



AURANIA

AURANIA RESOURCES LTD.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the Three and Nine Months Ended September 30, 2021 and 2020

(Expressed in Canadian Dollars)

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AURANIA RESOURCES LTD.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION (Unaudited)***(Expressed in Canadian dollars)*

AS AT	September 30, 2021	December 31, 2020
ASSETS		
Current assets		
Cash	\$1,094,282	\$8,178,956
Prepaid expenses and receivables (note 12)	215,528	205,963
Advances for mineral property interest (note 4)	-	560,155
Total current assets	1,309,810	8,945,074
Non-current assets		
Property and equipment (note 5)	228,694	164,550
TOTAL ASSETS	\$1,538,504	\$9,109,624
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 12)	\$2,823,373	\$1,468,117
Total current liabilities	2,823,373	1,468,117
Long-term liability		
Promissory notes (note 6)	4,047,699	4,182,495
TOTAL LIABILITIES	\$6,871,072	\$5,650,612
SHAREHOLDERS' EQUITY (DEFICIENCY)		
Share capital (note 7)	\$469	\$440
Share premium (note 7)	60,830,820	54,863,605
Share to be issued (note 7)	173,249	183,949
Warrants (note 9)	4,203,080	2,463,801
Contributed surplus and shareholder contribution (notes 6 and 8)	8,948,115	6,410,229
Accumulated deficit	(79,488,301)	(60,463,012)
Total shareholders' (deficiency)/equity	(5,332,568)	3,459,012
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)	\$1,538,504	\$9,109,624

Nature of operations and business continuance (note 1)

Commitments and contingencies (notes 4 and 15)

Subsequent events (note 16)

APPROVED BY THE BOARD:

Signed, "Jonathan Kagan", Director

Signed, "Keith M. Barron", Director

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

AURANIA RESOURCES LTD.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY) (Unaudited)

(Expressed in Canadian dollars)

	ISSUED CAPITAL				RESERVES			
	Common Shares #	Share Capital	Share Premium	Shares to be issued	Warrants	Contributed Surplus	Accumulated Deficit	Total Equity (Deficiency)
Balance – December 31, 2020	43,951,179	\$440	\$54,863,605	\$183,949	\$2,463,801	\$6,410,229	\$(60,463,012)	\$3,459,012
Shares issued for overnight marketed offering (note 7(i))	2,507,000	25	7,771,675	-	-	-	-	7,771,700
Less share issue cost (note 7(i))	-	-	(592,654)	-	(273,026)	-	-	(865,680)
Shares issued for private placements (note 7(ii))	403,709	4	1,251,494	-	-	-	-	1,251,498
Less share issue cost (note 7(ii))	-	-	(54,332)	-	(12,108)	-	-	(66,440)
Shares issued for RSUs (note 7(iii))	6,500	-	10,700	(10,700)	-	-	-	-
Warrants issued for overnight marketed offering (note 9)	-	-	(1,830,378)	-	1,830,378	-	-	-
Warrants issued for private placement (note 9)	-	-	(294,216)	-	294,216	-	-	-
Broker warrants issued for overnight marketed offering (note 9)	-	-	(295,074)	-	295,074	-	-	-
Expiry of warrants (note 9)	-	-	-	-	(395,255)	-	395,255	-
RSUs cancelled (note 8)	-	-	-	-	-	(32,897)	32,897	-
Stock based compensation – Option compensation (note 8 (ii))	-	-	-	-	-	1,477,680	-	1,477,680
Stock-based compensation - Restricted stock units "RSUs" compensation (note 8)	-	-	-	-	-	521,727	-	521,727
Shareholder contribution (note 6)	-	-	-	-	-	571,376	-	571,376
Net loss for the period	-	-	-	-	-	-	(19,453,441)	(19,453,441)
Balance – September 30, 2021	46,868,388	\$469	\$60,830,820	\$173,249	\$4,203,080	\$8,948,115	\$(79,488,301)	\$(5,332,568)
Balance - December 31, 2019	38,333,346	\$383	\$38,219,081	\$165,841	\$442,215	\$4,666,849	\$(42,096,918)	\$1,397,451
Shares issued for private placements (note 7(iv))	2,087,139	24	6,470,107	-	-	-	-	6,470,131
Less share issue cost (note 7(iv))	-	-	(132,377)	-	-	-	-	(132,377)
Shares issued for warrants exercised in 2019 (note 7(vii))	50,944	-	165,841	(165,841)	-	-	-	-
Shares issued for exercise of warrants (notes 7(vi) and 9)	64,750	-	230,022	-	(30,772)	-	-	199,250
Shares issued for exercise of stock options (note 7(v) and 8(iii))	717,000	7	1,868,541	-	-	(838,921)	-	1,029,627
Warrants issued for private placements (note 9)	-	-	(585,000)	-	585,000	-	-	-
Expiry of warrants (note 9)	-	-	-	-	(16,601)	-	16,601	-
Expiry of stock options (note 8 (iv))	-	-	-	-	-	(108,297)	108,297	-
Stock-based compensation - Restricted stock units "RSUs" compensation (note 8)	-	-	-	-	-	157,466	-	157,466
Stock based compensation – Option compensation (note 8 (ii))	-	-	-	-	-	1,323,879	-	1,323,879
Shareholder Contribution (note 6)	-	-	-	-	-	41,547	-	41,547
Net loss for the period	-	-	-	-	-	-	(13,066,895)	(13,066,895)
Balance – September 30, 2020	41,253,179	\$414	\$46,236,215	\$-	\$979,842	\$5,242,523	\$(55,038,915)	\$(2,579,921)

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

AURANIA RESOURCES LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND
COMPREHENSIVE LOSS (Unaudited)

(Expressed in Canadian dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
		(Note 14)		(Note 14)
	\$	\$	\$	\$
Operating Expenses:				
Exploration expenditures (notes 4, 11)	\$4,140,881	\$2,079,646	\$14,727,294	\$8,653,040
Stock-based compensation (notes 8, 10)	650,307	426,503	1,999,407	1,481,345
Investor relations	214,896	138,441	562,736	854,974
Office and general	231,145	252,103	753,020	687,363
Management fees (note 10)	118,132	134,504	378,870	406,906
Professional and administration fees	81,428	99,721	254,083	326,922
Regulatory and transfer agent fees	42,941	24,825	163,333	140,506
Director and advisor fees (note 10)	18,750	18,750	56,250	56,250
Amortization (note 5)	16,079	11,862	43,108	34,727
Project evaluation expenses including travel	-	-	-	9,839
Total expenses	5,514,559	3,186,355	18,938,101	12,651,872
Other Expenses (Income)				
(Gain) loss on foreign exchange	115,380	(32,331)	84,496	30,021
Interest income	(1,168)	(1,527)	(4,559)	(11,720)
Interest expense (note 6)	-	2,969	-	8,771
Accretion of shareholder contribution (note 6)	147,351	139,599	435,403	387,951
Net loss and comprehensive loss for the period	5,776,122	3,295,065	19,453,441	13,066,895
Basic and diluted loss per share	\$0.12	\$0.08	\$0.42	\$0.32
Weighted average common shares outstanding – basic and diluted	45,406,379	40,020,491	45,404,540	40,134,048

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

AURANIA RESOURCES LTD.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS (Unaudited)***(Expressed in Canadian dollars)*

Nine months ended SEPTEMBER 30,	2021	2020
Cash flows from the following activities:		
Operating activities:		
Net loss for the period	\$(19,453,441)	\$(13,066,895)
Adjustment for:		
Amortization (note 5)	43,108	34,727
Stock-based compensation	1,999,407	1,481,345
Accrued interest and accretion (note 6)	435,403	396,722
Foreign exchange loss / (gain) (note 6)	1,178	75,238
Non-cash items:		
Prepaid expenses and receivables	(9,565)	271,767
Advances for mineral property interests	560,155	(123,365)
Accounts payable and accrued liabilities	1,355,256	192,812
Net cash used in operating activities	(15,068,499)	(10,737,649)
Financing activities:		
Share issue for marketed overnight offering (note 7)	7,771,700	-
Less share issue costs (note 7)	(865,681)	-
Shares issued for private placement (note 7)	1,251,498	6,470,131
Less share issue costs (note 7)	(66,440)	(132,377)
Shares issued for option exercises (notes 7, 8)	-	1,029,627
Shares issued for warrant exercises (notes 7, 9)	-	199,250
Net cash provided by financing activities	8,091,077	7,566,631
Investing activity:		
Purchase of property and equipment (note 5)	(107,252)	(41,057)
Net cash used in investing activities	(107,252)	(41,057)
(Decrease) in cash	(7,084,674)	(3,212,075)
Cash – beginning of period	8,178,956	5,229,341
Cash – end of period	1,094,282	2,017,266

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

AURANIA RESOURCES LTD.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2021 and 2020 (Unaudited)

(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 and base 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 4 – 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 4 – Mineral Property Interests** regarding the 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 on-going impact 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.

AURANIA RESOURCES LTD.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2021 and 2020 (Unaudited)

(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND BUSINESS CONTINUANCE, continued

As at September 30, 2021, the Company had current assets of \$1,309,810 (December 31, 2020 - \$8,945,074) to fund current liabilities of: accounts payable and accrued liabilities of \$2,823,373 (December 31, 2020 - \$1,468,117), and long-term promissory notes of \$4,047,699 (December 31, 2020 - \$4,182,495). Further, the Company had an accumulated deficit of \$79,488,301 (December 31, 2020 - \$60,463,012) and working capital deficiency of \$1,513,563 (December 31, 2020 - surplus \$7,476,957).

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. **See note 16 - Subsequent events.**

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with IAS 34 - Interim Financial Reporting using the accounting policies consistent with IFRS as issued by the IASB.

The accounting policies applied in these condensed consolidated interim financial statements are based on IFRS policies issued and outstanding as of the date the Board of Directors approved these interim financial statements being November 25, 2021. The same accounting policies and methods of computation are followed in these condensed consolidated interim financial statements as those applied in note 4 of the Company's most recent annual consolidated financial statements for the year ended December 31, 2020 and have been consistently applied throughout all periods presented, as if these policies had always been in effect. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending December 31, 2021 could result in the restatement of these condensed consolidated interim financial statements.

Basis of measurement

These condensed consolidated interim financial statements have been prepared under the historical cost convention except for certain financial assets and liabilities, which are measured at fair value. All amounts have been expressed in Canadian dollars, the Company's functional currency, 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.

Basis of consolidation

These condensed consolidated interim 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. All intercompany transactions, balances, income, and expenses are eliminated upon consolidation.

AURANIA RESOURCES LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the three and nine months ended September 30, 2021 and 2020 (Unaudited)
(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES, continued

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 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 September 30, 2021 and December 31, 2020. 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 the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

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 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

AURANIA RESOURCES LTD.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2021 and 2020 (Unaudited)

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES, continued

Significant accounting judgments and estimates, continued

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 vs. asset acquisitions

Determination of whether a set of assets acquired, and liabilities assumed constitute a business requires the Company to make certain judgments, considering 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.

See notes 4 and 15 – Commitments and Contingencies.

3. CAPITAL AND FINANCIAL RISK MANAGEMENT

Capital management

The Company considers the capital that it manages to include share capital, share premium, shares to be issued, warrants, contributed surplus and shareholder contribution and accumulated deficit, which at September 30, 2021 was a deficiency of \$5,332,568 (December 31, 2020 – surplus of \$3,459,012). The Company manages its capital structure and adjusts it, based on the funds needed to support the acquisition and exploration of mineral properties. Management does this considering changes in economic conditions and the risk characteristics of the underlying assets. There has been no change with respect to the overall capital risk management strategy during the three and nine months ended September 30, 2021. Neither the Company nor its subsidiaries are subject to externally imposed capital requirements, other than those of the TSX Venture Exchange (“TSXV”), which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required to maintain operations and cover general and administrative expenses for a period of nine months. As at September 30, 2021, the Company believes it is compliant with the policies of the TSXV. **See note 16 - Subsequent events**

Capital raises, short-term loan

On April 1, 2021, the Company raised gross proceeds of \$7,771,700 by marketed overnight public offering and on April 7, 2021 gross proceeds of \$1,251,498 by a private placement. **See note 7- 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 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 period ended September 30, 2021.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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(Expressed in Canadian Dollars)

3. CAPITAL AND FINANCIAL RISK MANAGEMENT, continued

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 September 30, 2021, the Company had available cash of \$1,094,282 (December 31, 2020 - \$8,178,956) to settle current liabilities of \$2,823,373 (December 31, 2020 - \$1,468,117). Also, the Company has long-term liabilities of \$4,047,699 (December 31, 2020 - \$4,182,495) **See note 6 – Promissory notes**. All the Company's financial liabilities generally have contractual maturities of less than 30 days and are subject to normal trade terms, except for its promissory notes. In addition to the commitments disclosed in Note 15, the Company is obligated to the following contractual maturities of undiscounted cash flows as at September 30, 2021:

In Canadian \$ equivalents	Carry amount	Contractual cash flows	October 1, 2021 to September 30, 2022	Thereafter
Accounts payable and accrued liabilities	2,823,373	2,823,373	2,873,373	-
Promissory note 2017 (note 6)	506,742	582,659	-	582,659
Promissory note 2019 (note 6)	3,540,957	4,012,087	-	4,012,087
	6,871,072	7,418,119	2,873,373	4,594,746

As the Company has no steady source of revenues or cash flow and has implemented its exploration plan as anticipated, it is highly probable that additional financing will be required during 2021 to further advance exploration at the Project, to meet ongoing financial obligations and discharge the Company's liabilities, in the normal course of business. The Company is considering different sources of potential funding to advance exploration, including equity issuances, short-term loans, the exercise of warrants and stock options and joint venture partnerships.

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.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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(Expressed in Canadian Dollars)

3. CAPITAL AND FINANCIAL RISK MANAGEMENT, continued

(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 to its cash management policy.

(ii) Foreign currency risk

Certain of the Company's expenses are incurred in United States dollars and Swiss francs and 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 September 30, 2021 and December 31, 2020, 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	September 30, 2021	December 31, 2020
Cash	\$775,673	\$2,103,088
Advances for mineral properties	-	560,155
Accounts payable, accrued liabilities, promissory notes	(5,735,129)	(5,331,489)
Net exposure	\$(4,959,456)	\$(2,668,246)

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. As of September 30, 2021, and December 31, 2020, the Company was not a metals commodity producer.

Sensitivity analysis

At September 30, 2021 and December 31, 2020, 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 notes at September 30, 2021, approximates their fair value. The fair value of the long-term promissory notes at September 30, 2021 is approximately \$3,995,431. This was estimated based on discounting the promissory notes at an estimated discount rate of 15% with term a term of one year.

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 and CHF and SOL would have decreased the net asset position of the Company as at September 30, 2021 by \$495,946 (at December 31, 2020 – \$266,825). A 10% weakening of the Canadian dollar against the same would have had an equal but opposite effect.

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For the three and nine months ended September 30, 2021 and 2020 (Unaudited)
(Expressed in Canadian Dollars)

4. 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 December 27 and 28, 2016 and subsequently registered before the Mining Registry of the Mining and Non-Renewable Natural Resources Regulation and Control Agency in compliance with the Mining Law. The concessions are valid for 25 years, renewable for a subsequent 25-year period, provided that the concessions are maintained in good standing. Mineral concessions are regulated according to the following phases:

- **Initial Exploration (up to four years).** On December 31, 2020, the Ecuadorian government adopted new legislation establishing that the four years of Initial Exploration starts on the day the mineral concession holder, having completed certain administrative acts, receives the permits required to effectively conduct operational activity and not, as had previously been the case, the date when the concession is first granted. As a result, the effective date for the initial exploration of each concession is considered on a case-by-case basis with each concession having its own expiry date for the four years of Initial Exploration. The administrative acts required before permits are granted include: i) Environmental Registry; ii) Certificate of non-affectation of water sources; and iii) Affidavit of not affecting public infrastructure.

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

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

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4. MINERAL PROPERTY INTERESTS, continued

b) Mineral concessions and obligations, continued

Initial Exploration Phase				
Year	Annual concession fee	Expenditure Required (USD)	Committed Expenditure	Actual Expenditure (USD)
1 (2017)	\$1,973,198 ¹	\$1,038,820 ²	\$1,060,000 ²	\$3,354,497
2 (2018)	2,004,923 ¹	2,077,640 ²	1,090,000 ²	4,396,820
3 (2019)	2,046,475 ¹	2,077,640 ²	2,098,000 ²	5,116,155
4 (2020)	2,077,640 ¹	2,077,640 ²	2,081,800 ²	8,627,136
5 (2021)	2,077,640 ¹	2,077,640	2,081,800	- ³
Estimated 6 (2022)	2,077,640 ⁴	2,077,640 ⁵	- ⁶	- ³
Estimated 7 (2023)	1,831,390 ⁴	2,077,640 ⁵	- ⁶	- ³
Estimated 8 (2024)	\$495,000 ⁴	2,077,640 ⁵	- ⁶	- ³

¹ Paid

² Requirement satisfied.

³ Reported by March 31 of the following year.

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

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

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

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

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

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

- **Economic Evaluation** (up to two years) of any deposit identified, which can be extended for an additional two-year period; and
- thereafter, the concessions are in the **Exploitation Phase**.

c) 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

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4. MINERAL PROPERTY INTERESTS, continued

d) Relinquishment or cancellation of concessions, continued

reasons including, misrepresentation by the concession-holder of the stage of the concessions' exploration and development, by causing an excessive environmental impact, irreparable damage to Ecuadorian cultural heritage, or by the violation of human rights. See note 11 – Exploration expenses.

e) Exploration entitlements

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

PERU

Mineral concessions in Peru

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

Annual Obligations	Concession applications	Concessions granted	US\$
	number	number	
2021 obligations	298	117	1,208,029
Obligation satisfied by cash	-	-	(373,429)
Obligation satisfied by credit certificates ¹	-	-	(352,925)
Concessions applications dropped	(92)	-	(319,956)
Concessions granted dropped	-	(43)	(161,719)
	206	74	-
2022 obligations and annually thereafter	206	74	737,929 ²

¹ Previously recorded as Advances for mineral property interests

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

Obligations Related to the Concession Applications

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

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5. PROPERTY, PLANT & EQUIPMENT

	Leasehold Improvements	Field Equipment	Furniture and Fixtures	Computer Equipment	Total
COST					
At December 31, 2020	27,545	122,559	8,399	121,530	280,033
Additions	-	24,508	1,577	81,167	107,252
At September 30, 2021	27,545	147,067	9,976	202,697	387,285
ACCUMULATED DEPRECIATION					
At December 31, 2020	(7,143)	(43,602)	(1,733)	(63,005)	(115,483)
Additions	(1,556)	(20,111)	(644)	(20,797)	(43,108)
At September 30, 2021	(8,699)	(63,713)	(2,377)	(83,802)	(158,591)
NET BOOK VALUE					
At December 31, 2020	20,402	78,957	6,666	58,525	164,550
At September 30, 2021	\$18,846	\$83,354	\$7,599	\$118,895	\$228,694

6. PROMISSORY NOTES

Promissory note 2017 - Mineral Concessions Loan ("MCL1")

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

On March 20, 2017, Dr. Barron, advanced USD 2,000,000 by way of a promissory note to the Company to facilitate the payment of the 2017 mineral concession fees. USD 1,000,000 was repaid on May 17, 2017; USD 217,168 (\$280,000) was settled for 700,000 stock options, with an exercise price of \$0.40, on April 2, 2018 and \$500,000 was repaid in cash on August 16, 2018. The loan is unsecured, with a term of two years, bearing an interest rate of 2% per annum which is considered to be below a market rate of interest for such a loan. IFRS requires that where an interest rate is below the market rate, estimated at 15%, there is deemed to be a benefit to the shareholders and as such that portion of the promissory loan considered to represent that benefit is recorded in equity as a shareholder contribution. The amount of the benefit is then recognized over the life of the promissory note as an accretion expense. On September 30, 2020, Dr. Barron agreed to amend the terms of his promissory note issued in 2019 such that it will become repayable on the day following the one-year anniversary of Dr. Keith Barron requesting repayment. The accretion on the promissory note will be accounted for as a shareholder contribution until such time that the repayment is requested by the Lender.

Promissory Note issued in April 2019

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

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6. PROMISSORY NOTES, continued

Promissory Note issued in April 2019, continued

of the promissory loan considered to represent that benefit is recorded in equity as a shareholder contribution. The amount of the benefit is then recognized over the life of the promissory note as an accretion expense. On August 20, 2020, Dr. Barron agreed to amend the terms of his promissory note issued in 2019 such that it will become repayable on the day following the one-year anniversary of Dr. Keith Barron requesting repayment. The accretion on the promissory note will be accounted for as a shareholder contribution until such time that the repayment is requested by the Lender.

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

7. SHARE CAPITAL

Authorized share capital at September 30, 2021 and December 31, 2020 is 1,000,000 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 September 30, 2021 is 46,868,388 (December 31, 2020 – 43,951,179). During the nine months ended September 30, 2021 and 2020, the Company completed the following:

(i) Brokered Overnight Marketed Offering

On April 1, 2021, the Company closed its previously announced overnight marketed offering of units of the Company, including exercise in full of the over-allotment option (the "Offering"). A total of 2,507,000 Units were sold at a price of \$3.10 per Unit for gross proceeds of \$7,771,700. Each unit is comprised of one common share in the capital of the Company and one common share purchase warrant. Each warrant 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. The cash paid for broker, regulatory and legal costs, was \$865,681. Values of \$1,830,378 and \$295,074 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, share price value of \$2.37, expected dividend yield 0%, expected volatility of 71%, a risk-free rate of 0.23% and an expected life of 3 years. Volatility is based on the historical trading of the Company's shares.

(ii) Non-brokered Private Placement

On April 7, 2021, the Company closed a private placement of 403,709 units were sold at a price of \$3.10 per Unit for gross proceeds of \$1,251,498. Each unit is comprised of one 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 private placement, the Company paid a cash commission of 6% of the gross proceeds from the private placement. The cash paid for commission, regulatory and legal

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7. SHARE CAPITAL, continued

(ii) **Non-brokered Private Placement, continued**

costs, was \$66,440. A value of \$294,216 was assigned to investor warrants using the Black-Sholes option pricing model using the following assumptions: for the investor warrants and broker warrants, share price value of \$2.37, expected dividend yield 0%, expected volatility of 71%, a risk-free rate of 0.23% and an expected life of 3 years.

Volatility is based on the historical trading of the Company's shares.

(iii) **RSU's**

On January 12, 2021, the Company issued 6,500 common shares for vested RSU's.

As at September 30, 2020:

(iv) **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 cost, was \$132,377. 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.

(v) 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.

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

(vii) Issued 50,944 common shares as a result of exercising 50,944 warrants in December 2020 but the shares were only issued after December 2020.

8. 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.

(i) On January 25, 2021, the Company granted 200,000 stock options to one director of the Company. Each option is exercisable to acquire one common share at a price of \$3.21. The options vest in three equal annual instalments as follows: 1/3 on the grant date and on the anniversary of that date 2022 and 2023. A total value of \$378,400 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 74%, a risk-free interest rate of 0.17%, stock price \$3.20 and an

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8. STOCK-BASED COMPENSATION, continued

expected life of 5 years. Volatility was based on the historical trading of the Company's shares. To September 30, 2021, a total of \$296,350 has been expensed for the vested options.

- (ii) On January 25, 2021, the Company granted 40,000 stock options to a consultant of the Company. Each option is exercisable to acquire one common share at a price of \$2.52. The Options shall vest as 10,000 one day after signing and then 10,000 quarterly thereafter to a maximum of 40,000. A total value of \$59,640 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 74%, a risk-free interest rate of 0.44%, stock price \$2.51 and an expected life of 5 years. Volatility was based on the historical trading of the Company's shares. To September 30, 2021, a total of \$42,204 has been expensed for the vested options.
- (iii) For the nine months period ended September 30, 2021, an aggregate of \$1,477,680 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.
- (iv) The following summarizes the stock options activity during the nine months ended September 30, 2021:

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

- (v) The following summarizes the stock options outstanding at September 30, 2021:

Issued Number of Options	Exercisable Number of Options	Exercise Price	Expiry Date	Estimated Fair Value
150,000	150,000	\$2.30	May 26, 2022	256,242
200,000	200,000	\$2.00	November 2, 2022	205,625
250,000	250,000	\$2.89	March 2, 2023	541,934
136,000	136,000	\$2.68	April 5, 2023	273,227
180,000	180,000	\$3.40	April 5, 2023	457,200
48,000	48,000	\$3.40	January 16, 2024	121,920
77,000	77,000	\$2.97	June 28, 2024	170,940
880,000	293,334	\$2.70	October 24, 2024	1,633,410
200,000	66,667	\$2.70	December 31, 2021	369,077
300,000	100,000	\$3.16	February 7, 2025	662,566
920,000	339,997	\$3.51	November 17, 2025	1,341,912
100,000	33,333	\$3.51	December 31, 2021	145,860
100,000	33,333	\$3.25	December 22, 2025	153,086
200,000	66,667	\$3.21	January 25, 2026	254,416
40,000	10,000	\$2.52	July 1, 2026	42,204
3,781,000	1,984,331			\$6,629,619

The weighted average contractual life remaining for stock options as at September 30, 2021 is 2.81 years (December 2020 – 2.86 years).

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8. 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 of the Company is issued. The following summarizes the RSU activity during the nine months ended September 30, 2021:

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

The weighted average contractual life remaining for RSUs at September 30, 2021 is 3.93 years (December 31, 2020 – 2.67 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 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.

Share to be issued

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

Shares to be Issued are Restricted Share Units (“RSUs”) that have fully vested but where the related shares are yet to be issued.

9. WARRANTS

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

	Number of Warrants/ Agents’ Options	Weighted Average Exercise Price	Estimated Fair Value
Balance – December 31, 2020	3,380,938	\$4.87	\$2,463,801
Issued warrants overnight marketed offering	2,507,000	4.25	1,830,378
Issued warrants to agents	150,420	4.25	295,074
Issued warrants private placement	403,709	4.25	294,216
Expired	(836,851)	3.00	(395,255)
Balance – September 30, 2021	5,605,216	\$4.32	\$4,488,214

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9. WARRANTS, continued

Outstanding warrants

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

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

10. 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 Management and directors of the Company was:

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

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

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

⁽³⁾ This figure is the fair value expense of vested stock options and RSUs granted to key management during the nine months ended September 30, 2021 and 2020

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11. EXPLORATION EXPENSE

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

12. RELATED PARTY TRANSACTIONS

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

- (i) During the nine months ended September 30, 2021, a total of \$nil (2020 - \$21,581), plus applicable taxes were charged to the Company by the Chief Financial Officer (“CFO”), pursuant to a consulting contract.
- (ii) During the nine months ended September 30, 2021, the Company incurred \$108,000 (2020 - \$108,000) of administrative service costs including office, rent and general office services, to Big Silver Ltd. a company owned and controlled by the Chairman, CEO and principal shareholder. At September 30, 2021, \$12,000 (2020 - \$12,000) remains payable to Big Silver Ltd., for unpaid services. These amounts are unsecured, non-interest bearing and due on demand. - **See note 15 Commitments and Contingencies.**
- (iii) Certain Company employees undertake work for other companies with officers and directors in common and recharge those companies with the direct cost of the work done. The amounts receivable are

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12. RELATED PARTY TRANSACTIONS, continued

unsecured, non-interest bearing and have no fixed terms of repayment. During the nine months ended September 30, 2021;

- a. \$21,377 (2020-\$nil) was recharged to U3O8 Corp. whose President, CEO and Director, Dr. Richard Spencer is also Aurania's President and Director, and Dr. Keith Barron, Director, Chairman and CEO of Aurania is also Chairman and Director of U3O8 Corp. On September 30, 2021, \$21,377 remained receivable.
- b. \$1,805 (2020-\$nil) was recharged to Firestone Ventures Inc. Dr. Keith Barron, Chairman and CEO of the Company, is also President, CEO and Director of Firestone Ventures Inc. Dr. Richard Spencer, President and director of Aurania, also serves on the board of directors of Firestone Ventures Inc. On September 30, 2021, \$1,805 remained receivable, and
- c. \$281 (2020-\$nil) was recharged to the Step Forward Foundation, a private charitable organization whose founder and Director Dr. Keith Barron, is also the Chairman and CEO of the Company. On September 30, 2021, \$281 remained receivable. This amount is unsecured, non-interest bearing and due on demand.

(iv) For other related party transactions, see notes 6 and 10 of the unaudited condensed consolidated interim financial statements for the nine months ending September 30, 2021.

13. SEGMENTED INFORMATION

At September 30, 2021, the Company's operations comprised one business segment engaged in mineral exploration and three operating segments – Ecuador, Switzerland and Peru. Cash of \$1,023,258 (December 31, 2020 - \$8,107,008) is held in a Canadian chartered bank, \$52,341 (December 31, 2020 - \$38,419) being held in a chartered bank in Ecuador, \$1,746 (December 31, 2020 - \$2,083) being held in a chartered bank in Switzerland and the balance of \$16,937 (December 31, 2020 - \$31,446) being held in a chartered bank in Peru.

14. RECLASSIFICATION OF PRIOR QUARTER'S DATA FOR PRESENTATION

Certain of the 2020 comparative amounts have been reclassified to conform to the 2021 form of presentation.

15. COMMITMENTS AND CONTINGENCIES

Environmental contingencies

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

Service costs and consulting agreements

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

The Company is party to certain management contracts. These contracts contain minimum commitments of approximately \$693,000 and additional contingent payments of up to approximately \$1,040,000 upon the occurrence of a change of control. As a triggering event has not taken place, the contingent payments

AURANIA RESOURCES LTD.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2021 and 2020 (Unaudited)

(Expressed in Canadian Dollars)

15. COMMITMENTS AND CONTINGENCIES, continued

Service costs and consulting agreements, continued

have not been reflected in these consolidated financial statements.

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

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

16. SUBSEQUENT EVENTS

Overnight marketed public offering

On October 21, 2021, the Company closed its previously announced overnight marketed public offering of units of the Company (the "Units"), including exercise in full of the over-allotment option (the "Offering"). A total of 3,835,250 Units were sold at a price of \$1.80 per Unit (the "Offering Price") for gross proceeds of approximately \$6.9 million. Each Unit is comprised of one (1) common share in the capital of the Company (each, a "Common Share") and one Common Share purchase warrant (each whole warrant, a "Warrant"). Each Warrant entitles the holder to purchase one Common Share at \$2.20 at any time on or before the date which is 60 months after the Closing Date.

Concurrent Private Placement

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

Exercise of stock options

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