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**AURANIA RESOURCES LTD.**  
**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)**

**For the Three Months Ended March 31, 2014**

*(Expressed in Canadian Dollars)*

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## **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 months ended March 31, 2014 are the responsibility of the Company's 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 *International Financial Reporting* using the accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board 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 Canadian Institute of Chartered Accountants for a review of condensed consolidated interim financial statements by an entity's auditor.

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

<b>AS AT</b>	<b>MARCH</b>	DECEMBER
	<b>31, 2014</b>	31, 2013
	\$	\$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	580,517	892,486
Prepaid expenses and receivables	58,049	5,260
<b>Total assets</b>	<b>638,566</b>	897,746
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Trade and other payables	124,715	234,106
<b>SHAREHOLDERS' EQUITY</b>		
Share capital <i>(Note 7)</i>	229	229
Share premium <i>(Note 7)</i>	5,485,705	5,485,705
Warrants <i>(Note 8)</i>	73,500	73,500
Contributed surplus	498,391	432,127
Deficit	(5,543,974)	(5,327,921)
Total shareholders' equity	513,851	663,640
<b>Total liabilities and shareholders' equity</b>	<b>638,566</b>	897,746

Nature of operations and business continuance *(Note 1)*  
 Commitments and contingencies *(Note 11)*

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 SHAREHOLDERS' EQUITY (Unaudited)

(Expressed in Canadian Dollars)

	ISSUED CAPITAL			RESERVES			Total Shareholders' Equity
	Common Shares #	Share Capital \$	Share Premium \$	Warrants \$	Contributed Surplus \$	Accumulated Deficit \$	
<b>Balance - December 31, 2012</b>	<b>16,982,873</b>	<b>171</b>	<b>3,477,907</b>	<b>310,745</b>	<b>48,000</b>	<b>(3,694,528)</b>	<b>142,295</b>
Share issue costs	-	-	(223,391)	-	-	-	(223,391)
Net (loss) for the period	-	-	-	-	-	(139,129)	(139,129)
<b>Balance - March 31, 2013</b>	<b>16,982,873</b>	<b>171</b>	<b>3,254,516</b>	<b>310,745</b>	<b>48,000</b>	<b>(3,833,657)</b>	<b>(220,225)</b>
Common shares issued for IPO	5,000,000	50	1,999,950	-	-	-	2,000,000
Common shares issued for exercise of warrants	776,862	8	310,737	(310,745)	-	-	-
Stock-based compensation (Note 8)	-	-	-	-	384,127	-	384,127
Value of broker warrants assigned (Note 8)	-	-	(73,500)	73,500	-	-	-
Share issue costs	-	-	(5,998)	-	-	-	(5,998)
Net (loss) for the period	-	-	-	-	-	(1,494,264)	(1,494,264)
<b>Balance - December 31, 2013</b>	<b>22,759,735</b>	<b>229</b>	<b>5,485,705</b>	<b>73,500</b>	<b>432,127</b>	<b>(5,327,921)</b>	<b>663,640</b>
Stock-based compensation (Note 8)	-	-	-	-	66,264	-	66,264
Net (loss) for the period	-	-	-	-	-	(216,053)	(216,053)
<b>Balance - March 31, 2014</b>	<b>22,759,735</b>	<b>229</b>	<b>5,485,705</b>	<b>73,500</b>	<b>498,391</b>	<b>(5,543,974)</b>	<b>513,851</b>

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 March 31,	
	2014	2013
		\$
<b>Expenses:</b>		
Bank charges and interest	596	528
Depreciation	-	1,216
Exploration expenditures (Note 5)	38,673	38,521
Insurance	2,830	385
Investor relations	13,435	10,919
Management and consulting fees	38,214	25,950
Office and general	30,187	32,410
Professional fees	9,691	8,607
Regulatory and transfer agent fees	9,078	18,472
Stock-based compensation	66,264	-
<b>Total expenses</b>	<b>208,968</b>	<b>137,008</b>
<b>Other (income) expenses:</b>		
Interest (income)	(1,407)	-
Loss on foreign exchange	8,492	2,121
<b>Net loss and comprehensive loss for the period</b>	<b>216,053</b>	<b>139,129</b>
<b>Basic and diluted loss per share</b>	<b>\$0.009</b>	<b>\$0.008</b>
<b>Weighted average common shares outstanding – basic and diluted</b>	<b>22,759,735</b>	<b>16,982,873</b>

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

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

	Three months ended March 31,	
	2014	2013
	\$	\$
<b>Cash flows from the following activities:</b>		
<b>Operating</b>		
Net (loss) for the period	(216,053)	(139,129)
Non-cash items:		
Depreciation	-	1,216
Stock-based compensation	66,264	-
Net change in non-cash working capital ( <i>Note 6</i> )	(162,180)	242,898
Net cash used in operating activities	(311,969)	104,985
<b>Financing</b>		
Share issue costs	-	(223,391)
<b>(Decrease) in cash</b>	<b>(311,969)</b>	<b>(118,406)</b>
<b>Cash – beginning of period</b>	<b>892,486</b>	<b>312,831</b>
<b>Cash – end of period</b>	<b>580,517</b>	<b>194,425</b>

Supplemental Information (*Note 6*)

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

# AURANIA RESOURCES LTD.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three months ended March 31, 2014 (Unaudited)

(Expressed in Canadian Dollars)

### 1. NATURE OF OPERATIONS AND BUSINESS CONTINUANCE

Aurania Resources Ltd. (the "Company") was incorporated under *the Companies Act 1981, Bermuda*, on June 26, 2007. Through its 100% wholly-owned subsidiary AuroVallis Sàrl ("AVS"), the Company is engaged in the exploration and development of certain exploration property interests in Switzerland (the "Property Interests"), more particularly described in *Note 5*.

The registered head office of the Company is located at 31 Victoria Street, Hamilton, HM10, Bermuda. These unaudited condensed consolidated interim financial statements of the Company for the three months ended March 31, 2014 were approved and authorized for issue by the Board of Directors on May 23, 2014.

The business of mineral exploration involves a high degree of risk and there can be no assurance that the Company's exploration programs will result in profitable mining operations. The Company's continuing existence is dependent upon the discovery of economically recoverable resources, securing and maintaining title to and beneficial interest in the Property Interests, the ability to obtain the necessary financing to complete exploration, development and construction of a mine and processing facilities, obtaining certain government approvals and attaining profitable production. There can be no assurance that the Company will be able to raise sufficient funds as and when required.

The Company is currently in the process of exploring the Property Interests under government-granted permits and has not yet determined whether these interests contain resources that are economically recoverable. The Property Interests are located outside of Canada and are subject to the risk of foreign investment, including increases in taxes and royalties, renegotiation of permits and currency exchange fluctuations.

Although the Company has taken steps to verify title to the Property Interests on which it is conducting exploration, in accordance with industry standards for the current stage of exploration of such property interests, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and non-compliance of regulatory requirements.

As at March 31, 2014, the Company had cash of \$580,517 (December 31, 2013 - \$892,486) and liabilities of \$124,715 (December 31, 2013 - \$234,106). Further, the Company had an accumulated deficit of \$5,543,974 (December 31, 2013 - \$5,327,921) and working capital of \$513,851 (December 31, 2013 - \$663,640).

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### a) *Statement of compliance*

These condensed consolidated interim financial statements, including comparatives, have been prepared 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 IAS Board.

These condensed consolidated interim financial statements have been prepared on the basis of and using accounting policies, methods of computation and presentation consistent with those applied in the consolidated financial statements for the year ended December 31, 2013, except where noted below.

The accounting policies applied in these condensed interim consolidated financial statements are based on IFRS policies issued and outstanding as of the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed consolidated interim financial statements as those applied in Note 2 of the Company's most recent audited annual consolidated financial statements for the year ended December 31, 2013 and have been consistently applied throughout all periods presented, as if these policies had always been in effect, except as described in Note 3 herein. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending December 31, 2014 could result in the restatement of these condensed consolidated interim financial statements.

# AURANIA RESOURCES LTD.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the three months ended March 31, 2014

(Expressed in Canadian Dollars)

### 2. SIGNIFICANT ACCOUNTING POLICIES, Continued

#### b) Basis of presentation

These condensed consolidated interim financial statements have been prepared on a historical cost basis using the accrual basis of accounting except for cash flow information. All amounts have been expressed in Canadian dollars, the functional currency, unless otherwise stated and CHF represents Swiss francs.

#### c) Basis of consolidation

These condensed consolidated interim financial statements incorporate the financial statements of the Company and its wholly-owned subsidiary AVS, incorporated under the laws of Switzerland. All intercompany transactions, balances, income and expenses are eliminated upon consolidation.

### 3. CHANGES IN ACCOUNTING POLICIES AND NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

#### a) Changes in Accounting Policies

Except for the changes noted below, the Company has consistently applied the accounting policies set out in Note 2 of the Company's audited annual consolidated financial statements for the year ended December 31, 2013 to all the periods presented in these condensed consolidated interim financial statements.

The Company has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2014. These changes were made in accordance with the applicable transitional provisions.

**IAS 32 – Financial Instruments: Presentation** ("IAS 32") was amended by the IASB in December 2011 to clarify certain aspects of the requirements on offsetting. The amendments focus on the criterion that an entity currently has a legally enforceable right to set off the recognized amounts and the criterion that an entity intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

*The changes to IAS 32 did not result in any adjustments to the Company's condensed consolidated interim financial statements.*

**IAS 39 – Financial Instruments: Recognition and Measurement** ("IAS 39") was amended by the IASB in June 2013 to clarify that novation of a hedging derivative to a clearing counterparty as a consequence of laws or regulations or the introduction of laws or regulations does not terminate hedge accounting.

*The changes to IAS 39 did not result in any adjustments to the Company's condensed consolidated interim financial statements.*

**IFRIC 21 - Levies** ("IFRIC 21") sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addressed what the obligating event is that gives rise to pay a levy and when should a liability be recognized.

*The adoption of IFRIC 21 did not result in any adjustments to the Company's condensed consolidated interim financial statements.*

# AURANIA RESOURCES LTD.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the three months ended March 31, 2014

(Expressed in Canadian Dollars)

### 3. CHANGES IN ACCOUNTING POLICIES AND NEW ACCOUNTING STANDARDS AND INTERPRETATIONS, Continued

#### b) *New Accounting Standards Issued But Not Yet Effective*

The following have not yet been adopted and the Company has not yet determined the impact, if any, on the Company's condensed consolidated interim financial statements:

**IFRS 9 - *Financial Instruments*** ("IFRS 9") introduces new requirements for the classification, measurement and derecognition of financial assets and financial liabilities. Specifically, IFRS 9 requires all recognized financial assets that are within the scope of IAS 39 - *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortized cost or fair value. The IASB has issued an amendment to IFRS 9 - *Financial Instruments* ("IFRS 9"), which changes the effective date of IFRS 9 (2009) and IFRS 9 (2011), so that IFRS 9 is required to be applied for annual periods beginning on or after January 1, 2018, with early application permitted. This amendment was released in connection with IFRS 7 *Financial Instruments: Disclosures – Transition Disclosures* ("IFRS 7") which outlines that, with the amendments to IFRS 9, entities applying IFRS 9 do not need to restate prior periods but are required to apply modified disclosures.

### 4. CAPITAL AND FINANCIAL RISK MANAGEMENT

#### **Capital management**

The Company considers the capital that it manages, as share capital, share premium, warrants, contributed surplus reserve, and deficit, which at March 31, 2014 totaled \$497,658 (\$663,640 at December 31, 2013). The Company manages its capital structure and makes adjustments to it, based on the funds needed in order to support the acquisition, exploration and development of mineral property interests. Management does this in light of changes in economic conditions and the risk characteristics of the underlying assets.

The Company's continued existence is dependent upon the ability to obtain the necessary financing to complete exploration and development, obtain necessary government approvals and attain profitable production. Management continues to evaluate and assess new project opportunities consistent with its growth strategy.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is appropriate. The Company is not subject to externally imposed capital requirements and there has been no change with respect to the overall capital risk management strategy during the period.

#### **Financial risk management**

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate, foreign exchange rate, and commodity price risk). Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management. There have been no changes in the risks, objectives, policies and procedures during the period.

# AURANIA RESOURCES LTD.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the three months ended March 31, 2014

(Expressed in Canadian Dollars)

### 4. CAPITAL AND FINANCIAL RISK MANAGEMENT, Continued

#### Capital management, Continued

##### a) 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 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.

##### b) 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 upon its ability to raise adequate financing in the market, through the sale of equities, debt or by the disposition of assets.

As at March 31, 2014, the Company had \$580,517 in cash to settle \$124,715 of current liabilities (\$892,486 in cash to settle current liabilities of \$234,106 at December 31, 2013).

##### c) Market risk

Market risk is the risk that 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.

##### ii) Foreign currency risk

Certain of the Company's expenses are incurred in Swiss francs ("CHF") and are therefore subject to gains or losses due to fluctuations in this currency. Management believes that the foreign exchange risk derived from currency conversions is best served by not hedging its foreign exchange risk. At March 31, 2014 and December 31, 2013 the Company's exposure to foreign currency risk with respect to amounts denominated in Swiss currency, was substantially as follows:

<i>In Canadian \$ equivalents</i>	March 31, 2014	December 31, 2013
Cash	\$36,379	\$140,520
Accounts payable and accrued liabilities	(70,545)	(45,562)
<b>Net position</b>	<b>\$(34,166)</b>	<b>\$94,958</b>

##### d) Commodity price risk

The Company may be exposed to price risk with respect to commodity prices in the future. Commodity price risk is defined as the potential adverse future impact on earnings and economic value due to commodity price movements and volatilities. The ability of the Company to develop its mineral property interests and the future profitability of the Company is directly related to the market price of gold, uranium, and certain other metals.

# AURANIA RESOURCES LTD.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the three months ended March 31, 2014

(Expressed in Canadian Dollars)

### 4. CAPITAL AND FINANCIAL RISK MANAGEMENT, Continued

#### Capital management, Continued

Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability of development depends upon the world market price of gold, uranium and certain other metals. Commodity prices have fluctuated significantly in recent years. There is no assurance that, even as commercial quantities of these metals may be produced in the future, a profitable market will exist for them.

As of March 31, 2014 and December 31, 2013, the Company was not a commodity producer. Commodity price risk may affect the completion of future equity transactions such as equity offerings and the exercise of stock options and warrants. This may also affect the Company's liquidity and its ability to meet its ongoing obligations.

#### e) Sensitivity analysis

As of March 31, 2014 and December 31, 2013, both the carrying and fair value amounts of the Company's financial instruments are approximately equivalent due to their short-term nature. The Company believes that a 10% strengthening of the Canadian dollar against the Swiss franc at period end would have increased (decreased) the net position of the Company by \$3,417 (at December 31, 2013 by \$(9,500)). A 10% weakening of the Canadian dollar against the same would have had an equal but opposite effect.

### 5. EXPLORATION EXPENDITURES

Exploration expenditures related to the Swiss exploration permits are summarized as follows:

	Cumulative Balance, December 31, 2012 \$	Additions/ Expensed \$	Cumulative Balance December 31, 2013 \$	Additions/ Expensed \$	Cumulative Balance March 31, 2014 \$
<b>Siviez Project</b>					
Geology field studies	712,123	7,946	720,069	-	720,069
Geophysics	122,937	-	122,937	-	122,937
Property maintenance	18,617	256	18,673	-	18,673
Technical studies	25,428	-	25,428	-	25,428
Drill program	-	189,186	189,186	3,414	192,600
Environment & community relations	38,784	-	38,784	-	38,874
	917,889	197,386	1,115,275	3,414	1,118,689
<b>Marécottes Project</b>					
Geology field studies	475,617	-	475,617	-	475,617
Geophysics	67,900	-	67,900	-	67,900
Property maintenance	14,567	-	14,567	-	14,567
Technical studies	24,807	-	24,807	-	24,807
	582,891	-	582,891	-	582,891
<b>Mont Chemin Project</b>					
Geology field studies	275,475	82,905	359,380	21,838	381,218
Geophysics	89,738	-	89,738	-	89,738
Drill program	-	418,705	418,705	3,936	422,641
Property, permit maintenance	19,249	784	20,033	9,485	29,518
Technical studies	43,573	-	43,573	-	43,573
	428,035	502,394	930,429	35,259	965,688
	<b>1,928,815</b>	<b>699,780</b>	<b>2,628,595</b>	<b>38,673</b>	<b>2,667,268</b>

# AURANIA RESOURCES LTD.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the three months ended March 31, 2014

(Expressed in Canadian Dollars)

### 5. EXPLORATION EXPENDITURES, Continued

The Company, through its wholly-owned subsidiary AVS, holds 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, described as follows:

a) **Mont Chemin Project (gold-silver)**

On July 11, 2008, the Company was granted a five-year exploration permit known as the "Perimetre de Tête-des-Éconduits – Mont Chemin *Permis de fouille*" by a government department of the Canton. This Permit was extended to March 31, 2014.

b) **Siviez Project (uranium-copper-gold-silver)**

On June 24, 2009, the Company was granted a five-year exploration permit known as the "Siviez-Plan du Fou – Col. des Mines *Permis de fouille*" by a government department of the Canton. This Permit was extended to March 31, 2015.

c) **Marécottes Project (uranium)**

On July 11, 2008 the Company was granted a five-year exploration permit known as the "Perimetre de la Creusaz (Marécottes) Balaye (Finhaut) *Permis de fouille*" by a government department of the Canton. This Permit was extended to March 31, 2014.

#### Permit Status

Pursuant to its preferential right, the Company applied in March 2014 to the Canton Authority to have the Mont Chemin and Marécottes Permits renewed for a second five-year term and intends to apply for a similar renewal for the Siviez Permit in March 2015.

The key requirements imposed to maintain the Permits in good standing have all been satisfied except for the drilling obligations which have not been timely met. Accordingly, the area of the Permits, at the discretion of the Canton Authority, may be reduced proportionately and the Company has the right to select the areas to be maintained.

### 6. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended	
	March 31,	
	2014	2013
Net changes in non-cash working capital:	\$	\$
Prepaid expenses and receivables	(52,789)	25,024
Trade and other payables	(109,391)	217,874
	(162,180)	242,898
Interest and corporate taxes paid	-	-

# AURANIA RESOURCES LTD.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the three months ended March 31, 2014

(Expressed in Canadian Dollars)

### 7. SHARE CAPITAL

- a) **Authorized share capital** at March 31, 2014 is 1,000,000,000 common shares with a par value of \$0.00001 per share. All shares issued are fully paid.
- b) **Issued and outstanding common shares** at March 31, 2014 and December 31, 2013 was 22,759,735.
  - (i) For share issuances prior to January 1, 2014, see the Company's annual consolidated financial statements for the year ended December 31, 2013 - *Note 8*.
  - (ii) There were no issuances of common shares during the three months ended March 31, 2014.
  - (iii) In accordance with National Policy 46-201, a total of 14,077,873 common shares, owned or controlled by the Company's principals, were deposited into escrow, to be automatically time-released over the 36 month period following April 17, 2013 (date of listing). To March 31, 2014, a total of 3,519,468 escrowed shares have been released.

### 8. STOCK-BASED COMPENSATION – Stock Options and Broker Warrants

The Company maintains a stock option plan (the "Plan") for the benefit of directors, officers, employees and consultants. The maximum number of common shares reserved for issuance with respect to the Plan cannot exceed 10% of the issued and outstanding common shares of the Company at the date of grant. Stock options granted generally vest 1/3 annually.

- (i) On April 11, 2013, the Company granted 1,750,000 stock options to directors, officers and consultants. Each option is exercisable to acquire one common share at a price of \$0.40. These options expire on April 11, 2018, and vest as follows: 1/3 on the grant date, 1/3 on April 11, 2014 and the remaining 1/3 on April 11, 2015. The value of \$521,184 assigned to the options was calculated using the Black-Scholes option pricing model using the following assumptions: expected forfeiture rate of 0%, expected dividend yield of 0%, expected volatility of 100%, a risk-free interest rate of 1.24% and an expected life of 5 years. To March 31, 2014, \$426,466 has been expensed for these options.
- (ii) On April 11, 2013, pursuant to the terms of the IPO, 350,000 broker warrants were granted to the agent as part of the agent's compensation. Each broker warrant is exercisable to acquire one common share at \$0.40 per share and expires on April 11, 2015. The value of \$73,500 assigned to the broker warrants was calculated 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 .94% and an expected life of two years. This amount was capitalized to share issue costs.
- (iii) On July 13, 2013, the Company further granted incentive stock options to:
  - A financial consultant, to purchase up to 80,000 common shares, at \$0.40 per common share. These stock options vested immediately and are exercisable for a period of three years from the grant date; the value of \$16,832 assigned to the stock options was calculated using the Black-Scholes option pricing model using the following assumptions: expected forfeiture rate of 0%, expected dividend yield of 0%, expected volatility of 100%, a risk-free interest rate of 1.15% and an expected life of three years.
  - An administrative consultant, to purchase up to 30,000 common shares, at \$0.40 per common share. These options expire on July 13, 2018, and vest as follows: 1/3 on the grant date, 1/3 on July 13, 2014 and the remaining 1/3 on July 13, 2015. These stock options are exercisable for a period of five years from the grant date and the fair value of \$8,973 assigned to the stock options was calculated using the Black-Scholes option pricing model using the following assumptions: expected forfeiture rate of 0%, expected dividend yield of 0%, expected volatility of 100%, a risk-free interest rate of 1.74% and an expected life of five years. To March 31, 2014, \$7,093 has been expensed for these options.

# AURANIA RESOURCES LTD.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the three months ended March 31, 2014

(Expressed in Canadian Dollars)

- (iv) The following summarizes the stock options/broker warrants outstanding at March 31, 2014:

Issued Number of Options and Broker Warrants	Exercisable Number of Options and Broker Warrants	Exercise Price	Expiry Date	Estimated Fair Value at Grant/Issue Date
1,750,000	583,333	\$0.40	April 11, 2018	\$521,184
80,000	80,000	\$0.40	July 13, 2016	\$16,832
30,000	10,000	\$0.40	July 13, 2018	\$8,973
350,000	350,000	\$0.40	April 11, 2015	\$73,500
<b>2,210,000</b>	<b>1,023,333</b>			<b>\$620,489</b>

### 9. 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:

(i) During the three months ended March 31, 2014 and 2013, a total of \$15,000 plus HST was charged to the Company by the Chief Financial Officer on account of management consulting fees. Included in trade and other payables at March 31, 2014 and December 31, 2013 is \$5,650 owed to this officer for providing such services. This amount is unsecured, non-interest bearing and due on demand.

(ii) Also during the three months ended March 31, 2014 a total of \$15,000 (2013 - \$nil) was paid for directors' fees.

(iii) Effective January 1, 2013, the Company entered into a service costs agreement with Geosource Exploration Inc. ("GEI"), a company of which Dr. Keith Barron, is principal shareholder. During the three months ended March 31, 2014, the Company incurred \$45,000 (2013 - \$45,000) in relation to these contracted services. (Note 11).

(iv) 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 non-executive) of the Company. The remuneration of key management and directors of the Company (net of applicable taxes) is as follows:

For the three months ended March 31,	2014	2013
	(\$)	(\$)
Directors' fees	15,000	-
Management consulting fees	15,000	15,000
Stock-based compensation	64,256	-
	<b>94,256</b>	15,000

### 10. SEGMENTED INFORMATION

At March 31, 2014, the Company's operations comprised a single reporting operating segment engaged in mineral exploration in Switzerland. The Company's primary asset is cash. Accordingly, cash of \$544,138 (December 31, 2013 - \$861,902) is held in Canadian chartered banks, with the balance of \$36,379 (December 31, 2013 - \$30,584) being held in Swiss chartered banks.

# AURANIA RESOURCES LTD.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the three months ended March 31, 2014

(Expressed in Canadian Dollars)

### 11. COMMITMENTS AND CONTINGENCIES

#### Environmental Contingencies

The Company's exploration activities are subject to various federal, cantonal and international laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations.

Pursuant to permit requirements, a director, officer and principal shareholder of the Company has personally lodged a 500,000 CHF Bank Guarantee (Cdn\$623,250) in connection with any potential reclamation costs to be incurred by the Company in connection with its claims in Switzerland.

#### Service Costs and Consulting Agreements

Effective January 1, 2013, the Company entered into a service costs agreement with GEI, at an annual cost of \$180,000. This agreement is automatically renewed annually (unless otherwise terminated). The Company may terminate the agreement with 90 days' written notice provided to GEI, of the Company's intention to terminate the agreement, however, should such termination be effective within two years from April 11, 2013 (the date of completion of the Company's IPO) then a one-time break fee of \$75,000 would be payable to GEI, in addition to any other amounts then owed.

The Company also entered into annual consulting agreements dated January 1, 2013, which were renewed January 1, 2014, with the Chief Financial Officer and Chief Geologist, for consulting fees of \$60,000 per annum (plus applicable taxes) and CHF 545 (Cdn\$680) per diem, respectively. Early termination of these contracts requires 90 days' written notice by the Party terminating the agreement therein.