



*Condensed Consolidated Interim Financial Statements of*

**AURION RESOURCES LTD.**

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



## **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

The accompanying unaudited condensed consolidated interim financial statements of Aurion Resources Ltd. for the three and nine months ended September 30, 2018 and 2017 have been prepared by and are the responsibility of the Company's management.

The Company's independent auditors have not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

# **AURION RESOURCES LTD.**

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**AURION RESOURCES LTD.****Condensed Consolidated Interim Statements of Financial Position****(Expressed in Canadian Dollars - unaudited)**

	<b>As at September 30, 2018</b>	<b>As at December 31, 2017</b>
	<b>\$</b>	<b>\$</b>
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	<b>3,454,632</b>	11,769,799
Short-term investments (Note 6)	<b>9,590,328</b>	7,619,425
Reclamation deposit	<b>52,204</b>	52,204
Receivables	<b>506,876</b>	367,373
Prepaid expenses	<b>153,019</b>	120,364
Marketable securities (Note 5)	<b>882,000</b>	481,150
	<b>14,639,059</b>	20,410,315
EXPLORATION AND EVALUATION ASSETS (Note 7)	<b>11,621,467</b>	6,503,915
PROPERTY AND EQUIPMENT (Note 8)	<b>232,339</b>	143,293
	<b>26,492,865</b>	27,057,523
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Trade payables and accrued liabilities	<b>1,110,772</b>	465,686
<b>SHAREHOLDERS' EQUITY</b> (Note 9)	<b>25,382,093</b>	26,591,837
	<b>26,492,865</b>	27,057,523

BASIS OF PREPARATION (Note 2)

AUTHORIZED FOR ISSUE ON BEHALF OF THE BOARD OF DIRECTORS ON November 26, 2018:

"Richard Graham" Director"Michael Basha" Director

See accompanying notes to the consolidated financial statements

**AURION RESOURCES LTD.****Condensed Consolidated Interim Statements of Operations and Comprehensive Loss**

(Expressed in Canadian Dollars - unaudited)

	<b>For the three months ended September 30, 2018</b>	For the three months ended September 30, 2017	<b>For the nine months ended September 30, 2018</b>	For the nine months ended September 30, 2017
			\$	\$
<b>INCOME</b>				
Interest income	<b>56,651</b>	20,871	<b>177,853</b>	51,874
	<b>56,651</b>	20,871	<b>177,853</b>	51,874
<b>EXPENSES</b>				
Share-based payments (Notes 9 and 11)	<b>700,858</b>	-	<b>700,858</b>	3,144,110
Wages and benefits (Note 11)	<b>228,449</b>	95,762	<b>681,436</b>	270,491
General and administrative	<b>118,749</b>	139,733	<b>472,212</b>	336,090
Professional fees	<b>67,026</b>	46,996	<b>133,735</b>	102,400
Depreciation (Note 8)	<b>26,767</b>	11,437	<b>70,834</b>	16,500
Unrealized (gain) loss on marketable securities (Note 5)	<b>101,000</b>	(5,924)	<b>148,000</b>	(46,218)
Accounting	<b>13,227</b>	8,311	<b>27,810</b>	24,615
Consulting fees	<b>3,190</b>	2,625	<b>10,245</b>	15,825
Interest and bank charges	<b>1,479</b>	3,164	<b>5,331</b>	7,134
Property investigation costs	<b>13,217</b>	-	<b>33,038</b>	-
Gain on sale of marketable securities (Note 5)	-	-	<b>(121,663)</b>	-
Foreign exchange (gain) loss	<b>(13,760)</b>	4,206	<b>(37,138)</b>	(16,357)
Write-down of exploration and evaluation assets (Note 7)	-	79,304	<b>72,856</b>	121,811
	<b>(1,260,200)</b>	(385,614)	<b>(2,197,554)</b>	(3,976,401)
<b>NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b>(1,203,549)</b>	(364,743)	<b>(2,019,701)</b>	(3,924,527)
<b>LOSS PER COMMON SHARE - BASIC AND DILUTED</b>	<b>(0.017)</b>	(0.006)	<b>(0.029)</b>	(0.064)
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - BASIC AND DILUTED</b>	<b>69,225,489</b>	62,133,268	<b>69,204,349</b>	60,913,566

See accompanying notes to the consolidated financial statements

**AURION RESOURCES LTD.**

**Condensed Consolidated Interim Statements of Changes in Shareholders' Equity**

(Expressed in Canadian Dollars - unaudited)

		Share capital	Warrants	Share-based payment reserve	Expired stock options and warrants reserve	Deficit	Total equity
	Number of shares	\$	\$	\$	\$	\$	\$
Balance, December 31, 2016	55,277,391	10,679,466	-	368,888	3,294,203	(10,714,495)	3,628,062
Total comprehensive loss for September 30, 2017						(3,924,617)	(3,924,617)
Shares issued for private placements	12,637,497	24,576,116	-	-	-	-	24,576,116
Shares issued for property acquisition	83,072	139,910	-	-	-	-	139,910
Exercise of stock options	650,000	157,446	-	(61,446)	-	-	96,000
Exercise of finders' warrants	17,766	50,135	(23,485)	-	-	-	26,650
Share-based payments	-	-	-	3,144,110	-	-	3,144,110
Share issuance costs	-	(1,083,794)	458,263	-	-	-	(625,531)
<b>Balance, September 30, 2017</b>	<b>68,665,726</b>	<b>34,519,279</b>	<b>434,778</b>	<b>3,451,552</b>	<b>3,294,203</b>	<b>(14,639,112)</b>	<b>27,060,699</b>
Balance, December 31, 2017	68,923,708	34,583,719	424,226	3,765,560	3,294,203	(15,475,871)	26,591,837
Total comprehensive loss for September 30, 2018						(2,019,701)	(2,019,701)
Expiry of stock options	-	-	-	(314,280)	314,280	-	-
Exercise of stock options	460,000	181,257	-	(72,158)	-	-	109,099
Share-based payments	-	-	-	700,858	-	-	700,858
Share issuance costs	-	-	-	-	-	-	-
<b>Balance, September 30, 2018</b>	<b>69,383,708</b>	<b>34,764,976</b>	<b>424,226</b>	<b>4,079,980</b>	<b>3,608,483</b>	<b>(17,495,572)</b>	<b>25,382,093</b>

See accompanying notes to the consolidated financial statements

# AURION RESOURCES LTD.

## Condensed Consolidated Interim Statements of Cash Flows

(Expressed in Canadian Dollars - unaudited)

	<b>For the nine months ended September 30, 2018</b>	For the nine months ended September 30, 2017
	<b>\$</b>	<b>\$</b>
<b>OPERATING ACTIVITIES</b>		
Net loss	<b>(2,019,701)</b>	(3,924,617)
Items not affecting cash:		
Depreciation	<b>70,834</b>	16,500
Accrued interest income	<b>(98,124)</b>	(51,784)
Unrealized loss (gain) on marketable securities	<b>148,000</b>	(46,218)
Gain on sale of marketable securities	<b>(121,663)</b>	-
Share-based payments	<b>700,858</b>	3,144,110
Write-down of exploration and evaluation assets	<b>72,856</b>	121,811
Changes in non-cash operating working capital (Note 10)	<b>472,928</b>	353,706
	<b>(774,012)</b>	(386,491)
<b>INVESTING ACTIVITIES</b>		
Exploration and evaluation expenditures, net	<b>(5,832,408)</b>	(2,653,335)
Interest income received	<b>67,221</b>	5,759
Short-term investments	<b>(1,940,000)</b>	(5,035,000)
Reclamation deposit	-	(22,164)
Purchase of property and equipment	<b>(159,880)</b>	(110,593)
Proceeds from sale of marketable securities	<b>214,813</b>	-
	<b>(7,650,254)</b>	(7,815,333)
<b>FINANCING ACTIVITIES</b>		
Proceeds from issuance of share capital - net	<b>109,099</b>	24,073,234
<b>INCREASE (DECREASE) IN CASH</b>	<b>(8,315,167)</b>	15,871,410
<b>CASH, BEGINNING OF PERIOD</b>	<b>11,769,799</b>	666,662
<b>CASH, END OF PERIOD</b>	<b>3,454,632</b>	16,538,072

SUPPLEMENTAL CASH FLOW INFORMATION (NOTE 10)

See accompanying notes to the consolidated financial statements

# **AURION RESOURCES LTD.**

## **Notes to the Condensed Consolidated Interim Financial Statements**

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

**(unaudited - expressed in Canadian Dollars)**

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### **1. DESCRIPTION OF BUSINESS**

Aurion Resources Ltd. (the “Company”) was incorporated under the *Business Corporations Act (Alberta)* on April 6, 2006 and was continued into British Columbia on August 10, 2018 under the *Business Corporations Act (British Columbia)*. The Company was listed on the TSX Venture Exchange (the “Exchange”) on October 3, 2008. The Company has its registered head office at 6204 125<sup>th</sup> Street, Surrey, BC, Canada, and its principal office is 120 Torbay Road, Suite W240, St. John’s, Newfoundland and Labrador, Canada. The Company and its wholly-owned subsidiaries, are engaged in the evaluation, acquisition and exploration of mineral properties in Canada, Mexico, the United States, Sweden and Finland. The Company plans to ultimately develop the properties, bring them into production, option or lease properties to third parties, or sell the properties outright. The Company has not determined whether these properties contain ore reserves that are economically recoverable and the Company is considered to be in the exploration stage.

These condensed consolidated interim financial statements (the “financial statements”) for the three and nine months ended September 30, 2018 were authorized for issuance by the Board of Directors of the Company on November 26, 2018.

### **2. BASIS OF PREPARATION**

#### *Statement of compliance*

These financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting (“IAS 34”), using accounting policies consistent with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

#### *Basis of consolidation and presentation*

These financial statements reflect the financial position, results of operations and cash flows of the Company and its wholly owned subsidiaries: Minera Aurion de Mexico S.A. de C.V., Aurion Resources (US) LLC, Aurion Resources AB, Aurion Resources Oy and FennoEx Oy. All inter-company transactions and balances have been eliminated upon consolidation.

The financial statements of the Company have been prepared in accordance with IFRS on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. The Company does not have any proven economically recoverable reserves, has continuous losses, and at September 30, 2018, the Company had an accumulated deficit of \$17,495,572 (December 31, 2017 - \$15,475,871). However, management has assessed that the working capital is sufficient for the Company to continue as a going concern beyond one year. The success of the Company and the recoverability of exploration costs are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain financing to fund and complete the development of such reserves, the ability of the Company to satisfy obligations as they come due and upon future profitable production from the properties or proceeds from disposition. The Company’s ability to raise additional funds is dependent on favourable conditions in equity and alternative investment markets, which are volatile and subject to significant uncertainty.

# **AURION RESOURCES LTD.**

## **Notes to the Condensed Consolidated Interim Financial Statements**

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

**(unaudited - expressed in Canadian Dollars)**

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### **2. BASIS OF PREPARATION (Continued)**

The amounts shown as exploration and evaluation assets represent net costs to date less write-offs and do not necessarily represent present or future values. Although the Company has taken steps to verify title to mineral properties 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 unregistered prior agreements or transfers and may be affected by undetected defects. If the going concern assumption was not appropriate for these financial statements, adjustments would be necessary to the carrying value of assets and liabilities, the reported net loss and the statement of financial position classifications used.

#### *Basis of measurement*

These financial statements have been prepared on a historical cost basis, except for financial assets classified as at fair value through profit or loss, which are measured at fair value. Additionally, these interim condensed financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

#### *Currency of presentation*

All amounts are expressed in Canadian dollars, unless otherwise stated.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

These financial statements should be read in conjunction with the Company's annual consolidated financial statements and accompanying notes for the year ended December 31, 2017. These financial statements have been prepared using the same accounting policies as described in the Company's December 31, 2017 consolidated financial statements.

### **4. CAPITAL MANAGEMENT**

The capital structure of the Company consists of capital and equity comprising share capital, warrants, reserves and deficit. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The properties in which the Company has an interest are in the exploration stage; as such, the Company has historically relied on the equity markets to fund its activities. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis which remains unchanged from the year ended December 31, 2017. The Company is not subject to externally imposed capital requirements.

## AURION RESOURCES LTD.

### Notes to the Condensed Consolidated Interim Financial Statements

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

(unaudited - expressed in Canadian Dollars)

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#### 5. MARKETABLE SECURITIES

Marketable securities consist of common shares listed on an active market that have been received pursuant to mineral property option agreements (Note 7). Changes in marketable securities outstanding are as follows:

	<b>Total \$</b>
<hr/>	
<u>Cost</u>	
December 31, 2017	373,920
Additions	642,000
Disposals	(16,920)
September 30, 2018	<u>999,000</u>
<hr/>	
<u>Fair Value</u>	
December 31, 2017	481,150
Additions	642,000
Disposals	(214,813)
Realized gain	121,663
Unrealized gain (loss)	(148,000)
September 30, 2018	<u>882,000</u>
<hr/>	
<u>Cost</u>	
December 31, 2016	373,920
Additions	-
Disposals	-
September 30, 2017	<u>373,920</u>
<hr/>	
<u>Fair Value</u>	
December 31, 2016	361,952
Additions	-
Disposals	-
Realized gain	-
Unrealized gain	46,218
September 30, 2017	<u>408,170</u>

The valuation of these shares has been determined in whole by reference to the bid price of the shares on the Exchange or the Canadian Securities Exchange ("CSE") at each reporting period.

# AURION RESOURCES LTD.

## Notes to the Condensed Consolidated Interim Financial Statements

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

(unaudited - expressed in Canadian Dollars)

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### 6. FINANCIAL INSTRUMENTS

Financial instruments recorded at fair value on the consolidated statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 – valuation based on quoted prices (unadjusted) observed in active markets for identical assets or liabilities

Level 2 – valuation techniques based on inputs that are quoted prices or similar instruments in active markets; inputs other than quoted prices used in a valuation model that are observable for that instrument; and inputs that are derived principally from or corroborated by observable market data by correlation or other means

Level 3 – valuation techniques with significant unobservable market inputs

The Company does not have any level 2 or 3 fair value measurements, and there have been no transfers between levels.

<b>As at September 30, 2018</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total financial assets at fair value</b>
<b>Financial assets</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Cash</b>	3,454,632	-	-	3,454,632
<b>Short-term investments</b>	9,590,328	-	-	9,590,328
<b>Marketable securities</b>	882,000	-	-	882,000
<b>Total financial assets</b>	<b>13,926,960</b>	<b>-</b>	<b>-</b>	<b>13,926,960</b>

#### *Financial Risk Factors*

The Company has exposure to credit risk, liquidity risk and market risk. The Company's Board of Directors has the overall responsibility for the oversight of these risks and reviews the Company's policies on an ongoing basis to ensure that these risks are appropriately managed, which are summarized below:

#### *Credit risk*

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to receivables, which is mainly comprised of government tax refunds. Management believes that the credit risk concentration with respect to financial instruments included in the receivables is not significant. The Company holds cash and invests it in interest bearing deposit accounts at its financial institution. Management believes that the associated credit risk for its invested cash is low.

# AURION RESOURCES LTD.

## Notes to the Condensed Consolidated Interim Financial Statements

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

(unaudited - expressed in Canadian Dollars)

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### 6. FINANCIAL INSTRUMENTS (Continued)

#### *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. As at September 30, 2018, the Company had cash of \$3,454,632 to settle current liabilities of \$1,110,772. To the extent that the Company does not believe it has sufficient liquidity to meet its current obligations, the Board of Directors considers securing additional funds through equity or partnering transactions. All of the Company's financial liabilities are short-term in nature and are subject to normal trade terms.

#### *Market risk*

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

(a) Interest rate risk – The Company has cash balances subject to interest rate risk. The Company's current policy is to invest excess cash in either interest bearing deposit accounts or Guaranteed Income Certificates ("GICs") issued by its financial institutions. As of September 30, 2018, the Company held deposits in a short-term savings accounts at a variable interest rate. A 0.5% change in interest rates would change the Company's net loss by approximately \$47,952. Management believes it has minimal exposure to interest rate risk.

(b) Foreign exchange risk - The Company transacts certain business in Euro, Swedish Kroner, U.S. Dollars and Mexican Pesos, and therefore is subject to foreign exchange risk on certain receivables, trade payables and cash balances. The Company attempts to mitigate these risks by managing its foreign exchange inflows and outflows. No hedging instruments have been used by the Company, however, depending upon the nature and level of future foreign exchange transactions, consideration may be given to the use of hedging instruments. The Company believes that it adequately manages its foreign exchange risk, and the risk is minimal.

The following table shows the net exposures in US dollars, Swedish Kroner and Euro at September 30, 2018.

	<b>US\$</b>	<b>Euro</b>	<b>SEK</b>
Cash	<b>59,877</b>	<b>585,383</b>	<b>3,470,335</b>
Receivables	-	<b>282,146</b>	-
Trade payables	-	<b>(359,524)</b>	<b>(7,438)</b>
Net currency exposure	<b>59,877</b>	<b>508,005</b>	<b>3,462,897</b>

Based on the above currency exposures, a 10% change in the value of each currency to the value of the Canadian dollar would impact the Company's net loss by:

	<b>US\$</b>	<b>Euro</b>	<b>SEK</b>
	<b>5,988</b>	<b>50,800</b>	<b>346,290</b>

# AURION RESOURCES LTD.

## Notes to the Condensed Consolidated Interim Financial Statements

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

(unaudited - expressed in Canadian Dollars)

### 6. FINANCIAL INSTRUMENTS (Continued)

(c) Equity risk – The Company is exposed to market risk because of the fluctuating values of its publicly traded marketable securities. The Company has no control over these fluctuations and does not hedge its investments. Based on the September 30, 2018 value of the marketable securities every 10% increase or decrease in the share prices of these companies would have impacted the loss for the period, up or down, by approximately \$88,200.

### 7. EXPLORATION AND EVALUATION ASSETS

As at September 30, 2018

Geographical Area	Balance, Beginning of	Additions	Receipts	Properties	Balance, End of
	Year		From Partners	Written Down	Period
	\$	\$	\$	\$	\$
Finland	5,774,951	5,122,407	(124,503)	(69,720)	10,703,135
Sweden	234,850	102,249	-	-	337,099
United States	494,114	87,119	-	-	581,233
Mexico	-	3,136	-	(3,136)	-
	<b>6,503,915</b>	<b>5,314,911</b>	<b>(124,503)</b>	<b>(72,856)</b>	<b>11,621,467</b>

As at December 31, 2017

Geographical Area	Balance, Beginning of	Additions	Receipts	Properties	Balance, End of
	Year		From Partners	Written Down	Year
	\$	\$	\$	\$	\$
Finland	1,642,844	4,239,004	-	(106,897)	5,774,951
Sweden	-	264,006	-	(29,156)	234,850
United States	422,326	71,788	-	-	494,114
Mexico	-	5,438	-	(5,438)	-
	<b>2,065,170</b>	<b>4,580,236</b>	<b>-</b>	<b>(141,491)</b>	<b>6,503,915</b>

# **AURION RESOURCES LTD.**

## **Notes to the Condensed Consolidated Interim Financial Statements**

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

**(unaudited - expressed in Canadian Dollars)**

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### **7. EXPLORATION AND EVALUATION ASSETS (Continued)**

- (a) On August 13, 2015, the Company signed a binding Letter Agreement with B2Gold Corp. (“B2Gold”), granting B2Gold the right to earn up to an undivided 75% interest of an approximately 25,000 ha project area that includes the Kutuvuoma and Ahvenjarvi projects in Finland.

On January 18, 2016, the Company formalized a definitive Option Agreement with B2Gold consistent with the terms of the binding Letter agreement signed on August 12, 2015.

Under the terms of the Option Agreement B2Gold must complete \$5,000,000 in exploration expenditures, pay the Company \$50,000 cash and issue 550,000 B2Gold shares over 4 years to earn an initial 51% interest. B2Gold can earn an additional 19% interest by spending a further \$10,000,000 over 2 years. B2Gold can earn an additional 5% interest (for a total of 75%) by completing a bankable feasibility study. The first-year commitment of \$750,000 in exploration expenditures, including 2,000 meters of drilling and payment of \$50,000 cash and 50,000 B2Gold shares, is guaranteed. The Company received a total of 350,000 B2Gold shares to September 30, 2018 (Note 4). A finder's fee with respect to this transaction, was approved by the Exchange and paid by the Company (Note 9).

- (b) On January 6, 2011, the Company signed an Option Agreement with Genesis Gold Corp (“Genesis”), whereby it has an option to purchase a 100% interest in the Bull Property in east-central Nevada, subject to a 2% NSR, by making annual cash payments starting at US\$10,000 (paid) increasing to a maximum US\$125,000 beginning in year 6. The option to purchase can be executed at any time by making a one-time cash payment of US\$3,000,000 less any payments already made.

On December 17, 2015, the Company signed a Letter Agreement to amend the terms of the Bull Option Agreement. Under the terms of the amendment, the lease payment for 2016 was reduced to US\$10,000 and the lease payments for the years 2017 through 2027 were to remain at US\$125,000 per year.

On October 18, 2016, the Company received notice of termination of the Exploration, Development and Mine Operating Agreement entered into on November 12, 2012 with Midway Gold US Inc. for the Bull property in Nevada.

On November 5, 2016, the Company signed a Letter Agreement to amend the terms of the Bull Property Option Agreement with Genesis for the second time. Under the terms of the amendment, the lease payment for 2017 will be waived and the lease payments for the years 2018 through 2027 will remain at US\$125,000 per year.

On December 1, 2017, the Company entered into a Restated Mineral Lease and Option to Purchase Agreement to replace the original agreement entered into with Genesis on January 6, 2011 for the Bull Property. Under the terms of the agreement, US\$10,000 is due on signing and the annual lease payments will resume on December 1, 2018 starting at US\$15,000 and increasing each year to US\$95,000 by 2028. Lease payments for the years 2029 through 2031 will remain at US\$100,000 per year. The option to purchase can be executed at any time by making a one-time US\$3,000,000 cash payment less any payments already made.

## AURION RESOURCES LTD.

### Notes to the Condensed Consolidated Interim Financial Statements

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

(unaudited - expressed in Canadian Dollars)

#### 7. EXPLORATION AND EVALUATION ASSETS (Continued)

- (c) On December 5, 2016, the Company entered into an agreement with Tertiary Minerals plc (“Tertiary”) for the purchase of two gold projects in Northern Finland known as the Kaasselka and Kiekeromaa prospects. The Company paid £15,000 in cash and issued £85,000 in common shares (Note 9) for a 100% ownership interest in both projects subject to certain royalties including a Pre-Production Royalty of US\$1.00 to \$3.00/ounce gold following the definition of a NI 43-101 (or equivalent) Code compliant Inferred, Indicated and/or Measured Mineral Resources Estimate respectively, on either project. Tertiary will retain a 2% NSR royalty on all future gold production from either project of which the Company can purchase 50% of the NSR from Tertiary for US\$1,000,000 at any time prior to commencement of commercial production on either project.
- (d) On January 31, 2018, the Company signed a non-binding Letter of Intent (“LOI”) with Kinross Gold Corporation (“Kinross”), granting Kinross the right to earn up to an undivided 70% interest in the Outa project, an area covering approximately 15,000 ha in Northern Finland. Under the terms of the LOI, Kinross must spend US\$5,000,000 over 5 years to earn a 70% interest in the project and Kinross has agreed to expend a firm US\$1,000,000 on exploration of the project within the first 2 years.

On August 17, 2018, the Company entered into an Option Agreement with Kinross pursuant to the terms of the LOI signed on January 31, 2018.

#### 8. PROPERTY AND EQUIPMENT

	Leasehold Improvements	Computers	Furniture and Equipment	Total
	\$	\$	\$	\$
<b>Cost:</b>				
At December 31, 2017	-	109,489	64,545	174,034
Additions	28,700	28,994	102,184	159,878
Disposals	-	-	-	-
At September 30, 2018	28,700	138,483	166,729	333,912
<b>Depreciation:</b>				
At December 31, 2017	-	29,804	936	30,740
Additions	12,300	39,466	19,067	70,833
Disposals	-	-	-	-
At September 30, 2018	12,300	69,270	20,003	101,573
<b>Carrying value:</b>				
At December 31, 2017	-	79,685	63,609	143,294
At September 30, 2018	16,400	69,213	146,726	232,339

## AURION RESOURCES LTD.

### Notes to the Condensed Consolidated Interim Financial Statements

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

(unaudited - expressed in Canadian Dollars)

#### 8. PROPERTY AND EQUIPMENT (Continued)

	Leasehold Improvements	Computers	Furniture and Equipment	Total
	\$	\$	\$	\$
<b>Cost:</b>				
At December 31, 2016	13,641	34,999	13,264	61,904
Additions	-	105,263	64,545	169,808
Disposals	(13,641)	-	-	(13,641)
At December 31, 2017	-	140,262	77,809	218,071
<b>Depreciation:</b>				
At December 31, 2016	13,641	32,786	13,264	59,691
Additions	-	27,792	936	28,728
Disposals	(13,641)	-	-	(13,641)
At December 31, 2017	-	60,578	14,200	74,778
<b>Carrying value:</b>				
At December 31, 2016	-	2,213	-	2,213
<b>At December 31, 2017</b>	<b>-</b>	<b>79,684</b>	<b>63,609</b>	<b>143,293</b>

#### 9. SHAREHOLDERS' EQUITY

##### *Share Capital*

##### *Authorized*

An unlimited number of common shares with no par value

An unlimited number of preferred shares issuable in series

##### *Issued during the nine months ended September 30, 2018:*

On January 22, 2018, the Company issued 250,000 common shares pursuant to the exercise of stock options for gross proceeds of \$62,500 (\$0.25 per share). The Company also recorded a fair value transfer between share-based payments reserve and share capital of \$27,910 in connection with the exercise.

On March 1, 2018, the Company issued 35,000 common shares pursuant to the exercise of stock options for gross proceeds of \$9,100 (\$0.26 per share). The Company also recorded a fair value transfer between share-based payments reserve and share capital of \$9,088 in connection with the exercise.

# AURION RESOURCES LTD.

## Notes to the Condensed Consolidated Interim Financial Statements

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

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### 9. SHAREHOLDERS' EQUITY (Continued)

On August 27, 2018, the Company issued 175,000 common shares pursuant to the exercise of stock options for gross proceeds of \$37,500 (125,000 options at \$0.26 per share and 50,000 options at \$0.10 per share). The Company also recorded a fair value transfer between share-based payments reserve and share capital of \$35,159 in connection with the exercise.

*Issued during the year ended December 31, 2017:*

On February 6, 2017, the Company issued 50,000 common shares pursuant to the exercise of stock options for gross proceeds of \$13,000 (\$0.26 per share). The Company also recorded a fair value transfer between share-based payments reserve and share capital of \$2,700 in connection with the exercise.

On February 24, 2017, the Company issued 5,783,997 common shares at \$1.50 per share for gross proceeds of \$8,675,996 pursuant to a non-brokered private placement. With respect to this transaction, cash finders' fees of \$520,560, being 6% of the proceeds were paid and 347,039 finders' warrants were issued, being 6% of the number of common shares issued. The fair value of the finders' warrants granted was estimated at \$458,263 (\$1.32 per warrant) based on the Black-Scholes option pricing model, with the following assumptions: risk-free interest rate of 0.75%, volatility of 200%, dividend yield of 0%, forfeiture rate of 0%, and an expected life of 2 years. The Company incurred other costs of \$59,140 for total share issuance costs in connection with the non-brokered private placement of \$1,037,963.

On March 14, 2017, the Company issued 83,072 common shares to Tertiary valued at \$1.68 per share (total value of \$139,910) for the purchase of two gold projects from Tertiary pursuant to the terms of a purchase agreement dated December 1, 2016 (Note 7(c)).

On March 27, 2017, the Company issued 25,000 common shares pursuant to the exercise of stock options for gross proceeds of \$6,250 (\$0.25 per share). The Company also recorded a fair value transfer between share-based payments reserve and share capital of \$2,790 in connection with the exercise.

On April 4, 2017, the Company issued a total of 575,000 common shares pursuant to the exercise of stock options for gross proceeds of \$76,750. The Company also recorded a fair value transfer between share-based payments reserve and share capital of \$35,370 in connection with the exercise.

On September 13, 2017, the Company issued 6,853,500 common shares at \$2.32 per share for gross proceeds of \$15,900,120 pursuant to a non-brokered private placement. The Company incurred share issuance costs of \$45,830 in connection with the non-brokered private placement.

On September 14, 2017, the Company issued 17,766 common shares pursuant to the exercise of warrants for gross proceeds of \$26,650 (\$1.50 per share). The Company also recorded a fair value transfer between share-based payments reserve and share capital of \$23,485 in connection with the warrants exercised.

On November 3, 2017, the Company issued a total of 250,000 common shares pursuant to the exercise of stock options for gross proceeds of \$49,000. The Company also recorded a fair value transfer between share-based payments reserve and share capital of \$13,500 in connection with the exercise.

# AURION RESOURCES LTD.

## Notes to the Condensed Consolidated Interim Financial Statements

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### 9. SHAREHOLDERS' EQUITY (Continued)

On December 27, 2017, the Company issued 7,982 common shares pursuant to the exercise of warrants for gross proceeds of \$11,973 (\$1.50 per share). The Company also recorded a fair value transfer between share-based payments reserve and share capital of \$10,552 in connection with the exercise.

#### *Preferred shares*

The preferred shares which have been authorized may be issued in one or more series and the directors are authorized to fix the number of shares in each series and to determine the designation, rights, privileges, restrictions and conditions attached to the shares of each series. No preferred shares have been issued from incorporation to September 30, 2018.

#### *Deferred Share Units*

The Company has a Deferred Share Unit Plan ("DSU Plan") under which Deferred Share Units ("DSUs") may be granted to directors, officers and employees of the Company. The purpose of the Company's DSU Plan is to advance the interests of the Company by: (i) aligning the interests of directors, officers and employees with the interests of the shareholders; (ii) encouraging directors, officers and employees to remain associated with the Company; and (iii) furnishing directors, officers and employees with an additional incentive in their efforts on behalf of the Company. DSUs are redeemable upon departure from the Company, at the holder's option, and will be settled in cash from the general assets of the Company. The fair value of DSUs granted will be recorded as a bookkeeping entry on the books of the Company, the value of which on any particular date being equal to the market value of the Company shares.

On July 31, 2018, the Company granted 92,592 DSUs to certain officers under its DSU Plan at a market value of \$0.81 per DSU. These DSUs will vest one third on each of July 31, 2019, July 31, 2020, and July 31, 2021.

#### *Stock options*

The Company has a Stock Option Plan under which options to purchase common shares in the Company may be granted to directors, officers, key employees and consultants of the Company. The maximum number of options which may be granted to directors, officers, key employees and consultants of the Company, under the stock option plan is equivalent to 10% of the issued and outstanding common shares of the Company. The exercise price for the options is set by the Company at an amount equal to the Exchange trading price on the day preceding the date the options are granted, less any applicable discount as permitted by the Exchange policies as decided by the Company. The exercise period for the options is determined by the Company at the time the options are granted and shall not exceed ten years. Vesting terms for the options are also determined by the Company at the time of grant. Changes in stock options outstanding are as follows:

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### 9. SHAREHOLDERS' EQUITY (Continued)

	September 30, 2018		
	Number	Amount (\$)	Weighted-Average Exercise Price (\$)
Balance, December 31, 2017	4,825,000	3,765,560	0.86
Granted	2,060,000	700,858	1.07
Exercised	(460,000)	(72,158)	(0.22)
Expired	(450,000)	(707,130)	(1.33)
Balance, September 30, 2018	5,975,000	3,687,130	0.95

	December 31, 2017		
	Number	Amount (\$)	Weighted-Average Exercise Price (\$)
Balance, December 31, 2016	3,550,000	368,888	0.14
Granted	2,175,000	3,451,032	1.75
Exercised	(900,000)	(54,360)	(0.16)
Expired	-	-	-
Balance, December 31, 2017	4,825,000	3,765,560	0.86

The following table summarizes information about stock options outstanding and exercisable:

Exercise Price (\$)	Total Outstanding Options			Total Exercisable Options		
	Number of Outstanding Options	Remaining Contractual Life	Weighted-Average Exercise Price (\$)	Number of Exercisable Options	Remaining Contractual Life	Weighted-Average Exercise Price (\$)
0.10	2,000,000	2.30	0.10	2,000,000	2.30	0.10
0.26	190,000	2.75	0.26	190,000	2.75	0.26
1.00	400,000	4.31	1.00	200,000	4.31	1.00
1.10	1,410,000	4.44	1.10	705,000	4.44	1.10
1.75	1,975,000	3.53	1.75	1,975,000	3.53	1.75
	5,975,000	3.59	0.95	5,070,000	3.15	0.92

# AURION RESOURCES LTD.

## Notes to the Condensed Consolidated Interim Financial Statements

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### 9. SHAREHOLDERS' EQUITY (Continued)

#### *Share-based payment reserve*

The stock option reserve records items recognized as share-based compensation expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital.

On January 23, 2018, the Company granted 650,000 stock options to directors, officers, employees and consultants, exercisable at a price of \$1.00 per share until January 23, 2023. The fair value of the stock options granted was estimated at \$547,103 (\$0.84 per option) based on the Black-Scholes option pricing model, with the following assumptions: risk-free interest rate of 1.77%, volatility of 144.6%, dividend yield of 0%, forfeiture rate of 0%, and an expected life of 5 years. The stock options will vest in two tranches, 50% on July 23, 2018 and 50% on January 23, 2019. Upon vesting, the Company will record the related share-based payment expense and offsetting credit to reserves.

On March 7, 2018, the Company granted 1,410,000 stock options to directors, officers, employees and consultants, exercisable at a price of \$1.10 per share until March 7, 2023. The fair value of the stock options granted was estimated at \$1,065,037 (\$0.76 per option) based on the Black-Scholes option pricing model, with the following assumptions: risk-free interest rate of 1.94%, volatility of 141.7%, dividend yield of 0%, forfeiture rate of 0%, and an expected life of 5 years. The stock options will vest in two tranches, 50% on September 7, 2018 and 50% on March 7, 2019. Upon vesting, the Company will record the related share-based payment expense and offsetting credit to reserves.

During the nine months ended September 30, 2018, the Company recorded share-based payment expense of \$700,858, which represents the fair value of stock options vested, granted and accrued with offsetting amount credited to reserves.

During the year ended December 31, 2017, the Company recorded share-based payment expense of \$3,451,032, which represents the fair value of stock options vested, granted and accrued with offsetting amount credited to reserves.

On April 12, 2017, the Company granted 2,175,000 stock options to directors, officers, employees and consultants, exercisable at a price of \$1.75 per share until April 12, 2022. The fair value of the stock options granted was estimated at \$3,451,032 (\$1.59 per option) based on the Black-Scholes option pricing model, with the following assumptions: risk-free interest rate of 2.04%, volatility of 147.9%, dividend yield of 0%, forfeiture rate of 0%, and an expected life of 5 years.

#### *Expired stock options and warrants reserve*

The expired stock options and warrants reserve records the value of any stock options or warrants that have expired unexercised.

## AURION RESOURCES LTD.

### Notes to the Condensed Consolidated Interim Financial Statements

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(unaudited - expressed in Canadian Dollars)

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#### 9. SHAREHOLDERS' EQUITY (Continued)

##### *Warrants*

Changes in warrants outstanding are as follows:

	For the nine months ended September 30, 2018		
	Number	Amount (\$)	Weighted- Average Exercise Price (\$)
Balance, December 31, 2017	321,291	424,226	1.50
Issued	-	-	-
Exercised	-	-	-
<b>Balance, September 30, 2018</b>	<b>321,291</b>	<b>424,226</b>	<b>1.50</b>

	For the year ended December 31, 2017		
	Number	Amount (\$)	Weighted- Average Exercise Price (\$)
Balance, December 31, 2016	-	-	-
Issued	347,039	458,263	1.50
Exercised	(25,748)	(34,037)	1.50
<b>Balance, December 31, 2017</b>	<b>321,291</b>	<b>424,226</b>	<b>1.50</b>

# AURION RESOURCES LTD.

## Notes to the Condensed Consolidated Interim Financial Statements

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### 10. SUPPLEMENTAL CASH FLOW INFORMATION

	<b>For the nine months ended September 30, 2018</b>	For the nine months ended September 30, 2017
	<b>\$</b>	<b>\$</b>
<i>Non-cash investing and financing activities</i>		
Acquisition of exploration and evaluation assets for share consideration	-	139,910
Exploration and evaluation costs remaining in trade payables and accrued liabilities	<b>751,271</b>	485,377
Exploration and evaluation costs remaining in receivables	<b>49,178</b>	-
	<b>For the nine months ended September 30, 2018</b>	For the nine months ended September 30, 2017
	<b>\$</b>	<b>\$</b>
<i>Changes in non-cash operating working capital</i>		
Change in receivables	<b>(139,503)</b>	(174,513)
Change in prepaid expenses	<b>(32,655)</b>	(51,703)
Change in trade payables and accrued liabilities	<b>645,086</b>	533,897
	<b>472,928</b>	307,681

# AURION RESOURCES LTD.

## Notes to the Condensed Consolidated Interim Financial Statements

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### 11. RELATED PARTY TRANSACTIONS

The following represents a summary of transactions with key management of companies controlled by key management of the Company:

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	\$	\$	\$	\$
<b>Paid to D.R. Loveys &amp; Associates Inc., a company controlled by the former CFO:</b>				
Accounting and management consulting services provided by David Loveys	-	8,775	-	13,200
Amounts expensed as:				
Consulting Fees	-	8,775	-	4,425
<b>Paid to Goodland Buckingham LLP , a company in which a Corporate Director is a partner:</b>				
Legal services provided by Dennis Clarke	-	3,185	-	3,185
Amounts expensed as:				
Professional fees	-	3,185	-	3,185
<b>Compensation for key management personnel not included above:</b>				
Michael Basha	<b>106,651</b>	259,400	<b>206,651</b>	301,900
David Loveys	<b>38,884</b>	108,450	<b>38,884</b>	108,450
Dennis Clarke	<b>38,884</b>	108,450	<b>38,884</b>	108,450
Other Directors	<b>77,768</b>	-	<b>77,768</b>	-
	<b>262,187</b>	476,300	<b>362,187</b>	518,800
Amounts expensed as:				
Salary and other short-term benefits for the CEO (expensed)	<b>50,000</b>	42,500	<b>150,000</b>	85,000
Directors' Fees (expensed)	<b>80,000</b>	-	<b>80,000</b>	-
Share-based compensation (expensed)	<b>132,187</b>	433,800	<b>132,187</b>	433,800
	<b>262,187</b>	476,300	<b>362,187</b>	518,800