



AURANIA

AURANIA RESOURCES LTD.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the Three and Nine Months Ended September 30, 2018

(Expressed in Canadian Dollars)

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AURANIA

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING and NOTICE TO READER

The accompanying unaudited condensed consolidated interim financial statements of Aurania Resources Ltd. (the "Company") for the three and nine months ended September 30, 2018 are the responsibility of the Company's management ("Management") and have been prepared by Management and include the selection of appropriate accounting principles, judgments and estimates necessary to prepare these condensed consolidated interim financial statements in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* using the accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") for condensed consolidated interim financial statements.

In accordance with National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice indicating that the condensed consolidated interim financial statements have not been reviewed by an auditor. The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with the standards established by the Chartered Professionals Accountants of Canada for a review of condensed consolidated interim financial statements by an entity's auditor.

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

AS AT	SEPTEMBER 30, 2018	DECEMBER 31, 2017
	\$	\$
ASSETS		
Current assets		
Cash	2,291,631	671,346
Prepaid expenses and receivables	64,300	64,882
Total current assets	2,355,931	736,228
Non-current assets		
Restricted cash (note 6(c))	255,000	-
Property, plant and equipment (note 5)	115,512	52,573
TOTAL ASSETS	2,726,443	788,801
LIABILITIES AND EQUITY (DEFICIENCY)		
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 13)	461,045	464,956
Promissory note (note 6)	547,608	1,273,000
Derivative liability on convertible debenture (note 6)	313,560	-
Convertible debenture (note 6)	2,338,722	-
Total liabilities	3,660,935	1,737,956
EQUITY (DEFICIENCY)		
Share capital (note 7)	317	273
Share premium (note 7)	19,706,096	13,019,518
Warrants (note 9)	1,233,377	883,874
Contributed surplus	1,706,503	1,206,201
Deficit	(23,580,785)	(16,059,021)
Total equity (deficiency)	(934,492)	(949,155)
TOTAL LIABILITIES AND EQUITY (DEFICIENCY)	2,726,443	788,801

Nature of operations and business continuance (note 1)

Commitments and contingencies (notes 4 and 16)

Subsequent events (note 17)

APPROVED BY THE BOARD:

Signed, "Marvin K. Kaiser", 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 EQUITY (DEFICIENCY) Unaudited

(Expressed in Canadian dollars)

	ISSUED CAPITAL		RESERVES				Total Equity (Deficiency)
	Common Shares #	Share Capital	Share Premium	Warrants	Contributed Surplus	Deficit	
Balance - December 31, 2016	22,759,735	\$229	\$5,485,705	\$-	\$692,868	\$(6,813,699)	\$(634,897)
Shares issued for private placements	3,200,890	32	6,401,748	-	-	-	6,401,780
Less share issue costs	-	-	(534,482)	-	-	-	(534,482)
Shares issued for acquisition	1,000,000	10	1,765,532	-	-	-	1,765,542
Shares issued for debt settlement	375,000	2	749,998	-	-	-	750,000
Warrants issued for private placements	-	-	(750,476)	750,476	-	-	-
Broker warrants compensation	-	-	(133,398)	133,398	-	-	-
Stock-based compensation	-	-	-	-	208,508	-	208,508
Net loss for the period	-	-	-	-	-	(7,555,230)	(7,555,230)
Balance – September 30, 2017	27,335,625	\$273	\$12,984,627	\$883,874	\$901,376	\$(14,368,929)	\$401,221
Stock-based compensation – options	-	-	-	-	296,353	-	296,353
Stock-based compensation - restricted stock units (“RSU’s”) (notes 8, 10)	-	-	-	-	23,363	-	23,363
Exercise of stock options	50,000	-	34,891	-	(14,891)	-	20,000
Net loss for the period	-	-	-	-	-	(1,690,092)	(1,690,092)
Balance - December 31, 2017	27,385,625	\$273	\$13,019,518	\$883,874	\$1,206,201	\$(16,059,021)	\$(949,155)
Shares issued for private placement	2,219,400	22	4,438,778	-	-	-	4,438,800
Less share issue costs	-	-	(349,669)	-	-	-	(349,669)
Shares issued for exercise of options (note 7(c)(d))	1,730,000	17	1,272,069	-	(532,086)	-	740,000
Shares issued for exercise of warrants (note 7(e))	530,536	5	1,840,380	(248,777)	-	-	1,591,608
Shares issued for exercise of agents’ options (notes 7,9)	41,650	-	121,830	(38,530)	-	-	83,300
Stock-based compensation – options (note 8)	-	-	-	-	949,626	-	949,626
Warrants issued for exercise of agents’ options (notes 7,9)	-	-	(15,000)	15,000	-	-	-
Stock-based compensation – RSU’s (notes 8, 10)	-	-	-	-	82,762	-	82,762
Warrants issued for private placements (note 9(iii)(iv))	-	-	(578,000)	578,000	-	-	-
Broker warrants compensation (notes 7, 9)	-	-	(43,810)	43,810	-	-	-
Net loss for the period	-	-	-	-	-	(7,521,764)	(7,521,764)
Balance –September 30, 2018	31,907,211	\$317	\$19,706,096	\$1,233,377	\$1,706,503	\$(23,580,785)	\$(934,492)

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,	
	2018	2017	2018	2017
	\$	\$	\$	\$
Operating Expenses:				
Exploration expenditures (notes 4, 11)	861,997	1,093,083	4,890,064	1,288,980
Stock-based compensation (notes 8, 10)	237,636	57,420	1,032,388	208,508
Investor relations	126,963	64,842	523,102	146,628
Office and general	101,924	125,706	365,316	221,664
Management, directors, advisor fees	85,892	63,152	250,094	189,044
Professional and administration fees	66,822	22,756	195,756	60,059
Regulatory and transfer agent fees	55,799	11,526	107,899	64,455
Amortization (note 5)	5,814	1,620	14,933	1,757
Total expenses	1,542,847	1,440,105	7,379,552	2,181,095
Other income/expenses				
Costs associated with acquisition of ESA	-	-	-	5,511,183
(Gain) loss on foreign exchange	1,215	(36,905)	92,640	(154,890)
(Gain) on derivative (note 6)	(142,199)	-	(113,267)	-
Interest income	(3,297)	-	(5,026)	-
Interest and accretion expense (note 6)	113,769	15,420	167,865	17,842
Loss and comprehensive loss for the period	1,512,335	1,418,620	7,521,764	7,555,230
Basic and diluted loss per share	\$0.05	\$0.05	\$0.25	\$0.30
Weighted average common shares outstanding – basic and diluted	31,707,170	27,335,625	29,867,002	24,845,803

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)**

For the three and nine months ended September 30, 2018

(Expressed in Canadian Dollars)

	Nine months ended September 30,	
	2018	2017
	\$	\$
Cash flows from the following activities:		
Operating activities:		
Net (loss) for the period	(7,521,764)	(7,555,230)
Non-cash items:		
Amortization	14,933	1,757
Gain on derivative	(113,268)	-
Acquisition of ESA	-	5,511,183
Stock-based compensation	1,032,388	208,508
Accrued interest (note 6)	18,890	-
Accretion convertible debenture	133,970	-
Foreign exchange on promissory note (note 6)	39,345	-
Net change in non-cash working capital (note 12)	(6,955)	(54,435)
Net cash used in operating activities	(6,402,461)	(1,888,217)
Financing activities:		
Units issued for private placements (note 7)	4,438,800	6,380,916
Less share issue costs (note 7)	(349,669)	(534,482)
Shares issued for option exercises (notes 7, 8)	460,000	-
Shares issued for warrant exercises (notes 7, 9)	1,591,608	-
Shares issued for agents' options exercise (notes 7, 9)	83,300	-
Convertible debenture (note 6)	2,631,579	-
Promissory note advances (note 6)	-	207,972
Repayment of promissory note (note 6)	(500,000)	(1,407,014)
Net cash provided by financing activities	8,355,618	4,647,392
Investing activity:		
Acquisition of ESA	-	(703,769)
Advances to ESA	-	(128,016)
Purchase of capital assets (note 5)	(77,872)	(46,391)
Net cash used by investing activities	(77,872)	(878,176)
Increase in cash	1,875,285	1,880,999
Cash – beginning of period	671,346	3,942
Cash and restricted cash – end of period	2,546,631	1,884,941

See note 12 - Supplemental Cash Flow Information.

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 (Unaudited)

For the three and nine months ended September 30, 2018 and 2017

(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND BUSINESS CONTINUANCE

Aurania Resources Ltd. (the "Company") is a junior mineral exploration company engaged in the identification, evaluation, acquisition and exploration of mineral property interests, with a focus on precious metals.

On May 29, 2017, the Company acquired EcuSolidus, S.A., 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 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 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 current status of the Company's permits and licenses.

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. As a result of the financial matters discussed in the following paragraph, there is a material uncertainty that results in significant doubt regarding the ultimate applicability of the Company's going concern assumption.

As at September 30, 2018, the Company had \$2,291,631 cash (December 31, 2017 - \$671,346), \$461,045 accounts payable and accrued liabilities (December 31, 2017 - \$464,956), a \$547,608 promissory note (December 31, 2017 - \$1,273,000), and a USD2,000,000 convertible debenture (\$2,652,282) (December 31, 2017 - \$nil), which includes a derivative liability of \$313,560 (December 31, 2017 - \$nil). Further, the Company had an accumulated deficit of \$23,580,785 (December 31, 2017 - \$16,059,021) and working capital deficiency of \$1,050,004 (December 31, 2017 - \$1,001,728).

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.

AURANIA RESOURCES LTD.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the three and nine months ended September 30, 2018 and 2017

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES, Continued

Statement of compliance, Continued

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 21, 2018. The same accounting policies and methods of computation are followed in these condensed consolidated interim financial statements as those applied in note 2 of the Company's most recent annual consolidated financial statements for the year ended December 31, 2017 and have been consistently applied throughout all periods presented, as if these policies had always been in effect except as noted below. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending December 31, 2018 could result in the restatement of these condensed consolidated interim financial statements.

Basis of Presentation

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. The Company's assets are located in Ecuador and Switzerland 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. All amounts have been expressed in Canadian dollars ("C\$"), the Company's functional currency, unless otherwise stated and USD represents United States dollars and CHF represents Swiss francs.

Basis of Consolidation

These condensed consolidated interim financial statements incorporate the financial statements of the Company and its wholly-owned subsidiaries: Ecuasolidus, S.A., ("ESA"), incorporated under the laws of the Ecuador and AuroVallis SARL, ("AVS"), incorporated under the laws of Switzerland. All intercompany transactions, balances, income and expenses are eliminated upon consolidation.

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:

- (i) the inputs used in accounting for valuation of warrants and options which are included in the condensed consolidated interim statement of financial position;

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the three and nine months ended September 30, 2018 and 2017

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES, Continued

Significant accounting judgments and estimates, Continued

- (ii) the inputs used in accounting for stock-based compensation expense in the condensed consolidated interim statement of loss;
- (iii) the provision, if any, for decommissioning and restoration obligations which are included in the condensed consolidated interim statement of financial position;
- (iv) the existence and estimated amount of contingencies; see note 16 – Commitments and Contingencies;
- (v) the valuation of the acquisition of ESA; and
- (vi) the valuation of the accretion and derivative liability on a convertible debenture.

Changes in Accounting Policies

During the nine months ended September 30, 2018, the Company adopted the following policy:

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 operations. 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.

The Company also adopted other new IFRS standards, interpretations, amendments and improvements of existing standards including IFRS 9 and IFRIC 22 however these new standards and changes did not have any material impact on the Company's condensed consolidated interim financial statements.

3. CAPITAL AND FINANCIAL RISK MANAGEMENT

Capital management

The Company considers the capital that it manages to include share capital, share premium, warrants, contributed surplus and deficit, which at September 30, 2018 was \$(934,492) (December 31, 2017 - \$(949,155)). 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

AURANIA RESOURCES LTD.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the three and nine months ended September 30, 2018 and 2017

(Expressed in Canadian Dollars)

3. CAPITAL AND FINANCIAL RISK MANAGEMENT, Continued

Capital management, Continued

no change with respect to the overall capital risk management strategy during the nine months ended September 30, 2018. See Liquidity Risk below. The Company's continued existence is dependent upon Management's ability to obtain the necessary financing to advance exploration on its Project.

Capital Raise and Short-term Loan

During the nine months ended September 30, 2018, the Company completed a private placement (the "2018 Offering") which yielded net proceeds of \$4,089,131 to treasury. Further, in order to pay the 2018 mineral concession fees owed by ESA, the Company subscribed for a convertible debenture (the "Debenture") with the principal shareholder of the Company (the "Lender") for USD2,000,000. The same Lender extended the maturity date of a 2017 promissory note from May 29, 2018 to May 29, 2019. See note 6 – Promissory Notes, Convertible Debenture and Standby Letter of Credit.

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, Ecuadorian and Swiss financial institutions, from which Management believes the risk of loss to be remote. The Company does not have any material risk exposure to any single debtor or group of debtors.

Liquidity risk

Liquidity risk arises through an excess of financial obligations over financial assets at any point in time. The Company's approach to managing liquidity risk is to maintain sufficient readily available cash to continue operations and meet its financial obligations as they become due. As the Company has no producing assets, continued operations are dependent on its ability to raise adequate financing.

As at September 30, 2018, the Company had \$2,291,631 in cash to settle \$3,660,935 of liabilities (December 31, 2017 - \$671,346 in cash to settle \$1,737,956 of liabilities). The liquidity risk at September 30, 2018 is therefore material.

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 to its cash management policy.

AURANIA RESOURCES LTD.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the three and nine months ended September 30, 2018 and 2017

(Expressed in Canadian Dollars)

3. CAPITAL AND FINANCIAL RISK MANAGEMENT, Continued

Capital management, Continued

Market risk, Continued

(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, 2018 and December 31, 2017, the Company's exposure to foreign currency risk with respect to amounts denominated in USD and CHF, was substantially as follows:

<i>In Canadian \$ equivalents</i>	September 30, 2018	December 31, 2017
Cash	\$220,295	\$8,393
Accounts payable, accrued liabilities, promissory notes and convertible debenture	(2,935,758)	(1,391,262)
Net exposure	\$(2,715,463)	\$(1,382,869)

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 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, 2018 and December 31, 2017, the Company was not a metals commodity producer.

Sensitivity analysis

As of September 30, 2018 and December 31, 2017, both the carrying and fair value amounts of the Company's financial instruments (except for the convertible Debenture) are approximately equivalent due to their short-term nature.

The carrying value of the convertible debenture approximates its fair value due to the short amount of time that has passed since its inception.

AURANIA RESOURCES LTD.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the three and nine months ended September 30, 2018 and 2017

(Expressed in Canadian Dollars)

3. 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 and the CHF would have increased the net asset position of the Company as at September 30, 2018 by \$271,546 (at December 31, 2017 – \$138,287). A 10% weakening of the Canadian dollar against the same would have had an equal but opposite effect.

4. MINERAL PROPERTY INTERESTS

ECUADOR

Exploration Entitlements

The Company holds 100% of the rights, title and interest in the Project, comprised of 42 mineral concessions spanning 207,764 Hectares ("Ha"), in the Cordillera de Cutucu, in southeastern Ecuador.

Annual Concession Fees

An annual mineral concession fee per hectare is required to be paid to the State no later than March 31 in each year in order to maintain a concession in good standing. The fee is based on a percentage of the minimum mining wage that is set by the State, and hence the fee can be expected to fluctuate from year to year. The 2018 annual concession fee of USD2,004,923 (\$2,636,373) was paid, therefore Management believes that the mineral exploration concessions are in good standing. Further, an additional \$38,380 was incurred for legal and regulatory filing fees related to renewing the concession licenses, and \$27,582 was paid to consultants who prepared and submitted the required Informe Anual (Annual Report); annual expenditures and reporting on exploration undertaken on each concession is required to be filed with the Ministry of Mines by March 31 in each year. The 2018 concession payment was financed pursuant to an interest-bearing convertible debenture loan with the Lender. See note 6 – Promissory Notes, Convertible Debenture and Standby Letter of Credit.

In 2017, the annual fee was USD1,973,198 (\$2,482,086) or USD9.50/Ha (\$12/Ha).

Mineral Concession Maintenance Requirements

Under the terms of the current mineral concession agreement with the State, the Company is required to make exploration expenditures as follows: Years 1 and 2 - USD5/Ha (\$6.45/Ha); Years 3 and 4 - USD10/Ha (\$12.90/Ha). Excess expenditures made on a concession in any one year may be carried over in partial fulfillment of the expenditure obligation for the following year. Mineral concessions can be cancelled should the concession-holder misrepresent 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.

SWITZERLAND

The Company, through its wholly-owned subsidiary AVS, has been maintaining a 100% interest in three exploration permits (the "Permits") in Switzerland, in the Canton of Valais (the "Canton") subject to a 3% gross value royalty payable to the Canton and a 0.75% gross value royalty payable to the surface rights holders.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the three and nine months ended September 30, 2018 and 2017

(Expressed in Canadian Dollars)

4. MINERAL PROPERTY INTERESTS, Continued

Mineral Concession Maintenance Requirements, Continued

SWITZERLAND, Continued

Permit Status

In 2015, the Company made formal application to obtain new five-year Permits and were advised that the Canton Authority intended to revise the Swiss Mining Law prior to issuing new permits. The applications were deemed legally “frozen”, therefore Management believes all rights, title and interest under the Permits, have been preserved. To September 30, 2018, Management is unaware of any change in the status of the Permits.

5. PROPERTY, PLANT & EQUIPMENT

	Leasehold Improvements	Field Equipment	Furniture and Fixtures	Computer Equipment	Total
COST	\$	\$	\$	\$	\$
At December 31, 2017	25,477	-	768	34,460	60,705
Additions	1,075	65,565	1,409	9,823	77,872
At September 30, 2018	26,552	65,565	2,177	44,283	138,577
ACCUMULATED DEPRECIATION	\$	\$	\$	\$	\$
At December 31, 2017	(851)	-	(38)	(7,243)	(8,132)
Additions ⁽¹⁾	(1,535)	(6,710)	(91)	(6,597)	(14,933)
At September 30, 2018	(2,386)	(6,710)	(129)	(13,840)	(23,065)
NET BOOK VALUE:					
At December 31, 2017	24,626	-	730	27,217	52,573
At September 30, 2018	24,166	58,855	2,048	30,443	115,512

⁽¹⁾ Depreciation is calculated using straight-line method over periods ranging from 3 to 6 years.

6. PROMISSORY NOTES, CONVERTIBLE DEBENTURE AND STANDBY LETTER OF CREDIT

(a) Promissory Note - Mineral Concessions Loan (“MCL1”)

For the nine months ended September 30,	2018
Balance, beginning of period	\$1,273,000
Accrued interest	15,263
Settlement of debt	(780,000)
Foreign exchange translation loss	39,345
Balance, end of period	\$547,608

On March 20, 2017, the Lender advanced USD2,000,000 to ESA to facilitate the payment of the 2017 minerals concession fees, pursuant to an unsecured, promissory note loan. On May 29, 2017 the Company repaid USD1,000,000 of the MCL1 from the proceeds of the 2017 Offering. On May 29, 2018 the Lender extended the maturity date of the MCL1 to May 29, 2019.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the three and nine months ended September 30, 2018 and 2017

(Expressed in Canadian Dollars)

6. PROMISSORY NOTES, CONVERTIBLE DEBENTURE AND STANDBY LETTER OF CREDIT, Continued

(a) Promissory Note - Mineral Concessions Loan ("MCL1"), Continued

On April 2, 2018 Dr. Barron settled \$280,000 of MCL1 in consideration of exercising his 700,000 stock options, at \$0.40 per option. Accordingly, the Company issued 700,000 common shares to Dr. Barron in exchange for reducing the principal owing on MCL1 by USD217,168 (\$280,000). On August 16, 2018 the Company repaid \$500,000 of MCL1 in cash. At September 30, 2018, the accrued interest owing on MCL1 is \$30,363 (December 31, 2017 - \$15,100).

(b) Convertible Debenture – Mineral Concessions Loan ("MCL2")

On May 22, 2018 the Company issued a USD2,000,000 face value convertible debenture (the "Debenture"), due May 29, 2019 for net proceeds of CAD\$2,631,579. The Debenture accrues interest at 2% per annum, payable in cash at maturity. However, the principal amount may be converted at the option of the holder at any time during the term to maturity into a fixed number of 877,193 shares of our common stock, subject to adjustment solely for capital reorganization events. The Debenture also embodies certain traditional default provisions that are linked to credit or interest risks, such as bankruptcy proceedings, liquidation events and corporate existence. We have concluded that the embedded conversion option did not pass the conditions for equity classification.

Accounting Treatment – Pursuant to IAS 32 and IAS 39, because the face value of the Debenture is denominated in other than the Company's functional currency, the conversion feature requires classification and measurement as a derivative financial instrument. Accordingly, our evaluation resulted in the conclusion that this derivative financial instrument requires bifurcation and liability classification, at fair value. Current standards contemplate that the classification of financial instruments requires evaluation at each report date.

The following table reflects the allocation of the proceeds on the financing date:

	Debenture: US\$2,000,000
Secured Convertible Notes	Face Value
Proceeds	\$2,631,579
Embedded derivative	426,827
Carrying value at inception	\$2,204,752

The carrying value of the Debenture at December 31, 2017 was \$nil and the carrying value at September 30, 2018 is \$2,338,722 and accrued interest from inception to September 30, 2018 is \$18,890.

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. Discounts (premiums) are amortized through charges (credits) to interest and accretion expense over the term of the Debenture agreement. Amortization of debt discounts (premiums) amounted to accretion of \$133,970 during the period from inception to September 30, 2018.

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6. PROMISSORY NOTES, CONVERTIBLE DEBENTURE AND STANDBY LETTER OF CREDIT, Continued

(b) Convertible Debenture – Mineral Concession Loan (“MCL2”), Continued

Derivative Liabilities

The carrying value of the embedded derivative liability is on the condensed consolidated interim statement of financial position, with changes in the carrying value being recorded as gain on derivative on the condensed consolidated interim statement of loss. The fair value of the embedded derivative liability as of September 30, 2018 was \$313,560 and the gain on derivative for the period from inception to September 30, 2018 was \$113,268.

In the nine months ended September 30, 2017, the Company relied on advances from the Lender in the amount of \$207,972 which were fully repaid on May 29, 2017, as part of the settlement of \$750,000 of cumulative promissory note advances, which was satisfied with the issuance of 375,000 shares of the Company in 2017.

(c) Standby Letter of Credit and Restricted Cash

The Company has established a refundable reserve in the principal amount of \$255,000 as a requirement of the payment clearing processor responsible for transmitting funds by credit card subscriptions in respect of the 2018 Offering. The reserve is invested in an interest-bearing guaranteed investment certificate issued by a Canadian Chartered Bank. The reserve is required to be in place until December 18, 2019.

7. SHARE CAPITAL

Authorized share capital at September 30, 2018 and December 31, 2017 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 September 30, 2018 is 31,907,211 (December 31, 2017 - 27,385,625).

(a) On June 29, 2018, (“Tranche 1”), the Company issued 2,000,000 units (“Offering Units”), pursuant to a private placement financing (“2018 Offering”). Each Offering Unit consists of one common share and one-half of one common share purchase warrant (“Offering Warrant”). Each whole Offering Warrant is exercisable to acquire one common share at \$3.00 until December 29, 2019. Gross proceeds for the Offering Units were \$4,000,000. Share issue costs of \$333,753 attributable to the Offering, were deducted from the share premium account. The Offering Warrants were assigned an estimated fair value of \$525,000 using the Black-Scholes option pricing model, using the following assumptions: dividend yield 0%, expected volatility 100%, a risk-free interest rate of 1.91% and an expected life of 18 months.

The Company agreed to pay compensation to the Agents including: cash payments of \$158,885 and the issuance of 79,442 compensation units (“Agents’ Units”). Each Agent Unit consists of one common share of the Company and one-half of one common share purchase warrant (“Agent Warrant”). Each Agent Warrant entitles the holder to acquire one common share at a price of \$3.00 until December 29, 2019. The Agents’ Warrants were assigned an estimated fair value of \$43,810 using the Black-Scholes option pricing model, using the following assumptions: dividend yield 0%, expected volatility 100%, a risk-free interest rate of 1.91% and an expected life of 18 months.

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7. SHARE CAPITAL, Continued

(b) On September 6, 2018, ("Tranche 2"), the Company issued 219,400 Offering Units, on the same terms as those issued in Tranche 1 except the expiry date of the Offering Warrants is March 6, 2020. Gross proceeds for the Offering Units were \$438,800. Share issue costs of \$15,916 attributable to the Offering, were deducted from the share premium account. The Offering Warrants were assigned an estimated fair value of \$53,000 using the Black-Scholes option pricing model, using the following assumptions: dividend yield 0%, expected volatility 100%, a risk-free interest rate of 2.06% and an expected life of 18 months. There were no agents' fees paid or warrants issued for Tranche 2.

(c) Issued 1,030,000 common shares as a result of the exercise of 1,030,000 stock options previously granted to directors, officers and consultants, for proceeds of \$460,000.

(d) Issued 700,000 common shares as a result of the exercise of 700,000 stock options previously granted to a director/officer, in consideration of a debt settlement of \$280,000 against the outstanding balance of MCL1. See note 6 – Promissory Notes, Convertible Debenture and Standby Letter of Credit.

(e) Issued 530,536 common shares to holders of 530,536 (2017 Offering) warrants, for proceeds of \$1,591,608, or \$3.00 per common share.

(f) Issued 41,650 Common Shares and 20,825 common share purchase warrants to the agents of the 2017 Offering for the exercise of 41,650 agents' options. The consideration for the Options was \$83,300. The 20,825 warrants entitle the warrant holders to purchase 20,825 common shares until October 19, 2018 for \$62,475. The warrants were assigned an estimated fair value of \$15,000 using the Black-Scholes option pricing model, using the following assumptions: forfeiture rate 0%, dividend yield 0%, expected volatility 100%, a risk-free interest rate of 1.91% and an expected life of 9 months.

8. STOCK-BASED COMPENSATION

Stock Option Plan ("SOP") and Restricted Stock Unit Plan ("RSUP")

The Company maintains a stock option plan and a restricted stock unit ("RSU") plan under which directors, officers, employees and consultants of the Company and its affiliates are eligible to receive stock options and RSU's. The SOP is a rolling plan under which the maximum number of common shares reserved for issuance is 10% of the issued shares of the Company at the time of granting the options. The RSUP is a fixed plan under which the maximum number of common shares reserved for issuance is 2,275,973.

Both the SOP and RSUP are intended to enhance the Company's 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 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.

(a) Stock Options

(i) On March 2, 2018, the Company granted 250,000 stock options to two directors and one consultant. Each option is exercisable to acquire one common share at a price of \$2.89. The options expire on March 2, 2023, and vest as follows: 1/3 on the grant date, 1/3 on March 2, 2019 and the remaining 1/3 on March 2, 2020. A total value of \$541,934 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 2.1% and an expected life of 5 years.

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8. STOCK-BASED COMPENSATION, Continued

Volatility was based on the historical trading of the Company's shares. To September 30, 2018, a total of \$337,956 has been expensed for the vested options.

(ii) On April 5, 2018, the Company granted 300,000 stock options to a director/officer. Each option is exercisable to acquire one common share at a price of \$2.68. The options expire on April 5, 2023, and vest as follows: 1/3 on the grant date, 1/3 on April 5, 2019 and the remaining 1/3 on April 5, 2020. A total value of \$602,706 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 2.03% and an expected life of 5 years. Volatility was based on the historical trading of the Company's shares. To September 30, 2018, a total of \$347,796 has been expensed for the vested options.

(iii) During the nine months ended September 30, 2018, a total 1,730,000 stock options were exercised in consideration of cash and debt settlement. See note 7(c)(d) – Share Capital.

(iv) The following summarizes the stock options activity during the nine months ended September 30, 2018:

	Number of Options	Weighted Average Exercise Price	Estimated Fair Value
Balance - December 31, 2017	2,695,000	\$0.80	\$1,134,838
Issued	250,000	\$2.89	337,956
Issued	300,000	\$2.68	347,795
Exercised	(1,730,000)	\$(0.43)	(532,086)
Stock-based compensation expense	-	-	263,875
Balance – September 30, 2018	1,515,000	\$1.93	\$1,552,378

(v) The following summarizes the stock options outstanding at September 30, 2018:

Issued Number of Options	Exercisable Number of Options	Exercise Price	Expiry Date	Estimated Fair Value
30,000	30,000	\$2.00	May 3, 2019	\$25,793
415,000	276,666	\$0.60	July 13, 2021	218,238
150,000	100,000	\$2.30	May 26, 2022	211,429
370,000	123,333	\$2.00	November 2, 2022	411,166
250,000	83,250	\$2.89	March 2, 2023	337,956
300,000	100,000	\$2.68	April 5, 2023	347,796
1,515,000	713,249			\$1,552,378

The weighted average contractual life remaining for stock options as at September 30, 2018 is 3.3 years (December 31, 2017 – 1.69 years).

The above stock options were not included in the computation of diluted net loss per share for the periods presented as they are anti-dilutive.

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8. STOCK-BASED COMPENSATION, Continued

(b) Restricted Stock Units ("RSU's")

(i) On November 2, 2017, the Company granted 124,500 RSU's to officers, employees and consultants. The RSU's vest as to 1/3 on the first anniversary of the grant date of the RSU, another 1/3 on the second anniversary of the grant date of the RSU and the final 1/3 on the third anniversary of the grant date of the RSU. On the grant date, a total value of \$168,150 was assigned to the RSU's based on the closing price of the Company's common shares.

(ii) Since the grant date, three RSU grantees have left the Company and their 24,000 RSU's were forfeited. Therefore the fair value of the RSU's has been reduced to \$122,550. To September 30, 2018, a total of \$106,125 has been expensed for the vested RSU's.

(iii) There were no new issuances of RSU's during the nine months ended September 30, 2018.

(iv) The following summarizes the RSU activity during the nine months ended September 30, 2018:

	Number of RSU's	Weighted Average Fair Value	Estimated Fair Value
Balance – December 31, 2017	124,500	\$0.19	\$23,363
RSU's forfeited	(24,000)	(0.19)	(4,504)
Stock-based compensation expense	-	-	87,266
Balance – September 30, 2018	100,500	\$0.19	\$106,125

The contractual life remaining for RSU's at September 30, 2018 is 2.25 years (December 31, 2017 – 2.84 years). The RSU's were not included in the computation of diluted net loss per share for the periods presented as they are anti-dilutive.

9. WARRANTS

(i) From January 1, 2018 to February 28, 2018 a total of 530,536 warrants were exercised for proceeds of \$1,591,608. See note 7(a) – Share Capital.

(ii) On January 31, 2018, 41,650 Agents' Options related to the 2017 Offering were exercised for 41,650 common shares and 20,825 common share purchase warrants. See note 7(f) – Share Capital.

(iii) On June 29, 2018, a total of 1,000,000 common share purchase warrants were issued by the Company in connection with Tranche 1 of the 2018 Offering. See note 7(a) – Share Capital.

(iv) On June 29, 2018, also in connection with Tranche 1 of the 2018 Offering, a total of 79,442 broker warrants were issued. See note 7(a) – Share Capital.

(v) On September 6, 2018, a total of 109,700 common share purchase warrants were issued by the Company in connection with Tranche 2 of the 2018 Offering. See note 7(b) – Share Capital.

(vi) See note 17 – Subsequent Events.

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9. WARRANTS, Continued

The following summarizes the warrants and Agents' Options activity and outstanding warrants and Agents' Options for the nine months ended September 30, 2018:

	Number of Warrants/ Agents' Options	Weighted Average Exercise Price	Estimated Fair Value
Balance – December 31, 2017	1,744,645	\$2.92	\$883,874
Exercised (note 9(i))	(530,536)	\$(3.00)	(248,776)
Exercised (note 9(ii))	(41,650)	\$(2.00)	(38,530)
Issued upon exercise of agents' options ⁽¹⁾	20,825	\$3.00	15,000
Issued ⁽²⁾ (note 9(iii))	1,000,000	\$3.00	525,000
Issued ⁽²⁾ (note 9(iv))	79,442	\$3.00	43,810
Issued ⁽³⁾ (note 9(v))	109,700	\$3.00	53,000
Balance – September 30, 2018	2,382,426	\$2.95	\$1,233,378

⁽¹⁾ The warrants expire October 19, 2018

⁽²⁾ The warrants expire December 29, 2019

⁽³⁾ The warrants expire March 6, 2020

(v) The following summarizes the warrants outstanding at September 30, 2018:

Issued Number of Options	Exercise Price	Expiry Date	Estimated Fair Value
123,375	\$3.00	October 19, 2018	\$15,000
1,069,909	\$3.00	October 19, 2019	\$596,568
1,000,000	\$3.00	December 29, 2019	525,000
109,700	\$3.00	March 6, 2020	53,000
79,442	\$3.00	March 2, 2023	43,810
2,382,426			\$1,233,378

The above warrants have not been included in the computation of diluted net loss per share as they are anti-dilutive.

Option-pricing models require the use of highly subjective estimates and assumptions including the expected stock price volatility. Changes in the underlying assumptions described in Notes 7 and 9 can materially affect the fair value estimates.

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.

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10. KEY MANAGEMENT COMPENSATION EXPENSE, Continued

The remuneration of Key Management of the Company was:

For the nine months ended September 30,	2018	2017
Management fees ⁽¹⁾	\$200,619	\$139,413
Exploration management fees ⁽¹⁾	238,988	85,990
Director and advisor fees ⁽²⁾	49,475	49,631
Stock-based compensation for key management ⁽³⁾	833,314	208,508
Total key management compensation expense	\$1,322,396	\$483,542

(1) This includes 100% CFO fees, Toronto, 100% salary/benefits of the Country Manager, Ecuador, and 30% of the President's compensation. The remaining 70% of the President's compensation and 100% of the compensation paid to the VPX has been charged to exploration. In 2017, this is 100% CFO fees including a \$25,000 performance bonus, 100% of the President's compensation since his start date of March 6, 2017 and 100% of the compensation paid to the VPX who started with the Company as an independent consultant.

(2) Director's fees are \$15,000 per annum or \$3,750 per quarter. From March 2, 2018 to June 13, 2018, Mr. Alfred Lenarciak served as a financial advisor to the Company, at a compensation rate equal to that of a Director. Mr. Lenarciak joined the Board of Directors on June 13, 2018 after being elected a Director at the Company's ASM, and his advisory position was terminated. See note 16 – Commitments and Contingencies.

(3) This figure is the fair value expense of vested stock options and RSU's granted to key management during the nine months ended September 30, 2018.

11. EXPLORATION EXPENDITURES

	Three months ended September 30,		Nine months ended September 30	
	2018	2017	2018	2017
ECUADOR	\$	\$	\$	\$
GEOLOGY/FIELD:				
Salaries, benefits	270,870	180,906	589,673	180,906
Project management	158,427	35,690	459,503	123,890
Travel, accommodation	84,979	(23,705)	292,447	-
Equipment, supplies	39,847	76,125	112,705	76,125
Office	32,284	-	123,708	-
GEOCHEMISTRY	83,006	-	218,505	-
GEOPHYSICS	11,969	532,072	28,716	532,072
Evaluation, studies	-	(29,868)	-	47,971
CORPORATE SOCIAL RESPONSIBILITY				
Fees, travel, supplies	151,016	242,407	406,303	242,407
Total expenses	832,398	1,013,627	2,231,560	1,203,371
Legal fees and other concession costs	3,619	81,440	69,247	81,440
Concession maintenance (note 4)	25,237	(242)	2,587,719	-
Total exploration expense - Ecuador	861,254	1,094,825	4,888,526	1,284,811

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11. EXPLORATION EXPENDITURES, Continued

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
SWITZERLAND	\$	\$	\$	\$
GEOLOGY/FIELD:				
Permit maintenance	215	(1,742)	479	3,197
Core storage	528	-	1,059	972
Total exploration expense – Switzerland	743	(1,742)	1,538	4,169
TOTAL EXPLORATION EXPENDITURES	861,997	1,093,083	4,890,064	1,288,980

12. SUPPLEMENTAL CASH FLOW INFORMATION

(a) Net change in non-cash working capital

	Nine months ended September 30,	
	2018	2017
Accounts receivable	\$(14,154)	\$-
Prepaid expenses and deposits	14,736	133,630
Accounts payable and accrued liabilities	(7,537)	(188,065)
	\$(6,955)	\$(54,435)

(b) Other

	Nine months ended September 30,	
	2018	2017
Issuance of broker warrants (notes 7,9)	\$43,810	\$133,398
Shares issued for settlement of debt (note 6)	\$280,000	\$750,000
Shares issued for acquisition of ESA	\$-	\$1,765,542

13. RELATED PARTY TRANSACTIONS

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

During the nine months ended September 30, 2018:

- (a) A total of \$112,500 (2017 - \$59,325), plus applicable taxes was charged to the Company by a management company controlled by the President, on account of management consulting fees (the "Fees").

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13. RELATED PARTY TRANSACTIONS, Continued

During the nine months ended September 30, 2018, continued

Included in accounts payable and accrued liabilities at September 30, 2018 is \$14,125 (December 31, 2017 - \$21,753) owed to the President's company, for unpaid consulting fees. These amounts are unsecured, non-interest bearing and due on demand.

- (b) A total of \$56,250 (2017 - \$80,088), plus applicable taxes was charged to the Company by a management company controlled by the Chief Financial Officer ("CFO"), on account of accounting consulting fees. Included in accounts payable and accrued liabilities at September 30, 2018 is \$7,063 (December 31, 2017 - \$nil) owed to the CFO's company, for unpaid consulting fees. These amounts are unsecured, non-interest bearing and due on demand.
- (c) A total of \$49,475 has been recorded as directors' and advisor fees. Included in accounts payable and accrued liabilities at September 30, 2018 is \$18,750 (December 31, 2017 - \$11,250) owed to the directors for unpaid directors' fees. These amounts are unsecured, non-interest bearing and due on demand.
- (d) During the nine months ended September 30, 2018, the Company incurred \$382,500 of service costs provided by a company controlled by a director/principal shareholder of the Company ("New ServiceCo") for certain services including office space, investor relations and marketing, administrative and IT services (the "Base Services"). These costs were allocated in the financial statements as follows: \$162,000 to office and general (including rent and administrative), \$63,000 for investor relations, marketing and IT and \$157,500 was charged to exploration expenses - office. Further, a one-time catch-up billing in the amount of \$36,340 was charged to the Company during this period, for unbilled services provided from 2017. Included in accounts payable and accrued liabilities at September 30, 2018 is \$68,396 (December 31, 2017 - \$55,162) owed to New ServiceCo, for unpaid services. These amounts are unsecured, non-interest bearing and due on demand. - See note 16 - Commitments and Contingencies.

14. RECLASSIFICATION OF PRIOR YEAR'S DATA FOR PRESENTATION

Certain of the 2017 comparative amounts have been reclassified to conform to the 2018 form of presentation.

15. SEGMENTED INFORMATION

At September 30, 2018, the Company's operations comprised one business segment engaged in mineral exploration and two operating segments - in Ecuador and Switzerland. Cash of \$2,339,308 (December 31, 2017 - \$665,333) is held in a Canadian chartered bank, \$207,050 (December 31, 2017 - \$5,483) being held in a chartered bank in Ecuador and the balance of \$273 (December 31, 2017 - \$530) being held in a chartered bank in Switzerland.

16. COMMITMENTS AND CONTINGENCIES

Environmental Contingencies

The Company's exploration activities are subject to various federal, provincial, municipal and international laws and regulations governing the protection of the environment. The Company conducts its operations so

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16. COMMITMENTS AND CONTINGENCIES, Continued

Environmental Contingencies, Continued

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 October 1, 2017, the Company engaged New ServiceCo to provide certain financial and administrative services to the Company (the "Base Services") at a monthly cost of \$42,500. These costs are allocated as follows: \$7,000 for investor relations and marketing, \$18,000 for general and office (including rent) and the remaining \$17,500 for costs directly related to the Project. Any additional services to be performed over and above the Base Services must be pre-approved. Termination of the arrangement can be effected with 90 days' notice by either party.

The President provides management services to the Company through a personal management company pursuant to a one-year, renewable consulting agreement. The President's annual compensation is \$150,000. Should the Company effect early termination of the agreement, a three-month notice period is required and Dr. Spencer would be entitled to an additional lump-sum cash payment equal to nine months of monthly retainer fee. Should Dr. Spencer's agreement be terminated due to a change of control, additional compensation would be payable to a maximum of two years' retainer fees and any unvested options would vest immediately.

The Company's CFO provides financial/accounting and corporate secretarial services to the Company pursuant to an annual, renewable consulting agreement, also through a personal management company. The CFO's annual compensation is \$75,000. Early termination of the agreement requires 90 days' written notice by either party.

The Company's VPX provides geological/technical consulting services to the Company, through ESA, pursuant to a consulting agreement. The VPX's annual compensation is USD124,188 plus benefits. Should the Company terminate his contract without cause or if he is constructively dismissed, on or before January 1, 2021, he is entitled to receive nine months' salary plus an additional 25% of his monthly salary for each year or fraction of a year, worked for ESA. If early termination occurs after this date, he will receive 125% of one-month's salary for each year or fraction of a year worked for ESA.

The Company runs its corporate social responsibility ("CSR") program under the guidance of a Toronto consulting firm, in tandem with the Project exploration program. Compensation for services provided by the consultants is stipulated at \$1,000 per diem for up to 10 days per month ("the base services"). Any additional services to be performed over and above the base services must be pre-approved in writing. Either party may terminate the CSR Contract with 30 days' written notice. This arrangement continues.

On March 2, 2018, the Company appointed Mr. Alfred Lenarciak as an independent special financial advisor to the Board. His compensation was \$15,000 per annum and the Board granted to him, 150,000 five-year stock options, with an exercise price of \$2.89. At the ASM held June 13, 2018, Mr. Lenarciak joined the Board of Directors. Upon becoming a director, Mr. Lenarciak's advisory engagement was terminated. See note 10 – Key Management Compensation Expense.

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17. SUBSEQUENT EVENTS

Warrants Extended, Expired and Exercised

- (a) On September 12, 2018, the Company announced the extension of the expiry date of the non-broker warrants issued pursuant to the Company's 2017 Offering, until October 19, 2019. The extended warrants are subject to Company's acceleration option that allows the Company to accelerate the expiration date to a date which is 30 days following the date on the acceleration notice in the event that the average trading price of the common shares exceeds \$3.00 for a period of 20 consecutive days.
- (b) Pursuant to securities regulations, the Company was unable to extend the broker warrants from the 2017 Offering and therefore a total of 68,907 broker warrants expired on October 19, 2018.
- (c) On October 18, 2018, 96,163 agents' compensation options were exercised for 96,163 common shares, for proceeds of \$192,326.