**AURANIA RESOURCES LTD.**

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

**For the Three Months Ended March 31, 2018**

(*Expressed in Canadian Dollars)*

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

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

# AURANIA RESOURCES LTD.

## CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN FINANCIAL POSITION (Unaudited)

(*Expressed in Canadian dollars)*

| AS AT | **MARCH 31, 2018** | DECEMBER 31, 2017 |
|---|---|---|
| | **$** | $ |
| **ASSETS** | | |
| **Current assets** | | |
| Cash | **1,359,450** | 671,346 |
| Prepaid expenses and receivables | **166,695** | 64,882 |
| **Total current assets** | **1,526,145** | 736,228 |
| **Non-current asset** | | |
| Property, plant and equipment (note 5) | **110,005** | 52,573 |
| **TOTAL ASSETS** | **1,636,150** | 788,801 |
| | | |
| **LIABILITIES AND EQUITY (DEFICIENCY)** | | |
| **LIABILITIES** | | |
| **Current liabilities** | | |
| Accounts payable and accrued liabilities (note 12) | **335,621** | 464,956 |
| Promissory notes (note 6) | **1,030,883** | 1,273,000 |
| Convertible debenture advance (note 6) | **2,578,800** | - |
| **Total liabilities** | **3,945,304** | 1,737,956 |
| | | |
| **EQUITY (DEFICIENCY)** | | |
| Share capital (note 7) | **295** | 273 |
| Share premium (note 7) | **16,184,016** | 13,019,518 |
| Warrants (note 9) | **596,567** | 883,874 |
| Contributed surplus | **1,029,523** | 1,206,201 |
| Deficit | **(20,119,555)** | (16,059,021) |
| Total equity (deficiency) | **(2,309,154)** | (949,155) |
| **TOTAL LIABILITIES AND EQUITY (DEFICIENCY)** | **1,636,150** | 788,801 |

Nature of operations and business continuance (note 1)
Commitments and contingencies (notes 4 and 15)
Subsequent events (note 16)

APPROVED BY THE BOARD:

Signed, "Marvin K. Kaiser", Director

Signed, "Keith M. Barron", Director

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

## AURANIA RESOURCES LTD.

### CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY) POSITION (Unaudited)

(*Expressed in Canadian dollars)*

| | ISSUED CAPITAL | | RESERVES | | | | |
|---|---|---|---|---|---|---|---|
| | Common Shares # | Share Capital | Share Premium | Warrants | Contributed Surplus | Accumulated Deficit | Total Equity (Deficiency) |
| **Balance - December 31, 2016** | **22,759,735** | **$229** | **$5,485,705** | **$-** | **$692,868** | **$(6,813,699)** | **$(634,897)** |
| Stock-based compensation | - | - | - | - | 26,905 | - | 26,905 |
| Net loss for the period | - | - | - | - | - | (187,005) | (187,005) |
| **Balance – March 31, 2017** | **22,759,735** | **$229** | **$5,485,705** | **$-** | **$719,773** | **$(7,000,704)** | **$(794,997)** |
| Shares issued for private placements | 3,200,890 | 32 | 6,401,748 | - | - | - | 6,401,780 |
| Less share issue costs | - | - | (534,482) | - | - | - | (534,482) |
| Shares issued for acquisition | 1,000,000 | 10 | 1,765,532 | - | - | - | 1,765,542 |
| Shares issued for debt settlement | 375,000 | 2 | 749,998 | - | - | - | 750,000 |
| Warrants issued for private placements (note 9) | - | - | (750,476) | 750,476 | - | - | - |
| Agents' options compensation (note 9) | - | - | (133,398) | 133,398 | - | - | - |
| Stock-based compensation – options (note 8) | - | - | - | - | 477,956 | - | 477,956 |
| Stock-based compensation - Restricted Stock Units ("RSUs") compensation (note 8) | - | - | - | - | 23,363 | - | 23,363 |
| Exercise of stock options (note 8) | 50,000 | - | 34,891 | - | (14,891) | - | 20,000 |
| Net loss for the period | - | - | - | - | - | (9,058,317) | (9,058,317) |
| **Balance - December 31, 2017** | **27,385,625** | **$273** | **$13,019,518** | **$883,874** | **$1,206,201** | **$(16,059,021)** | **$(949,155)** |
| Shares issued for exercise of options (notes 7, 8) | 930,000 | 9 | 706,566 | - | (286,575) | - | 420,000 |
| Shares issued for debt settlement (notes 6, 7) | 700,000 | 7 | 495,723 | - | (215,730) | - | 280,000 |
| Shares issued for exercise of warrants (notes 7, 9) | 530,536 | 5 | 1,840,380 | (248,777) | - | - | 1,591,608 |
| Shares issued for exercise of agents' options (notes 7, 9) | 41,650 | 1 | 121,829 | (38,530) | - | - | 83,300 |
| Stock-based compensation – options (notes 8, 10) | - | - | - | - | 289,984 | - | 289,984 |
| Stock-based compensation - Restricted Stock Units ("RSUs") compensation (note 8) | - | - | - | - | 35,643 | - | 35,643 |
| Net loss for the period | - | - | - | - | - | (4,060,534) | (4,060,534) |
| **Balance – March 31, 2018** | **29,587,811** | **$295** | **$16,184,016** | **$596,567** | **$1,029,523** | **$(20,119,555)** | **$(2,309,154)** |

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,** | **2018** | 2017(note 13) |
|---|---|---|
| | **$** | $ |
| **Operating Expenses:** | | |
| Exploration expenditures (notes 4, 11) | **3,167,316** | 13,531 |
| Stock-based compensation (notes 8, 10) | **325,627** | 26,905 |
| Investor relations | **180,315** | 7,529 |
| Office and general | **125,192** | 22,504 |
| Management fees | **80,173** | 15,000 |
| Professional and administration fees | **47,610** | 19,922 |
| Regulatory and transfer agent fees | **43,541** | 14,160 |
| Director and advisor fees (note 10) | **16,250** | 15,000 |
| Project evaluation expenses including travel | **-** | 52,973 |
| Amortization (note 5) | **3,603** | - |
| **Total expenses** | **3,989,627** | 187,524 |
| **Other expenses/income** | | |
| (Gain) loss on foreign exchange | **65,555** | (519) |
| Interest income | **(1,048)** | - |
| Interest expense (note 6) | **6,400** | - |
| **Loss and comprehensive loss for the period** | **4,060,534** | 187,005 |
| **Basic and diluted loss per share** | **$0.15** | $0.01 |
| **Weighted average common shares outstanding – basic and diluted** | **27,923,310** | 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)*

| Three months ended MARCH 31, | 2018 | 2017 |
|---|---|---|
| | $ | $ |
| **Cash flows from the following activities:** | | |
| **Operating activities:** | | |
| Net (loss) for the period | **(4,060,534)** | (187,005) |
| Non-cash items: | | |
| Amortization | **3,603** | - |
| Stock-based compensation | **325,627** | 26,905 |
| Accrued interest (note 6) | **6,400** | - |
| Foreign exchange on promissory notes (note 6) | **31,483** | - |
| Prepaid expenses and receivables | **(101,813)** | (29,799) |
| Accounts payables and accrued liabilities | **(129,335)** | 97,720 |
| **Net cash used in operating activities** | **(3,924,569)** | (92,179) |
| **Financing activities:** | | |
| Shares issued for option exercises (notes 7, 8) | **420,000** | - |
| Shares issued for warrant exercises (notes 7, 9) | **1,591,608** | - |
| Shares issued for agents' options exercise (notes 7, 9) | **83,300** | - |
| Convertible debenture (note 6) | **2,578,800** | - |
| Promissory note (note 6) | **-** | 98,272 |
| **Net cash provided by financing activities** | **4,673,708** | 98,272 |
| **Investing activity:** | | |
| Purchase of capital assets | **(61,035)** | - |
| **Net cash used by investing activities** | **(61,035)** | - |
| **Increase in cash** | **688,104** | 6,093 |
| **Cash – beginning of period** | **671,346** | 3,942 |
| **Cash – end of period** | **1,359,450** | 10,035 |

| Supplemental Information | 2018<br>$ | 2017<br>$ |
|---|---|---|
| Shares issued in settlement of debt | **280,000** | - |

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

## 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.

On May 29, 2017, the Company acquired EcuaSolidus, S.A., a private Ecuador-based company, owned by the principal shareholder of the Company, in order to acquire all the rights, title and interest in 42 mineral exploration licenses in Ecuador (the "Lost Cities – Cutucu Project" or the "Project"). See note 4 – Mineral Property Interests.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that the current exploration program will result in profitable mining operations. The recoverability of the carrying value of property, plant and equipment and the Company's continued existence is dependent upon the preservation of its interest in recoverable reserves, the achievement of profitable operations and, the ability of the Company to raise necessary financing to complete its planned exploration program.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration activities and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, unregistered claims and noncompliance with regulatory and environmental requirements. See note 4 – Mineral Property Interests regarding the current status of the Company's permits and licenses.

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

As at March 31, 2018, the Company had cash of $1,359,450 (December 31, 2017 - $671,346), current accounts payable and accrued liabilities of $335,621 (December 31, 2017 - $464,956), a promissory note of $1,030,883 (December 31, 2017 - $1,273,000), and a convertible debenture advance of $2,578,800 (December 31, 2017 - $nil). Further, the Company had an accumulated deficit of $20,119,555 (December 31, 2017 - $16,059,021) and working capital deficiency of $2,419,158 (December 31, 2017 – $1,001,728).

## 2. SIGNIFICANT ACCOUNTING POLICIES

### Statement of compliance

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

## 2. SIGNIFICANT ACCOUNTING POLICIES, Continued

### Statement of compliance, Continued

The accounting policies applied in these condensed consolidated interim financial statements are based on IFRS policies issued and outstanding as of the date the Board of Directors approved these interim financial statements being May 28, 2018. The same accounting policies and methods of computation are followed in these condensed consolidated interim financial statements as those applied in *note 2* of the Company's most recent annual consolidated financial statements for the year ended December 31, 2017 and have been consistently applied throughout all periods presented, as if these policies had always been in effect. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending December 31, 2017 could result in the restatement of these condensed consolidated interim financial statements.

### Basis of Measurement

These condensed consolidated interim financial statements have been prepared under the historical cost convention except for certain financial assets and liabilities, which are measured at fair value. The Company's assets are located in Ecuador and Switzerland and are subject to the risk of foreign investment, including increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and restrictions and political uncertainty. All amounts have been expressed in Canadian dollars, the Company's functional currency, unless otherwise stated and USD represents United States dollars and CHF represents Swiss francs.

### Basis of Consolidation

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

### Significant accounting judgments and estimates

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

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

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the

**2. SIGNIFICANT ACCOUNTING POLICIES, Continued**

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:

Estimation of decommissioning and restoration costs and the timing of expenditure

Management is not aware of any material restoration, rehabilitation and environmental provisions as at March 31, 2018 and December 31, 2017. Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value and these estimates are updated at least annually. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

Share-based payments

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based non-vested share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the share price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions could affect the fair value estimates.

Income, value added, withholding and other taxes

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax-related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax-related accruals and deferred income tax provisions in the period in which such determination is made.

Business combinations vs. asset acquisitions

Determination of whether a set of assets acquired, and liabilities assumed constitute a business requires the Company to make certain judgments, taking into account all facts and circumstances. In making this determination, the Company considers items including, but not limited to: whether there are inputs and processes attributable to the set of assets and liabilities, the extent of the infrastructure in place, the work required to bring the acquired assets to production and whether the project has resources or

**2. SIGNIFICANT ACCOUNTING POLICIES, Continued**

Business combinations vs. asset acquisitions, Continued

reserves. Such judgments are inherently uncertain and could have a significant effect on the method of accounting for the acquisition and the disclosures required.

Commitments and contingencies

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 15 – Commitments and Contingencies).

**Changes in Accounting Policies**

During the three months ended March 31, 2018, the Company adopted a number of new IFRS standards, interpretations, amendments and improvements of existing standards including IFRS 9 and IFRIC 22. These new standards and changes did not have any material impact on the Company's condensed consolidated interim financial statements.

## 3. CAPITAL AND FINANCIAL RISK MANAGEMENT

### Capital management

The Company considers the capital that it manages to include share capital, share premium, warrants, contributed surplus and deficit, which at March 31, 2018 was a deficiency of $2,309,154 (December 31, 2017 - $949,155). The Company manages its capital structure and makes adjustments to it, based on the funds needed in order to support the acquisition and exploration of mineral properties. Management does this in light of changes in economic conditions and the risk characteristics of the underlying assets. There has been no change with respect to the overall capital risk management strategy during the three months ended March 31, 2018. See Liquidity Risk below.

The Company's continued existence is dependent upon Management's ability to obtain the necessary financing to advance exploration on its Project. During the three months ended March 31, 2018, the Company entered into a convertible debenture agreement with the principal shareholder of the Company (the "Lender") for USD2,000,000 in order to pay the 2018 mineral concession fees owed by ESA. Additionally, on April 30, 2018, the Company negotiated a one-year extension on the USD1,000,000 promissory note ("2017 Promissory Note") held by the Lender.

### Credit risk

Credit risk is the risk of an unexpected loss if a third party to a financial instrument fails to meet its contractual obligations. The Company has no significant concentration of credit risk arising from its operations. Cash is held at select Canadian, Ecuadorian and Swiss financial institutions, from which Management believes the risk of loss to be remote. The Company does not have any material risk exposure to any single debtor or group of debtors.

### Liquidity risk

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

As at March 31, 2018, the Company had $1,359,450 in cash to settle $3,945,304 of liabilities (December 31, 2017 - $671,346 in cash to settle $1,737,956 of liabilities). The liquidity risk at March 31, 2018 is therefore material.

For fiscal 2017, a significant portion of the $6,401,780 financing completed in 2017 (the "2017 Offering") was spent on Project acquisition, mobilizing and training the exploration teams, initiating a CSR program and establishing bases of operation, as well as completion of a heliborne geophysics survey over the Project.

For 2018, as the Company has no steady source of revenues or cash flow, additional financing will be required to: a) further advance exploration at the Project including undertaking stream sediment sampling over the whole Project, more detailed follow-up of areas of interest defined from the stream sediment work, and complete planned scout-drilling, b) meet ongoing obligations and c) discharge the Company's liabilities in the normal course of business. Accordingly, Management is considering different sources of potential funding to undertake these next phases of exploration, including equity issuances, short-term loans, and the exercise of warrants and stock options.

## 3. CAPITAL AND FINANCIAL RISK MANAGEMENT, Continued

**Capital management, Continued**

**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.

*(ii) Foreign currency risk*

Certain of the Company's expenses are incurred in United States dollars and Swiss francs and are therefore subject to gains or losses due to fluctuations in these currencies. Management believes that the foreign exchange risk derived from currency conversions is best served by not hedging its foreign exchange risk.

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

| ***In Canadian $ equivalents*** | **March 31, 2018** | December 31, 2017 |
|---|---|---|
| Cash | **$349,201** | $8,393 |
| Accounts payable, accrued liabilities, promissory notes and convertible debenture | **(3,749,578)** | (1,391,262) |
| **Net exposure** | **$(3,400,377)** | $(1,382,869) |

**Commodity price risk**

Commodity price risk is defined as the potential adverse future impact on earnings and economic value due to commodity price movements and volatility. The ability of the Company to develop its mineral properties and the future profitability of the Company is directly related to the market price of gold, silver, copper other commodities.

Commodity prices have fluctuated significantly in recent years. There is no assurance that these metals will be produced in the future or that a profitable market will exist for them. As of March 31, 2018 and December 31, 2017, the Company was not a metals commodity producer.

**Sensitivity analysis**

As of March 31, 2018 and December 31, 2017, both the carrying and fair value amounts of the Company's financial instruments are approximately equivalent due to their short-term nature.

## 3. CAPITAL AND FINANCIAL RISK MANAGEMENT, Continued

**Capital management, Continued**

**Sensitivity analysis, Continued**

Based on Management's knowledge and experience of the financial markets, the Company believes that a 10% strengthening of the Canadian dollar against the USD and the CHF would have decreased the net asset position of the Company as at March 31, 2018 by $340,038 (at December 31, 2017 – $138,287). A 10% weakening of the Canadian dollar against the same would have had an equal but opposite effect.

## 4. MINERAL PROPERTY INTERESTS

### ECUADOR

**Exploration Entitlements**

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

**Annual Concession Fees**

An annual mineral concession fee per hectare is required to be paid to the State no later than March 31 in each year in order to maintain a concession in good standing. The fee is based on a percentage of the minimum mining wage that is set by the State, and hence the fee can be expected to fluctuate from year to year. The 2018 annual concession fee of USD2,004,923 ($2,535,603) was paid, therefore Management believes that the mineral exploration concessions are in good standing. Further, an additional $19,680 was incurred for legal and regulatory filing fees related to renewing the concession licenses during the reporting period. The 2018 concession payment was financed pursuant to an interest-bearing convertible debenture loan with the Lender. See note 6 – Promissory Note and Convertible Debenture.

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

**Mineral Concession Maintenance Requirements**

Under the terms of the current mineral concession agreement with the State, the Company is required to make exploration expenditures as follows: Years 1 and 2 - USD5/Ha ($6.45/Ha); Years 3 and 4 - USD10/Ha ($12.90/Ha).

Excess expenditures made on a concession in any one year may be carried over in partial fulfillment of the expenditure obligation for the following year. Annual expenditures and reporting on exploration undertaken on each concession is required to be filed with the Ministry of Mines by March 31 in each year. Mineral concessions can be cancelled should the concession-holder misrepresent the stage of the concessions’ exploration and development, by causing an excessive environmental impact, irreparable damage to Ecuadorian cultural heritage, or by the violation of human rights.

*(Expressed in Canadian Dollars)*

**4. MINERAL PROPERTY INTERESTS, Continued**

**SWITZERLAND**

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

**Permit Status**

In 2015, the Company made formal application to obtain new five-year Permits and were advised that the Canton Authority intended to revise the Swiss Mining Law prior to issuing new permits. The applications were deemed legally "frozen", therefore Management believes all rights, title and interest under the Permits, have been preserved. To March 31, 2018, Management is unaware of any change in the status of the Permits.

**5. PROPERTY, PLANT & EQUIPMENT -**

| COST | Leasehold Improvements $ | Field Equipment $ | Furniture and Fixtures $ | Computer Equipment $ | Total $ |
|---|---|---|---|---|---|
| At December 31, 2016 | - | - | - | **4,081** | **4,081** |
| Additions | 25,477 | - | 768 | 30,379 | 56,624 |
| **At December 31, 2017** | **25,477** | **-** | **768** | **34,460** | **60,705** |
| Additions | - | 56,060 | - | 4,975 | 61,035 |
| **At March 31, 2018** | **25,477** | **56,060** | **768** | **39,435** | **121,740** |

| ACCUMULATED DEPRECIATION | Leasehold Improvements $ | Field Equipment $ | Furniture and Fixtures $ | Computer Equipment $ | Total $ |
|---|---|---|---|---|---|
| **At December 31, 2016** | **-** | **-** | **-** | **(4,081)** | **(4,081)** |
| Additions | (851) | - | (38) | (3,162) | (4,051) |
| **At December 31, 2017** | **(851)** | **-** | **(38)** | **(7,243)** | **(8,132)** |
| Additions (1) | (262) | (983) | (10) | (2,348) | (3,603) |
| **At March 31, 2018** | **(1,113)** | **(983)** | **(48)** | **(9,591)** | **(11,735)** |
| **NET BOOK VALUE:** | | | | | |
| At December 31, 2017 | 24,626 | - | 730 | 27,217 | 52,573 |
| **At March 31, 2018** | **24,364** | **55,077** | **720** | **29,844** | **110,005** |

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

(*Expressed in Canadian Dollars)*

## 6. PROMISSORY NOTES AND CONVERTIBLE DEBENTURE ADVANCE

### Promissory Note - Mineral Concessions Loan ("MCL")

| For the three months ended MARCH 31, | 2018 | 2017 |
|---|---|---|
| **Balance, beginning of period** | **$1,273,000** | $- |
| Accrued interest | 6,400 | - |
| Settlement of debt | (280,000) | - |
| Foreign exchange translation loss | 31,483 | - |
| **Balance, end of period** | **$1,030,883** | $- |

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

Subsequent to March 31, 2018:

- the Company negotiated an extension of the MCL to include a deferred maturity date of May 29, 2019; and
- Dr. Barron settled $280,000 of the MCL in consideration of exercising his 700,000 Company stock options at $0.40 per option. Accordingly, the Company issued 700,000 common shares to Dr. Barron in exchange for reducing the principal owing on the MCL by USD217,168 ($280,000).

At March 31, 2018, the accrued interest owing on the MCL is $21,500 (December 31, 2017 - $15,100).

### Promissory Note Other

In the three months ended March 31, 2017, the Company relied on advances from the Lender in the amount of $98,272 which were fully repaid on May 29, 2017, as part of the settlement of $750,000 of cumulative promissory note advances, which was satisfied with the issuance of 375,000 shares of the Company.

### Convertible Debenture Advance

On March 20, 2018, the Lender advanced USD2,000,000 ($2,578,800) to the Company in order to facilitate payment of the 2018 mineral concession fees (USD2,004,923). Subsequent to period end, the Company formalized the loan transaction with a convertible debenture agreement. (the "Debenture").

See note 16 – Subsequent Events for terms of the Debenture.

## 7. SHARE CAPITAL

Authorized share capital at March 31, 2018 and December 31, 2017 is 1,000,000,000 common shares with a par value of $0.00001 per share. All shares issued are fully paid.

The number of issued and outstanding common shares at March 31, 2018 is 29,587,811 (December 31, 2017 - 27,385,625.

**7. SHARE CAPITAL, Continued**

During the three months ended March 31, 2018, the Company:

(a) Issued 930,000 common shares as a result of the exercise of 930,000 stock options previously granted to directors, officers and consultants, for proceeds of $420,000.

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

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

(d) Issued 41,650 Agents' Compensation Units to agents of the 2017 Offering for the exercise of 41,650 broker warrants. Each Agents' Unit is comprised of one common share and one half of one warrant to purchase one common share of the Company for $3.00, prior to October 19, 2018. The consideration for these Units was $83,300.

(e) No common shares were issued during the three months ended March 31, 2017.

**8. 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. Stock options generally vest 1/3 annually.

(i) On March 2, 2018, the Company granted 250,000 stock options to one director/officer and two consultants. Each option is exercisable to acquire one common share at a price of $2.89. 100,000 of the options expire on March 2, 2023, and vest as follows: 1/3 on the grant date, 1/3 on March 2, 2019 and the remaining 1/3 on March 2, 2020. The remaining 150,000 stock options will expire as late as March 2, 2023, depending on the consultant's term. A total value of $541,934 has been assigned to the options using the Black-Scholes option pricing model using the following assumptions: expected forfeiture rate of 0%, expected dividend yield of 0%, expected volatility of 100%, a risk-free interest rate of 2.1% and an expected life of 5 years. Volatility was based on the historical trading of the Company's shares. To March 31, 2018, a total of $202,009 has been expensed for the vested options.

(ii) For the three months period ended March 31, 2018, an aggregate of $87,975 of stock-based compensation was recorded for the fair value of vested stock options resulting from the grant of stock options in 2016 and 2017. See Table 8 (v) below.

(iii) For the three months period ended March 31, 2018, $35,643 of stock-based compensation was recorded for the amortized fair value of RSUs, resulting from the grant of RSUs in 2017. To March 31, 2018, a total of $59,006 has been expensed for the vested RSUs.

(*Expressed in Canadian Dollars)*

**8. STOCK-BASED COMPENSATION, Continued**

(iv) During the three months ended March 31, 2018, a total 1,630,000 stock options were exercised in consideration of cash and debt settlement. See note 7 – Share Capital.

(v) The following summarizes the stock options activity during the three months ended March 31, 2018:

| | Number of Options | Weighted Average Exercise Price | Estimated Fair Value |
|---|---|---|---|
| **Balance - December 31, 2017** | **2,695,000** | **$0.80** | **$1,134,838** |
| Issued | 250,000 | $2.89 | 202,009 |
| Exercised | (1,600,000) | $(0.40) | (476,512) |
| Exercised | (30,000) | $(2.00) | (25,793) |
| Stock-based compensation expense | - | - | 87,975 |
| **Balance – March 31, 2018** | **1,315,000** | **$0.98** | **$922,517** |

(vi) The following summarizes the stock options outstanding at March 31, 2018:

| Issued Number of Options | Exercisable Number of Options | Exercise Price | Expiry Date | Estimated Fair Value |
|---|---|---|---|---|
| 100,000 | 100,000 | $0.40 | April 11, 2018 | $29,782 |
| 415,000 | 276,666 | $0.60 | July 13, 2021 | 205,888 |
| 150,000 | 50,000 | $2.30 | May 26, 2022 | 178,287 |
| 370,000 | 123,333 | $2.00 | November 2, 2022 | 280,758 |
| 30,000 | 30,000 | $2.00 | May 3, 2019 | 25,793 |
| 250,000 | 83,250 | $2.89 | March 2, 2023 | 202,009 |
| **1,315,000** | **663,249** | | | **$922,517** |

The weighted average contractual life remaining for stock options as at March 31, 2018 is 3.58 (2017 – 1.65) 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.

(vii) There were no issuances of RSUs during the three months ended March 31, 2018.

(viii) The following summarizes the RSU activity during the three months ended March 31, 2018:

| | Number of RSUs | Weighted Average Fair Value | Estimated Fair Value |
|---|---|---|---|
| **Balance – December 31, 2017** | **124,500** | **$0.19** | **$23,363** |
| Stock-based compensation expense | - | 0.28 | 35,643 |
| **Balance – March 31, 2018** | **124,500** | **$0.47** | **$59,006** |

(*Expressed in Canadian Dollars)*

**8. STOCK-BASED COMPENSATION, Continued**

The weighted average contractual life remaining for RSUs at March 31, 2017 is 2.59 (December 31, 2017 – 2.84) years. The RSUs were not included in the computation of diluted net loss per share for the periods presented as they are anti-dilutive.

## 9. WARRANTS

The following summarizes the warrants and Agents' Options activity and outstanding warrants and Agents' Options for the three months ended March 31, 2018:

| | Number of Warrants/ Agents' Options [1] | Weighted Average Exercise Price | Estimated Fair Value |
|---|---|---|---|
| **Balance – December 31, 2017** | **1,744,645** | **$2.92** | **$883,874** |
| Exercised | (530,536) | $(3.00) | (248,777) |
| Exercised | (41,650) | $(2.00) | (38,530) |
| Issued upon exercise of agents' options | 20,825 | - | - |
| **Balance – March 31, 2018** | **1,193,284** | **$2.87** | **$596,567** |

(1) The warrants and agents' options expire October 19, 2018.

## 10. KEY MANAGEMENT COMPENSATION EXPENSE

In accordance with IAS 24, key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and nonexecutive) of the Company.

The remuneration of Management and directors of the Company was:

| **For the three months ended MARCH 31,** | **2018** | 2017 |
|---|---|---|
| Management fees [1] | **$80,173** | $15,000 |
| Management fees – exploration [1] | **90,154** | - |
| Director and advisor fees [2] | **16,250** | 15,000 |
| Stock-based compensation [3] | **232,136** | 26,905 |
| **Total key management compensation expense** | **$418,713** | $56,905 |

(1) 2018 - This includes 100% CFO fees, Toronto, 100% salary/benefits of the Country Manager, Ecuador, and 30% of the President's compensation. The remaining 70% of the President's compensation and 100% of the compensation paid to the VPX has been charged to exploration. 2017. In 2017 This is the compensation of the CFO only.

(2) Directors' compensation is $60,000 per annum or $15,000 per quarter. On March 2, 2018, Alfred Lenarciak was appointed as a financial advisor to the Company. Mr. Lenarciak's compensation is $15,000 per annum or $1,250 per month. See note 15 – Commitments and Contingencies.

**(3)** This figure is the fair value expense of vested stock options and RSUs granted to Management during the three months ended March 31, 2018. The balance of $93,491 is the fair value of stock options and RSUs granted to other employees and consultants and not included here.

(*Expressed in Canadian Dollars)*

## 11. EXPLORATION EXPENSE

| **For the three months ended March 31,** | **2018** | 2017 |
|---|---|---|
| ECUADOR | | |
| **GEOLOGY/FIELD**: | | |
| - Salaries, benefits | **$147,609** | $- |
| - Travel, accommodation | **91,073** | - |
| - Project management | **90,154** | - |
| - Equipment, supplies | **46,273** | - |
| - Office | **61,086** | - |
| **GEOCHEMISTRY** | **37,529** | - |
| **GEOPHYSICS** | **9,178** | - |
| **CORPORATE SOCIAL RESPONSIBILITY** - fees, travel, supplies | **129,131** | - |
| | **612,033** | |
| **LEGAL AND OTHER COSTS RELATED TO CONCESSIONS** | **19,680** | - |
| **CONCESSION MAINTENANCE** | **2,535,603** | - |
| | **$2,555,283** | |
| Total exploration expense – Ecuador | **$3,167,316** | $- |

| | | |
|---|---|---|
| SWITZERLAND | | |
| **GEOLOGY/FIELD**: | | |
| - Travel, accommodation | **-** | $8,427 |
| - Assays, sampling | **-** | 5,104 |
| Total exploration expense – Switzerland | **-** | 13,531 |
| **TOTAL EXPLORATION EXPENSE** | **$3,167,316** | $13,531 |

## 12. 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 three months ended March 31, 2018:**

(a) A total of $37,500 (2017 - $nil), plus applicable taxes was charged to the Company by a management company controlled the President, on account of management consulting fees (the "Fees"). Included in accounts payable and accrued liabilities at March 31, 2018 is $14,125 (December 31, 2017 - $21,573) owed to the President's company, for unpaid consulting fees. These amounts are unsecured, non-interest bearing and due on demand.

(b) A total of $18,750 (2017 - $15,000), plus applicable taxes was charged to the Company by a management company controlled by the Chief Financial Officer ("CFO"), on account of accounting consulting fees. Included in accounts payable and accrued liabilities at March 31, 2018 is $14,125 (December 31, 2017 - $nil) owed to the CFO's company, for unpaid consulting fees. These amounts are unsecured, non-interest bearing and due on demand.

**12. RELATED PARTY TRANSACTIONS, Continued**

(c) A total of $42,975 was charged to the Company by a management company controlled by the Vice President, Exploration ("VPX"), for project management consulting fees. Included in accounts payable and accrued liabilities at March 31, 2018 is $23,151 owed to the VPX (December 31, 2017 - $19,711), for unpaid consulting fees and reimbursable expenses. For the same period in 2017, the consultant charged $23,310 to the Company for project management consulting fees, as "Chief Geologist".

(d) During the three months ended March 31, 2018, the Company incurred $127,500 (2017 - $nil) of service costs provided by a company owned by a company controlled by a director/principal shareholder of the Company ("New ServiceCo") for certain services including office space, investor relations and marketing, administrative and IT services (the "Services"). These costs were allocated in the financial statements as follows: $54,000 to office and general (including rent and administrative), $21,000 for investor relations, marketing and IT and $52,500 was charged to exploration expenses – office. Included in accounts payable and accrued liabilities at March 31, 2018 is $39,550 (December 31, 2017 - $55,162) owed to New ServiceCo, for unpaid services. These amounts are unsecured, non-interest bearing and due on demand. - See note 15 Commitments and Contingencies.

During the three months ended March 31, 2017, the Company incurred $32,400 of service costs, provided by another company controlled by the director/principal shareholder of the Company ("Old ServiceCo"). 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, 2017 is $195,522 (December 31, 2016 - $163,122) owing to Old ServiceCo for these unpaid costs. These amounts are unsecured, non-interest -bearing and due on demand. - See note 15 Commitments and Contingencies.

**13. RECLASSIFICATION OF PRIOR YEAR'S DATA FOR PRESENTATION**

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

**14. SEGMENTED INFORMATION**

At March 31, 2018, the Company's operations comprised one business segment engaged in mineral exploration and two operating segments - in Ecuador and Switzerland. Cash of $1,220,154 (December 31, 2017 - $665,333) is held in a Canadian chartered bank, $138,583 (December 31, 2017 - $5,483) being held in a chartered bank in Ecuador and the balance of $713 (December 31, 2017 - $530) being held in a chartered bank in Switzerland.

**15. COMMITMENTS AND CONTINGENCIES**

**Environmental Contingencies**

The Company's exploration activities are subject to various federal, provincial, municipal and international laws and regulations governing the protection of the environment. The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations.

**15. COMMITMENTS AND CONTINGENCIES, Continued**

**Service Costs and Consulting Agreements**

Commencing October 1, 2017, the Company entered into a formal agreement with New ServiceCo to provide the Services at a monthly cost of $42,500. These costs will be allocated as follows: $7,000 for investor relations and marketing, $18,000 for general and office (including rent) and the remaining $17,500 for costs directly related to the Project. Termination of the agreement can be effected with 90 days' notice by either party.

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

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

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

Since mid-year 2017, the Company has run a corporate social responsibility ("CSR") program under the guidance of a Toronto consulting firm, in tandem with the Project exploration program. Compensation for services provided by the consultants is stipulated at $1,000 per diem for up to 10 days per month ("the base services"). Any additional services to be performed over and above the base services must be pre-approved in writing. Either party may terminate the CSR Contract with 30 days' written notice. This arrangement continues.

On March 2, 2018, the Company appointed Mr. Alfred Lenarciak as an independent special financial advisor to the Board. His compensation is $15,000 per annum and the Board granted to him, 150,000 five-year stock options, with an exercise price of $2.89. He has been added to the Management slate of directors for the Company's upcoming Annual and Special Meeting, to be held on June 13, 2018. Should he not become a director for any reason, his advisory appointment will terminate August 31, 2018, the expiration of his stock options will be advanced to September 30, 2018. See notes 8 – Stock-based Compensation and note 11 – Key Management Expense.

## 16. SUBSEQUENT EVENTS

### (a) Promissory note

On April 4, 2018, the Lender agreed to extend the maturity date of the 2017 Promissory Note to May 29, 2019. All other terms of the note remain the same.

### (b) Convertible Debenture Closing

On May 29, 2018, the Company announced the closing of a USD2,000,000 convertible debenture with the Lender in relation to the loan made to the Company to facilitate the payment of the 2018 mineral concession fees on March 20, 2018. See note 6 – Promissory Notes and Convertible Debenture Advance. Terms of the Debenture include non-cumulative interest being payable at 2% per annum, a maturity date of May 29, 2019 and a right to convert part or the whole of the Debenture into common shares of the Company, at $3.00 per share. Conversion of the whole Debenture would result in the issuance of 877,192 common shares to the Lender, which would be subject to the standard hold period of four months and one day from issuance.

### (c) Stock Options

On April 4, 2018 the Board granted 300,000 five-year stock options to the Chairman/CEO. The options have an exercise price of $2.68 and vest over two years.