



---

**AURANIA RESOURCES LTD.**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)**

**For the Nine Months Ended September 30, 2016**

*(Expressed in Canadian Dollars)*

---

INDEX	PAGE
Management's Responsibility For Financial Reporting and Notice to Reader	1
Condensed Consolidated Interim Statements of Financial Position	2
Condensed Consolidated Interim Statements of Changes in Shareholders' Equity (Deficiency)	3
Condensed Consolidated Interim Statements of Loss and Comprehensive Loss	4
Condensed Consolidated Interim Statements of Cash Flows	5
Notes to the Condensed Consolidated Interim Financial Statements	6-14

---

---



## **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 nine months ended September 30, 2016 are the responsibility of the Company’s management (“Management”) and have been prepared by Management and include the selection of appropriate accounting principles, judgments and estimates necessary to prepare these condensed consolidated interim financial statements in accordance with International Accounting Standard (“IAS”) 34 *Interim Financial Reporting* using the accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) for condensed consolidated interim financial statements.

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

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

<b>AS AT</b>	<b>SEPTEMBER 30, 2016</b>	<b>DECEMBER 31, 2015</b>
	<b>\$</b>	<b>\$</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	<b>5,650</b>	7,753
Prepaid expenses and receivables	<b>12,595</b>	2,070
<b>Total assets</b>	<b>18,245</b>	9,823
<b>LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)</b>		
<b>Current liabilities</b>		
Trade and other payables <i>(note 8)</i>	<b>213,073</b>	88,004
Promissory note <i>(note 5)</i>	<b>319,240</b>	162,100
<b>Total liabilities</b>	<b>532,313</b>	250,104
<b>SHAREHOLDERS' EQUITY (DEFICIENCY)</b>		
Share capital <i>(note 6)</i>	<b>229</b>	229
Share premium	<b>5,485,705</b>	5,485,705
Contributed surplus	<b>650,624</b>	586,017
Deficit	<b>(6,650,626)</b>	(6,312,232)
Total shareholders' equity (deficiency)	<b>(514,068)</b>	(240,281)
<b>Total liabilities and shareholders' deficiency</b>	<b>18,245</b>	9,823

Nature of operations and business continuance *(note 1)*Commitments and contingencies *(note 11)*Subsequent events *(note 12)*

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 (DEFICIENCY) (Unaudited)***Expressed in Canadian dollars*

	ISSUED CAPITAL			RESERVES			Total Shareholders' Equity (Deficiency)
	Common Shares #	Share Capital \$	Share Premium \$	Warrants \$	Contributed Surplus \$	Accumulated Deficit \$	\$
<b>Balance - December 31, 2014</b>	<b>22,759,735</b>	<b>229</b>	<b>5,485,705</b>	<b>73,500</b>	<b>570,952</b>	<b>(5,950,556)</b>	<b>179,830</b>
Stock-based compensation (note 7)	-	-	-	-	24,038	-	24,038
Expiry of warrants	-	-	-	(73,500)	(8,973)	82,473	-
Net loss for the period	-	-	-	-	-	(237,812)	(237,812)
<b>Balance – September 30, 2015</b>	<b>22,759,735</b>	<b>229</b>	<b>5,485,705</b>	<b>73,500</b>	<b>586,017</b>	<b>(6,105,895)</b>	<b>(33,944)</b>
Net loss for the period	-	-	-	-	-	(206,337)	(206,337)
<b>Balance - December 31, 2015</b>	<b>22,759,735</b>	<b>229</b>	<b>5,485,705</b>	<b>-</b>	<b>586,017</b>	<b>(6,312,232)</b>	<b>(240,281)</b>
Stock-based compensation (note 7(i))	-	-	-	-	81,439	-	81,439
Stock-based compensation (note 7(ii))	-	-	-	-	(16,832)	16,832	-
Net loss for the period	-	-	-	-	-	(355,226)	(355,226)
<b>Balance - September 30, 2016</b>	<b>22,759,735</b>	<b>229</b>	<b>5,485,705</b>	<b>-</b>	<b>650,624</b>	<b>(6,650,626)</b>	<b>(514,068)</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 September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
	\$	\$	\$	\$
<b>Expenses:</b>				
Bank charges and interest	396	441	1,323	1,725
Exploration and evaluation expenditures	25,000	16,333	37,079	47,030
Insurance	1,634	1,634	4,847	5,485
Investor relations and travel	6,424	18,467	19,643	35,406
Management and director's fees	31,950	31,950	95,850	95,850
Office and general	17,762	17,710	54,825	82,567
Professional and administrative fees	8,200	20,442	31,611	37,815
Regulatory and transfer agent fees	9,048	8,094	28,043	23,429
Stock-based compensation <i>(note 7)</i>	81,439	-	81,439	24,038
<b>Total expenses</b>	<b>181,853</b>	115,071	<b>354,660</b>	353,345
<b>Other (income) expenses:</b>				
Interest (income) expense	-	-	-	(106)
(Gain) loss on foreign exchange	3,628	(1,118)	566	(1,474)
<b>Net loss and comprehensive loss for the period</b>	<b>185,481</b>	113,953	<b>355,226</b>	351,765
<b>Basic and diluted loss per share</b>	<b>\$0.008</b>	\$0.005	<b>\$0.016</b>	\$0.015
<b>Weighted average common shares outstanding – basic and diluted</b>	<b>22,759,735</b>	22,759,735	<b>22,759,735</b>	22,759,735

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*

<b>Nine months ended September 30,</b>	<b>2016</b>	
	\$	\$
<b>Cash flows from the following activities:</b>		
<b>Operating</b>		
Net loss for the period	<b>(355,226)</b>	(351,765)
Non-cash item:		
Stock-based compensation	<b>81,439</b>	24,038
Net change in non-cash working capital:		
Prepaid expenses and receivables	<b>(10,525)</b>	(10,790)
Trade and other payables	<b>125,069</b>	32,553
Net cash used in operating activities	<b>(159,243)</b>	(305,964)
<b>Financing</b>		
Promissory note	<b>157,140</b>	112,500
Net cash provided by financing activities	<b>157,140</b>	112,500
<b>Increase (decrease) in cash</b>	<b>(2,103)</b>	(193,464)
<b>Cash – beginning of period</b>	<b>7,753</b>	211,340
<b>Cash – end of period</b>	<b>5,650</b>	17,876

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 nine months ended September 30, 2016 (Unaudited)

(Expressed in Canadian Dollars)

### 1. NATURE OF OPERATIONS AND BUSINESS CONTINUANCE

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.

Currently, through its 100% wholly-owned subsidiary AuroVallis Sàrl ("AVS"), the Company is engaged in the exploration of certain mineral property interests in Switzerland (the "Properties"), more particularly described in *note 4*. The Company is exploring the Properties under government-granted permits and has not yet determined whether these Properties contain reserves that are economically recoverable.

As at September 30, 2016, the Company had cash of \$5,650 (December 31, 2015 - \$7,753) and liabilities of \$532,313 (December 31, 2015 - \$250,104) including a grid promissory note of \$319,240 (\$162,100 at December 31, 2015) which is due on demand and owing to a company controlled by a principal shareholder and director of the Company (the "Lender"). Further, the Company had an accumulated deficit of \$6,650,626 (December 31, 2015 - \$6,312,232) and a working capital deficiency of \$514,068 (December 31, 2015 - \$240,281).

During the nine months ended September 30, 2016 and 2015, the Company did not complete any equity financings however the Lender did advance \$157,140 (2015 - \$112,500) for working capital.

The Company's ability to continue operations and fund its future exploration property expenditures is highly dependent on Management's ability to secure additional financing. Management acknowledges that while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future. These condensed consolidated interim financial statements do not include the adjustments that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material. As a result of the financial matters discussed in the preceding paragraphs, there is a material uncertainty that results in significant doubt regarding the ultimate applicability of the Company's going concern assumption.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### (a) *Statement of compliance*

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

The accounting policies applied in these condensed consolidated interim financial statements are based on IFRS policies issued and outstanding as of the date the Board of Directors approved these interim financial statements (November 25, 2016). The same accounting policies and methods of computation are followed in these condensed consolidated interim financial statements as those applied in *note 2* of the Company's most recent annual consolidated financial statements for the year ended December 31, 2015 and have been consistently applied throughout all periods presented, as if these policies had always been in effect. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending December 31, 2016 could result in the restatement of these condensed consolidated interim financial statements.

#### (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.

## **AURANIA RESOURCES LTD.**

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

For the nine months ended September 30, 2016

(in Canadian Dollars)

#### **2. SIGNIFICANT ACCOUNTING POLICIES, Continued**

##### **(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.

##### **(d) Significant accounting judgments and estimates**

The application of the Company's accounting policies in compliance with IFRS requires Management to make certain judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. These estimates and assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Significant assumptions about the future and other sources of estimation uncertainty that Management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- i). the inputs used in accounting for valuation of warrants and options which are included in the condensed consolidated interim statement of financial position;
- ii). the inputs used in accounting for stock-based compensation expense in the condensed consolidated interim statement of loss;
- iii). the \$nil provision for decommissioning and restoration obligations which are included in the condensed consolidated interim statement of financial position; and
- iv). the existence and estimated amount of contingencies (*note 11*).

##### **(e) Changes in Accounting Policies**

During the nine months ended September 30, 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.

#### **3. CAPITAL AND FINANCIAL RISK MANAGEMENT**

##### **Capital management**

The Company considers the capital that it manages to include share capital, share premium, contributed surplus and deficit, which at September 30, 2016 was a deficiency of \$514,068 (December 31, 2015 - \$240,281). 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. There has been no change with respect to the overall capital risk management strategy during the nine months ended September 30, 2016.

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 nine months. As at September 30, 2016, the



# AURANIA RESOURCES LTD.

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

For the nine months ended September 30, 2016

(in Canadian Dollars)

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

#### Capital management, Continued

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.

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 identify and assess new project opportunities consistent with its growth strategy. At September 30, 2016, the Company does not have sufficient funds to continue operating in the normal course; accordingly, Management is pursuing financing strategies including short-term loans to assist the Company in meeting its ongoing financial commitments.

#### 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 Management 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 reporting period.

##### (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 and Swiss financial institutions, from which management believes the risk of loss to be remote.

The Company does not have any material risk exposure to any single debtor or group of debtors.

##### (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 through equity issuances, through debt or by the disposition of assets.

As at September 30, 2016, the Company had \$5,650 in cash to settle \$213,073 of trade and other payables and a promissory note of \$319,240 (December 31, 2015 - \$7,753 in cash to settle \$88,004 of trade and other payables and a promissory note of \$162,100). 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 to finance corporate and exploration expenditures.

##### (c) Market risk

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

###### (i) Interest rate risk

Cash balances are deposited in highly-accessible and low-interest bank accounts that are used for short-term working capital requirements. The Company regularly monitors compliance to its cash management policy.

# AURANIA RESOURCES LTD.

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

For the nine months ended September 30, 2016

(in Canadian Dollars)

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

#### Financial risk management, Continued

##### (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 September 30, 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>	September 30, 2016	December 31, 2015
Cash	\$4,784	\$5,868
Trade and other payables	(1,773)	(6,288)
<b>Net exposure</b>	<b>\$3,011</b>	<b>\$(420)</b>

##### (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 volatility. The ability of the Company to develop its mineral properties and the future profitability of the Company is directly related to the market price of gold, uranium, and other metal commodities.

Commodity prices have fluctuated significantly in recent years. There is no assurance that these metals will be produced in the future or that a profitable market will exist for them. As of September 30, 2016, and December 31, 2015 the Company was not a metals commodity producer.

##### (e) Sensitivity analysis

As of September 30, 2016, and December 31, 2015, both the carrying and fair value amounts of the Company's financial instruments are approximately equivalent due to their short-term nature.

Based on Management's knowledge and experience of the financial markets, the Company believes that a 10% strengthening of the Canadian dollar against the CHF would have decreased the net asset position of the Company as at September 30, 2016 by \$301 (increased by \$42 at December 31, 2015). A 10% weakening of the Canadian dollar against the same would have had an equal but opposite effect.

### 4. EXPLORATION AND EVALUATION EXPENDITURES

#### NEW POTENTIAL PROJECTS

The technical team continues to identify and evaluate potential mineral property interests, with a focus on precious metals, to add to the Company's asset base.

#### SWITZERLAND

The Company, through its wholly-owned subsidiary AVS, holds a 100% interest in three exploration permits in Switzerland (the "Permits") 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.

# AURANIA RESOURCES LTD.

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

For the nine months ended September 30, 2016

(in Canadian Dollars)

### 4. EXPLORATION AND EVALUATION EXPENDITURES, Continued

#### (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.

#### (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.

#### Permit Status

The Canton Authority (the “Ministry”) has confirmed that:

- The original Permits and their extended periods expired in June 2015; however the Ministry froze the Permits to preserve their priority;
- The Mining Law on which the 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 Mining Law is still being revised and Management believes the “freeze” status on the Permits is still in effect. The Company has also requested a reduction in the area to be explored and the Ministry has accepted this proposal, in principle.

Cumulative exploration expenditures related to the Properties are summarized as follows:

	Cumulative Balance, December 31, 2014 \$	Additions Expensed \$	Cumulative Balance September 30, 2015 \$	Additions Expensed \$	Cumulative Balance December 31, 2015 \$	Additions Expensed \$	Cumulative Balance September 30, 2016 \$
<b>PROJECT EVALUATION</b>							
Acquisition, maintenance	-	-	-	-	-	-	-
Evaluation	-	-	-	-	-	25,000	25,000
	-	-	-	-	-	25,000	25,000
<b>SWITZERLAND</b>							
<i>Mont Chemin</i>							
Acquisition, maintenance	32,842	(3,914)	28,928	7,872	36,880	3,975	40,775
Exploration	938,214	35,212	973,426	(22,830)	950,596	3,000	953,596
	971,056	31,298	1,002,354	(14,958)	987,396	6,975	994,371
<i>Siviez</i>							
Acquisition, maintenance	31,448	8,080	39,528	6	39,534	1,260	40,794
Exploration	1,112,610	3,660	1,116,270	2,045	1,118,315	1,844	1,120,159
	1,144,058	11,740	1,155,798	2,051	1,157,849	3,104	1,160,953
<i>Marécottes</i>							
Acquisition, maintenance	16,144	1,039	17,183	(127)	17,056	2,000	19,056
Exploration	572,753	2,953	575,706	316	576,022	-	576,022
	588,897	3,992	592,889	189	593,078	2,000	595,078
	2,704,011	47,030	2,751,041	(12,718)	2,738,323	37,079	2,775,402

## AURANIA RESOURCES LTD.

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

For the nine months ended September 30, 2016

(in Canadian Dollars)

#### 5. PROMISSORY NOTE

During the nine months ended September 30, 2016, the Company received a total of \$157,140 (2015 - \$112,500) short-term advances from the Lender. (see note 1). These advances are evidenced by an unsecured, non-interest-bearing grid promissory note, and are repayable upon demand by the Lender. As at September 30, 2016 the Lender has advanced a total of \$319,240 (December 31, 2015 - \$162,100).

#### 6. SHARE CAPITAL

a) **Authorized share capital** at September 30, 2016 and December 31, 2015 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 September 30, 2016 and December 31, 2015 - 22,759,735.

In accordance with National Policy 46-201 and the TSXV regulations, a total of 13,427,873 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). As of September 30, 2016, all 13,427,873 escrowed shares have been released.

Further, applicable TSXV seed share restrictions were imposed in connection with the Company's 2013 IPO and a total of 660,000 seed shares were also subject to hold periods for resale. 10,000 of these seed shares were released by August 11, 2013. The remaining 650,000 seed shares were also been automatically time-released over the 36-month period following the date of listing. As of September 30, 2016, all 650,000 escrowed seed shares have been released.

#### 7. STOCK-BASED COMPENSATION

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.

- (i) On July 13, 2016, the Company granted 415,000 stock options to directors and officers. Each option is exercisable to acquire one common share at a price of \$0.60. These options expire on July 13, 2021, and vest as follows: 1/3 on the grant date, 1/3 on July 13, 2017 and the remaining 1/3 on July 13, 2018. A total value of \$184,437 has been assigned to the options using the Black-Scholes option pricing model using the following assumptions: expected forfeiture rate of 0%, expected dividend yield of 0%, expected volatility of 100%, a risk-free interest rate of 0.65% and an expected life of 5 years. To September 30, 2016, an amortized value of \$81,439 has been expensed in relation to the options vested on the grant date.
- (ii) On July 13, 2016, a total of 80,000 stock options previously granted to a consultant, expired. The value of \$16,832 was reclassified to accumulated deficit.
- (iii) During the nine months ended September 30, 2015, there were no new issuances of stock options under the Plan however \$24,038 was recorded as stock-based compensation, in the statement of loss. This pertained to the amortized value of unvested stock options that were granted in 2013.
- (iv) On May 13, 2015, 30,000 stock options expired. The value of \$8,973 was reclassified to accumulated deficit.
- (v) On April 11, 2015, 350,000 broker warrants expired, unexercised. The value of \$73,500 was reclassified to accumulated deficit.

## AURANIA RESOURCES LTD.

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

For the nine months ended September 30, 2016

(in Canadian Dollars)

#### 7. STOCK-BASED COMPENSATION, Continued

- (vi) The following summarizes the stock options activity during the nine months ended September 30, 2016 and 2015:

	Number of Options	Weighted Average Exercise Price	Estimated Fair Value at Grant/Issue Date
Balance - December 31, 2014	2,210,000	\$0.40	\$620,489
Expired	(380,000)	\$0.40	\$(82,472)
Balance - September 30, and December 31, 2015	1,830,000	\$0.40	\$538,017
Issued	415,000	\$0.60	\$184,437
Expired	(80,000)	\$(0.40)	\$(16,832)
Balance - September 30, 2016	2,165,000	\$0.44	\$705,622

- (vii) The following summarizes the stock options outstanding at September 30, 2016:

Issued Number of Options	Exercisable Number of Options	Exercise Price	Expiry Date	Estimated Fair Value at Grant/Issue Date
1,750,000	1,750,000	\$0.40	April 11, 2018	\$521,184
415,000	138,333	\$0.60	July 13, 2021	\$81,439
2,165,000	1,888,333			602,263

The weighted average contractual life remaining for stock options as at September 30, 2016 is 2.15 years (2015 – 2.7 years). The above stock options were not included in the computation of diluted net loss per share for the periods presented as they are anti-dilutive.

#### 8. RELATED PARTY TRANSACTIONS

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

##### During the nine months ended September 30, 2016:

- (i) a total of \$30,000 (2015 - \$30,000), plus applicable taxes was charged to the Company by the CFO on account of management consulting fees. Included in trade and other payables at September 30, 2016 is \$11,300 (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) a total of \$30,000 (2015 - \$30,000) was recorded for directors' fees. Included in trade and other payables at September 30, 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) the Company incurred \$64,800 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 (and its amendment), in effect since January 1, 2013 (*note 11*). These costs were allocated in the condensed consolidated interim financial statements as follows: \$34,200 to office and general (including \$30,000 rent), \$5,400 to investor relations, \$12,000 to operations in Switzerland and \$13,200 to professional and administration fees. Included in trade and other payables at September 30, 2016 is \$130,722 (December 31, 2015 - \$33,522) owing to Geosource for these unpaid costs. These amounts are unsecured, non-interest-bearing and due on demand.

# AURANIA RESOURCES LTD.

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

For the nine months ended September 30, 2016

(in Canadian Dollars)

### 8. RELATED PARTY TRANSACTIONS, Continued

During the nine months ended September 30, 2015, the Company incurred \$94,800 of service costs that were also provided by Geosource. These costs were allocated in the interim financial statements as follows: \$73,800 to office and general (including rent of \$52,800), \$15,000 to investor relations and \$6,000 to professional and administration fees.

- (iv) a company controlled by a director and principal shareholder provided \$157,140 (2015 - \$112,500) of short-term advances to the Company in the form of a grid promissory note (see notes 5 and 11).
- (v) 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.

For the nine months ended September 30,	2016	2015
Director's fees	\$45,000	\$45,000
Management fees	45,000	45,000
Stock-based compensation	81,439	19,230
	<b>\$171,439</b>	\$109,230

### 9. SEGMENTED INFORMATION

At September 30, 2016, the Company's operations comprised a single reporting operating segment engaged in the identification and evaluation of potential new mineral interests and mineral exploration in Switzerland. Cash of \$866 (December 31, 2015 - \$1,885 is held in Canadian chartered banks, with the balance of \$4,784 (December 31, 2015 - \$5,868) being held in Swiss chartered banks.

### 10. NOTE DISCLOSURE

Certain note disclosures for the prior year have been changed to conform to the current period presentation.

### 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.

#### 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\$722) per diem. Early termination of the contracts requires 90 days' written notice by the party terminating the agreement therein.

---

**AURANIA RESOURCES LTD.**

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

For the nine months ended September 30, 2016

*(in Canadian Dollars)*

**12. SUBSEQUENT EVENT**

Subsequent to September 30, 2016, the Lender advanced a further \$30,000 to the Company in the form of a short-term loan. This advance forms part of a grid promissory note. (see notes 1 and 5).