288) owed to the CFO, for unpaid fees.
- 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.**
- For other related party payables, see notes 8 Promissory note, Share Capital 9(iii), 9(vi), 9 (vii), and 9 (viii).

## 13 OFF-BALANCE SHEET TRANSACTIONS

There are no other transactions contemplated at this time.

## 14 PROPOSED TRANSACTIONS

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

## 15 CRITICAL ACCOUNTING ESTIMATES

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

- the inputs used in accounting for valuation of warrants and options which are included in the condensed consolidated statement of financial position.



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- (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.

## 16 CHANGES IN ACCOUNTING POLICIES AND FINANCIAL INSTRUMENTS

### 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. Further detailed information is provided in Note 3 of the audited consolidated financial Statements.

### Financial Instruments

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

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

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

## 17 RISKS AND UNCERTAINTIES

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

## 18 COMMITMENTS AND CONTINGENCIES

### Environmental contingencies

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



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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 \$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 condensed consolidated interim financial statements.

## 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 the year end Nathalie Han was appointed to the Board.

### **Peru Concessions**

Subsequent to the year end the Company received its first six mineral concessions in Peru and applied for a further 30 new mining concessions.

### **Ecuador Concession payments**

Subsequent to the year end the Company completed payment of the 2021 annual mining concession fees and associated filing on time, thereby maintaining the concessions in good standing for the ensuing year.

### **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 (the "Units"), 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 (the "Offering Price") for gross proceeds of \$7,771,700. 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 (a "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 ("Compensation Warrants"). 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 (which will have substantially the same terms and conditions as the Units issued in the Offering) for gross proceeds of \$1,251,498 during the week of April 7, 2021.

## 20 QUALIFIED PERSON

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

## 21 SHARE DATA

| As at             | Common<br>Shares | Shares<br>to be<br>issued | Warrants  | Agents'<br>Options and<br>Warrants | Stock<br>Options | RSUs    | Fully<br>Diluted |
|-------------------|------------------|---------------------------|-----------|------------------------------------|------------------|---------|------------------|
| December 31, 2018 | 32,036,874       | -                         | 2,259,051 | 79,442                             | 1,516,260        | 67,000  | 32,451,874       |
| December 31, 2019 | 38,333,356       | -                         | 936,501   | 15,914                             | 2,906,260        | 189,700 | 35,478,249       |
| December 31, 2020 | 43,951,179       | 183,949                   | 3,204,254 | 176,684                            | 3,541,000        | 325,951 | 51,383,017       |

## 22 ADDITIONAL INFORMATION

### The Company

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

### Directors, Officers and Management

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

### Corporate Office

Suite 1050, 36 Toronto St.  
Toronto, Ontario Canada M5C 2C5  
Tel: (416) 367-3200  
Email: [info@aurania.com](mailto: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.