



**AURANIA RESOURCES LTD.**

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

**For the Three Months Ended March 31, 2016**  
(Expressed in Canadian Dollars unless otherwise indicated)

The following Management's Discussion and Analysis ("MD&A") is Management's review of the financial condition and results of operations for the three months ended March 31, 2016 (the "Reporting Period") of Aurania Resources Ltd. ("Aurania" or the "Company"). This MD&A is prepared as at May 27, 2016 unless otherwise indicated and should be read in conjunction with the condensed consolidated interim financial statements for the three months ended March 31, 2016, (the "Interim Financial Statements") and the annual consolidated audited financial statements for the year ended December 31, 2015 ("Annual Financial Statements") and the notes related thereto which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All monies are expressed in Canadian dollars unless otherwise indicated. Additional information relevant to the activities of the Company has been filed electronically through the System for Electronic Document Analysis and Retrieval ("SEDAR") – [www.sedar.com](http://www.sedar.com). The Company's common shares ("Common Shares") are traded on the TSX Venture Exchange ("TSXV") under the symbol "ARU".

#### **MANAGEMENT'S RESPONSIBILITIES FOR FINANCIAL REPORTING AND CONTROLS**

The Financial Statements have been prepared by Aurania's management ("Management") in accordance with IFRS and have been approved by the Company's board of directors (the "Board"). The integrity and objectivity of these Financial Statements are the responsibility of Management. In addition, Management is responsible for ensuring that the information contained in the MD&A is consistent where appropriate, with the information contained in the Financial Statements. In support of this responsibility, the Company maintains internal and administrative controls to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Company's assets are properly accounted for and adequately safeguarded. The Financial Statements may contain certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis to ensure that the Financial Statements are presented fairly in all material respects. The Board is responsible for ensuring that Management fulfills its responsibilities for financial reporting and internal control. The Board carries out this responsibility principally through its Audit Committee ("AC"). The members of the AC are appointed by the Board and have sufficient financial expertise to assume this role with the Company. The majority of the AC members are not involved in the Company's daily operations.

#### **CAUTIONARY NOTE**

This MD&A contains "forward-looking information" under applicable Canadian securities legislation. Except for statements of historical fact relating to the Company, information contained herein constitutes forward-looking information, including any information as to the Company's strategy, plans or future financial or operating performance. Forward-looking statements are characterized by words such as "plan," "expect", "budget", "target", "project", "intend", "believe", "anticipate", "estimate" and other similar words, or statements that certain events or conditions "may" or "will" occur. Forward-looking statements are based on the opinions, assumptions and estimates of Management considered reasonable at the date the statements are made, and are inherently subject to a variety of risks and uncertainties and other known and unknown factors that could cause actual events or results to differ materially from those projected in the forward-looking information. These factors include the Company's expectations in connection with the expected exploration on its projects, potential development and expansion plans on the Company's projects, the impact of general business and economic conditions, global liquidity, inflation, inability to raise additional funds as may be required through debt or equity markets, fluctuating metal prices (such as gold, copper, silver and uranium), currency exchange rates (such as the Canadian Dollar and the Swiss Franc versus the United States Dollar), possible variations in ore grade or recovery rates, changes in accounting policies, changes in mineral resources and mineral reserves, risks related to non-core mine disposition, risks related to acquisitions, changes in project parameters as plans continue to be refined, changes in project development and commissioning time frames, the possibility of project cost overruns or unanticipated costs and expenses, higher prices for fuel,

power, labour and other consumables contributing to higher costs and general risks of the mining industry, failure of plant, equipment or processes to operate as anticipated, unexpected changes in mine life, unanticipated results of future studies, seasonality and unanticipated weather changes, costs and timing of the development of new deposits, if any, success of exploration activities, permitting time lines, government regulation and the risk of government expropriation of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims, limitations on insurance coverage and timing and possible outcome of labour disputes and/or shortages, as well as those risk factors discussed or referred to herein. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results not to be anticipated, estimated or intended. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. The Company undertakes no obligation to update forward-looking statements if circumstances or Management's estimates, assumptions or opinions should change, except as required by applicable law. The reader is cautioned not to place undue reliance on forward-looking information. The forward-looking information contained herein is presented for the purpose of assisting investors in understanding the Company's expected financial and operational performance and results as at and for the periods ended on the dates presented in the Company's plans and objectives and may not be appropriate for other purposes.

## **1.1 REPORT DATED MAY 27, 2016**

## **1.2 BACKGROUND**

### **The Company**

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

On February 23, 2016 the Board of Directors announced the change of the Company's trading symbol from "AOZ" to "ARU".

### **Directors, Officers and Management**

Keith Barron - Chief Executive Officer, President, Chairman of the Board and Director

Donna McLean - Chief Financial Officer and Corporate Secretary

Jean Paul Pallier - Chief Geologist

Elaine Ellingham - Director

Gerald Harper - Director

Marvin Kaiser - Director

### **Advisors**

Stefan Ansermet

Bruno Pellaud

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**Registered Office:**

31 Victoria Street, Hamilton, HM 10, Bermuda

**Nature of Operations and Company Focus**

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

Management's current focus is twofold: identifying and evaluating potential exploration projects as industry conditions have created opportunities for companies such as Aurania, to expand their asset base and advancing exploration on the Company's Swiss mineral property interests – see *Exploration Update*.

**Share Data**

As at	Common Shares	Warrants	Stock Options	Fully Diluted
<b>December 31, 2013, and 2014</b>	22,759,735	350,000 <sup>(1)</sup>	1,860,000 <sup>(2)</sup>	24,969,735
<b>December 31, 2015 and May 27, 2016</b>	22,759,735	-	1,830,000	24,589,735

<sup>(1)</sup> Broker warrants were issued in connection with the Company's 2013 IPO and subsequently expired April 11, 2015

<sup>(1)</sup> 30,000 stock options expired in May 2015

**1.3 STRATEGY AND OBJECTIVES**

- Increase effort to identify and evaluate opportunities to acquire additional mineral exploration projects that would attract investors, with a focus on precious metals
- Await the issuance of new five-year exploration permits in Switzerland
- Raise additional funds during the year to finance corporate and exploration expenditures

**CHALLENGES IN ACHIEVING OBJECTIVES**

- Identification and evaluation of other potential high quality projects is a costly and lengthy process
- Obtaining permits in Switzerland may be a protracted process as they are revising the Mining Law
- Continuing weakened capital markets with little funding for exploration plays; reduced cash position has resulted in Management exploring financing options including short term loans and reduction of exploration programs

**1.4 OVERALL PERFORMANCE – Financial position, operating results and cash flows**

**Financial Position**

As at March 31, 2016, the Company had not yet achieved profitable production, and had accumulated losses of \$6,398,192 (December 31, 2015 - \$6,312,232) and will continue to incur losses until achieving commercial production.

For the three months ended March 31, 2016 the Company incurred a net loss of \$85,960 (2015 – 142,463). The Company has no external long-term debt and its credit and interest rate risks are minimal. Trade payables and accrued liabilities and related party promissory note are short-term and non-interest bearing.

As the Company will not be cash flow positive in the near term, Management will need to raise additional funds to finance corporate and exploration expenditures.

**Operating Results**

During the three months ended March 31, 2016, the technical team was occupied with evaluating new potential project opportunities while waiting for the Mining Law to be revised (*see Permit Status*). Once the Mining Law is revised the Canton authority will be in a position to issue new five-year permits for the Company's Swiss exploration projects.

During the same period in 2015, the technical team was occupied with applying for new five-year permits for the Company's Swiss exploration projects.

During the three months ended March 31, 2016, the Company recorded \$1,216 (2015 - \$25,053) of exploration expenditures and \$nil (\$21,418) of stock-based compensation expense. Until new permits are issued, Management is focusing on potential projects in other mining jurisdictions, to add to Aurania's asset base. Therefore, no active exploration was carried out during the reporting period. The stock-based compensation expense recorded in Q1 2015 (2016 - \$nil) relates to the residual value assigned to the Company's 2013 options, not fully vested until April 11, 2015.

Other general and corporate costs of \$84,206 (2015 - \$95,894) were 12% less than those incurred in the same period in the prior year, primarily due to reductions in insurance premiums, professional fees and regulatory and transfer agent fees. Interest income was nil in 2016 due to lower cash balances held.

**Cash Flows**

Significantly lower commodity prices for gold and uranium continue to detract investors from investing in junior mining companies like Aurania. Therefore raising funds for exploration continues to be extremely difficult.

During the three months ended March 31, 2016, the only source of financing was short term related party loans from a company with significant shareholdings, controlled by the Chairman and President.

During the same period in the prior year, Management continued to draw down on proceeds from the IPO financing completed in 2013.

**1.5 SELECTED PERIOD FINANCIAL RESULTS**

<b>Financial Position as at</b>	<b>March 31, 2016</b>	December 31, 2015
<b>Cash</b>	<b>\$4,115</b>	\$7,753
<b>Total assets</b>	<b>\$33,818</b>	\$9,823
<b>Total liabilities</b>	<b>\$360,059</b>	\$250,104
<b>Shareholders' deficiency</b>	<b>\$(326,241)</b>	\$(240,281)
<b>Deficit</b>	<b>\$(6,398,192)</b>	\$(6,312,232)
<b>Statement of Loss</b>	<b>Three months ended March 31, 2016</b>	Three months ended March 31, 2015
<b>General overhead expenses</b>	<b>\$84,206</b>	\$95,894

Exploration expenses	\$1,216	\$25,053
Stock-based compensation expense	\$-	\$21,418
<b>Total expenses</b>	<b>\$85,422</b>	<b>\$142,365</b>
Other (income) expenses:		
Interest income	\$-	\$(114)
Loss on foreign exchange	\$538	\$212
<b>Loss for the period</b>	<b>\$85,960</b>	<b>\$142,463</b>
<b>Cash Flow Activities</b>	<b>Three months ended March 31, 2016</b>	<b>Three months ended March 31, 2015</b>
<b>Operating</b>	<b>\$(57,435)</b>	<b>\$(134,071)</b>
<b>Investing and Financing</b>	<b>\$53,797</b>	<b>\$-</b>
<b>Decrease in cash during the period</b>	<b>\$(3,638)</b>	<b>\$(134,071)</b>

## 1.6 OPERATIONS REVIEW

### A. EXPLORATION UPDATE

The Company holds a 100% interest in three exploration permits (*see Permit Status*) in the Canton of Valais, through its wholly-owned subsidiary **AuroVallis Sàrl ("AVS")** which is a Swiss limited liability corporation:

The Company has not yet determined whether these projects contain resources that are economically recoverable. The projects 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.

A detailed overview, history, description and geological prospects review for the Company's exploration projects may be viewed in Aurania's 2013 IPO Prospectus and National Instrument 43-101 Technical Report, both filed on [www.sedar.com](http://www.sedar.com).

#### **Mont Chemin**

In 2013, the Company diamond drilled 1390m in 12 holes on this property targeting a zone with anomalous gold values identified from grab samples and chip samples from trenching. Detailed results of the drill programme were reported in a press release dated December 3, 2013 which may be found on [www.sedar.com](http://www.sedar.com).

Also during the 2013 programme, four grab samples taken in two different skarns, returned between 27.8 and 88.4 ppm indium. Indium is a specialty metal used in solar cells, semi-conductors and other high tech applications. A total of 22 grab samples were taken from 11 different skarns and sent to ALS in Galway (Ireland) to be assayed for indium, gold and other metals. Only three samples returned indium values in excess of 20ppm, and all returned less than 1% combined lead and zinc. These values are not sufficient to encourage a follow-up programme for indium.

As a result of the positive gold intersections encountered in the 2013 drilling which included intersections of up to 27.93 g/t gold over 2.0 meters in hole 2013-01 and up to 25.2 g/t gold over 1/0 meters in hole 2013-03, a second programme has been planned for Mont Chemin, to consist of drilling several zones from underground in the Hubacher tunnel, an existing adit that was driven to explore for fluorite mineralization in the 1980's. The necessary

permits have been secured to continue exploring at Mont Chemin, however the decision to implement the program will consider a) the viability of its implementation, b) the availability of adequate financing and c) the ease and cost of mobilizing equipment.

### ***Siviez***

In late 2013, the Company completed a 623m drill programme, in four holes. These holes were selected to better understand the structural geology with the goal of improving target selection for a more significant drill programme initially planned for the 2014 field season. As a result, although no significant mineralization was intersected by these initial four holes, it is important to note that the Siviez property has uranium-copper mineralization exposed along more than a six km strike length.

As a next step, a programme of comprehensive structural mapping is being considered to better constrain future drilling. The mineralization straddles the contact between the Nendaz Series, a Permo-Carboniferous unit of greenschist metamorphosed fluvial to fluvial-deltaic sediments, and the Siviez Series, a complex of predominantly banded metamorphosed mafic volcanic rocks. Uranium mineralization observed in outcrop at Siviez consists of disseminations, pods, and swarms of small veins of pitchblende and coffinite, together with pyrite and ubiquitous copper sulphides (chalcopyrite, tetrahedrite, chalcocite and covellite) as well as secondary copper carbonates (azurite and malachite). Native gold has been identified but its distribution at Siviez is as yet unclear.

Management still believes further exploration at Siviez would be warranted from a technical aspect, however the decision to proceed in 2015 will be highly dependent on raising sufficient funds.

### ***Marécottes***

There has been no exploration activity at Marécottes during the reporting period. This has allowed Management to focus its resources on the Mont Chemin and Siviez projects. However, the technical team still advocates there would be merit to implementing a future survey programme consisting of radon-in-soil surveying selected target areas within and in the contact zones of the Vallorcine Granite along with prospecting, mapping and sampling along key new mineralized zones identified in 2009 and 2010. However, Management does not foresee this happening until late in 2016 or 2017 as the demand for uranium continues to wane.

### **Permit Status**

The Canton Authority (the "Ministry") has confirmed that:

- The original exploration permits and their extended periods expired in June 2015;
- The Mining Law on which the above noted permits were originally issued, is under revision;
- The Ministry is prepared to issue new permits once the new Mining Law comes into effect;
- The original financial requirements of the permits were too high in comparison to international standards and the Ministry is open to discussion of revised terms; and
- The Ministry has accepted the Company's request to "freeze" the permits until the end of 2015 in order that the Ministry can work on revising the Mining Law.

As of May 27, 2016, the CML is still being revised and Management believes the "freeze" status of the permits is still in effect.

The areas included in the original permits were as follows:

- Mont Chemin Project (gold-silver) **31.0 km<sup>2</sup>**

- Marécottes Project (uranium) **36.0 km<sup>2</sup>**
- Siviez Project (uranium-copper-gold-silver) **31.6 km<sup>2</sup>**

However, going forward, the Company has requested a reduction in the permit areas and the Ministry has accepted this proposal, in principle.

**B. FINANCIAL PERFORMANCE**

At March 31, 2016 the Company had cash of \$4,115 and current liabilities of \$360,059 (\$7,753 of cash and \$250,104 of current liabilities at December 31, 2015). This net cash position is insufficient to meet the annual operating costs of the Company. As the Company is not yet in production and has no other regular source of income, the Company will have to secure financing to meet its general and administrative costs and advance its exploration activity. The Company has recently been relying on short term related party loans - see Capital Resources.

Expenditures for the three months ended March 31, 2016 and 2015, year-over-year, were 40% lower primarily due to:

- Less exploration activity (\$1,216 compared to \$25,053 in 2015) while Management waits for the Mining Law to be revised;
- A savings of \$15,000 due to a renegotiation of rent costs commencing October 2015 resulted in lower G&A costs overall;
- The stock-based compensation expense of \$nil (2015 - \$21,418) related to the final tranche of options that vested in 2015

Higher costs incurred during the period which offset the above-noted savings included:

- Regulatory and transfer agent fees of \$9,053 were higher than those incurred in 2015 (\$7,718) due to higher Bermuda annual corporate costs and a stronger US dollar (being the denomination of these costs);
- Included in professional and administration fees is approximately \$7,000 incurred for consulting fees related to identifying and evaluating other potential projects

Management continues to look for ways to reduce or economize on overhead and public company costs.

**1.7 SUMMARY OF QUARTERLY RESULTS**

<b>Quarters Ended</b>	<b>Net Revenue (\$)</b>	<b>Net Loss (\$)</b>	<b>Loss per Share (\$)</b>
<b>March 31, 2016</b>	-	85,960	0.004
<b>December 31, 2015</b>	5	92,384	0.005
<b>September 30, 2015</b>	-	\$113,953	0.005
<b>June 30, 2015</b>	-	\$95,349	0.004
<b>March 31, 2015</b>	114	142,463	0.006
<b>December 31, 2014</b>	199	91,433	0.003

<b>September 30, 2014</b>	468	163,510	0.007
<b>June 30, 2014</b>	289	151,639	0.007

### **1.8 LIQUIDITY**

As an exploration company, 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 properties. Management does this in light of changes in economic conditions and the risk characteristics of the underlying assets. As the Company has no producing assets, continued operations are dependent upon its ability to raise additional financing through issuance of equity, debt or by the disposition of assets

The Company's liquid assets at March 31, 2016 consisted primarily of cash of \$4,115 (\$7,753 at December 31, 2015). All of the Company's cash is held on deposit, earning interest where applicable, in accredited Canadian and Swiss banks, in denominations of Canadian Dollars and Swiss Francs.

### **1.9 CAPITAL RESOURCES**

The business of mining and exploration involves a high degree of risk. Aurania's continued existence is dependent upon the discovery of economically recoverable resources, securing and maintaining title and beneficial interest in the properties, the ability to obtain the necessary financing to complete exploration, obtaining certain government approvals and attaining profitable production.

The Company is not subject to externally imposed capital requirements by a lending institution or regulatory body, other than those of the TSX Venture Exchange ("TSXV"), which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of six months. As at March 31, 2016, the Company may not be compliant with the policies of the TSXV but has not been notified of such a deficiency or any possible impact, which is ultimately dependent upon the discretion of the TSXV.

Historically the Company has relied on private equity financings and loans from related parties to secure sufficient capital to allow the Company to meet its obligations. At March 31, 2016, the Company had a working capital shortfall of \$326,241 (December 31, 2015 - \$240,281) which is insufficient to meet all of the Company's projected expenses for the ensuing six months and settle the outstanding short term debt.

Working capital will continue to fluctuate until the Company has achieved profitable levels of operations and profitability will not occur within the next twelve months; therefore, Management will need to raise additional funds during the year to finance corporate and exploration expenditures. While the Company is making an earnest effort to achieve its plans by examining various financing alternatives, it is most likely that Management will seek and continue to rely on short- term loans to generate funds for operations. These loans may be either internal or external in nature.

### **Operating Activities**

During the three months ended March 31, 2016, the Company reported a net loss of \$85,960 (March 31, 2015 - \$142,463). This is principally comprised of general and corporate costs while Management continues to focus on identifying and evaluating opportunities to acquire additional mineral exploration projects that would attract investors.

During the three months ended March 31, 2015, the Company recorded the remaining \$21,418 stock-based compensation expense for the unvested options previously granted in 2013. Project management costs of \$25,053 were recorded for consulting fees for the Chief Geologist while he applied to the Canton Authority for new five-year permits.

### **Financing Activities**

Commencing Q3 2015, Management began to rely on related party loans to meet the ongoing corporate costs of the Company. During Q1 2016, a further \$53,797 was advanced for this purpose. During the same period in 2015 Management was drawing down on the balance of the 2013 IPO funding to pay its bills. See Related Party Transactions.

#### **1.10 OFF BALANCE SHEET ARRANGEMENTS**

The Company currently has no off balance sheet arrangements or obligations other than exploration commitments.

#### **1.11 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, 2016 a total of \$15,000 (2015 - \$15,000), plus applicable taxes was charged to the Company by the CFO on account of management consulting fees. Included in trade and other payables at March 31, 2016 is \$16,950 (December 31, 2015 - \$11,300) owing to the CFO for unpaid consulting fees. These amounts are unsecured, non-interest bearing and due on demand.

(ii) During the three months ended March 31, 2016 a total of \$15,000 (2015 - \$15,000) was recorded for directors' fees. Included in trade and other payables at March 31, 2016 is \$30,000 (December 31, 2015 - \$15,000) owing to directors for unpaid directors' fees. These amounts are unsecured, non-interest bearing and due on demand.

(iii) During the three months ended March 31, 2016, the Company incurred \$32,400 of service costs, provided by Geosource Exploration Ltd. ("Geosource"), a company controlled by the Chairman and President. These costs were approved by the Board of Directors under an agreement in effect since January 1, 2013. These costs were allocated in the condensed consolidated interim financial statements as follows: \$17,100 to office and general (including \$15,000 rent), \$2,700 to investor relations, \$6,000 to operations in Switzerland and \$6,600 to professional and administration fees. Included in trade and other payables at March 31, 2016 is \$65,922 owing to Geosource for these unpaid costs.

During the three months ended March 31, 2015, the Company incurred \$47,400 of service costs that were also provided by Geosource. These costs were allocated in the interim financial statements as follows: \$28,900 to office and general (including rent of \$26,400), \$12,500 to investor relations and \$6,000 to professional and administration fees.

(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 nonexecutive) of the Company.

The remuneration of key management and directors of the Company (net of applicable taxes) was as follows:

<b>For the three months ended March 31,</b>	<b>2016</b>	2015
Directors' fees	<b>\$15,000</b>	\$15,000
Management fees	<b>15,000</b>	15,000
Stock-based compensation	-	17,135
	<b>\$30,000</b>	\$47,135

### **1.12 PROPOSED TRANSACTIONS**

The Company has no proposed transaction, specifically with the immediate intent to acquire any additional asset, or dispose of any asset of the Company. However, from time to time, and similar to other junior mineral exploration enterprises, the Company may acquire or dispose of property assets as exploration results, opportunities, competitive nature of the business, venture-capital availability and Management may determine.

### **1.13 CHANGES IN ACCOUNTING POLICIES AND NEW ACCOUNTING STANDARDS AND INTERPRETATIONS**

#### *Changes in Accounting Policies*

During the three months ended March 31, 2016, the Company adopted a number of new IFRS standards, interpretations, amendments and improvements of existing standards including IAS 1. These new standards and changes did not have any material impact on the Company's condensed, consolidated interim financial statements.

### **1.14 RISKS AND UNCERTAINTIES**

An investment in the common shares of the Company is speculative in nature and involves a high degree of risk.

#### ***Exploration, Development and Operating Risk***

Mineral exploration involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration and development, any of which could result in work stoppages, damage to the property, and possible environmental damage. None of the properties in which Aurania has an interest has a known body of commercial ore. Mining involves a high degree of risk and few properties that are explored are ultimately developed into producing mines. There is no assurance that any of Aurania's mineral exploration and development activities will result in discoveries of commercially viable bodies of ore. In addition, although Switzerland is one of the least risky countries in the world for doing business, exploring in a foreign jurisdiction subjects non-Swiss exploration companies to additional risks including potential political change, arbitrary changes in law or policies, inability or delays in getting government permits, limitations on foreign ownership and other risks not specified here. Foreign currency fluctuations may also adversely affect the Company's financial position and operating results.

***Management of Aurania attempts to mitigate all the risks associated with exploration and mining and minimize their effect on the Company's financial performance, but there is no guarantee that the Company will be profitable in the future and the Company's Common Shares should be considered speculative.***

**Title**

Property title may be subject to unregistered prior agreements and non-compliance of regulatory requirements.

***Although the Company has taken steps to verify title to the properties on which it is conducting exploration, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the title to the permitted properties.***

**Environmental Matters**

The Company's mining and 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 believes its operations are materially in compliance with all applicable laws and regulations. The Company has arranged for the deposit of a substantial guarantee to ensure adequate funding to meet any future expenditure to comply with such laws and regulations. How much the Company will pay and when the Company will pay such expenditures is undetermined.***

**Foreign Country Risk**

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.

***The Company mitigates foreign country risk by keeping apprised of Switzerland's economic and political climate and by relying on certain advisors, including technical and financial consultants to inform Management of any proposed change to the laws and regulations that could significantly impact the financial results of the Company.***

**Financial Instruments**

**Fair Value**

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

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

**Financial risk**

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).

***In general, 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 three months ended March 31, 2016 and 2015.

**(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's credit risk is primarily attributable to cash and receivables.

***The Company has no significant concentration of credit risk arising from its operations. Cash is held at select reputable Canadian and Swiss financial institutions, from which management believes the risk of loss to be remote.***

**(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. Although the Company has no significant financial obligations, Management recognizes that to meet its ongoing overhead expenses, and to advance the projects going forward the Company will have to raise adequate financing in the market, most likely through debt mechanisms or by the disposition of assets and that may result in taking on greater financial obligations and potentially increased liquidity risk.***

**(c) Market risk**

Market risk is the risk that changes in 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**

Excess cash is 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 and is satisfied with the credit worthiness of its financial institutions.***

**(ii) Foreign currency risk**

Certain of the Company's expenses are incurred in Swiss francs ("CHF") and Euros 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 formally hedging its foreign exchange risk. However, the Company maintains bank accounts in foreign currency denominations in order to meet its trade payable obligations on a timely basis and with minimal foreign exchange risk.***

At March 31, 2016 and December 31, 2015, the Company's exposure to foreign currency risk with respect to amounts denominated in CHF, was substantially as follows:

<i>In Canadian \$ equivalents</i>	March 31, 2016	December 31, 2015
<b>Cash</b>	<b>\$2,486</b>	\$5,868
<b>Trade and other payables</b>	<b>(1,613)</b>	(6,288)
Net exposure	<b>\$873</b>	\$(420)

*Exposure to foreign currency risk with respect to amounts denominated in other foreign currencies at these dates was immaterial.*

**(d) 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 volatilities. 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 other metals. Commodity prices have fluctuated significantly in recent years. There is no assurance that, even as saleable metals may be produced in the future, a profitable market will exist for them. As of March 31, 2016 and 2015, the Company was not a metals 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.*

#### **1.15 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.

##### **Service Costs and Consulting Agreements**

Geosource provides investor relations, administrative and IT services to the Company at a monthly cost of \$10,800. This agreement may be terminated by the Company with 90 days' written notice provided to Geosource of the Company's intention to terminate the agreement.

The Company's CFO and Project Manager provide services pursuant to annual, renewable consulting agreements. Accordingly, the CFO is remunerated at the rate of \$60,000 per annum (plus applicable taxes) and the Project Manager is contracted on an 'as needed' basis and compensated at a rate of CHF 545 (Cdn\$734) per diem. Early termination of the contracts requires 90 days' written notice by the party terminating the agreement therein.

#### **1.16 QUALIFIED PERSON**

The foregoing and technical information contained has been prepared or reviewed by Aurania's Chief Geologist, Jean-Paul Pallier, a designated EurGeol by the European Federation of Geologists and 'Qualified Person' for the purpose of National Instrument 43-101, Standards of Disclosure for Mineral Projects of the Canadian Securities Administrators.