



# AURANIA

## **AURANIA RESOURCES LTD.**

**NOTICE OF MEETING**

**AND**

**MANAGEMENT INFORMATION CIRCULAR**

**WITH RESPECT TO**

**THE ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS**

**TO BE HELD ON JUNE 20, 2019**

Dated May 14, 2019

## AURANIA RESOURCES LTD.

### NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

Notice is hereby given that an annual and special meeting (the “**Meeting**”) of the shareholders (“**Shareholders**”) of Aurania Resources Ltd. (the “**Company**”) will be held at Vantage Venues (150 King St. West, 27<sup>th</sup> Floor, Inverness Room, Toronto, ON, M5H 1J9) on June 20, 2019 at 3:00 pm (Toronto time), for the following purposes:

1. to receive and consider the financial statements of the Company for the year ended December 31, 2018 and the report of the auditors thereon;
2. to appoint UHY McGovern Hurley LLP, Chartered Accountants, as the auditors of the Company for the ensuing year and to authorize the directors to fix their remuneration;
3. to elect the directors of the Company for the ensuing year;
4. to consider and, if deemed advisable, to pass, with or without variation, an ordinary resolution of disinterested Shareholders ratifying and approving amendments to the Company’s incentive stock option plan originally adopted by the board of directors (the “**Board**”) on February 15, 2011 (the “**Option Plan**”);
5. to consider, and if deemed advisable, to pass, with or without variation, an ordinary resolution of Shareholders approving for the upcoming year the Option Plan as amended by the Board on November 15, 2017 and to ratify and approve the unallocated options. If the amendments to the Option Plan do not receive disinterested Shareholder approval, Shareholders will be asked to consider, and if deemed advisable, to pass, with or without variation, an ordinary resolution of Shareholders approving for the upcoming year the Option Plan originally adopted by the Board on February 15, 2011 and to ratify and approve the unallocated options;
6. to consider and, if deemed advisable, to pass, with or without variation, an ordinary resolution of disinterested Shareholders ratifying and confirming the issuance of an aggregate of 90,000 incentive stock options to purchase common shares of the Company (the “**Pending Options**”), which were granted by the Company prior to receiving disinterested Shareholder approval of the Option Plan; and
7. to transact such other business as may properly come before the Meeting or any adjournments or postponements thereof.

An “ordinary resolution” is a resolution passed by at least a majority of the votes cast by Shareholders who voted in respect of that resolution at the Meeting.

The record date for the determination of Shareholders entitled to receive notice of, and to vote at, the Meeting or any adjournments or postponements thereof is May 14, 2019 (the “**Record Date**”). Shareholders whose names have been entered in the register of Shareholders at the close of business on the Record Date will be entitled to receive notice of, and to vote, at the Meeting or any adjournments or postponements thereof.

A copy of the Company’s annual consolidated audited financial statements and Management’s Discussion and Analysis for the year ended December 31, 2018 have been filed electronically through the System for Electronic Document Analysis and Retrieval (“**SEDAR**”) at <http://www.sedar.com> and are also available on the Company’s website at <http://www.aurania.com>.

### VOTING

**All Shareholders are invited to attend the Meeting and may attend in person or may be represented by proxy. A “beneficial” or “non-registered” Shareholder will not be recognized directly at the Meeting for the purposes of voting common shares registered in the name of his/her/its broker; however, a beneficial Shareholder may attend the Meeting as proxyholder for the registered Shareholder and vote the common shares in that capacity. Only Shareholders as of the Record Date are entitled to receive notice of and vote at the Meeting. Shareholders**

**who are unable to attend the Meeting in person, or any adjournments or postponements thereof, are requested to complete, date and sign the enclosed form of proxy (registered holders) or voting instruction form (beneficial holders) and return it in the envelope provided.** To be effective, the enclosed form of proxy or voting instruction form must be mailed or faxed so as to reach or be deposited with: (A) TMX Trust Company (in the case of registered holders) at Suite 301 – 100 Adelaide Street West, Toronto, Ontario M5H 4H1, Fax Number: 416.361.0930 prior to the Proxy Deadline (as defined in the Company’s management information circular dated May 14, 2019), failing which such votes may not be counted, or (B) your intermediary (in the case of beneficial holders) with sufficient time for them to file a proxy by the Proxy Deadline.

**SHAREHOLDERS ARE REMINDED TO REVIEW THE INFORMATION CIRCULAR BEFORE VOTING.**

**DATED** this 14<sup>th</sup> day of May, 2019.

**BY ORDER OF THE BOARD OF DIRECTORS OF  
AURANIA RESOURCES LTD.**

(signed) “*Keith Barron*”

Dr. Keith Barron  
Chief Executive Officer, Chairman and Director

## AURANIA RESOURCES LTD.

### MANAGEMENT INFORMATION CIRCULAR

#### GENERAL INFORMATION RESPECTING THE MEETING

##### Solicitation of Proxies

This information circular (the “Circular”) is furnished in connection with the solicitation of proxies by the management of the Company for use at the annual and special meeting (the “Meeting”) of the shareholders (the “Shareholders”) of the Company to be held at 3:00 p.m. (Toronto time) on June 20, 2019 at Vantage Venues (150 King St. West, 27th Floor, Inverness Room, Toronto, ON, M5H 1J9), for the purposes set forth in the Notice of Annual and Special Meeting of Shareholders (the “Notice”). References in this Circular to the Meeting include any adjournment(s) or postponement(s) thereof. It is expected that the solicitation of proxies will be primarily by mail, however, proxies may also be solicited by the officers, directors and employees of the Company by telephone, electronic mail, telecopier or personally. These persons will receive no compensation for such solicitation other than their regular fees or salaries. The cost of soliciting proxies in connection with the Meeting will be borne directly by the Company.

The board of directors of the Company (the “Board”) has fixed the close of business on May 14, 2019 as the record date, being the date for the determination of the registered Shareholders entitled to receive notice of, and to vote at, the Meeting. All duly completed and executed proxies must be received by the Company’s registrar and transfer agent, TSX Trust Company (“TSX Trust”) at Suite 301 – 100 Adelaide Street West, Toronto, Ontario M5H 4H1, Fax Number: 416.361.0930, not later than forty-eight (48) hours (excluding Saturdays, Sundays and statutory holidays in the City of Toronto, Ontario) prior to the time set for the Meeting or any adjournments or postponements thereof (the “Proxy Deadline”).

In this Circular, unless otherwise indicated, all dollar amounts “\$” are expressed in Canadian dollars.

Unless otherwise stated, the information contained in this Circular is as of May 14, 2019.

##### Voting of Proxies

The common shares in the capital stock of the Company (“Common Shares”) represented by the form of proxy delivered to registered Shareholders (if same is properly executed and is received at the offices of TSX Trust at the address provided herein, not later than 48 hours (excluding Saturdays, Sundays and statutory holidays in the City of Toronto, Ontario) prior to the time set for the Meeting or any adjournment(s) or postponement(s) thereof), will be voted at the Meeting, and, where a choice is specified in respect of any matter to be acted upon, will be voted or withheld from voting in accordance with the specification made on any ballot that may be called for. **In the absence of such specification, proxies in favour of management will be voted in favour of all resolutions described below under the heading “Matters to be Acted Upon”. The form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice and with respect to other matters which may properly come before the Meeting.** At the time of the filing of this Circular, management knows of no such amendments, variations or other matters to come before the Meeting. However, if any other matters that are not now known to management should properly come before the Meeting, the form of proxy will be voted on such matters in accordance with the best judgment of the named proxies.

##### Appointment of Proxies

The persons named in the enclosed form of proxy are officers and/or directors of the Company. **A Shareholder desiring to appoint some other person, who need not be a Shareholder, to represent him or her at the Meeting, may do so by inserting such person’s name in the blank space provided in the enclosed form of proxy or by completing another proper form of proxy and, in either case, depositing the completed and executed proxy at the offices of TSX Trust, at the address provided herein, not later than forty-eight (48) hours (excluding Saturdays, Sundays and statutory holidays in the City of Toronto, Ontario) prior to the time set for the Meeting or any adjournment(s) or postponement(s) thereof.**

A Shareholder forwarding the enclosed form of proxy may indicate the manner in which the appointee is to vote with respect to any specific item by checking the appropriate space. If the Shareholder giving the proxy wishes to confer a discretionary authority with respect to any item of business, then the space opposite the item is to be left blank. The Common Shares represented by the form of proxy submitted by a Shareholder will be voted in accordance with the directions, if any, given in the form of proxy.

To be valid, a form of proxy must be executed by a Shareholder or a Shareholder's attorney duly authorized in writing or, if the Shareholder is a body corporate, under its corporate seal or, by a duly authorized officer or attorney.

### **Revocation of Proxies**

A proxy given pursuant to this solicitation may be revoked at any time prior to its use. A Shareholder who has given a proxy may revoke the proxy by:

- (i) completing and signing a proxy bearing a later date and depositing it at the offices of TSX Trust, Suite 301 – 100 Adelaide Street West, Toronto, Ontario M5H 4H1;
- (ii) depositing an instrument in writing executed by the Shareholder or by the Shareholder's attorney duly authorized in writing or, if the Shareholder is a body corporate, under its corporate seal or, by a duly authorized officer or attorney either with TSX Trust, Suite 301 – 100 Adelaide Street West, Toronto, Ontario M5H 4H1, at any time up to and including the last business day preceding the day of the Meeting or any adjournment(s) or postponement(s) thereof or with the Chairman of the Meeting prior to the commencement of the Meeting on the day of the Meeting or any adjournment(s) or postponement(s) thereof; or
- (iii) in any other manner permitted by law.

Such instrument will not be effective with respect to any matter on which a vote has already been cast pursuant to such proxy.

### **Voting by Non-Registered Shareholders**

Only registered Shareholders or the persons they appoint as their proxies are permitted to vote at the Meeting. Most Shareholders are "non-registered" or "beneficial" Shareholders ("**Non-Registered Shareholders**") because the Common Shares they own are not registered in their names but are instead registered in the name of the brokerage firm, bank or trust company through which they purchased the Common Shares. Common Shares beneficially owned by a Non-Registered Shareholder are registered either: (i) in the name of an intermediary ("**Intermediary**") that the Non-Registered Shareholder deals with in respect of the Common Shares; or (ii) in the name of a clearing agency (such as CDS Clearing and Depository Services Inc. ("**CDS**")) of which the Intermediary is a participant. In accordance with applicable securities law requirements, the Company will have distributed copies via mail or electronically of the Notice, this Circular, the form of proxy and a request card for interim and annual materials (collectively, the "**Meeting Materials**") to the clearing agencies and Intermediaries for distribution to Non-Registered Shareholders.

Intermediaries are required to forward the Meeting Materials to Non-Registered Shareholders unless a Non-Registered Shareholder has waived the right to receive such materials. Intermediaries often use service companies to forward the Meeting Materials to Non-Registered Shareholders. Generally, Non-Registered Shareholders who have not waived the right to receive Meeting Materials will either:

- (i) be given a voting instruction form **which is not signed by the Intermediary** and which, when properly completed and signed by the Non-Registered Shareholder and **returned to the Intermediary or its service company**, will constitute voting instructions (often called a "**voting instruction form**") which the Intermediary must follow. Typically, the voting instruction form will consist of a one-page pre-printed form. Most brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. ("**Broadridge**") in Canada and the United States. Broadridge typically prepares a machine-readable voting instruction form, mails those voting instruction forms to Non-Registered Shareholders and asks Non-Registered Shareholders to return the voting instruction form to Broadridge or otherwise communicate voting instructions to Broadridge (by way of the Internet or telephone, for example). Broadridge then tabulates the results of all instructions received and provides appropriate instructions

respecting the voting of the shares to be represented at the Meeting. Sometimes, instead of the one-page pre-printed form, the voting instruction form will consist of a regular printed proxy form accompanied by a page of instructions which contains a removable label with a bar-code and other information. In order for this form of proxy to validly constitute a voting instruction form, the Non-Registered Shareholder must remove the label from the instructions and affix it to the form of proxy, properly complete and sign the form of proxy and submit it to the Intermediary or its service company in accordance with the instructions of the Intermediary or its service company. **A Non-Registered Shareholder who receives a voting instruction form cannot use that form to vote his or her Common Shares at the Meeting;** or

- (ii) be given a form of proxy **which has already been signed by the Intermediary** (typically by a facsimile, stamped signature), which is restricted as to the number of Common Shares beneficially owned by the Non-Registered Shareholder but which is otherwise not completed by the Intermediary. Because the Intermediary has already signed the form of proxy, this form of proxy is not required to be signed by the Non-Registered Shareholder when submitting the proxy. In this case, the Non-Registered Shareholder who wishes to submit a proxy should properly complete the form of proxy and deposit it with TSX Trust at Suite 301 – 100 Adelaide Street West, Toronto, Ontario M5H 4H1, Fax Number: 416.361.0930.

In either case, the purpose of these procedures is to permit Non-Registered Shareholders to direct the voting of the Common Shares they beneficially own. Should a Non-Registered Shareholder who receives one of the above forms wish to vote at the Meeting, or any adjournment(s) or postponement(s) thereof, (or have another person attend and vote on behalf of the Non-Registered Shareholder), the Non-Registered Shareholder should strike out the persons named in the voting instruction form and insert the Non-Registered Shareholder or such other person's name in the blank space provided. **In either case, Non-Registered Shareholders should carefully follow the instructions of their Intermediary, including those regarding when and where the voting instruction form is to be delivered.**

A Non-Registered Shareholder may revoke a voting instruction form or a waiver of the right to receive Meeting Materials and to vote which has been given to an Intermediary at any time by written notice to the Intermediary provided that an Intermediary is not required to act on a revocation of a voting instruction form or of a waiver of the right to receive Meeting Materials and to vote, which is not received by the Intermediary at least seven (7) days prior to the Meeting.

Non-Registered Shareholders fall into two categories: those who object to their identity being made known to the issuers of securities which they own ("**Objecting Beneficial Owners**" or "**OBOs**") and those who do not object to their identity being made known to the issuers of the securities they own ("**Non-Objecting Beneficial Owners**" or "**NOBOs**"). Subject to the provisions of NI 54-101, issuers may request and obtain a list of their NOBOs from intermediaries. Pursuant to NI 54-101, issuers may obtain and use the NOBO list in connection with any matter relating to the affairs of the issuer, including the distribution of proxy-related materials directly to NOBOs. The Company is not sending Meeting Materials directly to the NOBOs and will use and pay intermediaries and agents to send the Meeting Materials to NOBOs. The Company does not intend to pay an Intermediary for sending the Meeting Materials or a voting instruction form to the OBOs, and OBOs will not receive Meeting Materials unless the OBOs Intermediary assumes the cost of delivery.

### **INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON**

Other than as disclosed herein, no director or executive officer of the Company who has held such position at any time since the beginning of the Company's last financial year, or each proposed nominee for election as a director of the Company, or associates or affiliates of the foregoing persons, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matters to be acted upon at the Meeting.

### **VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES**

The authorized share capital of the Company consists of 1,000,000,000 Common Shares with a par value of \$0.00001 per Common Share. As at the date hereof, there are 34,945,238 Common Shares issued and outstanding.

Each Common Share entitles the holder thereof to one vote on all matters to be acted upon at the Meeting. The record date for the determination of Shareholders entitled to receive notice of the Meeting has been fixed at May 14, 2019

(the “**Record Date**”). All such holders of record of Common Shares on the Record Date are entitled either to attend and vote thereat in person the Common Shares held by them or, provided a completed and executed proxy shall have been delivered to the Company’s transfer agent, TSX Trust, prior to the Proxy Deadline, to attend and to vote thereat by proxy the Common Shares held by them.

To the knowledge of the directors and executive officers of the Company, as of the date hereof, no person or company beneficially owns, controls or directs, directly or indirectly, voting securities of the Company carrying 10% or more of the voting rights attached to all outstanding Common Shares, other than as listed in Table 1.

**Table 1. List of Shareholders that beneficially own, control or direct, directly or indirectly, voting securities of the Company carrying 10% or more of the voting rights attached to all outstanding Common Shares.**

Name of Shareholder	Number of Common Shares <sup>(1)(2)(3)</sup>	Percentage of Common Shares <sup>(1)(2)</sup>
Keith Barron <sup>(3)</sup>	18,606,546	53.2%

Notes:

- (1) The information regarding Common Shares beneficially owned, controlled or directed, not being within the knowledge of the Company, has been obtained by the Company from publicly disclosed information and/or furnished by the Shareholder listed above.
- (2) On a non-diluted basis.
- (3) 17,856,546 of the Common Shares noted above are held by Bambazonke Holdings Ltd., a company controlled by Dr. Keith Barron.

## **EXECUTIVE COMPENSATION**

### **Compensation Discussion and Analysis**

The purpose of this Compensation Discussion and Analysis is to provide information about the Company’s executive compensation philosophy, objectives, and processes and to discuss compensation decisions relating to the Company’s Chief Executive Officer (“**CEO**”), President, Chief Financial Officer (“**CFO**”), and, if applicable, its three most highly compensated individuals acting as, or in a like capacity as, executive officers of the Company whose total compensation was individually equal to more than \$150,000 (the “**NEOs**” or “**Named Executive Officers**”), during the Company’s most recently complete financial year, being the financial year ended December 31, 2018 (the “**Last Financial Year**”). The NEOs of the Company during the Last Financial Year were Dr. Keith Barron, the Company’s CEO and Executive Chairman, Donna McLean, the Company’s CFO, Mr. Jean Paul Pallier, the Company’s Vice President – Exploration (“**VPX**”) and Dr. Richard Spencer, the Company’s President.

#### *Compensation Committee*

The compensation committee of the Board (“**Compensation Committee**”) is currently comprised of three directors, namely Elaine Ellingham (Chairperson), Marvin Kaiser and Gerald Harper, all of whom are independent within the meaning of Canadian Securities Administrator’s National Instrument 58-101 – *Disclosure of Corporate Governance Practices* (“**NI 58-101**”). Following the election of directors at the Meeting, the Compensation Committee is anticipated to consist of Alfred Lenarciak(Chairperson), Jonathan Kagan and Warren Gilman. Following the Meeting, the Board anticipates appointing a Compensation Committee to assist in fulfilling its corporate governance responsibilities under applicable laws, to promote a culture of integrity throughout the Company, to assist the Board in setting director and senior executive compensation, and to develop and submit to the Board recommendations with respect to other employee benefits as the Compensation Committee sees fit. In the performance of its duties, the Compensation Committee will be guided by the following principles: (i) establishing sound compensation practices that are in the interests of Shareholders and that contribute to effective and efficient decision-making; (ii) offering competitive compensation to attract, retain and motivate the very best qualified executives in order for the Company to meet its goals; and (iii) acting in the best interests of the Company and its Shareholders by being fiscally responsible.

All proposed Compensation Committee members have direct or indirect experience that is relevant to their responsibilities in executive compensation, as outlined below. As current or former senior executive officers, each member of the Compensation Committee has developed skills and experience in executive compensation issues which enable them as a group to make decisions on the suitability of the Company’s compensation policies and practices.

**Alfred Lenarciak** – It is anticipated that Alfred Lenarciak will become the Chair of the Compensation Committee following the Meeting. Mr. Lenarciak is a published author of seven books in the USA since 2014, and his books have been distributed in over 40 countries. He is a civil and mining engineer with over 25 years of experience in financing and strategic development of resource companies in North and South America, Africa, Europe and Asia. Between 1992 and 2014, Mr. Lenarciak served on the board of directors of more than a dozen TSX-listed companies including Williams Resources, Minorca Resources Inc, Dayton Mining, McWatters Mining Inc, Unigold Inc. and Centurion Minerals.

**Jonathan Kagan** – It is anticipated that Jonathan Kagan will be appointed to the Compensation Committee following the Meeting. Mr. Kagan has over 30 years of experience as an investment banker and is currently managing partner of Corporate Partners, LLC. Mr. Kagan began his career in the investment banking division of Lazard in 1980 and became General Partner in 1987. Mr. Kagan has served on a number of NYSE and NASDAQ-listed companies, as well as private companies, where he helped determine compensation for the officers and directors

**Warren Gilman** – It is anticipated that Warren Gilman will be appointed to the Compensation Committee following the Meeting. Mr. Gilman was Chairman and CEO of CEF Holdings from 2011 to 2019. Prior to his tenure at CEF Holdings, Mr. Gilman was Vice Chairman of CIBC World Markets. Mr. Gilman has also served as Managing Director and Head of Asia Pacific Region for CIBC for 10 years where he was responsible for all of CIBC's activities across Asia. Mr. Gilman has acted as advisor to the largest mining companies in the world including BHP, Rio Tinto, Anglo American, Noranda, Falconbridge, Meridian Gold, China Minmetals, Jinchuan and Zijin and has been responsible for some of the largest equity capital markets financings in Canadian mining history.

The Compensation Committee's purpose is, among other things, to: (i) review and recommend to the Board the compensation plans, including the securities based compensation plans, long term incentive plans, and such other compensation plans or structures as are adopted by the Company from time to time; and (ii) establish and periodically review the Company's policies in the area of management benefits and perquisites. In performing its duties, the Compensation Committee has the authority to engage and compensate any outside advisors that it determines to be necessary to permit it to carry out its duties.

### Compensation Process

The Board relies on the knowledge and experience of the members of the Compensation Committee to set appropriate levels of compensation for senior officers. Neither the Company nor the Compensation Committee has engaged any executive compensation consultant who has a role in determining or recommending the amount or form of senior officer compensation during the Company's two most recently completed financial years or since the Last Financial Year.

The Compensation Committee reviews the various elements of the NEOs' compensation in the context of the total compensation package (including salary, consulting fees and prior awards under the Company's incentive stock option plan originally adopted by the Board on February 15, 2011 (the "**Option Plan**") and recommends compensation packages for NEOs. The Compensation Committee's recommendations regarding NEO compensation are presented to the independent members of the Board for their consideration and approval.

### Principles and Objectives of the Compensation Program

The primary goal of the Company's executive compensation program is to attract, motivate and retain top quality individuals at the executive level. The program is designed to ensure that the compensation provided to the Company's senior officers is determined with regard to the Company's business strategy and objectives and financial resources, and with the view of aligning the financial interests of the senior officers with the financial interests of the Shareholders.

## **Compensation Program Design and Analysis of Compensation Decisions**

Standard compensation arrangements for the Company's senior officers are comprised of the elements listed in Table 2, which are linked to the Company's compensation and corporate objectives.

**Table 2. Summary of elements of the standard compensation arrangements for the Company's senior officers and associated linked corporate objectives.**

<b>Compensation Element</b>	<b>Link to Compensation Objectives</b>	<b>Link to Corporate Objectives</b>
Base Salary and/or Consulting Fees	Attract and Retain	Competitive pay ensures access to skilled employees necessary to achieve corporate objectives.
Stock Options & Restricted Stock Units	Motivate and Reward Align interests with Shareholders	Long-term incentives motivate and reward senior officers to increase Shareholder value by the achievement of long-term corporate strategies and objectives.

## **Performance and Compensation**

The Company is an exploratory stage mining company and does not expect to be generating revenues from operations in the foreseeable future. As a result, the use of traditional performance standards, such as corporate profitability, is not considered by the Compensation Committee to be appropriate in the evaluation of corporate or NEO performance. The compensation of senior officers is based, in part, on trends in the mineral exploration industry as well as achievement of the Company's business plans. The Board did not establish any quantifiable criteria during the Last Financial Year with respect to base compensation payable or the amount of equity compensation granted to NEOs and did not benchmark against a peer group of companies.

### **Base Salaries and Consulting Fees**

The Company provides senior officers with base salaries or consulting fees which represent their minimum compensation for services rendered or expected to be rendered. Base compensation for NEOs depends on the scope of their experience, responsibilities, leadership skills, performance, length of service, general industry trends and competitiveness practices, and the Company's existing financial resources. Base salaries will be reviewed annually by the Compensation Committee.

On May 26, 2017, Richard M. Spencer was appointed as the Company's President. From that date onwards, the President's annual base fee is \$150,000 pursuant to a consulting agreement dated May 26, 2017. The Company's CFO, Donna McLean, is compensated with an annual base fee of \$75,000. From January 1, 2013 to July 31, 2017, Ms. McLean was compensated with an annual base fee of \$60,000. Jean Paul Pallier was appointed as the Company's VPX on November 2, 2017, after having provided technical consulting services to the Company since 2009. The Company's VPX is contracted through the Company's Ecuadorian subsidiary, Ecuasolidus, SA. ("ESA"). The VPX contract stipulates an annual salary of US\$124,188, plus benefits.

### **Stock Options and RSUs**

The grant of incentive stock options ("Options") and Restricted Stock Units ("RSUs") pursuant to the Company's incentive stock option and RSU plans are an integral component of the compensation arrangements of the senior officers of the Company. The Board believes that the grant of Options and RSUs to senior officers and Common Share ownership by such officers serves to motivate such officers to strive towards achievement of the Company's long-term strategic objectives, which benefits the Shareholders. Options and RSUs may be awarded to directors, officers, employees and consultants of the Company by the Board on the recommendation of the Compensation Committee. Decisions with respect to options granted are based upon the individual's level of responsibility and their contribution towards the Company's goals and objectives, and additionally may be awarded in recognition of the achievement of a goal or extraordinary service. The Board considers the overall number of Options and RSUs that are outstanding relative to the number of outstanding Common Shares in determining whether to make any new grants of Options and/or RSUs and the size of such grants. Based on the foregoing factors, the Board granted 551,260 Options during the Last Financial Year. During the Last Financial Year the Board did not grant RSUs.

### Compensation Risk Considerations

The Compensation Committee is responsible for considering, establishing and reviewing executive compensation programs, and whether the programs encourage unnecessary or excessive risk-taking. The Company believes the programs are balanced and do not motivate unnecessary or excessive risk-taking. The Company does not currently have a policy that restricts directors or NEOs from purchasing financial instruments, including, for greater certainty, prepaid variable forward contracts, equity swaps, collars, or units of exchange funds that are designed to hedge or offset a decrease in the market value of equity. However, to the knowledge of the Company as of the date of hereof, no director or NEO of the Company has participated in the purchase of such financial instruments.

Base salaries are fixed in amount and thus do not encourage risk-taking. While annual incentive awards focus on the achievement of short-term or annual goals and short-term goals may encourage the taking of short-term risks at the expense of long-term results, the Company is focused on instilling a long-term view in its employees and consultants to encourage long-term value creation through the discovery of quality mineral deposits. Annual incentive awards are based on various personal and company-wide achievements. Such performance goals are subjective and include achieving individual and/or corporate targets and objectives, as well as general performance in day-to-day corporate activities which would trigger the award of a bonus payment to the NEOs. The determination as to whether a target has been met is ultimately made by the Board (after receiving recommendations of the Compensation Committee) and the Board reserves the right to make positive or negative adjustments to any bonus payment if they consider them to be appropriate. Funding of the annual incentive awards is capped by the Option and RSU plans and the distribution of funds to the NEOs is at the discretion of the Compensation Committee.

Option awards are important to further align employees' interests with those of the Shareholders. The ultimate value of the awards is tied to the Company's stock price and since awards are staggered and subject to long-term vesting schedules, they help ensure that NEOs have significant value tied into long-term stock price performance.

Table 3 provides information for the Last Financial Year and the years ended December 31, 2017 and 2016 regarding compensation earned by each of the following NEOs.

**Table 3: Summary Compensation Table for NEOs.**

Name and principal position	Year Ended Dec 31	Salary (\$)	Share-based awards (\$)	Option-based awards (\$) <sup>(1),(2),(3),(4)</sup> (5)	Non-equity incentive plan compensation (\$)		Pension value (\$)	All other compensation (\$)	Total compensation (\$)
					Annual incentive plans	Long-term incentive plans			
Keith Barron <i>Chairman and CEO</i>	2018	Nil	Nil	602,706	N/A	N/A	N/A	15,000	617,706
	2017	Nil	Nil	Nil	N/A	N/A	N/A	15,000	15,000
	2016	Nil	Nil	52,586	N/A	N/A	N/A	15,000	67,586
Richard Spencer <i>President</i>	2018	150,000 <sup>(6)</sup>	Nil	108,387	N/A	N/A	N/A	15,000	273,387
	2017	90,000 <sup>(7)</sup>	Nil	340,842	N/A	N/A	N/A	10,125 <sup>(4)</sup>	440,967
	2016	Nil	Nil	Nil	N/A	N/A	N/A	Nil	Nil
Donna McLean <sup>(8)</sup> <i>CFO and Corporate Secretary</i>	2018	75,000	Nil	Nil	N/A	N/A	N/A	Nil	75,000
	2017	66,250 <sup>(5)</sup>	Nil	56,400	N/A	N/A	N/A	25,000 <sup>(5)</sup>	147,650
	2016	60,000	Nil	86,767	N/A	N/A	N/A	Nil	146,767
Jean Paul Pallier <sup>(9)</sup> <i>VP Exploration</i>	2018	201,742	40,800 <sup>(10)</sup>	Nil	N/A	N/A	N/A	Nil	242,542
	2017	Nil	Nil	80,070	N/A	N/A	N/A	170,667	250,737
	2016	Nil	Nil	Nil	N/A	N/A	N/A	43,115	43,115

**Notes:**

- (1) On July 11, 2016, the Company granted a total of 415,000 Options to directors and officers, with an exercise price of \$0.60 and an expiry date of July 11, 2021 of which 100,000 Options were granted to Dr. Barron and 165,000 Options were granted to Ms. McLean. The fair value of these Options at the date of grant was estimated using the Black-Scholes valuation model with the following assumptions: expected forfeiture rate of 0%, expected dividend yield of 0%, expected volatility of 137%, a risk-free interest rate of 0.65% and an expected life of 5 years. The fair value assigned to these options (granted to Dr. Barron and Ms. McLean) on the grant date was \$139,353
- (2) On May 26, 2017, the Company granted a total of 150,000 Options to Dr. Richard Spencer, with an exercise price of \$2.30 and an expiry date of May 26, 2022. The fair value of these Options at the date of grant was estimated using the Black-Scholes valuation model with 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. The fair value assigned to these Options on the grant date was \$256,242.
- (3) On November 2, 2017, the Company granted a total of 370,000 Options to directors, officers and consultants, with an exercise price of \$2.00 and an expiry date of November 3, 2022 of which 60,000 Options were granted to Dr. Spencer, 50,000 Options were granted to Jean Paul Pallier and 40,000 to Ms. McLean. The fair value of these Options at the date of grant was estimated using the Black-Scholes valuation model with the following assumptions: expected forfeiture rate of 0%, expected dividend yield of 0%, expected volatility of 125%, a risk-free interest rate of 1.62% and an expected life of 5 years. The fair value assigned to these options on the grant date was \$211,500.
- (4) On March 2, 2018, the Company granted a total of 250,000 Options to two directors and one consultant, with an exercise price of \$2.89 and an expiry date of March 2, 2023 of which 50,000 Options were granted to Dr. Spencer. The fair value of these Options at the date of grant was estimated using the Black-Scholes valuation model with 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. The fair value assigned to these Options on the grant date was 108,387. Volatility was based on the historical trading of the Company's shares.
- (5) On April 5, 2018, the Company granted a total of 300,000 options to Dr. Barron, with an exercise price of \$2.68 and an expiry date of April 5, 2023. The fair value of these Options at the date of grant was estimated using the Black-Scholes valuation model with the following assumptions: expected forfeiture rate of 0%, expected dividend yield of 0%, expected volatility of 100%, a risk-free interest rate of 2.03% and an expected life of 5 years. The fair value assigned to these Options on the grant date was \$602,706. Volatility was based on the historical trading of the Company's shares.
- (6) During the Last Financial Year, the Company paid \$150,000 in consulting fees to a management company controlled by Dr. Spencer.

Notes Continued:

- (7) Dr. Spencer has been the President of the Company since May 26, 2017. During the financial year ending December 31, 2017, the Company paid \$96,750 in consulting fees to a management company controlled by Dr. Spencer. Included in the fees is a charge of \$6,750 for technical services provided to the Company by the spouse of the President, who is a Spanish-speaking, geographic information systems geoscientist. Her scope of work, to analyze historical records and capture relevant geographic information in a geographic information system for the purpose of defining the location of historic sites within the Lost Cities – Cutucu Project area, was issued by the Company’s CEO, and her invoice was reviewed and approved by the CEO. In addition, Dr. Spencer received \$3,375 in director’s fees covering the period from March 6, 2017, the date on which he was appointed to the Board, to the date on which he was appointed as an officer of the Company.
- (8) Ms. McLean has been CFO of the Company since 2013, pursuant to an annual renewable consulting agreement. During the Last Financial Year, the Company paid base consulting fees of \$75,000 plus applicable taxes. On April 22, 2019, Ms. McLean resigned from her position as CFO of the Company. Mr. Tony Wood assumed the responsibilities of CFO of the Company on April 22, 2019.
- (9) Mr. Pallier has been Chief Geologist to the Company since 2009 and was appointed VPX on November 02, 2017. During the Last Financial Year, a total of \$201,742 was charged to the Company on account of Mr. Pallier’s salary and government prescribed benefits deductions.
- (10) On November 2, 2018, Mr. Pallier was entitled to 17,000 vested RSUs. The value of each RSU on the vesting date was \$2.40, the closing price of the Common Shares listed on the TSX Venture Exchange as of November 2, 2018.

**Incentive Plan Awards to NEOs**

**Outstanding Share Awards and Option Awards**

Table 4 provides information regarding the incentive plan awards for each NEO outstanding as of December 31, 2018.

**Table 4. Summary of incentive plan awards for the Company’s NEOs outstanding as of December 31, 2018.**

Name	Option-based Awards				Share-based Awards	
	Number of Common Shares underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$) <sup>(1)</sup>	Number of shares or units of shares that have not vested (#)	Market or payout value of share awards that have not vested <sup>(6)</sup> (\$)
Keith Barron <sup>(2)</sup>	300,000	\$2.68	April 5, 2023	\$36,000	N/A	N/A
	100,000	\$0.60	July 11, 2021	\$220,000	N/A	N/A
Richard Spencer <sup>(3)</sup>	150,000	\$2.30	May 26, 2022	\$75,000	N/A	N/A
	60,000	\$2.00	November 2, 2022	\$48,000	N/A	N/A
	50,000	\$2.89	March 2, 2023	\$Nil	N/A	N/A
Donna McLean <sup>(4)</sup>	165,000	\$0.60	July 11, 2021	\$363,000	N/A	N/A
	40,000	\$2.00	November 2, 2022	\$32,000	N/A	N/A
Jean Paul Pallier <sup>(5)</sup>	50,000	\$2.00	November 2, 2022	\$40,000	34,000	95,200

Note:

- (1) Aggregate dollar amount of in-the-money unexercised options held as at December 31, 2018. This figure is computed based on the difference between the market value of the Common Shares on the TSX Venture Exchange as at December 31, 2018, and the exercise price of the option. The closing price of the Common Shares on the TSX Venture Exchange as of December 31, 2018, was \$2.80
- (2) Dr. Barron was a director and a NEO of the Company during the financial year ended December 31, 2018. Any compensation received by Dr. Barron in his capacity as a director of the Company is reflected in the Summary Compensation Table for NEOs (Table 3).
- (3) Dr. Spencer was a director and a NEO of the Company during the financial year ended December 31, 2018. Any compensation received by Dr. Spencer in his capacity as a director of the Company is reflected in the Summary Compensation Table for NEOs (Table 3).
- (4) Ms. McLean resigned from her position as CFO on April 22, 2019. Mr. Tony Wood assumed the role of CFO of the Company on April 22, 2019. Any compensation received by Ms. McLean in her capacity as CFO and Corporate Secretary of the Company is reflected in the Summary Compensation Table for NEOs (Table 3).

- (5) Mr. Pallier served as the Company's VPX during the financial year ended December 31, 2018. Any compensation received by Mr. Pallier in his capacity as an officer of the Company is reflected in the Summary Compensation Table for NEOs (Table 3).
- (6) Aggregate dollar value of the unvested RSUs as at December 31, 2018. The closing price of the Common Shares listed on the TSX Venture Exchange on December 31, 2018 was \$2.80.

*Incentive Plan Awards – Value Vested or Earned During the Year*

Table 5 provides information regarding the value vested or earned on incentive plan awards for each NEO during the year ended December 31, 2018.

**Table 5. Summary of the value vested or earned on incentive plan awards for the Company's NEOs outstanding as of December 31, 2018.**

Name	Option-based awards – Value vested during the year (\$)	Share-based awards – Value vested (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
Keith Barron <sup>(1)(5)(6)</sup>	77,999	Nil	Nil
Richard Spencer <sup>(2)(3)(4)(7)</sup>	8,000	Nil	Nil
Donna McLean <sup>(1)(3)(8)</sup>	104,333	Nil	Nil
Jean Paul Pallier <sup>(3)</sup>	6,666	40,800 <sup>(9)</sup>	Nil

Notes:

- (1) Calculated based on the closing price of the Common Shares on the TSX Venture Exchange at the vesting date less the exercise price of the vested Options multiplied by the number of vested options. The Options granted on July 11, 2016 (100,000 granted to Keith Barron and 165,000 granted to Donna McLean), vest one-third (1/3) on the date of grant, one-third (1/3) on the first anniversary of the date of grant and one-third (1/3) on the second anniversary of the date of grant. The exercise price was \$0.60 and the closing price of the Common Shares on the TSX Venture Exchange on July 11, 2018 was \$2.40
- (2) Calculated based on the closing price of the Common Shares on the TSX Venture Exchange at the vesting date less the exercise price of the vested options multiplied by the number of vested Options. The Options granted on May 26, 2017 (150,000 granted to Richard Spencer), vest one-third (1/3) on the date of grant, one-third (1/3) on the first anniversary of the date of grant and one-third (1/3) on the second anniversary of the date of grant. The exercise price was \$2.30 and the closing price of the Common Shares on the TSX Venture Exchange on May 25, 2018, the last day of trading before the vesting date, was \$1.94.
- (3) Calculated based on the closing price of the Common Shares on the TSX Venture Exchange at the vesting date less the exercise price of the vested options multiplied by the number of vested Options. The Options granted on November 2, 2017 (60,000 granted to Richard Spencer, 40,000 to Donna McLean and 50,000 to Jean Paul Pallier), vest one-third (1/3) on the date of grant, one-third (1/3) on the first anniversary of the date of grant and one-third (1/3) on the second anniversary of the date of grant. The exercise price is \$2.00 and the closing price of the Common Shares on the TSX Venture Exchange on November 2, 2018 was \$2.40.
- (4) Calculated based on the closing price of the Common Shares on the TSX Venture Exchange at the vesting date less the exercise price of the vested Options multiplied by the number of vested options. The Options granted on March 2, 2018 (50,000 granted to Richard Spencer), vest one-third (1/3) on the date of grant, one-third (1/3) on the first anniversary of the date of grant and one-third (1/3) on the second anniversary of the date of grant. On March 2, 2018, the exercise price was \$2.89 and the closing price of the Common Shares on the TSX Venture Exchange was \$2.89.
- (5) Calculated based on the closing price of the Common Shares on the TSX Venture Exchange at the vesting date less the exercise price of the vested Options multiplied by the number of vested Options. The Options granted on April 5, 2018 (300,000 granted to Keith Barron), vest one-third (1/3) on the date of grant, one-third (1/3) on the first anniversary of the date of grant and one-third (1/3) on the second anniversary of the date of grant. On April 5, 2018, the exercise price was \$2.68 and the closing price of the Common Shares on the TSX Venture Exchange was \$2.86.
- (6) Dr. Barron was a director and CEO of the Company during the financial year ended December 31, 2018. Any compensation received by Dr. Barron in his capacity as a director of the Company is reflected in the Summary Compensation Table for NEOs (Table 3).
- (7) Dr. Spencer was a director and CEO of the Company during the financial year ended December 31, 2018. Any compensation received by Dr. Spencer in his capacity as a director of the Company is reflected in the Summary Compensation Table for NEOs (Table 3).
- (8) Ms. McLean resigned from her position as CFO of the Company on April 22, 2019. Mr. Tony Wood assumed the responsibilities of CFO on April 22, 2019.
- (9) Calculated based on the closing price of the Common Shares on the TSX Venture Exchange at the vesting date (November 2, 2018), which was \$2.40. Mr. Pallier received 17,000 vested RSUs on November 2, 2018 as part of 51,000 RSUs granted to him on November 2, 2017. 34,000 RSUs remain unvested as of the date hereof.

### Incentive Plan Awards – Value Vested or Earned During the Year

The outstanding Options-based awards referenced above were issued pursuant to the Company's Option Plan.

### **Pension Plan Benefits**

As at the date of this Circular, the Company does not have any pension plan.

### **Termination and Change of Control Benefits**

#### Employment Agreements

Other than as described below, there are no agreements, compensation plans, contracts or arrangements whereby a NEO is entitled to receive payments from the Company in the event of the resignation, retirement or other termination of the NEO's employment with the Company, change of control of the Company or a change in the NEO's responsibilities following a change of control.

#### *Keith Barron, Chief Executive Officer*

Dr. Barron does not have termination or change of control benefits at this time.

#### *Richard Spencer, President*

If terminated, Dr. Spencer would have a three-month notice period, for which he would be paid a pro rata proportion for any time not worked during the notice period at the Company's request. In the event of termination by the Company, other than for cause, he would also receive a lump-sum cash payment equal to three months of monthly retainer fee. In the event of termination due to a change of control, the term of Dr. Spencer's contract would be extended to the later of the end of his contract or two years from the date on which the change of control occurs. If Dr. Spencer's contract is terminated, or Dr. Spencer terminates the agreement for good reason, within the 12 months following a change of control, he will be entitled to a payment of \$300,000, 50% of which would be due on the date of termination and the remainder within six months following the initial termination payment. In addition, any unvested options will vest immediately and will remain exercisable for 90 days following the date of termination.

#### *Donna McLean, Chief Financial Officer*

Early termination of Ms. McLean's agreement requires 90 days' written notice by either the Ms. McLean or the Company.

#### *Jean Paul Pallier, Vice President, Exploration*

In the event that Mr. Pallier's contract is terminated without cause, or 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 worked for ESA. In the event ESA terminates Mr. Pallier's contract without cause, or he is constructively dismissed, after January 1, 2021, ESA will pay Mr. Pallier 125% of one month's salary for each year or fraction of a year worked for ESA.

### **Director Compensation**

The Board determines the level of compensation for directors based on recommendations from the Compensation Committee. The Board reviews directors' compensation as needed, considering time commitment, risks and responsibilities to ensure that the amount of compensation adequately reflects the responsibilities and risks of being a director and makes adjustments as deemed necessary.

Effective April 11, 2013, the Board adopted a cash compensation program for its directors with respect to general directors' duties, meeting attendance or for additional service on Board committees. Directors are entitled to receive annual compensation of \$15,000. Further, directors are reimbursed for all reasonable out-of-pocket expenses incurred in attending Board, committee or Shareholder meetings and otherwise incurred in carrying out their duties as directors of the Company.

Directors may receive Option and RSU grants as determined by the Board in accordance with the applicable incentive compensation plan. The exercise price of Options or RSUs is determined by the Board, but shall in no event be less than the market price of the Common Shares at the time of the Option grant, less any permissible discounts pursuant to the terms of the applicable incentive compensation plan and the policies of the TSX Venture Exchange (the “TSX-V”).

Table 6 sets out the total compensation paid to each of the Company’s directors (who are not NEOs) during the Last Financial Year.

**Table 6. Summary of the total compensation paid to each of the Company’s directors who are not NEOs in the year ending December 31, 2018.**

Name	Fees earned (\$)	Share-based awards (\$)	Option-based awards (\$) <sup>(1)</sup>	Non-equity incentive plan compensation (\$)	Pension Value (\$)	All other Compensation (\$)	Total (\$)
Elaine Ellingham	15,000	Nil	Nil	Nil	Nil	Nil	15,000
Gerald Harper <sup>(2)</sup>	15,000	Nil	Nil	Nil	Nil	Nil	15,000
Marvin Kaiser <sup>(2)</sup>	15,000	Nil	Nil	Nil	Nil	Nil	15,000
Alfred Lenarciak	8,396	Nil	325,160	Nil	Nil	Nil	333,556

Notes

- (1) On March 2, 2018, the Company granted a total of 150,000 Options to Mr. Lenarciak. These Options have an exercise price of \$2.89 and expiry date of March 2, 2023. The fair value of these Options at the date of grant was estimated using the Black-Scholes valuation model with 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. The fair value assigned to these options on the grant date was \$216,774. Volatility was based on the historical trading of the Company’s shares.
- (2) Messrs. Marvin Kaiser and Gerald Harper and Ms. Elaine Ellingham will not stand for re-election at the upcoming Meeting.

**Incentive Plan Awards to Directors**

**Outstanding Share Awards and Option Awards**

Table 7 provides information regarding the incentive plan awards for each of the Company’s directors (who are not NEOs) outstanding as of December 31, 2018.

**Table 7. Summary of incentive plan awards for each of the Company’s directors who are not NEOs as of December 31, 2018.**

Name <sup>(1)</sup>	Option-based Awards				Share-based Awards	
	Number of Common Shares underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$) <sup>(1)</sup>	Number of shares or units of shares that have not vested (#)	Market or payout value of share awards that have not vested (\$)
Elaine Ellingham	50,000	0.60	July 11, 2021	110,000	N/A	N/A
	30,000	2.00	November 02, 2022	24,000	N/A	N/A
Gerald Harper <sup>(2)</sup>	50,000	0.60	July 11, 2021	110,000	N/A	N/A
	30,000	2.00	November 02, 2022	24,000	N/A	N/A
Marvin Kaiser <sup>(2)</sup>	50,000	0.60	July 11, 2021	110,000	N/A	N/A
	30,000	2.00	November 02, 2022	24,000	N/A	N/A
Alfred Lenarciak	150,000	2.89	March 2, 2023	Nil	N/A	N/A

Notes:

- (1) Aggregate dollar amount of in-the-money unexercised vested options held as at December 31, 2018. This figure is computed based on the difference between the market value of the Common Shares on the TSX-V as at December 31, 2018, and the exercise price of the option. The closing price of the Common Shares on the TSX-V on December 31, 2018 was \$2.80.
- (2) Messrs. Marvin Kaiser and Gerald Harper and Ms. Elaine Ellingham will not stand for re-election at the upcoming Meeting.

*Incentive Plan Awards – Value Vested or Earned During the Year*

Table 8 provides information regarding the value vested or earned on incentive plan awards for each of the Company’s directors (who are not NEOs) during the year ended December 31, 2018.

**Table 8. Summary of the value vested or earned on incentive plan awards for directors of the Company during the year ended December 31, 2018.**

Name	Option-based awards – Value vested during the year <sup>(1)(2)(3)</sup> (\$)	Share-based awards – Value vested (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
Elaine Ellingham <sup>(4)</sup>	33,999	Nil	Nil
Gerald Harper <sup>(4)</sup>	33,999	Nil	Nil
Marvin K. Kaiser <sup>(4)</sup>	33,999	Nil	Nil
Alfred Lenarciak	Nil	Nil	Nil

Notes:

- (1) Calculated based on the closing price of the Common Shares on the TSX-V at the vesting date less the exercise price of the vested Options multiplied by the number of vested Options. The Options granted on July 11, 2016 (50,000 Options to each non-executive director), vest one-third (1/3) on the date of grant, one-third (1/3) on the first anniversary of the date of grant and one-third (1/3) on the second anniversary of the date of grant. The exercise price was \$0.60 and the closing price of the Common Shares on the TSX-V on July 11, 2018, was \$2.40.
- (2) Calculated based on the closing price of the Common Shares on the TSX-V at the vesting date less the exercise price of the vested Options multiplied by the number of vested Options. The Options granted on November 2, 2017 (30,000 Options to each non-executive director), vest one-third (1/3) on the date of grant, one-third (1/3) on the first anniversary of the date of grant and one-third (1/3) on the second anniversary of the date of grant. The exercise price was \$2.00 and the closing price of the Common Shares on the TSX-V on November 2, 2018 was \$2.40.

- (3) Calculated based on the closing price of the Common Shares on the TSX-V at the vesting date less the exercise price of the vested Options multiplied by the number of vested Options. The Options granted on March 2, 2018, vest one-third (1/3) on the date of grant, one-third (1/3) on the first anniversary of the date of the grant and one-third (1/3) on the second anniversary of the date of grant. The exercise price was \$2.89 and the closing price of the Common Shares on the TSX-V on March 2, 2018 was \$2.89.
- (4) Mr. Marvin Kaiser and Gerald Harper and Ms. Ellingham will not stand for re-election at the upcoming Meeting.

### Incentive Plan Awards – Value Vested or Earned During the Year

The outstanding Options-based awards referenced above were issued pursuant to the Option Plan

## **SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS**

### **10% Rolling Stock Option Plan**

The Company adopted an Option Plan on February 15, 2011. On November 15, 2017, the Option Plan was amended to expand the definition of “Eligible Persons” to include “Management Company Employees/Consultants” and to address housekeeping issues pursuant to Section 7.1(d) of the Option Plan. Since the Company broadened the scope of eligible optionees under the Option Plan, the Company will seek disinterested Shareholder approval at the Meeting. The amended Option Plan (the “**Amended Option Plan**”) is attached to this Circular as Schedule “A”. As of the date of this Circular, the Company has 1,714,260 Options outstanding to purchase Common Shares.

The Option Plan is a “rolling” stock option plan and therefore no Options shall be granted under the Option Plan if such grant could result, at any time, in a number of Common Shares reserved for issuance pursuant to the Options granted that exceeds 10% of the issued and outstanding Common Shares as of the date of the grant.

The Option Plan is administered by the Board or an underlying committee as so appointed by the Board. The purpose of the Option Plan is to attract, retain and motivate certain directors, officer, employees, service providers, consultants or management company employees/consultants of the Company (the “**Eligible Persons**”) and to advance the interests of the Company by providing such persons with the opportunity, through Options, to acquire an increased proprietary interest in the Company. The Board or an underlying committee determines whom Options are to be granted, the terms and provisions of the respective Option agreements, the time or times at which such Options shall be granted, the dates such Options become exercisable, the number of Common Shares subject to each Option, and the purchase price of such Common Shares. All other questions relating to the administration of the Option Plan and the interpretation of the provisions thereof and of the related Option agreements are resolved by the Board or an underlying committee. Currently, the Compensation Committee and the Board administer the Option Plan.

The TSX-V policies relating to security-based compensation arrangements require that a majority of Shareholders must approve all unallocated Options every year after the institution of any security-based compensation arrangement that does not have a fixed maximum aggregate of issuable securities. Accordingly, Shareholders will be asked at the Meeting to approve the unallocated Options for the upcoming year.

The following information is intended to be a brief description and summary of the material features of the Option Plan.

- (a) The aggregate number of Common Shares reserved for issuance pursuant to Options and Restricted Stock Units (“**RSU**”) granted to insiders of the Company, shall not exceed 10% of the total number of Common Shares then outstanding, unless disinterested Shareholder approval is obtained.
- (b) The aggregate number of Common Shares reserved for issuance pursuant to Options or RSUs granted to any one person or entity within any 12-month period shall not exceed 5% of the total number of Common Shares on a non-diluted basis then outstanding, unless disinterested Shareholder approval is obtained.
- (c) The aggregate maximum number of Common Shares available for issuance from treasury under the Option Plan at any given time shall not exceed 10% of the issued and outstanding Common Shares (on a non-diluted basis) or such other number as may be approved by the TSX-V, from time to time.

Any Common Shares subject to an Option which has been granted under the Option Plan and which has been cancelled, repurchased, expired or terminated in accordance with the terms of the Option Plan without having been exercised, will again be available under the Option Plan.

- (d) The exercise price of an Option shall be determined by the Board at the time each Option is granted, provided that such price shall not be less than the last closing price of the Common Shares on the TSX-V;
- (e) The Board may determine when any Option will become exercisable and may determine that the Option will be exercisable immediately upon the date of grant, or in instalments or pursuant to a vesting schedule. However, unless the Board determines otherwise, Options issued pursuant to the Option Plan will vest immediately on the date of grant.
- (f) In the event an optionee ceases to be eligible for the grant of Options under the Option Plan, Options previously granted to such person will cease to be exercisable within a period of 90 days after the date such person ceases to be eligible under the Option Plan, or for a longer period as determined by the Board, provided that no Option shall remain outstanding for any period which exceeds the earlier of: (i) the expiry date of such Option; and (ii) 12 months following the date such person ceases to be eligible under the Option Plan.
- (g) In the event of a Change of Control (as defined in the Option Plan), all Options granted to optionees shall be immediately exercisable for 90 days thereafter, subject to Section 9.1 of the Option Plan.

### **Restricted Stock Unit Plan**

On June 13, 2018, Shareholders approved the Restricted Stock Unit Plan (the “**RSU Plan**”), a copy of which is attached hereto as Schedule “B”. The purpose of the RSU Plan is to advance the interests of the Company and its subsidiaries by: (i) assisting the Company and its subsidiaries in attracting and retaining individuals with experience and ability; (ii) allowing certain executive officers, directors, and key employees of the Company and its subsidiaries to participate in the long term success of the Company, and (iii) promoting a greater alignment of interests between the executive officers and key employees designated under the RSU Plan and the Shareholders. The RSU Plan is available to directors, officers, employees and consultants which are collectively referred to in the RSU Plan as “Service Providers” of the Company, as determined by the Board (the “**Eligible Grantees**”). On November 2, 2017 the Company granted 124,500 RSUs to officers, employees and consultants. As of the date of this Circular, 24,000 RSUs had been cancelled and 33,500 RSUs were settled in Common Shares, leaving a total of 67,000 unvested RSUs issued and outstanding.

The following information is intended to be a brief description and summary of the material features of the RSU Plan:

- (a) The Company is authorized to issue up to 2,275,973 RSUs pursuant to the RSU Plan.
- (b) The total number of Common Shares issuable to insiders under the Option Plan and the RSU Plan, at any time or in any one-year period, shall not exceed 10% of the issued and outstanding Common Shares of the Company.
- (c) The total number of Common Shares issuable to any person within any one-year period under the RSU Plan shall not exceed 1% of the issued and outstanding Common Shares of the Company.
- (d) The total number of Common Shares issuable to all persons within any one-year period under the RSU Plan shall not exceed 2% percent of the issued and outstanding Common Shares of the Company.
- (e) Neither awards nor any rights under any such awards shall be assignable or transferable. If any Common Shares covered by an award are forfeited, or if an award terminates without delivery of any Common Shares subject thereto, then the number of Common Shares counted against the aggregate number of Common Shares available under the RSU Plan with respect to such award

shall, to the extent of any such forfeiture or termination, again be available for making awards under the RSU Plan.

- (f) The RSU Plan shall terminate automatically after ten years from the date initially approved by the Board (April 25, 2017) and may be terminated on any earlier date or extended by the Board.

The Board may at any time, in its sole discretion, amend, suspend, terminate or discontinue the RSU Plan and may amend the terms and conditions of any awards thereunder, subject to (a) any required approval of any applicable regulatory authority or the TSX-V, and (b) approval of Shareholders, provided that Shareholder approval shall not be required for the following amendments and the Board may make changes which may include but are not limited to: (i) amendments of a 'housekeeping nature'; (ii) changes to vesting provisions; (iii) changes to the term of the RSU Plan or awards made under the RSU Plan; or (iv) changes to performance criteria term. The Board may amend, modify, or supplement the terms of any outstanding award.

### Restricted Stock Units

The RSU Plan provides that the Board of the Company may, from time to time, in its sole discretion, grant awards of RSUs to Eligible Grantees. Each RSU shall represent the right to receive one Common Share, subject to the restrictions and vesting provisions provided in the RSU Plan. The Board may, in its sole discretion, establish a period of time (a “**Vesting Period**”) applicable to such RSUs. Each award of RSUs may be subject to a different Vesting Period. The Board may, in its sole discretion, prescribe restrictions in addition to or other than the expiration of the Vesting Period, including the satisfaction of corporate or individual performance objectives, which may be applicable to all or any portion of the RSUs. Notwithstanding the foregoing, (a) RSUs that vest solely by the passage of time shall not vest in full in less than three (3) years from the grant date; (b) RSUs for which vesting may be accelerated by achieving performance targets shall not vest in full in less than one (1) year from the grant date; and (c) RSUs granted to outside directors vest, (i) at the election of an outside director at the time the award is granted, within a minimum of one (1) year to a maximum of three (3) years following the grant date, as such outside director may elect, and (ii) if no election is made, upon the earlier of a Change of Control (as such term is defined in the RSU Plan) or his or her resignation from the Board.

Restrictions on any RSUs shall lapse immediately and become fully vested in the Eligible Grantee upon a Change of Control. If an Eligible Grantee's employment is terminated with cause, the Company may, within 30 days, annul any award previously granted if the Eligible Grantee is an employee of the Company or an affiliate thereof. If an Eligible Grantee's employment is terminated with or without cause, unless the Board otherwise provides in an award agreement or in writing after the award agreement is issued, any RSUs that have not vested and will not vest within 30 days from the date of termination, or with respect to which all applicable restrictions and conditions have not lapsed, shall immediately be deemed forfeited. Upon the death of an Eligible Grantee, any RSUs granted thereto which, prior to the Eligible Grantee's death, have not vested, will immediately vest and the Eligible Grantee's estate shall be entitled to receive payment in accordance with the terms of the RSU Plan.

### Equity Compensation Plans Information

Table 9 provides details of the equity securities of the Company authorized for issuance as of December 31, 2018, pursuant to the Company's equity compensation plans currently in place.

**Table 9. List of the equity securities of the Company authorized for issuance as of December 31, 2018, pursuant to the Company's equity compensation plans currently in place.**

Plan Category	Number of securities to be issued upon exercise of outstanding Options, warrants and rights (a)	Weighted-average exercise price of outstanding Options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) <sup>(1)</sup>
Equity compensation plans approved by securityholders	1,583,260	\$2.92 <sup>(3)</sup>	3,896,400

Equity compensation plans not approved by securityholders	N/A	N/A	N/A
<b>Total</b>	<b>1,583,260<sup>(2)</sup></b>	<b>\$2.92</b>	<b>3,896,400</b>

Notes:

- (1) As at December 31, 2018, a total of 3,203,687 Options were issuable pursuant to the Option Plan, representing 10% of the issued and outstanding Common Shares. A total of 2,275,973 RSUs are issuable pursuant to the RSU Plan, representing 7.1% of the issued and outstanding Common Shares as at December 31, 2018. As at December 31, 2018, 67,000 RSUs are issued and outstanding to Eligible Grantees, representing 0.2% of the issued and outstanding Common Shares of the Company. As at December 31, 2018 a total of 2,208,973 RSUs remain available for future issuance.
- (2) Representing approximately 4.9% of the issued and outstanding Common Shares as at December 31, 2018.
- (3) As at December 31, 2018, the Company issued 1,516,260 Options with a weighted average exercise price of \$2.92, carrying an estimated value of \$1,806,852. As at December 31, 2018, the Company had 67,000 RSUs issued and outstanding carrying an estimated value of \$132,581. The RSUs outstanding do not carry a weighted-average exercise price.

## MATTERS TO BE ACTED UPON

### 1. Appointment of Auditors

UHY McGovern Hurley LLP, Chartered Accountants (“**McGovern Hurley**”), are the independent registered certified auditors of the Company. McGovern Hurley was first appointed as auditors of the Company on December 21, 2010.

**Unless the Shareholder has specifically instructed in the enclosed form of proxy that the Common Shares represented by such proxy are to be withheld or voted otherwise, the persons named in the accompanying proxy will vote FOR the appointment of McGovern Hurley as auditors of the Company to hold office until the next annual meeting of Shareholders or until a successor is appointed and to authorize the Board to fix the remuneration of the auditors.**

### 2. Election of Directors

At the Meeting, the following six (6) persons named hereunder will be proposed for election as directors of the Company. Management does not contemplate that any of the nominees will be unable to serve as a director, but if that should occur for any reason prior to the Meeting, it is intended that discretionary authority shall be exercised by the persons named in the accompanying proxy to vote the proxy for the election of any other person or persons in place of any nominee or nominees unable to serve. Each director elected will hold office until the close of the next annual meeting of Shareholders, or until his or her successor is duly elected unless prior thereto he or she resigns or his or her office becomes vacant by reason of death or other cause.

#### Majority Voting for Directors

The Board has adopted a policy requiring that in an uncontested election of directors, any nominee who receives a greater number of votes “withheld” than votes “for” will tender a resignation to the Chairman of the Board promptly following the Meeting. The Nominating and Corporate Governance Committee of the Board will consider the offer of resignation and, except in special circumstances, will recommend that the Board accept the resignation. The Board will make its decision and announce it in a press release within 90 days following the Meeting, including the reasons for rejecting the resignation, if applicable. The nominee will not participate in any Nominating and Corporate Governance Committee or Board deliberations on the resignation offer. The policy does not apply in circumstances involving contested director elections.

#### Nominees

Table 10 sets forth the name of all persons proposed to be nominated for election as directors, their place of residence, position held, and periods of service with, the Company, or any of its affiliates, their principal occupations and the approximate number of Common Shares of the Company beneficially owned, controlled or directed, directly or indirectly, by them.

Shareholders have the option to (i) vote for all the directors of the Company listed in the table below; (ii) vote for some of the directors and withhold for others; or (iii) withhold for all of the directors. **Unless the Shareholder has**

specifically instructed in the enclosed form of proxy that the Common Shares represented by such proxy are to be withheld or voted otherwise, the persons named in the accompanying proxy will vote FOR the election of each of the proposed nominees set forth below as directors of the Company.

**Table 10. Details of the persons proposed to be nominated for election as directors of the Company.**

Name, Province or State and Country of Residence	Date First Became a Director	Present Principal Occupation and Positions Held During the Preceding Five Years	Number of Common Shares Beneficially Owned, Directly or Indirectly, or Over Which Control or Direction is Exercised <sup>(1)</sup>
Keith Barron <sup>(4)(5)</sup> <i>Valais, Switzerland</i>	July 2, 2007	Geologist, Executive Chairman and CEO of the Company. Founder & Director of U3O8 Corp. since 2005; CEO since 2017 and Chairman of Firestone Ventures Inc. since 2010	18,606,546
Alfred Lenarciak <sup>(2)(3)(4)</sup> <i>Bahamas</i>	June 13, 2018	Author, published 7 books in USA since 2014; distributed in over 40 countries; Civil and Mining Engineer with 25+ years of experience in financing and strategic development of resource companies in North and South America, Africa, Europe and Asia.	41,642
Richard Spencer <sup>(5)</sup> <i>Ontario, Canada</i>	March 6, 2017	Geologist; President Aurania Resources since May 26, 2017; President and CEO of U3O8 Corp. since January 2008; Director of Firestone Ventures Inc. since November 2017.	19,750
Warren Gilman <sup>(2)(3)(4)(5)</sup> <i>Hong Kong, China</i>	N/A	Chairman and CEO of CEF Holdings from 2011 to 2019; Director of NexGen Energy Ltd from July 2017 to Present; Mining Engineer.	Nil
Jonathan Kagan <sup>(2)(3)(4)</sup> <i>New York, USA</i>	N/A	Managing Principal of Corporate Partners from 2005 to Present; Chairman and Director of Mapleton Radio since 2006; Investment Banker.	Nil

Notes:

- (1) The information with respect to the Common Shares beneficially owned, controlled or directed is not within the direct knowledge of the Company and has been furnished by the respective individuals.
- (2) Anticipated member of the Audit Committee. The proposed Chairperson is Jonathan Kagan.
- (3) Anticipated member of the Compensation Committee. The proposed Chairperson is Alfred Lenarciak.
- (4) Member of the Nominating and Corporate Governance Committee. The proposed Chairperson is Keith Barron.
- (5) Member of the Technical and Corporate Responsibility Committee. Keith Barron is the Chairperson.

As a group, the proposed directors beneficially own, control or direct, directly or indirectly, 18,667,938 Common Shares, representing approximately 53.4% of the issued and outstanding Common Shares as of the date hereof.

*Corporate Cease Trade Orders, Bankruptcies, Penalties or Sanctions*

No individual set forth in Table 10 is, as at the date of this Circular, or has been, within 10 years before the date of this Circular, a director, chief executive officer or chief financial officer of any company (including the Company) that:

- (a) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days that was issued while such individual was acting in the capacity as director, chief executive officer or chief financial officer; or
- (b) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after such individual ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while

such proposed director was acting in the capacity as director, chief executive officer or chief financial officer.

No individual set forth in Table 10 (or any personal holding company of any such individual) is, as of the date of this Circular, or has been within 10 years before the date of this Circular, a director or executive officer of any company (including the Company) that, while such individual was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

No individual as set forth in Table 10 (or any personal holding company of any such individual) has, within the ten (10) years before the date of this Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of such individual.

No individual set forth in Table 10 (or any personal holding company of any such individual) has been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

### **3. Approval of Amendment to Incentive Option Plan**

At the Meeting, disinterested Shareholders will be asked to consider, and if deemed advisable, to pass, with or without variation, an ordinary resolution ratifying and approving an amendment to the Option Plan to expand the definition of “Eligible Persons” under the Option Plan (the “**Amended Option Plan**”). For a complete version of the Amended Option Plan, please refer to Schedule “A” hereof.

Currently, the Option Plan limits “Eligible Persons” to directors, officers, employees (part-time or full-time), service provider or Consultants (as defined under the Option Plan) of the Company. On November 15, 2017, the Board adopted a revised definition of “Eligible Persons” to include Management Company Employees/Consultants (as defined under TSX-V Policy 4.4 – *Incentive Stock Options*) (the “**Amendment**”). Under Section 3.9(c)(i) of TSX-V Policy 4.4 – *Incentive Stock Options* and Section 7.2.(e) of the Option Plan, if the Company wishes to broaden the definition of “Eligible Person” to increase participation in the Option Plan, disinterested Shareholders must approve such an amendment. All other amendments in the Option Plan relate to either the Amendment or are housekeeping in nature.

The Board recommends the adoption of the Amended Option Plan Resolution (as defined below). The Amendment to the Option Plan remains subject to receipt of disinterested Shareholder approval, which excludes the votes attached to Common Shares beneficially controlled by the Insiders (as defined under TSX-V Policy 1.1 – *Interpretation*) eligible to be granted Options under the Option Plan (the “**Eligible Insiders**”) and their respective Associates (as defined under TSX-V Policy 1.1 – *Interpretation*) as well as the Pending Optionees (as defined below) and their Associates. As of the date hereof, Eligible Insiders and their respective Associates hold 18,976,938 Common Shares and Pending Optionees and their Associates hold 39,701 Common Shares, collectively representing 54.3% of the issued and outstanding Common Shares. The TSX-V has conditionally approved the adoption of the Amended Option Plan, subject to receipt of disinterested Shareholder approval.

If approved by disinterested Shareholders at the Meeting, the Amended Option Plan will replace the current Option Plan. If not approved by disinterested Shareholders at the Meeting, the current Option Plan will continue in full force and effect.

At the Meeting, disinterested Shareholders will be asked to consider, and if deemed advisable, to pass, with or without variation, an ordinary resolution in the form set out below (the “**Amended Option Plan Resolution**”). The above noted Eligible Insiders and Pending Optionees, and their respective Associates, will not be permitted to vote on the

Amended Option Plan Resolution. To be effective, the Amended Option Plan Resolution must be approved by not less than a majority of the votes cast by the disinterested Shareholders present in person, or represented by proxy, at the Meeting.

**Unless the Shareholder has specifically instructed in the enclosed form of proxy that the Common Shares represented by such proxy are to be voted against the Amended Option Plan Resolution, the persons named in the accompanying proxy will vote FOR the Amended Option Plan Resolution.**

**“BE IT HEREBY RESOLVED** as an ordinary resolution of disinterested Shareholders of the Company that:

1. The adoption of the Company’s amended incentive stock option plan (the **“Amended Option Plan”**), with such amendments in the version of the Amended Option Plan attached as Schedule “A” to the Circular dated May 14, 2019, including the amendment to broaden the definition of “Eligible Persons” under the Option Plan, and the related amendments thereto, is hereby ratified and approved.
2. Any director or officer of the Company is hereby authorized and directed for and in the name of and on behalf of the Company to execute or cause to be executed, whether under corporate seal of the Company or otherwise, and to deliver or cause to be delivered all such documents, and to do or cause to be done all such acts and things, as in the opinion of such director or officer may be necessary or desirable in connection with the foregoing resolution.”

#### **4. Approval of Option Plan for Upcoming Year**

The TSX-V requires all listed companies with a 10% rolling incentive stock option plan to obtain annual shareholder approval of unallocated incentive Options under a “rolling” option plan and to approve the incentive stock option plans for the upcoming year. Shareholders will be asked at the Meeting to ratify and approve the unallocated Options and to approve the Option Plan for the upcoming year (the **“Annual Option Plan Resolution”**).

If disinterested Shareholder approval is not received for the Amended Option Plan Resolution, Shareholders will be asked to approve for the upcoming year the unamended Option Plan adopted by the Board on February 15, 2011.

As of the date hereof, Options to purchase a total of 1,714,260 Common Shares have been issued to directors, officers, employees and consultants of the Company and remain outstanding. This number includes outstanding Options to purchase a total of 90,000 Common Shares that have been issued to Management Company Employees, which require ratification from disinterested Shareholders (the **“Pending Options”**) (see *Matters to be Acted On – Item 5*, below). As at the date hereof, and assuming the ratification of the Amended Option Plan and the Pending Options, the number of Common Shares remaining available for issuance under the Amended Option Plan is 1,780,263. For a brief description of the Option Plan, please see: *“Securities Authorized for Issuance under Equity Compensation Plans – Stock Option Plan”*.

The full text of the Amended Option Plan is attached hereto as Schedule “A”. If disinterested Shareholders do not approve the Amended Option Plan Resolution, Shareholders can receive the full text of the Option Plan adopted by the Board on February 15, 2011 upon written request made directly to the Company at its registered head office located at Suite 1050, 36 Toronto Street, Toronto, Ontario M5C 2C5, Attention: Chief Executive Officer.

**Unless the Shareholder has specifically instructed in the enclosed form of proxy that the Common Shares represented by such proxy are to be voted against the Annual Option Plan Resolution, the persons named in the accompanying proxy will vote FOR the Annual Option Plan Resolution. The Annual Option Plan Resolution requires a simple majority (50% plus one) of votes of Shareholders at the Meeting.**

**“BE IT HEREBY RESOLVED** as an ordinary resolution of shareholders of the Company that:

1. If disinterested shareholders of the Company approve the amendments to the incentive stock option plan of the Company (the **“Amended Option Plan”**), the Amended Option Plan will hereby be approved for the upcoming year.

2. If disinterested shareholders of the Company do not approve the amendments to the Option Plan, the original Option Plan adopted by the board of directors of the Company on February 15, 2011 will hereby be approved for the upcoming year.
3. Subject to the ratification by a majority of disinterested shareholders of the Company regarding the grant of incentive stock options of the Company (“**Options**”) under the Amended Option Plan prior to receiving disinterested shareholder approval thereof, 1,780,263 Options are hereby unallocated and approved for the upcoming year.
4. Any director or officer of the Company is hereby authorized and directed for and in the name of and on behalf of the Company to execute or cause to be executed, whether under corporate seal of the Company or otherwise, and to deliver or cause to be delivered all such documents, and to do or cause to be done all such acts and things, as in the opinion of such director or officer may be necessary or desirable in connection with the foregoing resolution.”

## **5. Ratification of Pending Options**

In relation to the Amended Option Plan Resolution, the applicable disinterested Shareholders will be asked to consider and, if deemed advisable, to pass, with or without variation, an ordinary resolution ratifying the grant of the Pending Options to three employees of a management company that provided services to the Company (the “**Pending Optionees**”).

Prior to receiving disinterested Shareholder approval of the Amended Option Plan, the Company issued Options to the Pending Optionees, who qualify as Management Company Employees under the Amended Option Plan. Originally, the Company thought that the pre-existing Option Plan would permit the grant of Options to Pending Optionees under the “Consultant” category. However, upon consultation with the TSX-V, the Company was advised to amend the Option Plan and seek disinterested Shareholder approval of the grant of Options to the Pending Optionees. In accordance with Section 3.9(e) of TSX-V Policy 4.4 – *Incentive Stock Options* (“**TSX-V Policy 4.4**”), the Company seeks disinterested Shareholder approval of Options granted under the Amended Option Plan before the corresponding amendments received disinterested Shareholder approval.

The Board approved the grant of 90,000 Pending Options prior to receiving disinterested Shareholder approval of Amended Option Plan, announcing the grant of Pending Options as part of a larger Option grant on November 2, 2022. The TSX-V has conditionally approved the grant of Pending Options, subject to receipt of disinterested Shareholder approval.

Assuming the requisite disinterested Shareholder approval is obtained, 60,000 Pending Options will vest on June 21, 2019 and 30,000 Pending Options will vest on November 2, 2019, with all Pending Options exercisable to purchase Common Shares at a price of \$2.00 per Common Share until November 2, 2022.

In the event that the requisite disinterested Shareholder approval is not obtained by the first vesting date the applicable 90,000 Options shall be cancelled.

### ***Disinterested Shareholder Approval***

As a result of Section 3.9(e) of TSX-V Policy 4.4, and in light of the Board granting the Pending Options prior to receiving disinterested Shareholder approval of the Amended Option Plan, disinterested Shareholders will be asked to consider at the Meeting, and if deemed advisable, to ratify and confirm an ordinary resolution in the form set out below in respect of the Pending Options. To be effective, the resolution approving the Pending Options must be approved by not less than a majority of the votes cast by the disinterested Shareholders present in person, or represented by proxy, at the Meeting. Any votes collectively held by the Pending Optionees and their Associates (as defined in TSX-V Policy 1.1) shall be excluded from the vote of disinterested Shareholders. As of the date hereof, Pending Optionees and their Associates hold 39,701 Common Shares, collectively representing 0.11% of the issued and outstanding Common Shares.

**Unless the Shareholder has specifically instructed in the enclosed form of proxy that the Common Shares represented by such proxy are to be voted against the resolution approving the Pending Options, the persons named in the accompanying proxy will vote FOR the resolution ratifying and confirming the Pending Options.**

The Board recommends the adoption of the resolution ratifying and approving the grant of Pending Options.

**“BE IT HEREBY RESOLVED** as an ordinary resolution of disinterested Shareholders of the Company that:

1. The Pending Options are hereby ratified and confirmed.
2. Any director or officer of the Company is hereby authorized and directed for and in the name of and on behalf of the Company to execute or cause to be executed, whether under corporate seal of the Company or otherwise, and to deliver or cause to be delivered all such documents, and to do or cause to be done all such acts and things, as in the opinion of such director or officer may be necessary or desirable in connection with the foregoing resolution.”

#### **5. Other Matters**

Management of the Company knows of no amendment, variation or other matter to come before the Meeting other than the matters referred to in the Notice. However, if any other matter properly comes before the Meeting, the form of proxy furnished by the Company will be voted on such matters in accordance with the best judgment of the persons voting the proxy.

### **STATEMENT OF CORPORATE GOVERNANCE**

#### **Board of Directors**

The Board and senior management consider good corporate governance to be central to the effective and efficient operation of the Company. The Board is committed to a high standard of corporate governance practices. The Board believes that this commitment is not only in the best interest of the Shareholders, but that it also promotes effective decision making at the Board level.

NI 58-101 defines an “independent director” as a director who has no direct or indirect “material relationship” with the issuer. A “material relationship” is as a relationship which could, in the view of the Board, be reasonably expected to interfere with the exercise of a member’s independent judgment. The Board maintains the exercise of independent supervision over management by ensuring that the majority of its non-executive directors are independent.

The Board is currently comprised of six (6) directors being Keith Barron, Elaine Ellingham, Gerald Harper, Marvin Kaiser, Alfred Lenarciak and Richard Spencer. Messrs. Gerald Harper and Marvin Kaiser and Ms. Elaine Ellingham are not seeking re-election at the Meeting. Following the election of the nominated directors, Messrs. Gilman, Kagan and Lenarciak will be independent within the meaning of NI 58-101. Drs. Barron and Spencer are not independent as they are executive officers of the Company and thereby have a “material relationship” with the Company.

The Board believes that it functions independently of management and reviews its procedures on an ongoing basis to ensure that it is functioning independently of management. The Board meets without management present, as circumstances require. When conflicts arise, interested parties are precluded from voting on matters in which they may have an interest. Considering the guidelines contained in National Policy 58-201 – *Corporate Governance Guidelines*, the Board convenes meetings, as deemed necessary, of the independent directors, at which non-independent directors and members of management are not in attendance.

#### **Other Public Company Directorships**

The following members of the Board currently hold directorships in other reporting issuers as set forth in Table 11.

#### **Table 11. Summary of other Directorships held by the Company’s Board.**

Name of Director	Name of Reporting Issuer	Market
Keith Barron	U3O8 Corp. Firestone Ventures Inc.	TSX TSX-V
Richard Spencer	U3O8 Corp. Firestone Ventures Inc.	TSX TSX-V
Alfred Lenarciak	N/A	N/A
Warren Gilman <sup>(1)</sup>	NexGen Energy Ltd. Chaarat Gold Holdings Limited	TSX, NYSE LSE
Jonathan Kagan <sup>(1)</sup>	N/A	N/A

Notes:

(1) Assuming Messrs. Gilman and Kagan are elected to the Board following the Meeting.

### **Orientation and Continuing Education of Board Members**

New directors receive an orientation on the role of the Board, its committees, and the nature and operation of the Company's business, which consists of the following:

- an orientation session with senior officers to receive an overview the Company's business and affairs;
- an orientation session with the chairperson of each standing committee; and
- an orientation session with legal counsel and the representatives of the Company's auditors.

Continuing education is provided to directors through provision of literature regarding current developments and annual seminars on corporate governance developments. The Chief Executive Officer of the Company takes primary responsibility for the orientation and continuing education of directors and officers.

### **Ethical Business Conduct**

The Board has adopted a written code of business conduct and ethics to encourage and promote a culture of ethical business conduct amongst the directors, officers, employees and consultants of the Company. Copies of the Company's code of conduct are available upon written request from the CEO or CFO of the Company. The Nominating and Corporate Governance Committee (the "**Nominating Committee**") is responsible for ensuring compliance with the Company's code of conduct. There have been no departures from the Company's code of conduct since its adoption.

In addition to those matters which, by law, must be approved by the Board, the approval of the Board is required for:

- the Company's annual business plan and budget;
- major acquisitions or dispositions by the Company; and
- transactions which are outside of the Company's existing business.

To ensure the directors exercise independent judgment in considering transactions and agreements in which a director or officer has a material interest, all such matters are considered and approved by the independent directors. Any interested director would be required to declare the nature and extent of his interest and would not be entitled to vote at meetings of directors which evoke such a conflict.

The Company believes that it has adopted corporate governance procedures and policies which encourage ethical behaviour by the Company's directors, officers and employees.

## **Nomination of Directors**

The Nominating Committee of the Board holds the responsibility for the appointment and assessment of directors.

The Nominating Committee seeks to achieve a balance of knowledge, experience and capability among the members of the Board. When considering candidates for director, the Nominating Committee takes into account a number of factors including, but not limited to, the following (although candidates need not possess all of the following characteristics and not all factors are weighted equally):

- personal qualities and characteristics, accomplishments and reputation in the business community;
- current knowledge and contacts in the countries and/or communities in which the Company does business and in the Company's industry sectors or other industries relevant to the Company's business; and
- the ability and willingness to commit adequate time to Board and committee matters and be responsive to the needs of the Company.

The Board will periodically assess the appropriate number of directors on the Board and whether any vacancies on the Board are expected due to retirement or otherwise. If vacancies are anticipated, or otherwise arise, or the size of the Board is expanded, the Nominating Committee will consider various potential candidates for director. Candidates may come to the attention of the Nominating Committee through current directors or management, shareholders or other persons. These candidates will be evaluated at regular or special meeting of the Nominating Committee and may be considered at any point during the year.

The Nominating Committee considers candidates for directors by annual review of the credentials of nominees for re-election to be named in the management's proxy's materials. The annual review considers an evaluation of the effectiveness of the Board and the performance of each director, the continuing validity of the credentials underlying the appointment of each director and the continuing compliance with the eligibility rules under applicable conflict of interest guidelines.

The Nominating Committee, whenever considered appropriate, may direct the Chairman of the Board to advise each nominee director, prior to appointment to the Board, of the credentials underlying the recommendation of such nominee director's candidacy. The Nominating Committee may recommend to the Board at the annual meeting of the Board, the allocation of Board members to each of the Board committees, and where a vacancy occurs at any time in the membership of any Board committee, the Nominating Committee may recommend to the Board a member to fill such vacancy. The Nominating Committee has the sole authority to retain and terminate any search firm to be used to identify nominee director candidates, including the sole authority to approve fees and other terms of such retention. The Nominating Committee monitors on a continuing basis and, whenever considered appropriate, makes recommendations to the Board concerning the corporate governance of the Company.

## **Compensation**

The Compensation Committee of the Board reviews the compensation of the directors and senior officers. The Compensation Committee reviews and makes recommendations to the Board regarding the granting of Options to directors and senior officers, compensation for senior officers, and compensation for senior officers' and directors' fees, if any, from time to time. Senior officers and directors may be compensated in cash and/or equity for their expert advice and contribution towards the success of the Company.

The form and amount of cash compensation will be evaluated by the Compensation Committee, which will be guided by the following goals:

- compensation should be commensurate with the time spent by senior officers and directors in meeting their obligations and reflective of the compensation paid by companies similar to the Company in size, business and stage of development; and
- the structure of the compensation should be simple, transparent and easy for Shareholders to understand. Shareholders will be given the opportunity to vote on all new or substantially revised equity compensation plans for directors as required by regulatory policies.

## **Technical and Corporate Responsibility**

The Company's core values include respect, integrity and a commitment to the protection of life, health and the environment for present and future generations. The main purpose of the Technical and Corporate Responsibility Committee ("**TCR Committee**") is to review, monitor and make recommendations to the Board in respect of the technical, health and safety, environmental, community, business conduct, risk management, human rights policies and activities of the Company in order to verify that such policies and activities reflect, and are in accordance with, the Company's core values.

Additionally, the TCR Committee will assist the Board in carrying out its responsibilities with respect to overseeing the exploration and operating activities of the Company with respect to the Lost Cities – Cutucu Project, from a technical, financial, budgeting and scheduling perspective.

The TCR Committee may review or investigate any activities of the Company relating to technical, health and safety, environmental, community relations, business conduct and human rights and will have unrestricted access to any officers and employees of the Company, independent consultants and advisors at reasonable costs, and such information and resources as the TCR Committee considers necessary in order to perform its duties and responsibilities.

The areas of responsibility of the TCR Committee include:

- **Operations Oversight**: in carrying out its responsibility to assist the Board in overseeing the exploration and operational activities of the Company from a technical, financial and scheduling perspective, the TCR Committee will meet regularly with management, in person or by telephone, to review and monitor progress and report its findings to the Board;
- **Corporate Social Responsibility**: The Company is committed to the respect of communities directly impacted by its activities, and to the overall health and safety of its stakeholders, its employees and their families. The Company believes that a safe and healthy workplace is a moral imperative reflecting the Company's respect for the individual. The Company is committed to the protection of the environment through the responsible stewardship of its properties. Protection of the environment is essential to the health of the communities and resources upon which the Company relies, and is beneficial to, the Company and its stakeholders.
- **Health and Safety**: The TCR Committee's responsibilities with respect to safety and health matters shall include reviewing and making recommendations, as appropriate, regarding the Company's safety and health program, including corporate occupational health and safety policies and procedures. It shall also satisfy itself that management of the Company monitors trends and reviews current and emerging issues in the safety and health field and evaluates their potential impact on the Company.
- **Environment**: The TCR Committee's responsibilities with respect to environmental matters shall include reviewing and making recommendations, as appropriate, regarding the Company's environmental management program, including corporate environmental policies and procedures. It shall also satisfy itself that management of the Company monitors trends and reviews current and emerging issues in the environmental field and evaluates their potential impact on the Company.
- **Community**: The TCR Committee's responsibilities with respect to community responsibility matters will include recommending actions for developing social policies, programs, procedures and activities in communities where the Company conducts its business to ensure that the principles set out in such policies are being adhered to and achieved and to integrate such activities with, and participate in, local communities as good corporate citizens. The TCR Committee will also receive reports from Management on the social responsibility programs, including diversity, social inclusion, community relations, sustainable development and security policies and procedures. It shall recommend actions to ensure meaningful and transparent engagement and communications with all stakeholders and seek to build mutually beneficial relationships with the communities that are impacted by the Company's activities. It shall monitor the Company's contribution to social development and a culture of continuous improvement in its workforce. The TCR Committee shall ensure that management is monitoring trends and reviewing current and emerging issues in

the corporate social responsibility field and evaluating their potential impact on the Company. It shall review reports from management on the Company’s corporate social responsibility performance to assess the effectiveness of the program and to evaluate recommended changes that may improve effectiveness.

### **Other Board Committees**

The Board has also established a Disclosure Committee. The Disclosure Committee will meet as conditions dictate and is kept fully apprised of all pending material developments of the Company in order to evaluate and discuss those events and to determine the appropriateness and timing for public release of information.

### **Assessments**

The Board does not consider formal assessments useful given the stage of the Company’s business and operations. However, the Chairman of the Board meets annually with each director individually, which facilitates a discussion of his or her contribution and that of other directors. When needed, time is set aside at a meeting of the Board for a discussion regarding the effectiveness of the Board and its committees. If appropriate, the Board then considers procedural or substantive changes to increase the effectiveness of the Board and its committees. On an informal basis, the Chairman of the Board is also responsible for reporting to the Board on areas where improvements can be made. Any agreed upon improvements required to be made are implemented and overseen by the Nominating Committee. A more formal assessment process will be instituted as, if, and when the Board considers it to be necessary

## **AUDIT COMMITTEE INFORMATION**

### **The Audit Committee’s Charter**

The directors of the Company have adopted a Charter for the Audit Committee, which sets out the Audit Committee’s mandate, organization, powers and responsibilities. The full text of the Audit Committee Charter is attached hereto as Schedule “C” to this Circular.

### **Composition of the Audit Committee**

Following the election of directors, the anticipated members of the Audit Committee are Jonathan Kagan (Chairman), Warren Gilman and Alfred Lenarciak (Table 12). All of the anticipated members of the Audit Committee are independent as they are not executive officers, employees or control persons of the company, consistent with the requirements for venture issuers under Section 6.1.1(3) of National Instrument 52-110 – *Audit Committees* (“**NI 52-110**”) adopted by the Canadian Securities Administrators.

**Table 12. Details of members of the Company’s Audit Committee.**

Name of Member	Independent <sup>(1)</sup>	Financially Literate <sup>(2)</sup>
Jonathan Kagan	Yes	Yes
Warren Gilman	Yes	Yes
Alfred Lenarciak	Yes	Yes

**Notes:**

- (1) To be considered independent, a member of the Audit Committee must not have any direct or indirect “material relationship” with the Company. A “material relationship” is a relationship which could, in the view of the Board, be reasonably expected to interfere with the exercise of a member’s independent judgment.
- (2) To be considered financially literate, a member of the Audit Committee must have the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company’s financial statements.

### **Relevant Education and Experience**

**Jonathan Kagan** – It is anticipated that Jonathan Kagan will be appointed as Chair to the Audit Committee following the Meeting. Mr. Kagan has over 30 years’ experience as an investment banker and is currently managing partner of Corporate Partners, LLC. Mr. Kagan began his career in the investment banking division of Lazard in 1980 and became General Partner in 1987. Mr. Kagan has served on a number of NYSE and NASDAQ-listed companies, as well as private companies.

**Alfred Lenarciak** – It is anticipated that Alfred Lenarciak will be appointed to the Audit Committee following the Meeting. Mr. Lenarciak is a published author of seven books in the USA since 2014, and his books have been distributed in over 40 countries. He is a civil and mining engineer with over 25 years of experience in financing and strategic development of resource companies in North and South America, Africa, Europe and Asia.

**Warren Gilman** – It is anticipated that Warren Gilman will be appointed to the Audit Committee following the Meeting. Mr. Gilman was Chairman and CEO of CEF Holdings from 2011 to 2019. Prior to his tenure at CEF Holdings, Mr. Gilman was Vice Chairman of CIBC World Markets. Mr. Gilman has also served as Managing Director and Head of Asia Pacific Region for CIBC for 10 years where he was responsible for all of CIBC's activities across Asia. Mr. Gilman is a mining engineer who co-founded CIBC's Global Mining Group in 1988. Mr. Gilman has acted as advisor to the largest mining companies in the world including BHP, Rio Tinto, Anglo American, Noranda, Falconbridge, Meridian Gold, China Minmetals, Jinchuan and Zijin and has been responsible for some of the largest equity capital markets financings in Canadian mining history.

### **Audit Committee Oversight**

At no time during the Last Financial Year have any recommendations by the Audit Committee, respecting the appointment and/or compensation of the external auditors of the Company, not been adopted by the Board.

### **Pre-Approval Policies and Procedures**

The Audit Committee has adopted specific policies and procedures for the engagement of non-audit services as described in its Charter.

### **External Auditor Services Fees (By Category)**

Table 13 discloses the fees billed to the Company by its external auditor during the last two completed financial years.

**Table 13. Summary of fees billed to the Company by its external auditor in the years ending December 31, 2018 and December 31, 2017.**

<b>Financial Year Ending</b>	<b>Audit Fees<sup>(1)</sup></b>	<b>Audit Related Fees<sup>(2)</sup></b>	<b>Tax Fees<sup>(3)</sup></b>	<b>All Other Fees<sup>(4)</sup></b>
December 31, 2018	\$34,300	Nil	\$2,000	Nil
December 31, 2017	\$23,500	Nil	\$1,200	Nil

Notes:

- (1) The aggregate fees billed for professional services rendered in respect of the Company's annual financial statements, and interim proof reading of the Company's quarterly financial statements.
- (2) The aggregate fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements and are not disclosed in the "Audit Fees" column.
- (3) The aggregate fees billed for tax compliance, tax advice, and tax planning services.
- (4) No other fees were billed by the auditor of the Company other than those listed in the other columns.

### **Exemption**

Since the Company is a "Venture Issuer" pursuant to NI 52-110 (its securities are not listed or quoted on any of the Toronto Stock Exchange, a market in the United States of America, or a market outside of Canada and the United States of America), it is exempt from the requirements of Part 3 (*Composition of the Audit Committee*) and Part 5 (*Reporting Obligations*) of NI 52-110.

### **INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS**

During the year ended December 31, 2018, no director, executive officer or associate of any director or executive officer of the Company was indebted to the Company, nor were any of these individuals indebted to any other entity

which indebtedness was the subject of a guarantee, support agreement, letter of credit or similar arrangement or understanding provided by the Company, including under any securities purchase or other program.

### **INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

Except as described below, the Company and management are not aware of any material interest, direct or indirect, of any informed person of the Company, or any associate or affiliate of any informed person or nominee, in any transaction or any proposed transaction since the commencement of the Company's most recently completed financial year which has materially affected or would materially affect the Company or any of its subsidiaries.

On March 6, 2019, the Company closed a rights offering (the "**Rights Offering**") that was backstopped by Dr. Keith Barron pursuant to a standby purchase agreement dated January 27, 2019 entered into between Dr. Barron and the Company (the "**Stand-By Commitment**"). On closing of the Rights Offering, Dr. Barron acquired 1,481,481 Common Shares pursuant to his Stand-By Commitment and the purchase of rights in the open market, increasing his ownership in the Company to 53.2% of the issued and outstanding Shares from 52.0% on a non-diluted basis.

### **ADDITIONAL INFORMATION**

Additional information relating to the Company may be found under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com). Inquiries including requests for copies of this information circular, the Financial Statements and MD&A for the year ended December 31, 2018 may be directed to the Company's transfer agent toll-free by telephone at 1.844.499.4482. Additional financial information is provided in the Financial Statements and MD&A for the year ended December 31, 2018 which is also available on SEDAR and the Company's website at [www.aurania.com](http://www.aurania.com).

### **APPROVAL**

The contents of this information circular and the sending thereof to the Shareholders have been approved by the Board.

#### **BY ORDER OF THE BOARD OF DIRECTORS**

(signed) "*Keith Barron*"

Keith Barron  
Chief Executive Officer, Executive Chairman and Director

**SCHEDULE “A”**  
**STOCK OPTION PLAN**

[As amended November 15, 2017]

1. Purpose of Plan

- 1.1 The purpose of the Plan is to attract, retain and motivate Eligible Persons and to advance the interests of the Corporation by providing such persons with the opportunity, through share options, to acquire an increased proprietary interest in the Corporation.

2. Defined Terms

Where used herein, the following terms shall have the following meanings, respectively:

- 2.1 “**Black-Out Period**” means a time when pursuant to any policies of the Corporation that securities of the Corporation may not be traded by certain persons as designated by the Corporation, including any holder of an Option;
- 2.2 “**Board**” means the board of directors of the Corporation or, if established and duly authorized to act, the Compensation Committee or another committee appointed for such purpose by the board of directors of the Corporation;
- 2.3 “**Business Day**” means any day, other than a Saturday or a Sunday, on which the Exchange is open for trading;
- 2.4 “**Consultant**” means an individual (including an individual whose services are contracted through a personal holding corporation) with whom the Corporation or any Subsidiary has a contract for substantial services;
- 2.5 “**Corporation**” means Aurania Resources Ltd. and includes any successor corporation thereto and any subsidiary thereof;
- 2.6 “**Eligible Person**” means any director, officer, employee (part-time or full-time), service provider, Consultant or Management Company Employee/Consultant of the Corporation or any Subsidiary;
- 2.7 “**Exchange**” means the TSX Venture Exchange and, where the context permits, any other exchange on which the Shares are or may be listed from time to time;
- 2.8 “**Insider**” means a “reporting insider” as defined in National Instrument 55-104 - *Insider Reporting Requirements and Exemptions* (NI 55-104) as adopted by the Canadian Securities Administrators;
- 2.9 “**Investor Relations Activities**” means any activities or oral or written communications, by or on behalf of the Corporation or shareholder of the Corporation, that promote or reasonably could be expected to promote the purchase or sale of securities of the Corporation, but does not include:
- (a) the dissemination of information provided, or records prepared, in the ordinary course of business of the Corporation
    - (i) to promote the sale of products or services of the Corporation, or
    - (ii) to raise public awareness of the Corporation,that cannot reasonably be considered to promote the purchase or sale of securities of the Corporation;

- (b) activities or communications necessary to comply with the requirements of
    - (i) applicable securities laws, policies or regulations,
    - (ii) the rules, and regulations of the Exchange or the bylaws, rules or other regulatory instruments of any other self regulatory body or exchange having jurisdiction over the Corporation;
  - (c) communications by a publisher of, or writer for, a newspaper, magazine or business or financial publication, that is of general and regular paid circulation, distributed only to subscribers to it for value or to purchasers of it, if
    - (i) the communication is only through the newspaper, magazine or publication, and
    - (ii) the publisher or writer received no commission or other consideration other than for acting in the capacity of publisher or writer; or
  - (d) the activities or communications that may be otherwise specified by the Exchange;
- 2.10 **“Issuer”** means Aurania Resources Ltd.
- 2.11 **“Listed Share”** means a share or other security that is listed on the Exchange.
- 2.12 **“Management Company Employee/Consultant”** means an individual employed/retained by a Person providing management services to the Issuer, which are required for the ongoing successful operation of the business enterprise of the Corporation, but excluding a Person engaged in Investor Relations Activities.
- 2.13 **“Market Price”** means the last closing price of the Corporation’s Listed Shares before either the issuance of the news release or the filing of the Price Reservation Form (Form 4A) required to fix the price at which the securities are to be issued or deemed to be issued (the “Notice of the Transaction”), except under the following circumstances, where applicable:
- (a) *“Consolidation Exception”* The Market Price is to be adjusted for any share consolidation or split. If the notice of the transaction is within 5 days following a consolidation of the Issuer’s share capital, the minimum price per share will be the greater of the Market Price, adjusted for any share consolidation or split, or \$0.05 for shares and \$0.10 for the exercise price of Warrants and incentive stock options;
  - (b) *“Material Information Exception”* If the Corporation announces Material Information regarding the affairs of the Issuer after providing notice of the transaction and if the Exchange determines that a party to the transaction should reasonably have been aware of that pending Material Information, then the Market Price will be at least equal to the closing price of the Listed Shares on the Trading Day after the day on which that Material Information was announced;
  - (c) *“Price Interference Exception”* If the Exchange determines that the closing price is not a fair reflection of the market for the Listed Shares and the Listed Shares appear to have been high-closed or low-closed, then the Exchange will determine the Market Price to be used;
  - (d) *“Suspension Exception”* If the Issuer is suspended from trading or has for any reason not traded for an extended period of time, the Exchange may determine the deemed Market Price to be used; and
  - (e) *“Minimum Price Exception”* The Exchange will not generally permit Listed Shares to be issued from treasury at a price less than \$0.05 nor will the Exchange generally permit any securities convertible into Listed Shares including incentive stock options and Warrants to be issued with an effective conversion price of less than \$0.10 per Listed Share.

- 2.14 “**Option**” means an option to purchase Shares granted under the Plan;
- 2.15 “**Option Price**” means the price per Share at which Shares may be purchased under the Option, as the same may be adjusted from time to time in accordance with Article 9;
- 2.16 “**Optionee**” means an Eligible Person to whom an Option has been granted;
- 2.17 “**Person**” means an individual, a corporation, a partnership, an unincorporated association or organization, a trust, a government or department or agency thereof and the heirs, executors, administrators or other legal representatives of an individual and an associate or affiliate of any thereof as such terms are defined in the *Securities Act* (Ontario);
- 2.18 “**Plan**” means Aurania Resources Ltd. Stock Option Plan 2012, as the same may be amended or varied from time to time;
- 2.19 “**Share Compensation Arrangement**” means any stock option, stock option plan, employee stock purchase plan or any other compensation or incentive mechanism involving the issuance or potential issuance of Shares, including a share purchase from treasury which is financially assisted by the Corporation by way of a loan, guarantee or otherwise;
- 2.20 “**Shares**” means the common shares of the Corporation or, in the event of an adjustment contemplated by Article 9, such other shares or securities to which an Optionee may be entitled upon the exercise of an Option as a result of such adjustment; and
- 2.21 “**Subsidiary**” means any corporation which is a subsidiary as such term is defined in the *Securities Act* (Ontario) (as such provision is from time to time amended, varied or re-enacted) of the Corporation.

### 3. Administration of the Plan

- 3.1 The Plan shall be administered by the Board in accordance with the rules and policies of the Exchange in respect of employee stock option plans. The Board shall receive recommendations of management and shall determine and designate from time to time those Eligible Persons to whom an Option should be granted and the number of Shares, which will be optioned from time to time to any Eligible Person and the terms and conditions of the grant.
- 3.2 The Board shall have the power, where consistent with the general purpose and intent of the Plan and subject to the specific provisions of the Plan:
- (a) to establish policies and to adopt, prescribe, amend or vary rules and regulations for carrying out the purposes, provisions and administration of the Plan and make all other determinations necessary or advisable for its administration;
  - (b) to interpret and construe the Plan and to determine all questions arising out of the Plan and any Option granted pursuant to the Plan and any such interpretation, construction or determination made by the Board shall be final, binding and conclusive for all purposes;
  - (c) to determine which Eligible Persons are granted Options and to grant Options;
  - (d) to determine the number of Shares covered by each Option;
  - (e) to determine the Option Price;
  - (f) to determine the time or times when Options will be granted and exercisable;

- (g) to determine if the Shares which are subject to an Option will be subject to any restrictions upon the exercise of such Option; and
- (h) to prescribe the form of the instruments relating to the grant, exercise and other terms of Options which initially shall be substantially in the form annexed hereto as Schedule "A".

#### 4. Shares Subject to the Plan

- 4.1 Options may be granted in respect of authorized and unissued Shares provided that, subject to increase by the Board, the receipt of the approval of the Exchange and the approval of shareholders of the Corporation, the maximum aggregate number of Shares reserved by the Corporation for issuance and which may be purchased upon the exercise of all Options shall not exceed 10% of the issued and outstanding shares of the Corporation (on a non-diluted basis) or such other number as may be approved by the Exchange, from time to time. No fractional Shares may be purchased or issued under the Plan.

#### 5. Eligibility; Grant; Terms of Options

- 5.1 Options may be granted to bona fide Eligible Persons.
- 5.2 Options may be granted by the Corporation pursuant to the recommendations of the Board from time to time provided and to the extent that such decisions are approved by the Board.
- 5.3 Subject to the provisions of this Plan, the number of Shares subject to each Option, the Option Price, the expiration date of each Option, the extent to which each Option is exercisable from time to time during the term of the Option and other terms and conditions relating to each such Option shall be determined by the Board. At no time shall the period during which an Option shall be exercisable exceed 5 years.
- 5.4 Except where not permitted by the Exchange, if an option expiration date falls within a Black-Out Period or within ten (10) Business Days of the end of a Black-Out Period, the term of such Option shall be extended to the date which is ten (10) Business Days following the end of such Black-Out Period.
- 5.5 In the event that no specific determination is made by the Board with respect to any of the following matters, the period during which an Option shall be exercisable shall be 5 years from the date the Option is granted to the Optionee and the Options shall vest on the date of the grant, except that options issued to Persons employed in Investor Relations Activities must vest in stages over not less than 12 months with no more than one-quarter (1/4) of the options vesting in any three month period.
- 5.6 The Option Price of Shares which are the subject of any Option shall in no circumstances be granted with an exercise price lower than the Market Price of the Shares.
- 5.7 The maximum number of Shares which may be issued to any one Optionee under this Plan together with any other Share Compensation Arrangement in any 12 month period shall not exceed 5% of the Shares outstanding (on a non-diluted basis) from time to time, unless disinterested shareholder approval is obtained.
- 5.8 The maximum number of Shares which may be reserved for issuance to all Insiders under this Plan together with any other Share Compensation Arrangement shall not exceed 10% of the Shares outstanding (on a non-diluted basis) from time to time.
- 5.9 The maximum number of Shares which may be issued to all Insiders under this Plan together with any other Share Compensation Arrangement in any 12 month period shall not exceed 10% of the Shares outstanding (on a non-diluted basis) from time to time.
- 5.10 The maximum number of Shares which may be issued to any one Person retained as a Consultant or as a Management Company Employee/Consultant under the Plan or any other Share Compensation Arrangement

in any 12 month period shall not exceed 2% of the Shares outstanding (on a non-diluted basis) from time to time.

- 5.11 The maximum number of shares which may be issued to Persons engaged in Investor Relations Activities under this Plan together with any other Share Compensation Arrangement in any 12 month period shall not exceed 2% of the Shares outstanding (on a non-diluted basis) from time to time.
- 5.12 Any entitlement to acquire Shares granted pursuant to the Plan or any other Share Compensation Arrangement prior to the Optionee becoming an Insider shall be excluded for the purposes of the limits set out in 5.9 above.
- 5.13 An Option is personal to the Optionee and is non-assignable and non-transferable. Where an Option is granted to a company wholly-owned by an Optionee, such company must agree at the time of the grant, not to effect or permit any transfer of ownership of Options or shares of such company, nor issue any additional shares to any individual or entity for so long as Options remain outstanding to the credit of that company, except with the prior written consent of the Corporation, the Exchange and any other applicable regulatory authority.
- 5.14 Notwithstanding any provision contained in this Plan, no Optionee may exercise any Option granted under this Plan and no Shares may be issued upon exercise of an Option unless such exercise and issuance are in compliance with all applicable securities laws or other legislation of the jurisdiction of residence of such Person. Unless the potential Optionee is a resident of Canada, the Corporation may require, as a condition of the grant of Options, that the potential Optionee provide a written acknowledgement that the grant of the Options does not violate any such laws.

## 6. Exercise of Options

- 6.1 Subject to the provisions of the Plan, an Option may be exercised from time to time by delivery to the Corporation at its registered office of a written notice of exercise addressed to the Secretary of the Corporation specifying the number of Shares with respect to which the Option is being exercised and accompanied by a cash payment in full of the Option Price of the Shares to be purchased. Certificates for such Shares shall be issued and delivered to the Optionee within a reasonable period of time following the receipt of such notice and payment.
- 6.2 Notwithstanding any of the provisions contained in the Plan or in any Option, the Corporation's obligation to issue Shares to an Optionee pursuant to the exercise of an Option shall be subject to:
  - (j) completion of such registration or other qualification of such Shares or obtaining approval of such governmental or regulatory authority as counsel to the Corporation shall reasonably determine to be necessary or advisable in connection with the authorization, issuance or sale thereof;
  - (k) the listing of such Shares on the Exchange; and
  - (l) the receipt from the Optionee of such representations, agreements and undertakings, including as to future dealings in such Shares, as the Corporation or its counsel reasonably determines to be necessary or advisable in order to safeguard against the violation of the securities laws of any jurisdiction.

In this connection the Corporation shall, to the extent necessary, take all reasonable steps to obtain such approvals, registrations and qualifications as may be necessary for the issuance of such Shares in compliance with applicable securities laws and for the listing of such Shares on the Exchange. If any Shares cannot be issued to any Optionee for any reason including, without limitation, the failure to obtain necessary shareholder, regulatory or stock exchange approval, then the obligation of the Corporation to issue such Shares shall terminate and any Optionee's contribution or Option Price paid to the Corporation shall be returned to the Optionee.

## 7. Amendment Procedure

7.1 Where permissible, the Corporation retains the right to amend or terminate the terms and conditions of the Plan by resolution of the Board. If required, any amendments shall be subject to the prior consent of any applicable regulatory bodies, including the Exchange. Any amendment to the Plan shall take effect with respect to all outstanding Options on the date of, and all Options granted after, the effective date of such amendment, provided that in the event any amendment materially and adversely affects any outstanding Options it may apply to such outstanding Options only with the mutual consent of the Corporation and the Optionees to whom such Options have been granted. The Board shall have the power and authority to approve amendments relating to the Plan or to Options, without further approval of the shareholders of the Corporation, to the extent that such amendments relate to:

- (a) altering, extending or accelerating the terms and conditions of vesting of any Options;
- (b) amending the termination provisions of an Option, which amendment shall include altering the expiry date of an Option in accordance with Article 8 for any reason acceptable to the Board in the circumstances where the Optionee has ceased to be an Eligible Person;
- (c) determining adjustments pursuant to Article 9 hereof;
- (d) amending the definitions contained within the Plan, including but not limited to the definition of "Eligible Person" under the Plan except as provided in Section 7.2(e);
- (e) amending or modifying the mechanics of exercise of the Options as set forth in Article 6;
- (f) effecting amendments of a "housekeeping" nature including, without limiting the generality of the foregoing, any amendment for the purpose of curing any ambiguity, error, inconsistency or omission in or from the Plan;
- (g) effecting amendments necessary to comply with the provisions of applicable laws (including, without limitation, the rules, regulations and policies of the Exchange);
- (h) effecting amendments respecting the administration of the Plan; and
- (i) effecting amendments necessary to suspend or terminate the Plan.

7.2 Approval of the shareholders of the Corporation shall be required for the following types of amendments:

- (a) increasing the number of Shares issuable under the Plan, except such increase by operation of Section 4.1 and in the event of an adjustment contemplated by Article 9;
- (b) amending the Plan which amendment could result in the aggregate number of Shares of the Corporation issued to Insiders within any one year period under the Plan together with any other security-based compensation arrangement, or issuable to Insiders at any time under the Plan together with any other security-based compensation arrangement, exceeding 10% of the issued and outstanding Shares;
- (c) reducing the Option Price of the Option or cancelling the Option and replacing such Option with a lower Option Price under such replacement Option, subject to approval by disinterested shareholders, except as permitted pursuant to Article 9;
- (d) an extension of the term of an option granted under the Plan benefiting an Insider;
- (e) amending the listed categories contained in the definition of "Eligible Persons" hereunder which would have the potential of broadening or increasing participation in the Plan by Insiders;

- (f) amending Section 7.1 hereof and this Section 7.2; and
- (g) making any amendments required to be approved by shareholders under applicable law (including, without limitation, pursuant to the rules, regulations and policies of the Exchange).

Disinterested shareholder approval must be obtained for (i) any reduction in the exercise price of an outstanding option, if the option holder is an Insider; and (ii) any grant of options to Insiders, within a 12 month period, exceeding 10% of the Corporation's issued shares.

Where required by the policies of the Exchange, the shareholder approval required by this Section 9.2 shall be by the majority vote of the shareholders of the Corporation excluding any votes cast by Insiders who are entitled to participate as Eligible Persons under the Plan or who will specifically benefit from the proposed amendment. In the event of any conflict between Sections 7.1 and this Section 7.2, the latter shall prevail to the extent of the conflict.

#### 8. Termination of Employment; Death

- 8.1 All Options shall be for a term (the "**Term**") determined in the discretion of the Board at the time of the granting of the stock options, provided that no Option shall have a term exceeding five years.
- 8.2 Options granted to an Eligible Person who is not engaged in Investor Relations Activities must expire within 90 days after the Optionee ceases to be in at least one of the prescribed categories of Eligible Person, or such longer period as may be determined by the Board up to a period of one (1) year.
- 8.3 Options granted to an Eligible Person who is engaged in Investor Relations Activities must expire within 30 days after the Optionee ceases to be engaged to provide Investor Relations Activities.
- 8.4 If, before the expiry of an Option in accordance with the terms thereof, the Optionee is no longer an Eligible Person by reason of the death of the Optionee, such Option may, subject to the terms thereof and any other terms of the Plan, be exercised by the legal representative(s) of the estate of the Optionee at any time during the first six months following the death of the Optionee or such longer period as may be determined by the Board up to a period of one (1) year (but prior to the expiry of the Option in accordance with the terms thereof) but only to the extent that the Optionee was entitled to exercise such Option at the date the Optionee was no longer an Eligible Person.
- 8.5 Options shall not be affected by any change of employment or status of the Optionee or by the Optionee ceasing to be a director where the Optionee continues to be an Eligible Person.

#### 9. Change in Control and Certain Adjustments

- 9.1 Notwithstanding any other provision of this Plan in the event of:
  - (j) the acquisition by any Person of Shares or rights or options to acquire Shares of the Corporation or securities which are convertible into Shares of the Corporation or any combination thereof such that after the completion of such acquisition such Person would be entitled to exercise 50% or more of the votes entitled to be cast at a meeting of the shareholders; or
  - (k) the sale by the Corporation of all or substantially all of the property or assets of the Corporation;then notwithstanding that at the effective time of such transaction the Optionee may not be entitled to all the Shares granted by the Option, the Optionee shall be entitled to exercise the Options to the full amount of the Shares remaining at that time within 90 days of the close of any such transaction.
- 9.2 Appropriate adjustments with respect to Options granted or to be granted, in the number of Shares optioned and in the Option Price, shall be made by the Board to give effect to adjustments in the number of Shares of the Corporation resulting from subdivisions, consolidations or reclassifications of the Shares of the

Corporation, the payment of stock dividends or cash dividends by the Corporation (other than dividends in the ordinary course), the distribution of securities, property or assets by way of dividend or otherwise (other than dividends in the ordinary course), or other relevant changes in the capital stock of the Corporation or the amalgamation or merger of the Corporation with or into any other entity, subsequent to the approval of the Plan by the Board. The appropriate adjustment in any particular circumstance shall be conclusively determined by the Board in its sole discretion, subject to approval by the Shareholders of the Corporation and to acceptance by the Exchange respectively, if applicable.

#### 10. Miscellaneous Provisions

- 10.1 The holder of an Option shall not have any rights as a shareholder of the Corporation with respect to any of the Shares covered by such Option until such holder shall have exercised such Option in accordance with the terms of the Plan (including tendering payment in full of the Option Price of the Shares in respect of which the Option is being exercised) and the issuance of Shares by the Corporation.
- 10.2 Nothing in the Plan or any Option shall confer upon an Optionee any right to continue as an Eligible Person or affect in any way the right of the Corporation or any Subsidiary to terminate the Eligible Person or any Consultant which has employed or retained the Eligible Person; nor shall anything in the Plan or any Option be deemed or construed to constitute an agreement, or an expression of intent, on the part of the Corporation or any Subsidiary to extend the status of the Optionee as an Eligible Person beyond the time which he would normally be retired pursuant to the provisions of any present or future retirement plan of the Corporation, any Subsidiary or Consultant or beyond the time at which he would otherwise be retired pursuant to the provisions of any contract with the Corporation, any Subsidiary or a Consultant.
- 10.3 To the extent required by law or regulatory policy or necessary to allow Shares issued on exercise of an Option to be free of resale restrictions, the Corporation shall report the grant, exercise or termination of the Option to the Exchange and the appropriate securities regulatory authorities.
- 10.4 The Plan will be governed by and construed in accordance with the laws of the Province of Ontario.
- 10.5 If any provision of this Plan or any agreement entered into pursuant to the Plan contravenes any law or any order, policy, by-law or regulation of any regulatory body or Exchange having authority over the Corporation or the plan then such provision shall be deemed to be amended to the extent required to bring such provision into compliance therewith.

#### 11. Approval

- 11.1 The Plan shall be subject to acceptance by the Exchange or any other relevant regulatory authority. Any Options granted prior to such acceptance shall be conditional upon such acceptance being given and no such Options may be exercised unless such acceptance is given.
- 11.2 The Plan must receive Shareholder approval yearly, at the Company's Annual General Meeting.

[End of Plan.]

## SCHEDULE "B"

### RESTRICTED STOCK UNIT INCENTIVE PLAN

[as adopted by Shareholders on June 13, 2017]

Aurania Resources Ltd., a corporation incorporated under the laws of Bermuda (the "**Company**"), sets forth herein the terms of its Restricted Stock Unit Incentive Plan (the "**Plan**"), as follows:

#### **1. PURPOSE**

The Plan is intended to enhance the Company's and its Affiliates' (as defined herein) ability to attract and retain highly qualified officers, directors, key employees, consultants and other persons, and to motivate such officers, directors, key employees, consultants and other persons to serve the Company and its Affiliates and to expend maximum effort to improve the business results and earnings of the Company, by providing to such persons an opportunity to acquire or increase a direct proprietary interest in the operations and future success of the Company. To this end, the Plan provides for the grant of restricted stock units. Any of these awards of restricted stock units may, but need not, be made as performance incentives to reward attainment of annual or long-term performance goals in accordance with the terms hereof (as such performance goals are specified in the Award Agreement).

#### **2. DEFINITIONS**

For purposes of interpreting the Plan and related documents (including Award Agreements), the following definitions shall apply:

**2.1** "**Affiliate**" means, with respect to the Company, any person or company if it is a Subsidiary entity of the other or if both are Subsidiary entities of the same person or company within the meaning of Multilateral Instrument 61-101 – *Protection of Minority Shareholders in Special Transactions*.

**2.2** "**Award**" means a grant of Restricted Stock Units under the Plan.

**2.3** "**Award Agreement**" means the written agreement between the Company and a Grantee that evidences and sets out the terms and conditions of an Award.

**2.4** "**Board**" means the Board of Directors of the Company.

**2.5** "**Cause**" means, as determined by the Board and unless otherwise provided in an applicable agreement with the Company or an Affiliate, (i) gross negligence or willful misconduct in connection with the performance of duties; (ii) conviction of a criminal offense; or (iii) material breach of any term of any employment, consulting or other services, confidentiality, intellectual property or non-competition agreements, if any, between the Service Provider and the Company or an Affiliate.

**2.6** "**Change of Control**" means (i) a takeover bid for a sufficient number of Shares such that if such number of Shares are tendered into the bid and the bid closes, the bidder and all parties acting jointly or in concert with the bidder (the "**bid group**") would have direction or control over more than 50% of the outstanding common shares of the Company, excluding the shares subject to the Plan, unless parties exercising control or direction over a blocking number of common shares of the Company have provided by the date (the "**blocking date**") which is five business days before the initial expiry date of the bid, their written undertaking to all Grantees under the Plan not to tender into the bid, in the aggregate, at least a blocking number of Shares; "**blocking number**" means that number of common shares of the Company which, if withheld from being tendered into the bid and assuming no increase in the number of outstanding common shares of the Company, would result in the bidder not acquiring direction or control over more than 50% of the outstanding common shares of the Company immediately following

closing of the bid; (ii) a merger, consolidation, combination, reorganization or other transaction pursuant to which a party, or parties acting jointly and in concert, would acquire direction or control over more than 50% of the outstanding common shares of the Company or more than 50% of the votes attaching to all of the voting securities of any successor entity resulting from such transaction; (iii) a sale of all or substantially all of the assets of the Company determined on either a consolidated or a non-consolidated basis; or (iv) the election or appointment to the Board of a number of persons who represent a majority of the Board and who were not proposed or approved by a majority of the Board as previously constituted.

The effective date of a Change of Control is (a) for the purposes of (i), the date immediately following the blocking date; (b) for the purposes of (ii) and (iii), the date of the latest of shareholder, other stakeholder, Court or other required approval of the transaction; and for the purposes of (iv), the date of the shareholder resolution or other corporate action approving the election or appointment.

**2.7** “**Committee**” means the Compensation committee of the Board, and designated from time to time by resolution of, the Board, which shall be constituted as provided in Section 3.2.

**2.8** “**Company**” means Aurania Resources Ltd.

**2.9** “**Consultant**” means, in relation to the Company, an individual (other than an Employee or a Director of the Issuer) or company that:

- (a) is engaged to provide on an ongoing bona fide basis, consulting, technical, management or other services to the Company or to an Affiliate of the Company, other than services provided in relation to a distribution;
- (b) provides the services under a written contract between the Company or the Affiliate and the individual or the company, as the case may be;
  - (i) in the reasonable opinion of the Company, spends or will spend a significant amount of time and attention on the affairs and business of the Company or an Affiliate of the Company; and
  - (ii) has a relationship with the Company or an Affiliate of the Company that enables the individual to be knowledgeable about the business and affairs of the Company.

**2.10** “**Director**” means a director, senior officer or Management Company Employee of the Company.

**2.11** “**Effective Date**” means April 25, 2017, the date the Plan is approved by the Board.

**2.12** “**Employee**” means:

- (a) an individual who is considered an employee of the Company or its Subsidiary under the *Income Tax Act* (Canada) (and for whom income tax, employment insurance and CPP deductions must be made at source);
- (b) an individual who works full-time for the Company or its Subsidiary providing services normally provided by an employee and who is subject to the same control and direction by the Company over the details and methods of work as an employee of the Company, but for whom income tax deductions are not made at source; or
- (c) an individual who works for the Company or its Subsidiary on a continuing and regular basis for a minimum amount of time per week (the number of hours should be disclosed

in the submission) providing services normally provided by an employee and who is subject to the same control and direction by the Company over the details and methods of work as an employee of the Company, but for whom income tax deductions are not made at source.

**2.13 “Fair Market Value”** means the value of a Share, determined as follows: if on the Grant Date or other determination date the Shares are listed on the TSX Venture Exchange or another established national or regional stock exchange or is publicly traded on an established securities market, the Fair Market Value of the Company’s Shares shall be the closing price of the Shares on such exchange or in such market (if there is more than one such exchange or market the Board shall determine the appropriate exchange or market) on the Grant Date or such other determination date (or if there is no such reported closing price, the Fair Market Value shall be the mean between the highest bid and lowest asked prices or between the high and low sale prices on such trading day) or, if no sale of Shares is reported for such trading day, on the next preceding day on which any sale shall have been reported. If the Shares are not listed on such an exchange, quoted on such system or traded on such a market, Fair Market Value shall be the value of a Share as determined by the Board in good faith.

**2.14 “GAAP”** means, at any time, accounting principles generally accepted in Canada applying IFRS, including those set out in the Handbook of the Chartered Professional Accountants of Canada, at the relevant time applied on a consistent basis.

**2.15 “Grant Date”** means, as determined by the Board, the latest to occur of (i) the date as of which the Board approves an Award, (ii) the date on which the recipient of an Award first becomes eligible to receive an Award under Section 6 hereof, or (iii) such other date as may be specified by the Board.

**2.16 “Grantee”** means a person who receives or holds an Award under the Plan.

**2.17 “IFRS”** means International Financial Reporting Standards adopted by the International Accounting Standards Board from time to time.

**2.18 “Management Company Employee”** means an individual employed by a person providing management services to the Company, which are required for the ongoing successful operation of the business enterprise of the Company, but excluding a person engaged in investor relations activities.

**2.19 “Outside Director”** means a member of the Board who is not an officer or employee of the Company.

**2.20 “Plan”** means this Aurania Resources Ltd. Restricted Stock Unit Incentive Plan.

**2.21 “Restricted Stock Unit” or “RSU”** means a bookkeeping entry representing the right to receive one Share, subject to the restrictions and vesting provisions provided herein, and awarded to a Grantee pursuant to Section 8 hereof.

**2.22 “Securities Act”** means the *Securities Act* (Ontario), as now in effect or as hereafter amended.

**2.23 “Service”** means service of a Service Provider to the Company or an Affiliate. Unless otherwise stated in the applicable Award Agreement, a Grantee’s change in position or duties shall not result in interrupted or terminated Service, so long as such Grantee continues to be a Service Provider to the Company or an Affiliate. Subject to the preceding sentence, whether a termination of Service shall have occurred for purposes of the Plan shall be determined by the Board, which determination shall be final, binding and conclusive.

**2.24 “Service Provider”** means an Employee, Director, or Consultant of the Company or its Subsidiary.

**2.25 “Share(s)”** means the issued and outstanding common shares of the Company.

**2.26** “**Subsidiary**” means any “subsidiary entity” of the Company within the meaning of Multilateral Instrument 61-101 – *Protection of Minority Shareholders in Special Transactions*.

### **3. ADMINISTRATION OF THE PLAN**

#### **3.1 Board**

The Board shall have such powers and authorities related to the administration of the Plan as are consistent with the Company’s articles and applicable law. The Board shall have full power and authority to take all actions and to make all determinations required or provided for under the Plan, any Award or any Award Agreement, and shall have full power and authority to take all such other actions and make all such other determinations not inconsistent with the specific terms and provisions of the Plan that the Board deems to be necessary or appropriate to the administration of the Plan, any Award or any Award Agreement. All such actions and determinations shall be by the affirmative vote of a majority of the members of the Board present at a meeting or by unanimous consent of the Board executed in writing in accordance with the Company’s articles and applicable law. The interpretation and construction by the Board of any provision of the Plan, any Award or any Award Agreement shall be final, binding and conclusive.

#### **3.2 Committee**

The Board from time to time may delegate to the Committee such powers and authorities related to the administration and implementation of the Plan, as set forth in Section 3.1 above and other applicable provisions, as the Board shall determine, other than the Board’s power and authority to grant awards or to issue Shares to Grantees upon the vesting of an Award, consistent with the articles of the Company and applicable law.

(i) Except as provided in Subsection (ii) and except as the Board may otherwise determine, the Committee, if any, appointed by the Board to administer the Plan shall consist of two or more Outside Directors of the Company who meet such requirements as may be established from time to time by the securities regulatory authorities for such incentive plans and who comply with the independence requirements of applicable securities regulatory policies.

(ii) The Board may also appoint one or more separate committees of the Board, each composed of one or more directors of the Company who need not be Outside Directors, who may administer the Plan and may determine all terms of such Awards.

Notwithstanding the foregoing, the Board may not delegate its authority to grant Awards or to issue Shares to Grantees upon the vesting of an Award.

In the event that the Plan, any Award or any Award Agreement entered into hereunder provides for any action to be taken by or determination to be made by the Board, such action may be taken or such determination may be made by the Committee if the power and authority to do so has been delegated to the Committee by the Board as provided for in this Section. Unless otherwise expressly determined by the Board, any such action or determination by the Committee shall be final, binding and conclusive. To the extent permitted by law, the Committee may delegate its authority under the Plan to a member of the Board.

#### **3.3 Terms of Awards**

Subject to the other terms and conditions of the Plan, the Board shall have full and final authority to:

- (i) designate Grantees;
- (ii) determine the number of Shares to be subject to an Award;

- (iii) establish the terms and conditions of each Award (including, but not limited to, the nature and duration of any restriction or condition (or provision for lapse thereof) relating to the vesting or forfeiture of an Award and any other terms or conditions);
- (iv) prescribe the form of each Award Agreement evidencing an Award;
- (iv) establish performance criteria; and
- (v) amend, modify, or supplement the terms of any outstanding Award. Such authority specifically includes the authority, in order to effectuate the purposes of the Plan but without amending the Plan, to modify Awards to eligible individuals who are foreign nationals or are individuals who are employed outside Canada to recognize differences in local law, tax policy, or custom.

As a condition to any subsequent Award, the Board shall have the right, at its discretion, to require Grantees to return to the Company Awards previously made under the Plan. Subject to the terms and conditions of the Plan, any such new Award shall be upon such terms and conditions as are specified by the Board at the time the new Award is made. The Board shall have the right, in its discretion, to make Awards in substitution or exchange for any other award under another plan of the Company, any Affiliate, or any business entity to be acquired by the Company or an Affiliate. The Company may retain the right in an Award Agreement to cause a forfeiture of the gain realized by a Grantee on account of actions taken by the Grantee in violation or breach of or in conflict with any employment agreement, non-competition agreement, any agreement prohibiting solicitation of employees or clients of the Company or any Affiliate thereof or any confidentiality obligation with respect to the Company or any Affiliate thereof or otherwise in competition with the Company or any Affiliate thereof, to the extent specified in such Award Agreement applicable to the Grantee. Furthermore, the Company may, within 30 days, annul an Award if the Grantee is an employee of the Company or an Affiliate thereof and is terminated for Cause. The grant of any Award shall be contingent upon the Grantee executing the appropriate Award Agreement.

### **3.4 No Liability**

No member of the Board or of the Committee shall be liable for any action or determination made in good faith with respect to the Plan or any Award or Award Agreement.

### **3.5 Book Entry**

Notwithstanding any other provision of this Plan to the contrary, the Company may elect to satisfy any requirement under this Plan for the delivery of share certificates through the use of book-entry.

## **4. SHARES SUBJECT TO THE PLAN**

Shares issued or to be issued under the Plan shall be authorized but unissued shares. Subject to adjustment as provided in Section 11 hereof, the maximum number of Shares available for issuance under the Plan shall be 2,275,973. The number of Shares issued or to be issued under the Plan and all other security based compensation arrangements, at any time, shall not exceed 20% of the total number of the issued and outstanding Shares. If any Shares covered by an Award are forfeited, or if an Award terminates without delivery of any Shares subject thereto, then the number of Shares counted against the aggregate number of Shares available under the Plan with respect to such Award shall, to the extent of any such forfeiture or termination, again be available for making Awards under the Plan. The Board shall have the right to substitute or assume Awards in connection with mergers, reorganizations, separations, or other transactions. The number of Shares reserved pursuant to this Section 4 may be increased by the corresponding number of Awards assumed and, in the case of a substitution, by the net increase in the number of Shares subject to Awards before and after the substitution.

Notwithstanding the foregoing:

- (i) the number of securities issuable to insiders of the Company under all security-based

compensation arrangements, including the Plan, at any time, cannot exceed 10% of the issued and outstanding Shares;

- (ii) the number of securities issued to insiders of the Company pursuant to such arrangements, within any one-year period, cannot exceed 10% of the issued and outstanding Shares;
- (iii) the number of Shares issuable to any one Service Provider or other individual pursuant to an Award within any one-year period, cannot exceed 1% of the issued and outstanding Shares; and
- (iv) the aggregate number of Shares issuable to all Service Providers pursuant to Awards within any one-year period, cannot exceed 2% of the issued and outstanding Shares.

## **5. EFFECTIVE DATE, DURATION AND AMENDMENTS**

### **5.1 Effective Date**

The Plan shall be effective as of the Effective Date, subject to approval of the Plan by the Company's shareholders within one year of the Effective Date. Upon approval of the Plan by the shareholders of the Company as set forth above, all Awards made under the Plan on or after the Effective Date shall be fully effective as if the shareholders of the Company had approved the Plan on the Effective Date. If the shareholders fail to approve the Plan within one year after the Effective Date, any Awards made hereunder shall be null and void and of no effect.

### **5.2 Term**

The Plan shall terminate automatically ten (10) years after the Effective Date and may be terminated on any earlier date or extended as provided in Section 5.3.

### **5.3 Amendment and Termination of the Plan**

The Board may, at any time and from time to time, amend the Plan, subject to prior TSX Venture Exchange approval, or suspend, extend or terminate the Plan as to any Shares as to which Awards have not been made. An amendment shall be contingent on approval of the Company's shareholders to the extent stated by the Board, required by applicable law or required by applicable stock exchange listing requirements. However, amendments of a housekeeping nature, changes to vesting provisions, changes to the term of the Plan or Awards made hereunder or changes to performance criteria will not require shareholder approval.

## **6. AWARD ELIGIBILITY AND LIMITATIONS**

### **6.1 Service Providers**

Subject to this Section 6, Awards may be made under the Plan to any Service Provider, as the Board shall determine and designate from time to time. The Company and the Grantee of Restricted Stock Units are responsible for ensuring and confirming that the Grantee of Restricted Stock Units is a bona fide Service Provider.

### **6.2 Successive Awards**

An eligible person may receive more than one Award, subject to such restrictions as are provided herein.

### **6.3 Stand-Alone, Additional, Tandem, and Substitute Awards**

Awards granted under the Plan may, in the discretion of the Board, be granted either alone or in addition to, in tandem with, or in substitution or exchange for, any other Award or any award granted under another plan of

the Company, any Affiliate, or any business entity to be acquired by the Company or an Affiliate, or any other right of a Grantee to receive payment from the Company or any Affiliate. Such additional, tandem, and substitute or exchange Awards may be granted at any time. If an Award is granted in substitution or exchange for another Award, the Board shall require the surrender of such other Award in consideration for the grant of the new Award.

## **7. AWARD AGREEMENT**

Each Award granted pursuant to the Plan shall be evidenced by an Award Agreement, in such form or forms as the Board shall from time to time determine. Award Agreements granted from time to time or at the same time need not contain similar provisions but shall be consistent with the terms of the Plan.

## **8. TERMS AND CONDITIONS OF RESTRICTED STOCK UNITS**

### **8.1 Grant of Restricted Stock Units**

Awards shall be in the form of Restricted Stock Units. Subject to the restrictions and vesting provisions provided in Section 8.2, each RSU shall entitle the Grantee to receive one Share.

### **8.2 Restrictions and Vesting**

At the time a grant of Restricted Stock Units is made, the Board may, in its sole discretion, establish a period of time (a “**Vesting period**”) applicable to such Restricted Stock Units. Each Award of Restricted Stock Units may be subject to a different Vesting period. The Board may, in its sole discretion, at the time a grant of Restricted Stock Units is made, prescribe restrictions in addition to or other than the expiration of the Vesting period, including the satisfaction of corporate or individual performance objectives, which may be applicable to all or any portion of the Restricted Stock Units in accordance with Section 9.1 Notwithstanding the foregoing, (i) Restricted Stock Units that vest solely by the passage of time shall not vest in full in less than three (3) years from the Grant Date; (ii) Restricted Stock Units for which vesting may be accelerated by achieving performance targets shall not vest in full in less than one (1) year from the Grant Date; and (iii) Restricted Stock Units granted to Outside Directors vest, (a) at the election of an Outside Director at the time the Award is granted, within a minimum of one (1) year to a maximum of three (3) years following the Grant Date, as such Outside Director may elect, and (b) if no election is made, upon the earlier of a Change of Control in accordance with Section 11.2 or his or her resignation from the Board.

Restricted Stock Units may not be sold, transferred, assigned, pledged or otherwise encumbered or disposed of (other than to the Grantee’s beneficiary or estate, as the case may be, upon the death of the Grantee) during the Vesting period.

Upon the death of a Grantee, any RSUs granted to such Grantee which, prior to the Grantee’s death, have not vested, will immediately vest and the Grantee’s estate shall be entitled to receive payment in accordance with Section 8.6 hereof.

### **8.3 Restricted Stock Unit Accounts**

An account will be maintained by the Secretary of the Company, or such other officer of the Company as the Board may designate, in the name and for the benefit of the Grantee, in which will be recorded the number of RSUs granted to the Grantee, the Grant Date and expiry date of the RSUs.

### **8.4 Rights of Holders of Restricted Stock Units**

#### **(a) Voting and Dividend Rights**

Grantees of Restricted Stock Units shall have no rights as shareholders of the Company. The Board may provide in an Award Agreement evidencing a grant of Restricted Stock Units that the Grantee shall be entitled to

receive, upon the Company's payment of a cash dividend on its outstanding Shares, a cash payment for each Restricted Stock Unit granted equal to the per-share dividend paid on the outstanding Shares. Such Award Agreement may also provide that such cash payment will be deemed reinvested in additional Restricted Stock Units at a price per unit equal to the Fair Market Value of the Shares on the date that such dividend is paid.

(b) **Creditor's Rights**

A Grantee shall have no rights other than those of a general creditor of the Company. Restricted Stock Units represent an unfunded and unsecured obligation of the Company, subject to the terms and conditions of the applicable Award Agreement.

**8.5 Termination of Service**

Unless the Board otherwise provides in an Award Agreement or in writing after the Award Agreement is issued, subject to prior TSX Venture Exchange approval, upon the termination of a Grantee's Service, any Restricted Stock Units granted to a Grantee that have not vested and will not vest within 30 days from the date of termination, or with respect to which all applicable restrictions and conditions have not lapsed, shall immediately be deemed forfeited. Upon forfeiture of Restricted Stock Units, the Grantee shall have no further rights with respect to such Award, including but not limited to any right to receive dividends with respect to the Restricted Stock Units.

**8.6 Delivery of Shares**

Upon the expiration or termination of the Vesting period and the satisfaction of any other restrictions prescribed by the Board, the Restricted Stock Units shall vest and shall be settled in Shares issued by the Company from treasury and, unless otherwise provided in the Award Agreement, a share certificate for that number of Shares equal to the number of vested RSUs shall be delivered, free of all such restrictions, to the Grantee or the Grantee's beneficiary or estate, as the case may be.

Settlement of RSUs shall be in Shares issued by the Company from treasury. The Committee shall specify the circumstances in which Awards shall be made or forfeited in the event of termination of Service by the Grantee prior to vesting.

**8.7 Exchange Hold Period**

If the Award is granted to a director, officer, promoter or other insider of the Company, then the Award will bear an Exchange Hold Period (as defined in TSX Venture Exchange Policies), and the following legend will be inserted onto the first page of the Award Agreement:

*Without prior written approval of the TSX Venture Exchange and compliance with all applicable securities legislation, the Shares represented by this agreement when vested and issued thereunder may not be sold, transferred, hypothecated or otherwise traded on or through the facilities of the TSX Venture Exchange or otherwise in Canada or to or for the benefit of a Canadian resident until ♦, 20♦, [i.e., four months and one day after the date of Award grant].*

**9. TERMS AND CONDITIONS OF AWARDS**

**9.1 Performance Conditions**

The granting and vesting of RSUs may be subject to such performance conditions as may be specified by the Board in the Award Agreement. The Board may use such business criteria and other measures of performance as it may deem appropriate in establishing any performance conditions, and may exercise its discretion to reduce the amounts payable under any Award subject to performance conditions.

**9.2 Performance Goals Generally**

The performance goals for Awards shall consist of one or more business criteria and a targeted level or levels of performance with respect to each of such criteria, as specified by the Committee consistent with this Section 9.1. Performance goals shall be objective and shall otherwise meet the requirements that the level or levels of performance targeted by the Committee result in the achievement of performance goals being “substantially uncertain”. The Committee may determine that Awards shall vest upon achievement of any one performance goal or that two or more of the performance goals must be achieved as a condition to the vesting of an Award. Performance goals may differ for Awards granted to any one Grantee or to different Grantees.

### **9.3 Business Criteria**

The Board, in its sole discretion, may establish business criteria for the purpose of establishing performance goals in accordance with Section 9.1, including but not limited to, one or more of the following business criteria for the Company, on a consolidated basis, and/or specified Subsidiaries or business units of the Company (except with respect to the total shareholder return and earnings per share criteria): (1) total shareholder return; (2) such total shareholder return as compared to total return (on a comparable basis) of a publicly available index such as, but not limited to, the S&P/TSX Composite Index; (3) past service to the Company; (4) net income; (5) pre-tax earnings; (6) earnings before interest expense, taxes, depreciation and amortization; (7) pre-tax operating earnings after interest expense and before bonuses, service fees, and extraordinary or special items; (8) operating margin; (9) earnings per share; (10) return on equity; (11) return on capital; (12) return on investment; (13) operating earnings; (14) working capital; (15) ratio of debt to shareholders’ equity; (16) revenue; and (17) free cash flow and free cash flow per share. Business criteria may be measured on an absolute basis or on a relative basis (i.e., performance relative to peer companies) and on a GAAP or non-GAAP basis.

### **9.4 Timing For Establishing Performance Goals**

Performance goals shall be established not later than 90 days after the beginning of any performance period applicable to such Awards, or at such other date as may be determined by the Board.

### **9.5 Written Determinations**

All determinations by the Committee as to the establishment of performance goals, the amount of any Award and as to the achievement of performance goals relating to Awards, and the amount of any final Awards, shall be made in writing.

## **10. REQUIREMENTS OF LAW**

### **10.1 General**

The Plan shall comply with the provisions of any applicable law or regulation of any governmental authority, including without limitation any federal, state or provincial securities laws or regulations and the requirements of any stock exchange having jurisdiction. The failure to comply with such laws or regulations, including without limitation the *Securities Act*, may result in a termination of the Plan and/or the forfeiture of previously granted RSUs.

## **11. EFFECT OF CHANGES IN CAPITALIZATION**

### **11.1 Changes in Shares**

If the number of outstanding Shares is increased or decreased or the Shares are changed into or exchanged for a different number or kind of shares or other securities of the Company on account of any recapitalization, reclassification, stock split, reverse split, combination of shares, exchange of shares, stock dividend or other distribution payable in capital stock, or other increase or decrease in such shares effected without receipt of consideration by the Company occurring after the Effective Date, the number and kinds of shares for which Awards

may be made under the Plan shall be adjusted proportionately and accordingly by the Company. In addition, the number and kind of shares for which Awards are outstanding shall be adjusted proportionately and accordingly so that the proportionate interest of the Grantee immediately following such event shall, to the extent practicable, be the same as immediately before such event. Notwithstanding the foregoing, in the event of any distribution to the Company's shareholders of securities of any other entity or other assets (including an extraordinary cash dividend but excluding a non-extraordinary dividend payable in cash or in shares of the Company) without receipt of consideration by the Company, the Company may, in such manner as the Company deems appropriate, adjust the number and kind of shares subject to outstanding Awards.

### **11.2 Change of Control**

Upon the occurrence of a Change of Control, all outstanding Restricted Stock Units shall be deemed to have vested, and all restrictions and conditions applicable to such Restricted Stock Units shall be deemed to have lapsed and the Shares subject to such Restricted Stock Units shall be issued and delivered, immediately prior to the occurrence of such Change of Control.

### **11.3 Adjustments**

Adjustments under Section 11.1 relating to Shares or securities of the Company shall be made by the Board, whose determination in that respect shall be final, binding and conclusive. No fractional shares or other securities shall be issued pursuant to any such adjustment, and any fractions resulting from any such adjustment shall be eliminated in each case by rounding downward to the nearest whole Share. The Board may provide in the Award Agreement at the time of grant, or any time thereafter with the consent of the Grantee, for different provisions to apply to an Award in place of those described in Sections 11.1 and 11.3.

### **11.4 No Limitations on Company**

The making of Awards pursuant to the Plan shall not affect or limit in any way the right or power of the Company to make adjustments, reclassifications, reorganizations, or changes of its capital or business structure or to merge, consolidate, dissolve, or liquidate, or to sell or transfer all or any part of its business or assets.

## **12. GENERAL PROVISIONS**

### **12.1 Disclaimer of Rights**

No provision in the Plan or in any Award or Award Agreement shall be construed to confer upon any individual the right to remain in the employ or service of the Company or any Affiliate, or to interfere in any way with any contractual or other right or authority of the Company either to increase or decrease the compensation or other payments to any individual at any time, or to terminate any employment or other relationship between any individual and the Company. In addition, notwithstanding anything contained in the Plan to the contrary, unless otherwise stated in the applicable Award Agreement, no Award granted under the Plan shall be affected by any change of duties or position of the Grantee, so long as such Grantee continues to be a director, officer, consultant or employee of the Company or an Affiliate. The obligation of the Company to issue Shares or pay any benefits pursuant to this Plan shall be interpreted as a contractual obligation only in respect of those amounts described herein, in the manner and under the conditions prescribed herein. The Plan shall in no way be interpreted to require the Company to transfer any amounts to a third party trustee or otherwise hold any amounts in trust or escrow for payment to any Grantee or beneficiary under the terms of the Plan.

### **12.2 Nonexclusivity of the Plan**

Neither the adoption of the Plan nor the submission of the Plan to the shareholders of the Company for approval shall be construed as creating any limitations upon the right and authority of the Board to adopt such other incentive compensation arrangements (which arrangements may be applicable either generally to a class or classes of individuals or specifically to a particular individual or particular individuals) as the Board in its discretion

determines desirable.

### **12.3 Withholding Taxes**

The Company or an Affiliate, as the case may be, shall have the right to deduct from payments of any kind otherwise due to a Grantee any federal, provincial, state, or local taxes of any kind required by law to be withheld with respect to the vesting of an Award or upon the issuance of any Shares upon the vesting of an Award. At the time of such vesting, lapse, or exercise, the Grantee shall pay to the Company or the Affiliate, as the case may be, any amount that the Company or the Affiliate may reasonably determine to be necessary to satisfy such withholding obligation.

### **12.4 Captions**

The use of captions in this Plan or any Award Agreement is for the convenience of reference only and shall not affect the meaning of any provision of the Plan or such Award Agreement.

### **12.5 Other Provisions**

Each Award granted under the Plan may contain such other terms and conditions not inconsistent with the Plan as may be determined by the Board, in its sole discretion.

### **12.6 Number and Gender**

With respect to words used in this Plan, the singular form shall include the plural form, the masculine gender shall include the feminine gender, etc., as the context requires.

### **12.7 Severability**

If any provision of the Plan or any Award Agreement shall be determined to be illegal or unenforceable by any court of law in any jurisdiction, the remaining provisions hereof and thereof shall be severable and enforceable in accordance with their terms, and all provisions shall remain enforceable in any other jurisdiction.

### **12.8 Governing Law**

The validity and construction of this Plan and the instruments evidencing the Award hereunder shall be governed by the laws of the Province of Ontario, other than any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of this Plan and the instruments evidencing the Awards granted hereunder to the substantive laws of any other jurisdiction.

### **12.9 No Representation or Warranty**

The Company makes no representation or warranty as to the future market value of any Shares issued in accordance with the provisions of the Plan.

### **12.10 Conflict**

In the event of any conflict between the provisions of this Plan and an Award Agreement, the provisions of this Plan shall govern.

### **12.11 Time of Essence**

Time is of the essence of this Plan and of each Award Agreement. No extension of time will be deemed to be or to operate as a waiver of the essentiality of time.

**SCHEDULE “C”**  
**AUDIT COMMITTEE CHARTER**

**MANDATE**

The Audit Committee (“**Committee**”) is a committee of the Board of Directors (the “**Board**”) of Aurania Resources Ltd. (the “**Company**”). Its primary function shall be to assist the Board in fulfilling its oversight responsibilities with respect to financial reporting and disclosure requirements, the overall maintenance of the systems of internal controls that management have established and the overall responsibility for the Company’s external and internal audit processes.

The Committee shall have the power to conduct or authorize investigations into any matter within the scope of this Charter. It may request any officer or employee of the Company, its external legal counsel or external auditor to attend a meeting of the Committee or to meet with any member(s) of the Committee.

The Committee shall be accountable to the Board. In the course of fulfilling its specific responsibilities hereunder, the Committee shall maintain an open communication between the Company’s outside auditor and the Board.

The responsibilities of a member of the Committee shall be in addition to such member’s duties as a member of the Board.

The Committee has the duty to determine whether the Company’s financial disclosures are complete, accurate, are in accordance with international financial reporting standards and fairly present the financial position and risks of the organization. The Committee should, where it deems appropriate, resolve disagreements, if any, between management and the external auditor, and review compliance with laws and regulations and the Company’s own policies.

The Committee will provide the Board with such recommendations and reports with respect to the financial disclosures of the Company as it deems advisable.

**MEMBERSHIP AND COMPOSITION**

The Committee shall consist of at least three Directors who shall serve on behalf of the Board of which at least two directors are independent. The members shall be appointed annually by the Board and shall meet the independence, financial literacy and experience requirements of the TSX Venture Exchange, including National Instrument 52-110 – *Audit Committees*, and other regulatory agencies as required.

A majority of members will constitute a quorum for a meeting of the Committee.

The Board will appoint one Member to act as the Chairman of the Committee. In his absence, the Committee may appoint another person provided a quorum is present. The Chairman will appoint a Secretary of the meeting, who need not be a member of the committee and who will maintain the minutes of the meeting.

**MEETINGS**

At the request of the external auditor, the Chief Executive Officer or the Chief Financial Officer of the Company or any member of the Committee, the Chairman will convene a meeting of the Committee. In advance of every meeting of the Committee, the Chairman, with the assistance of the Chief Financial Officer, will ensure that the agenda and meeting materials are distributed in a timely manner and no less than five (5) business days before the meeting.

The Committee shall meet no less than four times per year or more frequently if circumstances or the obligations require.

## **DUTIES AND RESPONSIBILITIES**

The duties and responsibilities of the Committee shall be as follows:

### **A. Financial Reporting and Disclosure**

- i. Review and discuss with management and the external auditor at the completion of the annual examination:
  - a. the Company's audited financial statements and related notes;
  - b. the external auditor's audit of the financial statements and their report thereon;
  - c. any significant changes required in the external auditor's audit plan;
  - d. any serious difficulties or disputes with Management encountered during the course of the audit; and
  - e. other matters related to the conduct of the audit, which are to be communicated to the Committee under generally accepted auditing standards.
- ii. Review and discuss with Management and the external auditor at the completion of any review engagement or other examination, the Company's quarterly financial statements.
- iii. Review, discuss with Management the annual reports, the quarterly reports, the Management Discussion and Analysis, Annual Information Form, prospectus and other disclosures and, if thought advisable, recommend the acceptance of such documents to the Board for approval.
- iv. Review and discuss with Management any guidance being provided to shareholders on the expected future results and financial performance of the Company and provide their recommendations on such documents to the Board.
- v. Inquire of the auditors the quality and acceptability of the Company's accounting principles, including the clarity of financial disclosure and the degree of conservatism or aggressiveness of the accounting policies and estimates.
- vi. Meet independently with the external auditor and Management in separate executive sessions, as necessary or appropriate.
- vii. Ensure that Management has the proper systems in place so that the Company's financial statements, financial reports and other financial information satisfy legal and regulatory requirements. Based upon discussions with the external auditor and the financial statement review, if it deems appropriate, recommend to the Board the filing of the audited annual and unaudited quarterly financial statements.

## **EXTERNAL AUDITOR**

- i. Consider, in consultation with the external auditor, the audit scope and plan of the external auditor.
- ii. Recommend to the Board of Directors the external auditor to be nominated and review the performance of the auditor, including the lead partner of the external auditor.
- iii. Confirm with the external auditor and receive written confirmation at least once per year as to disclosure of any investigations or government enquiries, reviews or investigations of the outside auditor.
- iv. Take reasonable steps to confirm the independence of the external auditor, which shall include:
  - a. ensuring receipt from the external auditor of a formal written statement delineating all relationships between the external auditor and the Company, consistent with generally accepting auditing practices,

- b. considering and discussing with the external auditor any disclosed relationships or services, including non-audit services, that may impact the objectivity and independence of the external auditor, and
- c. approve in advance any non-audit related services provided by the auditor to the Company with a view to ensuring independence of the auditor, and in accordance with any applicable regulatory requirements, including the requirements of the TSX Venture Exchange with respect to approval of non-audit related services performed by the auditor.

#### **INTERNAL CONTROLS AND AUDIT**

- i. Review and assess the adequacy and effectiveness of the Company's systems of internal and management information systems through discussion with Management and the external auditor to ensure that the Company maintains appropriate systems, is able to assess the pertinent risks of the Company and that the risk of a material misstatement in the financial disclosures can be detected.
- ii. Assess the requirement for the appointment of an internal auditor for the Company.
- iii. Inquire of Management and the external auditor about the systems of internal controls that management and the Board of Directors have established and the effectiveness of those systems. In addition, inquire of Management and the external auditor about significant financial risks or exposures and the steps Management has taken to minimize such risks to the Company.

#### **OVERSIGHT FUNCTION**

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate or are in accordance with IFRS and applicable rules and regulations. These are the responsibilities of Management and the external auditors. The Committee, the Chairman and any Members identified as having accounting or related financial expertise are members of the Board, appointed to the Committee to provide broad oversight of the financial, risk and control related activities of the Company, and are specifically not accountable or responsible for the day to day operation or performance of such activities. Although the designation of a Member as having accounting or related financial expertise for disclosure purposes is based on that individual's education and experience, which that individual will bring to bear in carrying out his or her duties on the Committee, such designation does not impose on such person any duties, obligations or liability that are greater than the duties, obligations and liability imposed on such person as a member of the Committee and Board in the absence of such designation. Rather, the role of a Member who is identified as having accounting or related financial expertise, like the role of all Members, is to oversee the process, not to certify or guarantee the internal or external audit of the Company's financial information or public disclosure.

#### **CHARTER REVIEW**

The Committee will annually review and reassess the adequacy of this policy and submit any recommended changes to the Board for approval.

#### **ADOPTION**

This Policy was adopted by the Board on January 3, 2013.



# AURANIA

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**AURANIA RESOURCES LTD.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**Years Ended December 31, 2018 and 2017**

(Expressed in Canadian Dollars)

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## Independent Auditor's Report

To the Shareholders of Aurania Resources Ltd.

### Opinion

We have audited the consolidated financial statements of Aurania Resources Ltd. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of changes in equity (deficiency), consolidated statements of loss and comprehensive loss and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

### Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Material uncertainty related to going concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company had an accumulated deficit of \$25,668,365 as at December 31, 2018 and, as of that date, the Company's current liabilities exceeded its current assets by \$2,711,823. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that material uncertainties exist that cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express an opinion or any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

### **Responsibilities of management and those charged with governance for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### **Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner of the audit resulting in this independent auditor's report is Jessica Glendinning.

UHY McGovern Hurley LLP



Chartered Professional Accountants  
Licensed Public Accountants

Toronto, Ontario  
April 11, 2019

**AURANIA RESOURCES LTD.****CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(Expressed in Canadian Dollars)

AS AT	December 31, 2018	December 31, 2017
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$817,021	\$671,346
Restricted cash (note 9(c))	255,912	-
Prepaid expenses and receivables	97,454	64,882
<b>Total current assets</b>	<b>1,170,387</b>	736,228
<b>Non-current assets</b>		
Property, plant and equipment (note 7)	137,897	52,573
<b>TOTAL ASSETS</b>	<b>\$1,308,284</b>	\$788,801
<b>LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)</b>		
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (notes 15 and 18)	\$390,233	\$464,956
Promissory notes (note 9)	579,915	1,273,000
Derivative liability on convertible debenture (note 9)	435,390	-
Convertible debenture (note 9)	2,476,672	-
<b>Total liabilities</b>	<b>3,882,210</b>	1,737,956
<b>EQUITY (DEFICIENCY)</b>		
Share capital (note 10)	319	273
Share premium (note 10)	19,983,179	13,019,518
Warrants (note 12)	1,123,509	883,874
Contributed surplus	1,987,432	1,206,201
Deficit	(25,668,365)	(16,059,021)
Total equity (deficiency)	(2,573,926)	(949,155)
<b>TOTAL LIABILITIES AND EQUITY (DEFICIENCY)</b>	<b>\$1,308,284</b>	\$788,801

Nature of operations and business continuance (note 1)

Commitments and contingencies (notes 8,18)

Subsequent events (note 20)

APPROVED BY THE BOARD:

Signed, "Marvin K. Kaiser", Director

Signed, "Keith M. Barron", Director

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

**AURANIA RESOURCES LTD.**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)**

(Expressed in Canadian Dollars)

	ISSUED CAPITAL				RESERVES				Shareholders' Equity (deficiency) \$
	Common Shares #	Share Capital \$	Share Premium \$	Warrants \$	Contributed Surplus \$	Deficit \$	Shareholders' Equity (deficiency) \$		
<b>Balance – December 31, 2016</b>	<b>22,759,735</b>	<b>229</b>	<b>5,485,705</b>	<b>-</b>	<b>692,868</b>	<b>(6,813,699)</b>	<b>(634,897)</b>		
Shares issued for private placement (note 10)	3,200,890	32	5,867,266	-	-	-	5,867,298		
Shares issued for acquisition (note 10)	1,000,000	10	1,765,532	-	-	-	1,765,542		
Shares issued for debt settlement (note 10)	375,000	2	749,998	-	-	-	750,000		
Warrants issued for private placement (notes 10 and 12)	-	-	(750,476)	750,476	-	-	-		
Agents' options compensation (note 10)	-	-	(133,398)	133,398	-	-	-		
Stock-based compensation expense (note 11)	-	-	-	-	504,861	-	504,861		
Stock-based compensation exp – RSU's (note 11)	-	-	-	-	23,363	-	23,363		
Exercise of stock options (note 10)	50,000	-	34,891	-	(14,891)	-	20,000		
Net (loss) for the year	-	-	-	-	-	(9,245,322)	(9,245,322)		
<b>Balance – December 31, 2017</b>	<b>27,385,625</b>	<b>273</b>	<b>13,019,518</b>	<b>883,874</b>	<b>1,206,201</b>	<b>(16,059,021)</b>	<b>(949,155)</b>		
Shares issued for private placements (notes 9 and 10)	2,219,400	22	4,061,951	-	-	-	4,061,973		
Shares issued for exercise of options (note 10)	1,730,000	18	1,272,070	-	(532,088)	-	740,000		
Shares issued for exercise of warrants (note 10)	530,536	5	1,840,380	(248,777)	-	-	1,591,608		
Shares issued for exercise of agents' options (note 10)	137,813	1	409,023	(133,398)	-	-	275,626		
Warrants issued for exercise of agents' options (note 12)	-	-	(15,000)	15,000	-	-	-		
Warrants issued for private placements (note 12)	-	-	(578,000)	578,000	-	-	-		
Stock-based compensation expense, options and RSU's (note 11)	-	-	-	-	1,330,366	-	1,330,366		
Shares issued for RSU's (note 11)	33,500	-	17,047	-	(17,047)	-	-		
Broker warrants compensation (note 10)	-	-	(43,810)	43,810	-	-	-		
Expiry of 2017 broker warrants (note 12)	-	-	-	(15,000)	-	15,000	-		
Net (loss) for the year	-	-	-	-	-	(9,624,344)	(9,624,344)		
<b>Balance – December 31, 2018</b>	<b>32,036,874</b>	<b>319</b>	<b>19,983,179</b>	<b>1,123,509</b>	<b>1,987,432</b>	<b>(25,668,365)</b>	<b>(2,573,926)</b>		

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

**AURANIA RESOURCES LTD.****CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS***(Expressed in Canadian Dollars)*

<b>For the years ended December 31,</b>	<b>2018</b>	<b>2017</b> <b>(note 16)</b>
<b>Operating Expenses</b>		
Exploration expenditures (notes 8 and 14)	<b>\$6,037,278</b>	\$2,233,656
Stock-based compensation (notes 11,13)	<b>1,330,366</b>	528,224
Investor relations (note 15)	<b>697,342</b>	309,452
Office and general	<b>603,066</b>	231,910
Management fees (note 13)	<b>279,803</b>	243,040
Professional and administrative fees (note 15)	<b>148,303</b>	48,197
Regulatory and transfer agent fees	<b>117,545</b>	68,656
Directors' and advisor fees (note 13)	<b>68,396</b>	63,375
Amortization (note 7)	<b>23,023</b>	4,051
Project evaluation	<b>11,541</b>	35,476
<b>Total expenses</b>	<b>\$9,316,663</b>	\$3,766,039
<b>Other expenses (income):</b>		
Costs associated with acquisition of Ecuasolidus (note 6)	-	5,511,183
Loss (gain) on foreign exchange	<b>17,078</b>	(46,347)
Loss on derivative (note 9)	<b>8,563</b>	-
Interest income	<b>(9,127)</b>	-
Interest expense	<b>291,167</b>	14,447
<b>Loss and comprehensive loss for the year</b>	<b>\$9,624,344</b>	\$9,245,322
<b>Basic and diluted loss per share</b>	<b>\$0.32</b>	\$0.36
<b>Weighted average common shares outstanding - Basic and diluted</b>	<b>30,438,349</b>	25,487,461

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

**AURANIA RESOURCES LTD.****CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Expressed in Canadian dollars)

<b>For the years ended December 31,</b>	<b>2018</b>	<b>2017</b> (note 16)
<b>Cash flow from the following activities:</b>		
<b>Operating activities:</b>		
Net (loss) for the year	\$(9,624,344)	\$(9,245,322)
Adjustment for:		
Acquisition of Ecuasolidus S.A. (note 6)	-	5,511,183
Amortization (note 7)	23,023	4,051
Stock-based compensation (note 11)	1,330,366	528,224
Accretion of debt discount (note 9)	239,764	-
Loss on derivative (note 9)	8,563	-
Accrued interest (note 9)	51,403	15,100
Foreign exchange loss (gain) on promissory notes (note 9)	67,668	(93,880)
Non-cash items:		
Prepaid expenses and receivables	(32,572)	(40,322)
Accounts payable and accrued liabilities	(74,723)	(160,855)
<b>Net cash used in operating activities</b>	<b>(8,010,852)</b>	<b>(3,481,821)</b>
<b>Financing activities:</b>		
Shares issued for private placements (note 10)	4,438,800	6,401,780
Less share issue costs (note 10)	(376,827)	(534,482)
Shares issued for option exercises (notes 10,11)	460,000	20,000
Shares issued for warrant exercises (notes 12)	1,591,608	-
Shares issued for agents' options exercise (notes 9, 11)	275,626	-
Convertible debenture (note 9)	2,631,579	-
Promissory notes advances (note 9)	-	425,094
Repayment of promissory note (note 9)	(500,000)	(1,407,614)
<b>Net cash provided by financing activities</b>	<b>8,520,786</b>	<b>4,904,778</b>
<b>Investing activities:</b>		
Increase in restricted cash	(255,912)	-
Purchase of capital assets (note 7)	(108,347)	(51,784)
Acquisition of Ecuasolidus S.A. (note 6)	-	(703,769)
<b>Net cash used in investing activities</b>	<b>(364,259)</b>	<b>(755,553)</b>
<b>Increase in cash</b>	<b>145,675</b>	<b>667,404</b>
<b>Cash – beginning of year</b>	<b>671,346</b>	<b>3,942</b>
<b>Cash – end of year</b>	<b>\$817,021</b>	<b>\$671,346</b>
<b>Supplemental Information</b>		
	<b>2018</b>	<b>2017</b>
Issuance of broker warrants	\$43,810	\$133,398
Shares issued in settlement of debt	-	749,998
Shares issued for acquisition of Ecuasolidus, S.A.	-	1,765,542
Promissory note settled through the exercise of stock options	280,000	-

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

## AURANIA RESOURCES LTD.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017

(Expressed in Canadian Dollars)

#### 1. NATURE OF OPERATIONS AND BUSINESS CONTINUANCE

Aurania Resources Ltd. (the "Company") was incorporated under the laws of Bermuda on June 26, 2007 pursuant to the provisions of *The Companies Act 1981* (Bermuda). On February 18, 2011, the Company registered extra-provincially in the Province of Ontario, Canada. The registered head office of the Company is located at 31 Victoria Street, Hamilton, HM10, Bermuda. The corporate office is located at Ste. 1050 – 36 Toronto St., Toronto, ON M5C 2C5.

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

On May 26, 2017, the Company acquired Ecuasolidus, S.A. ("Ecuasolidus" or "ESA"), a private Ecuador-based company, owned by the principal shareholder of the Company, in order to acquire all the rights, title and interest in certain mineral exploration licenses in Ecuador (the "Lost Cities – Cutucu Project" or the "Project"). **See note 8 – Mineral Property Interests.**

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that 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, social licensing requirements, unregistered prior agreements, unregistered claims and noncompliance with regulatory and environmental requirements. **See note 8 – 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 December 31, 2018, the Company had cash on hand and restricted cash totaling \$1,072,933 (December 31, 2017 - \$671,346) to fund current liabilities of: accounts payable and accrued liabilities of \$390,233 (December 31, 2017 - \$464,956), a promissory note of \$579,915 (2017 - \$1,273,000) and a convertible debenture of \$2,912,062 (including a derivative liability of \$435,390), (2017 - \$nil). Further, the Company had an accumulated deficit of \$25,668,365 (December 31, 2017 - \$16,059,021) and working capital deficiency of \$2,711,823 (December 31, 2017 - \$1,001,728). Subsequent to December 31, 2018, the Company added \$5,254,667 gross proceeds to the treasury upon closing of a rights offering – **See note 20 - Subsequent Events.**

## AURANIA RESOURCES LTD.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017

(Expressed in Canadian Dollars)

#### 2. BASIS OF PRESENTATION

These annual consolidated financial statements have been prepared under the historical cost convention except for certain financial assets and financial 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.

#### 3. CHANGES IN ACCOUNTING POLICIES

##### New and Amended IFRS standards that are in effect for the current year

Effective January 1, 2018, the Company adopted IFRS 9, *Financial Instruments*, which resulted in changes in accounting policies as described below. In accordance with the transitional provisions in both standards, the Company adopted these standards retrospectively without restating comparatives, with the cumulative impact adjusted in the opening balances as at January 1, 2018. The Company also adopted IFRIC 22 – Foreign Currency and Advance Consideration. There were no effects on opening balances at January 1, 2018 with respect to the adoption of these policies.

##### IFRS 9 - Financial Instruments

IFRS 9 replaces International Accounting Standard ("IAS") 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 introduces new requirements for the classification, measurement and impairment of financial assets and hedge accounting. It establishes two primary measurement categories for financial assets: (i) amortized cost and (ii) fair value either through profit or loss ("FVPL") or through other comprehensive income ("FVOCI"); establishes criteria for the classification of financial assets within each measurement category based on business model and cash flow characteristics; and eliminates the existing held for trading, held to maturity, available for sale, loans and receivable and other financial liabilities categories. IFRS 9 also introduces a new expected credit loss model for the purpose of assessing the impairment of financial assets and requires that there be a demonstrated economic relationship between the hedged item and hedging instrument.

The following table shows the previous classification under IAS 39 and the new classification under IFRS 9 for the Company's financial instruments:

	Financial instrument classification	
	Under IAS 39	Under IFRS 9
<b>Financial assets:</b>		
<b>Cash</b>	Loans and receivables	Amortized cost
<b>Restricted cash</b>	Loans and receivables	Amortized cost
<b>Accounts receivables</b>	Loans and receivables	Amortized cost

## AURANIA RESOURCES LTD.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017

(Expressed in Canadian Dollars)

#### 3. CHANGES IN ACCOUNTING POLICIES, continued

##### IFRS 9 - Financial Instruments, continued

	Financial instrument classification	
	Under IAS 39	Under IFRS 9
<b>Financial liabilities:</b>		
<b>Accounts payable and accrued liabilities</b>	Other financial liabilities	Amortized cost
<b>Promissory notes</b>	Other financial liabilities	Amortized cost
<b>Derivative liability on convertible debenture</b>	FVTPL	FVPL
<b>Convertible debenture</b>	Other financial liabilities	Amortized cost

The Company adopted IFRS 9 retrospectively without restating comparatives and therefore the comparative information in respect of financial instruments for the year ended December 31, 2017 was accounted for in accordance with the Company's previous accounting policy under IAS 39.

##### Accounting policy under IFRS 9 applicable from January 1, 2018

###### Financial assets

###### Initial recognition and measurement

Non-derivative financial assets within the scope of IFRS 9 are classified and measured as "financial assets at fair value", as either FVPL or FVOCI, and "financial assets at amortized costs", as appropriate. The Company determines the classification of financial assets at the time of initial recognition based on the Company's business model and the contractual terms of the cash flows.

All financial assets are recognized initially at fair value plus, in the case of financial assets not at FVPL, directly attributable transaction costs on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Financial assets with embedded derivatives are considered in their entirety when determining their classification at FVPL or at amortized cost. Cash, restricted cash and amounts receivable held for collection of contractual cash flows are measured at amortized cost.

###### Subsequent measurement – financial assets at FVPL

Financial assets measured at FVPL include financial assets management intends to sell in the short term and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial assets measured at FVPL are carried at fair value in the consolidated statements of financial position with changes in fair value recognized in other income or expense in the consolidated statements of loss. The Company does not measure any financial assets at FVPL.

###### Subsequent measurement – financial assets at FVOCI

Financial assets measured at FVOCI are non-derivative financial assets that are not held for trading and the Company has made an irrevocable election at the time of initial recognition to measure the assets at FVOCI. The Company does not measure any financial assets at FVOCI.

After initial measurement, investments measured at FVOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income or loss in the consolidated statements of comprehensive income (loss). When the investment is sold, the cumulative gain or loss remains in accumulated other comprehensive income (loss) and is not reclassified to profit or loss.

## **AURANIA RESOURCES LTD.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the years ended December 31, 2018 and 2017**

(Expressed in Canadian Dollars)

#### **3. CHANGES IN ACCOUNTING POLICIES, continued**

##### **Accounting policy under IFRS 9 applicable from January 1, 2018, continued**

###### **Financial assets, continued**

###### Subsequent measurement – financial assets at amortized cost

After initial recognition, financial assets measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate (“EIR”) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the statement of operations.

###### Derecognition

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company no longer retains substantially all the risks and rewards of ownership.

###### Impairment of financial assets

The Company’s only financial assets subject to impairment are amounts receivable, which are measured at amortized cost. The Company has elected to apply the simplified approach to impairment as permitted by IFRS 9, which requires the expected lifetime loss to be recognized at the time of initial recognition of the receivable. To measure estimated credit losses, accounts receivable have been grouped based on shared credit risk characteristics, including the number of days past due. An impairment loss is reversed in subsequent periods if the amount of the expected loss decreases and the decrease can be objectively related to an event occurring after the initial impairment was recognized.

###### **Financial liabilities**

###### Initial recognition and measurement

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVPL. The Company’s financial liabilities include accounts payable and accrued liabilities, promissory notes and convertible debenture, which are each measured at amortized cost. The Company’s derivative liability on convertible debenture is measured at FVPL. All financial liabilities are recognized initially at fair value and in the case of long-term debt, net of directly attributable transaction costs.

###### Subsequent measurement – financial liabilities at amortized cost

After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in interest and accretion expense in the consolidated statements of loss.

###### Subsequent measurement – financial liabilities at FVPL

Financial liabilities measured at FVPL are carried at fair value in the consolidated statements of financial position with changes in fair value recognized in gain (loss) on derivative in the consolidated statements of loss.

###### Derecognition

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gain or loss recognized in other income or expense in the consolidated statements of loss.

## **AURANIA RESOURCES LTD.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the years ended December 31, 2018 and 2017**

(Expressed in Canadian Dollars)

#### **3. CHANGES IN ACCOUNTING POLICIES, continued**

##### **Accounting policy under IAS 39 applicable prior to January 1, 2018**

The accounting policy under IAS 39 for the comparative information presented in respect of financial assets and liabilities was as follows:

Other than a US dollar dominated convertible debenture detailed in note 9, the Company does not have any further derivative financial instruments. All other financial instruments are initially recorded at fair value and designated upon inception into one of the following four categories: held-to-maturity, available-for-sale, loans and receivables or fair value through profit or loss ("FVTPL").

##### **Financial assets**

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through the consolidated statement of loss. At December 31, 2017, the Company had no items classified as FVTPL.

Financial assets classified as loans and receivables and held-to-maturity are measured at amortized cost. The Company's cash and receivables are classified as loans and receivables.

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary. At December 31, 2017, the Company had no financial assets classified as available-for-sale.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

##### **Financial liabilities**

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other-financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable and accrued liabilities and promissory note are classified as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held-for-trading unless they are designated as effective hedging instruments. Fair value changes of financial liabilities classified as FVTPL are recognized through the consolidated statement of loss. At December 31, 2017, the Company had not classified any financial liabilities as FVTPL.

## **AURANIA RESOURCES LTD.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the years ended December 31, 2018 and 2017**

(Expressed in Canadian Dollars)

#### **3. CHANGES IN ACCOUNTING POLICIES, continued**

##### **Accounting policy under IAS 39 applicable prior to January 1, 2018, continued**

###### **Financial liabilities, continued**

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels: Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs). As at December 31, 2018, the Company did not have any financial instruments recorded using the fair value hierarchy.

As at December 31, 2017, the Company designated its derivative liability on convertible debenture as FVPL which is measured at fair value and classified as Level 2.

###### **Impairment of Assets**

###### Financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that the estimated future cash flows of the assets have been negatively impacted. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced by the amount of the impairment and the loss is recognized in the consolidated statement of loss.

If in a subsequent period, the amount of impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been, had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of loss.

###### **New and Amended IFRS standards not yet effective**

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after January 1, 2019 or later periods. Many are not applicable to, or do not have a significant impact on, the Company and have therefore been excluded. The following have not been adopted and are being evaluated to determine their impact on the Company's consolidated financial statements:

**IFRS 16 – Leases (“IFRS 16”)** was issued in January 2016 and replaces IAS 17 – Leases as well as some lease-related interpretations. With certain exceptions for leases under twelve months in length or for assets of low value, IFRS 16 states that upon lease commencement a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the lessee shall measure the right-of-use asset at cost less accumulated depreciation and accumulated impairment. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 requires that lessors classify each lease

## **AURANIA RESOURCES LTD.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the years ended December 31, 2018 and 2017**

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#### **3. CHANGES IN ACCOUNTING POLICIES, continued**

##### **New and Amended IFRS standards not yet effective, continued**

as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise it is an operating lease. IFRS 16 is effective for annual periods beginning on or after January 1, 2019.

**IFRIC 23 – Uncertainty Over Income Tax Treatments (“IFRIC 23”)** was issued in June 2017 and clarifies the accounting for uncertainties in income taxes. The interpretation committee concluded that an entity shall consider whether it is probable that a taxation authority will accept an uncertain tax treatment. If an entity concludes it is probable that the taxation authority will accept an uncertain tax treatment, then the entity shall determine taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the entity shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019.

**IAS 1 – Presentation of Financial Statements (“IAS 1”) and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors (“IAS 8”)** were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. Earlier adoption is permitted.

**IFRS 3 – Business Combinations (“IFRS 3”)** was amended in October 2018 to clarify the definition of a business. This amended definition states that a business must include inputs and a process and clarified that the process must be substantive and the inputs and process must together significantly contribute to operating outputs. In addition it narrows the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs and added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. Earlier adoption is permitted.

**IFRS 10 – Consolidated Financial Statements (“IFRS 10”) and IAS 28 – Investments in Associates and Joint Ventures (“IAS 28”)** were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined, however early adoption is permitted.

## **AURANIA RESOURCES LTD.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the years ended December 31, 2018 and 2017**

(Expressed in Canadian Dollars)

#### **4. SIGNIFICANT ACCOUNTING POLICIES**

##### **(a) Statement of Compliance**

The annual consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”) and have been consistently applied to all the years presented unless otherwise indicated.

These annual consolidated financial statements were approved and authorized by the Board of Directors on April 11, 2019.

##### **(b) Basis of Consolidation**

###### Subsidiaries

The annual consolidated financial statements incorporate the financial statements of the Company and its wholly-owned subsidiaries AuroVallis Sàrl (“AVS”), incorporated under the laws of Switzerland, and ESA, incorporated under the laws of Ecuador. The accounting entries for ESA have been consolidated only since the date of acquisition of ESA.

Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company and are de-consolidated from the date that control ceases. The financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

###### Transactions Eliminated on Consolidation

All intercompany transactions, balances, income and expenses are eliminated upon consolidation. Accounting policies of subsidiaries are consistent with those of the Company.

###### Functional and Reporting Currency

Items included in the annual consolidated financial statements of the Company and its subsidiaries are measured using the currency of the primary economic environment in which the entity operates. The functional currency of the Company and its subsidiaries is the Canadian dollar (“CAD”), which is also the reporting currency of the Company. All financial information has been presented in CAD, unless otherwise stated and “USD” represents United States dollars and “CHF” represents Swiss francs.

###### Segment Reporting

A segment is a component of the Company that is distinguishable by economic activity (business segment), or by its geographical location (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Company operated in one business segment - mineral exploration, and two geographical segments – Ecuador and Switzerland, during the years ended December 31, 2018 and 2017.

## **AURANIA RESOURCES LTD.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the years ended December 31, 2018 and 2017**

(Expressed in Canadian Dollars)

#### **4. SIGNIFICANT ACCOUNTING POLICIES, continued**

##### **(c) Significant accounting judgments and estimates, continued**

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 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 December 31, 2018 and 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 a 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 is 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,

## **AURANIA RESOURCES LTD.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the years ended December 31, 2018 and 2017**

(Expressed in Canadian Dollars)

#### **4. SIGNIFICANT ACCOUNTING POLICIES, continued**

##### **(c) Significant accounting judgments and estimates, continued**

such differences will impact the tax-related accruals and deferred income tax provisions in the period in which such determination is made.

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

##### Fair value of conversion feature of convertible debenture

The Company measures the convertible debenture embedded derivative using a binomial-lattice-based valuation model, taking into consideration Management's best estimate of the expected volatility, expected life of the derivative, foreign exchange rate and exercise price on the date of issue and at each reporting date. Assumptions are made and judgment used in applying valuation techniques. Such judgments and assumptions are inherently uncertain. Changes in these assumptions could affect the fair value estimates.

**See note 18 – Commitments and Contingencies.**

##### **(d) Compound financial instruments**

The components of compound financial instruments are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. The conversion feature of the convertible debentures issued does not meet the criteria for equity classification and accordingly, is accounted for as an embedded derivative liability. The derivative liability is calculated first, and the residual value is assigned to the debt component.

Subsequent to initial recognition, the embedded derivative component is re-measured at fair value at each reporting period with the changes in fair value recognized in operations. Subsequent to initial recognition, the liability component is accounted for at amortized cost using the effective interest rate method until the instrument is converted or the instrument matures. The liability component accretes up to the principal balance at maturity. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

##### **(e) Exploration and evaluation expenditures**

All acquisition and exploration costs are charged to operations in the period incurred until such time as it has been determined that a project is commercially viable and technically feasible, in which case, subsequent exploration costs and the costs incurred to develop a property are capitalized into property, plant and equipment. If a project is successful, the capitalized amounts related to the project are depleted on a unit-of-production method based on proven and probable reserves. If it is determined that the mineral property has no future economic value, then the related capitalized costs will be expensed.

## **AURANIA RESOURCES LTD.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the years ended December 31, 2018 and 2017**

(Expressed in Canadian Dollars)

#### **4. SIGNIFICANT ACCOUNTING POLICIES, continued**

##### **(e) Exploration and evaluation expenditures, continued**

Costs include the cash consideration and the fair market value of shares issued for the acquisition of properties. Properties acquired under option agreements, whereby payments are made at the sole discretion of the Company, are recorded in the accounts at the time of payment.

##### **(f) Decommissioning, restoration and similar liabilities**

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of an exploration property interest. Such costs arising from the decommissioning of a plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the related asset as soon as the obligation to incur such costs arises. The timing of the actual expenditure is dependent on a number of factors such as the life and nature of the asset and the operating license conditions. Discount rates using a pretax rate that reflect the time value of money are used to calculate the net present value. These costs are charged against profit or loss. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Changes in estimates of decommissioning costs are accounted for as a charge to operations. The periodic unwinding of the discount is recognized in operations as an accretion expense. Management is not aware of any significant decommissioning or restoration obligations at December 31, 2018 and 2017.

##### **(g) Foreign currency translation**

The reporting and functional currency of the Company and its subsidiary is the Canadian dollar. Foreign currency transactions are translated into Canadian dollars as follows:

- (i) Monetary assets and liabilities are translated using the exchange rate at the consolidated statement of financial position date.
- (ii) Non-monetary assets and liabilities are translated at historic rates.
- (iii) Revenues and expenses are translated at the average rate of exchange at the time of the transaction.
- (iv) Exchange gains and losses arising from the translation of monetary items are taken directly to the consolidated statement of loss.

##### **(h) Impairment of non-financial assets**

At each reporting date, the Company reviews the carrying amounts of its non-financial assets to determine whether there is an indication that those assets have suffered an impairment loss. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount is the higher of the fair value less costs to sell and the value in use. If the recoverable amount is less than the carrying amount of the asset, the carrying amount is reduced to the recoverable amount and the impairment loss is recognized in the consolidated statement of loss.

## **AURANIA RESOURCES LTD.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the years ended December 31, 2018 and 2017**

(Expressed in Canadian Dollars)

#### **4. SIGNIFICANT ACCOUNTING POLICIES, continued**

##### **(i) Basic and diluted loss per share**

Basic and diluted loss per share is calculated using the weighted average number of common shares outstanding for the period. Diluted loss per share reflects the dilution that would occur if outstanding warrants and options were converted into common shares. In order to determine diluted loss per share any proceeds from the exercise of dilutive warrants and options would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted loss per share calculation. The Company's diluted loss per share for the periods presented does not include the effect of the outstanding stock options, warrants, restricted share units and convertible debenture as they are anti-dilutive.

##### **(j) Share-based payments**

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in the equity reserves note.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a graded vesting basis over the period during which the employee becomes unconditionally entitled to equity instruments, based on the Company's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. For those options that expire after vesting, the recorded value is transferred to deficit.

##### **(k) Income taxes**

Income tax for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

##### Current tax

This is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

##### Deferred tax

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date applicable to the period

## **AURANIA RESOURCES LTD.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the years ended December 31, 2018 and 2017**

(Expressed in Canadian Dollars)

#### **4. SIGNIFICANT ACCOUNTING POLICIES, continued**

of expected realization or settlement. Deferred income tax liabilities and assets are not recognized for taxable temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

##### **(I) Property, plant and equipment and amortization**

Property, plant and equipment are carried at cost, less accumulated amortization and accumulated impairment losses. The assets' residual values, useful lives and methods of amortization are reviewed at each reporting period and adjusted prospectively if appropriate.

- Office furniture and equipment - 30% straight line
- Field equipment – 30% straight line
- Computer equipment - 30% straight line
- Leasehold improvements – 10% straight line

Amortization of property, plant and equipment related to exploration activities has been expensed to the consolidated statement of loss and equipment is derecognized upon disposal, when held for sale or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss. When parts of an item of equipment have different useful lives, the components are accounted for as separate items of equipment. Gains and losses on disposal of an item are determined by comparing the proceeds from disposal with the carrying amount of the item and recognized in profit or loss.

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

##### **Capital management**

The Company manages its capital structure and adjusts it, based on the funds needed in order to support the acquisition and exploration of mineral property interests. Management does this considering changes in economic conditions and the risk characteristics of the underlying assets.

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 December 31, 2018, the Company may not be compliant with the policies of the TSXV. The impact of this violation is not known and is ultimately dependent on the discretion of the TSXV.

The Company considers the capital that it manages to include share capital, share premium, warrants, contributed surplus and deficit, which at December 31, 2018 was a deficiency of \$2,573,926 (December 31, 2017 - \$949,155). There has been no change with respect to the overall capital risk management strategy during the years ended December 31, 2018 and 2017.

## **AURANIA RESOURCES LTD.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the years ended December 31, 2018 and 2017**

(Expressed in Canadian Dollars)

#### **5. CAPITAL AND FINANCIAL RISK MANAGEMENT, continued**

##### **Capital management, continued**

###### Exercise of options and warrants

During the year ended December 31, 2018, a total of \$2,327,234 was added to the treasury from the exercise of 1,030,000 stock options, 530,536 warrants and 137,813 agents' options. The exercise of an additional 700,000 stock options resulted in the settlement of \$280,000 of promissory note debt. **See note 9 – Indebtedness.**

###### Capital raises, short-term loan

During the year ended December 31, 2018, the Company completed a private placement (the "2018 Offering") which yielded net proceeds of \$4,061,973 to treasury. Further, in order to pay the 2018 mineral concession fees owed by ESA, the Company subscribed for a convertible debenture (the "Debenture") with the principal shareholder of the Company (the "Lender") for USD2,000,000 (\$2,631,579 at date of issue; \$2,726,012 at December 31, 2018).

Subsequent to December 31, 2018, the Company added \$5,254,667 (gross) to the treasury from the completion of a Rights Offering. **See note 20 – Subsequent events.**

###### Extensions of Promissory Note

During the year ended December 31, 2018, the Lender extended the maturity date of a 2017 promissory note from May 29, 2018 to May 29, 2019. The note was then amended again to extend the maturity date to May 29, 2020. **See note 9 – Indebtedness and note 20 – Subsequent Events.**

##### **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 currency, 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"). The Board also provides regular guidance for overall risk management.

There have been no changes in the risks, objectives, policies and procedures during the years ended December 31, 2018 and 2017.

###### 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, Swiss and Ecuadorian financial institutions, from which Management believes the risk of loss to be low.

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

## AURANIA RESOURCES LTD.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017

(Expressed in Canadian Dollars)

#### 5. CAPITAL AND FINANCIAL RISK MANAGEMENT, continued

##### Financial risk management, continued

operations and meet its financial obligations as they become due. As the Company has no producing assets, continued options are dependent upon its ability to raise adequate financing, through debt, equity or by the disposal of assets.

The Company generates cash flow primarily from its financing activities. As at December 31, 2018, the Company had available cash of \$817,021 (2017 - \$671,346) to settle current liabilities of \$3,882,210. (2017 - \$1,737,956). The Company also holds a restricted guaranteed investment that matures on December 18, 2019. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance and liquidity. All the Company's current financial liabilities, except for the promissory note and convertible debenture have contractual maturities less than 30 days and are subject to normal trade terms. Repayment of these liabilities is dependent upon the Company's ability to raise adequate financing, through debt, equity or by the disposal of assets.

As the Company has no steady source of revenues or cash flow and has implemented its exploration plan as anticipated, it is highly probable that additional financing will be required during 2019 to further advance exploration at the Project, to meet ongoing financial obligations and discharge the Company's liabilities, in the normal course of business. The Company is considering different sources of potential funding to advance exploration, including equity issuances, short-term loans, the exercise of warrants and stock options and joint venture partnerships.

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.

##### 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 with its cash management policy.

##### Foreign currency risk

Certain of the Company's expenses are incurred in USD and CHF 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 December 31, 2018 and 2017, the Company's exposure to foreign currency risk with respect to amounts denominated in USD and CHF, was substantially as follows:

	December 31, 2018	December 31, 2017
<b>In Canadian \$ equivalents</b>		
Cash	29,301	\$8,393
Accounts payable, accrued liabilities and promissory note		
promissory note	(773,638)	(1,391,262)
Convertible debenture	(2,912,062)	-
<b>Net exposure</b>	<b>\$(3,656,399)</b>	<b>\$(1,382,869)</b>

## AURANIA RESOURCES LTD.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017

(Expressed in Canadian Dollars)

#### 5. CAPITAL AND FINANCIAL RISK MANAGEMENT, continued

##### 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, and 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. At December 31, 2018 and 2017, the Company was not a metals commodity producer.

##### Sensitivity analysis

At December 31, 2018 and 2017, 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 USD and CHF at December 31, 2018 would have increased the net asset position of the Company by \$365,640 (December 31, 2017 – \$138,287). A 10% weakening of the Canadian dollar against the same would have had an equal but opposite effect.

#### 6. ACQUISITION OF ECUASOLIDUS, S. A.

On May 26, 2017, the Company acquired all the issued and outstanding shares of ESA (the "Transaction") pursuant to an Agreement of Purchase and Sale (the "Agreement") from Dr. Keith Barron, Chairman and CEO and significant shareholder of the Company (the "Vendor"). The purchase price consideration paid, and the net assets acquired by the Company were as follows:

Consideration paid	
Cash	\$500,000
1,000,000 common shares	1,765,542
Transaction costs	203,769
	\$2,469,311

Identifiable assets and liabilities assumed	
Equipment	\$4,840
Sundry receivables and prepaid expenses	22,048
Trade payables and accrued liabilities	(365,200)
Promissory notes	(2,703,560)
Fair value of net liabilities assumed	\$(3,041,872)

The deficiency of the fair value of the net assets of ESA over the purchase price, in the amount of \$5,511,183 has been recognized in the consolidated statement of loss, principally in the second quarter. As a condition of the closing of the Transaction, the Company agreed to settle certain outstanding debt owed by the Company to the Vendor, or its affiliate or affiliates by issuing common shares of the Company to the Vendor or as he may so

## AURANIA RESOURCES LTD.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017

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direct, at a deemed price of \$2.00 per common share, in an aggregate amount not to exceed \$750,000 (the “Debt Settlement”).

As a result of the Transaction, but not forming a part of it, the following obligations were acquired:

- A cash repayment of USD1,000,000 for the MCL as discussed above; and
- A two percent (2%) net smelter return royalty on metal production and a two percent (2%) net sales return royalty on non-metallic products, held by the Vendor.

#### 7. PROPERTY, PLANT & EQUIPMENT

	Leasehold Improvements	Field Equipment	Furniture and Fixtures	Computer Equipment	Total
COST	\$	\$	\$	\$	\$
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	2,068	66,624	5,590	34,065	108,347
At December 31, 2018	27,545	66,624	6,358	68,525	169,052
ACCUMULATED DEPRECIATION	\$	\$	\$	\$	\$
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	(2,143)	(10,029)	(239)	(10,612)	(23,023)
At December 31, 2018	(2,994)	(10,029)	(277)	(17,855)	(31,155)
NET BOOK VALUE:					
At December 31, 2017	24,626	-	730	27,217	52,573
At December 31, 2018	\$24,551	\$56,595	\$6,081	\$50,670	\$137,897

#### 8. MINERAL PROPERTY INTERESTS

##### ECUADOR

###### a) Mineral Concessions and Obligations

Post-closing of the Transaction, the Company became the holder of the rights, title and interest in the Lost Cities Project, comprised of certain mineral concessions in the Cordillera de Cutucu, in Ecuador (the “Project”). In December 2016, the Company was granted renewable 25-year permits for the exclusive right to explore, exploit, process and sell any metallic minerals within the concessions.

Mineral concessions are regulated according to the following timeframes:

- up to four years of initial exploration (“Initial Exploration”);
- up to four years of advanced exploration (“Advanced Exploration”); and
- up to two years of economic evaluation of the deposit, which can be extended for an additional two-year period.

## AURANIA RESOURCES LTD.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017

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#### 8. MINERAL PROPERTY INTERESTS, continued

##### ECUADOR, continued

The key requirements for maintaining the good standing of concessions are as follows:

- Annual concession fees must be paid on or before March 31<sup>st</sup> in each year. The 2018 annual concession fees of USD2,004,923 (\$2,626,449) were paid on March 20, 2018. The 2018 concession payment was financed pursuant to an interest-bearing convertible debenture loan with the Vendor. **See note 9 - Indebtedness.**
- Additional exploration expenditures for the Project, required by statute, are as follows:

Year <sup>(1)</sup>	Concession Fees (USD)	Minimum Expenditure Required (USD)	Committed Expenditure (USD) <sup>(1)</sup>
2018	2,004,923	1,038,820	1,090,000
2019	2,046,475	2,077,640	2,098,000
2020	2,050,000 (E)	2,077,640	Not yet determined

In 2018 the Company's expenditures exceeded the required amount.

- An environmental registration and environmental management plan are required for exploration of the concessions. These were received on June 30, 2017, and are valid for the four-year term of Initial Exploration (2017-2020).
- The Company is also required to meet certain other non-financial obligations in order to keep the concessions in good standing. Management believes the Company has complied with such obligations, to date.

##### b) Future Mineral Concession Maintenance Requirements

In 2021 and beyond, the Company would be regulated by the requirements for conducting Advanced Exploration which cannot be estimated by Management, at the reporting date.

##### c) Relinquishment or Cancellation of Concessions

The size of the concession area constituting the Project may be reduced at the Company's discretion, based on exploration results. Conversely, mineral concessions can be cancelled by the State, for various reasons including, misrepresentation by the concession-holder of 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.

See note 14 – Exploration Expenditures.

## AURANIA RESOURCES LTD.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017

(Expressed in Canadian Dollars)

#### 8. MINERAL PROPERTY INTERESTS, continued

##### SWITZERLAND

The Company, through its wholly-owned subsidiary AVS, has been maintaining a 100% interest in certain 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.

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 December 31, 2018, Management is unaware of any change in the status of the Permits.

See note 14 - Exploration Expenditures.

#### 9. INDEBTEDNESS

##### (a) Promissory Note - Mineral Concessions Loan ("MCL1")

On March 20, 2017 ("Date of MCL1"), 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 MCL1 from the proceeds of the 2017 Offering. On May 29, 2018, the Lender extended the maturity date of the MCL1 to May 29, 2019, and on January 28, 2019, the Lender agreed to further extend the maturity date of the MCL1 to May 29, 2020. See note 20 - Subsequent Events.

On April 2, 2018 Dr. Barron settled \$280,000 of MCL1 in consideration of exercising his 700,000 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 MCL1 by USD217,168 (\$280,000). On August 16, 2018 the Company repaid \$500,000 of MCL1 in cash. At December 31, 2018, the accrued interest owing on MCL1 is \$34,347 (December 31, 2017 - \$15,100).

For the year ended December 31,	2018	2017
<b>Balance, beginning of year</b>	<b>\$1,273,000</b>	-
Proceeds of MCL1	-	\$2,703,560
Cash repayment on closing of the Transaction	-	(1,351,780)
Accrued interest for 2018/2017	<b>19,247</b>	15,100
Settlements of debt (cash and shares)	<b>(780,000)</b>	-
Foreign exchange translation loss (gain)	<b>67,668</b>	(93,880)
<b>Balance, end of year</b>	<b>\$579,915</b>	\$1,273,000

## AURANIA RESOURCES LTD.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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#### 9. INDEBTEDNESS, continued

##### (b) Convertible Debenture – Mineral Concession Loan (“MCL2”)

On May 22, 2018 (“2018 Loan Date”) the Company issued a USD2,000,000 face value convertible debenture (the “Debenture”), due May 29, 2019 for net proceeds of \$2,631,579. The Debenture is interest-bearing at 2% per annum, payable in cash at maturity. However, the principal amount could be converted at the option of the holder, at any time prior to maturity, into 877,193 common shares of the Company. Upon review, Management concluded that the embedded conversion option of the Debenture did not pass the conditions for equity classification, therefore, the embedded conversion option would be subject to classification in the Company’s consolidated financial statements in liabilities at fair value, both at inception, and subsequently therein, pursuant to IAS 32 and IFRS 9.

##### Accounting for the Convertible Debenture

Under the guidance of IAS 32 and IFRS 9, and because the face value of the note was denominated in other than the Company’s functional currency, the conversion feature requires classification and measurement as a derivative financial instrument. Accordingly, it was concluded that this derivative financial instrument requires bifurcation and liability classification, at fair value. Current standards contemplate that the classification of financial instruments require evaluation at each reporting date.

The following table reflects the allocation of the proceeds and subsequent reporting since the financing date:

For the year ended December 31,	2018
<b>Balance, beginning of year</b>	-
Proceeds of MCL2	2,631,579
Embedded derivative at issue date of MCL2	(426,827)
Interest expense (accretion and coupon)	32,156
Amortization of debt discount	239,764
<b>Balance, end of year</b>	<b>\$2,476,672</b>

The carrying value of the Debenture at December 31, 2017 was \$nil and the carrying value at December 31, 2018 is \$2,444,516 and accrued interest from inception to December 31, 2018 is \$32,156.

Discounts (premiums) on the convertible notes arise from (i) the allocation of basis to other instruments issued in the transaction, (ii) fees paid directly to the creditor and (iii) initial recognition at fair value, which is lower than face value. Discounts (premiums) are amortized through charges (credits) to interest expense over the term of the debt agreement. Amortization of debt discounts (premiums) amounted to \$239,764 during the period from inception to December 31, 2018.

##### Derivative Liabilities

The carrying value of the embedded derivative liability on the Debenture is on the consolidated statement of financial position, with changes in the carrying value being recorded as derivative (gain) loss on the consolidated statement of loss. The fair value of the embedded derivative liability as of December 31, 2018 is \$435,390 and the derivative loss for the period from inception to December 31, 2018 is \$8,563.

## AURANIA RESOURCES LTD.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017

(Expressed in Canadian Dollars)

#### 9. INDEBTEDNESS, continued

##### (c) Standby Letter of Credit

The Company has established a refundable reserve in the principal amount of \$255,000 as a requirement of the payment clearing processor responsible for transmitting funds by credit card subscriptions in respect of the 2018 Offering. The reserve is invested in an interest-bearing guaranteed investment certificate issued by a Canadian chartered bank. The reserve is required to be in place until December 18, 2019. Accrued interest from inception to December 31, 2018 is \$912.

##### (d) 2017 Shareholder Loan

	2017
<b>Balance, December 31, 2016</b>	<b>\$380,740</b>
Cash advances	189,715
Bill payments	18,257
Services rendered	217,122
	<b>805,834</b>
Cash repayment	(55,834)
Settlement for 375,000 shares (notes 6 and 10)	(750,000)
<b>Balance, December 31, 2017</b>	<b>-</b>

In the prior year, from January 1 to June 30, 2017, the Lender made \$189,715 cash advances to the Company, and paid bills totaling \$18,257 on behalf of the Company, therefore shareholder loan increased by \$207,972. In addition, from January 1, 2013 to May 31, 2017, a company controlled by the Lender ("ServiceCo") provided services to the Company including rental space and consulting services in the areas of administrative assistance, investor relations and IT. Unpaid service costs owed to ServiceCo during the first five months of 2017 was \$54,000. Therefore, shareholder loan, comprised of the cumulative total of advances, bill payments and unpaid services to June 30, 2017, was \$805,834. Post-closing of the Transaction, the shareholder loan was repaid by the Company with the issuance of common shares and cash: 375,000 common shares were issued to the Lender with a value of \$2.00 per share to satisfy \$750,000 of the shareholder loan, and the balance of \$55,834 owed was paid in cash. See note 6 – Acquisition of Ecuasolidus, S.A. and note 10 - Share Capital.

#### 10. SHARE CAPITAL

Authorized share capital at December 31, 2018 and 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 December 31, 2018 and 2017 is 32,036,874 (27,385,625).

- (a) On April 19, 2017, ("Closing Date 2017"), the Company issued 3,200,890 common shares pursuant to a private placement financing for 3,200,890 units ("2017 Offering"), each unit consisted of one common share and one-half of one common share purchase warrant. Each whole warrant was exercisable to acquire one common share at \$3.00 until October 19, 2018. Total consideration for the units was \$6,401,780, comprised of \$6,380,916 cash and \$20,864 for services rendered, in exchange for 10,432 units. Share issue costs of \$534,482 attributable to the 2017 Offering, were deducted from the share premium account. The 1,600,445 warrants were assigned an estimated fair value of \$750,476 using the Black-Scholes option pricing model, using the following assumptions: forfeiture rate 0%, dividend yield

## AURANIA RESOURCES LTD.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017

(Expressed in Canadian Dollars)

#### 10. SHARE CAPITAL, continued

0%, expected volatility 100%, a risk-free interest rate of 0.62% and an expected life of 18 months. Therefore, the valuation has attributed \$1.76 to the common shares and \$0.24 to the warrants.

- (b) For the 2017 Offering, the Company agreed to pay compensation to the Agents including: cash payments of \$288,400 and the issuance of 144,200 compensation options (“Agents’ Options”). Each Agent Option was exercisable into one unit (“Agent Unit”) at a price of \$2.00 for a period of 18 months until October 19, 2018. Each Agent Unit consisted of one common share of the Company and one-half of one common share purchase warrant (“Agent Warrant”). Each Agent Warrant entitled the holder to acquire one common share at a price of \$3.00 until October 19, 2018. The Agents’ Warrants were assigned an estimated fair value of \$133,398 using the Black-Scholes option pricing model, using the following assumptions: expected dividend yield 0%, expected volatility 100%, a risk-free interest rate of 0.70% and an expected life of 18 months. For both the 2017 Offering and Agents’ Units, if the volume weighted average trading price of the Company’s common shares on the Company’s principal stock exchange exceeds \$3.00 for a period of 20 consecutive trading days, the Company may accelerate the expiry date to the date which is 30 days following the date upon which notice of the accelerated expiry date of the 2017 Offering and Agents’ Warrants will be provided by the Company to the holders of said 2017 Warrants.
- (c) On Closing Date 2017, the Company issued 1,000,000 common shares of the Company (the “Transaction Shares”) to the Vendor as part of the Transaction purchase price. The Transaction Shares have been assigned an estimated fair value of \$1,765,542 using the share price calculated using the Black-Scholes pricing model more particularly described in (a) above.
- (d) On Closing Date 2017, the Company further issued 375,000 common shares (the “Settlement Shares”) to the Lender as the settlement of \$750,000 promissory note shareholder loans. For purposes of the Transaction, it was agreed between the Vendor and the Company to value the Settlement Shares at a deemed price of \$2.00.
- (e) In October 2017, an officer exercised 50,000 stock options for proceeds of \$20,000.
- (f) On January 31, 2018, an agent exercised 41,650 Agents’ Options which resulted in the issuance of 41,650 Common Shares and 20,825 Agents’ Warrants. The Agents’ Warrants entitled the agent to purchase 20,825 common shares until October 19, 2018 for \$62,475. The warrants were assigned an estimated fair value of \$15,000 using the Black-Scholes option pricing model using the following assumptions: expected dividend yield 0%, expected volatility 100%, a risk-free interest rate of 1.91% and an expected life of 9 months. **See note 12 – Warrants.**
- (g) On June 29, 2018, (“Tranche 1”), the Company issued 2,000,000 units, pursuant to a private placement financing (“2018 Offering”). Each unit consisted of one common share and one-half of one common share purchase warrant. Each whole warrant is exercisable to acquire one common share at \$3.00 until December 29, 2019. Gross proceeds for the units were \$4,000,000. Share issue costs of \$360,911 attributable to the 2018 Offering, were deducted from the share premium account. The warrants were assigned an estimated fair value of \$525,000 using the Black-Scholes option pricing model, using the following assumptions: expected dividend yield 0%, expected volatility 100%, a risk-free interest rate of 1.91% and an expected life of 18 months.

## AURANIA RESOURCES LTD.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(Expressed in Canadian Dollars)

#### 10. SHARE CAPITAL, continued

- (h) For Tranche 1, the Company agreed to pay compensation to the Agents including: cash payments of \$158,885 and the issuance of 79,442 broker warrants ("2018 Broker Warrants"). Each 2018 Broker Warrant entitles the holder to acquire one common share at a price of \$3.00 until December 29, 2019. The 2018 Broker Warrants were assigned an estimated fair value of \$43,810 using the Black-Scholes option pricing model, using the following assumptions: expected dividend yield 0%, expected volatility 100%, a risk-free interest rate of 1.91% and an expected life of 18 months.
- (i) On September 6, 2018, ("Tranche 2"), the Company issued 219,400 units, on the same terms as the units issued in Tranche 1, except the expiry date of the warrants for Tranche 2 is March 6, 2020. Gross proceeds for the Tranche 2 units were \$438,800. Share issue costs of \$15,916 attributable to Tranche 2, were deducted from the share premium account. The Tranche 2 warrants were assigned an estimated fair value of \$53,000 using the Black-Scholes option pricing model, using the following assumptions: expected dividend yield 0%, expected volatility 100%, a risk-free interest rate of 2.06% and an expected life of 18 months. There were no agents' fees paid or broker warrants issued for Tranche 2.
- (j) In October 2018, the remaining two agents exercised their Agents' Options for the issuance of 96,163 common shares but waived their entitlement to the Agents' Warrants due to the short expiry period.
- (k) On October 19, 2018 an aggregate of 20,825 Agents' Warrants expired.
- (l) During the year ended December 31, 2018, the Company:
  - (i) Issued 1,030,000 common shares as a result of the exercise of 1,030,000 stock options previously granted to directors, officers and consultants, for proceeds of \$460,000;
  - (ii) 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 MCL1. **See note 9 – Promissory Note – MCL1;**
  - (iii) 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; and
  - (iv) Issued an aggregate of 137,813 common shares for the exercise of 137,813 2017 Agents' Options. The consideration for the exercise of the Agents' Options was \$275,626.
- (m) On November 2, 2018, the Company issued 33,500 common shares for the issuance of 33,500 vested RSU's. **See note 11 – Stock-based compensation.**

#### 11. STOCK-BASED COMPENSATION

##### Stock Option Plan ("SOP") and Restricted Stock Unit Plan ("RSUP")

The Company maintains a stock option plan and a restricted stock unit ("RSU") plan under which directors, officers, employees and consultants of the Company (the "Grantees") and its affiliates are eligible to receive stock options and RSU's.

Pursuant to the SOP, the Board may in its discretion grant to eligible Grantees, the option to purchase common shares at the fixed price over a defined future period. Generally the options vest over two

## AURANIA RESOURCES LTD.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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#### 11. STOCK-BASED COMPENSATION, continued

years from the date of grant. The SOP is a rolling plan under which the maximum number of common shares reserved for issuance is 10% of the issued shares of the Company at the time of granting the options. At December 31, 2018, there is a total of 1,688,687 stock options available for granting under the Plan.

Pursuant to the RSUP, the Board may in its discretion grant to eligible Grantees RSU's. Each RSU shall represent one common share of the Company. Generally, the RSU's vest over three years from the date of award and upon vesting, the holder is entitled to receive one common share of the Company per RSU, for no consideration. The RSUP is a fixed plan under which the maximum number of common shares reserved for issuance is 2,275,973. To December 31, 2018, the Company has issued a total of 124,500 RSU's.

Both the SOP and RSUP are intended to enhance the Company's ability to attract and retain highly qualified officers, directors, key employees and consultants, and to motivate such persons to serve the Company and to expend maximum effort to improve the business results and earnings of the Company, by providing to such persons an opportunity to acquire or increase a direct proprietary interest in the operations and future success of the Company.

##### (a) Stock Options

- i) On May 26, 2017, the Company granted 150,000 stock options to the President of the Company. Each option is exercisable to acquire one common share at a price of \$2.30. These options expire on May 26, 2022, and vest as follows: 1/3 on the grant date, 1/3 on May 26, 2018 and the remaining 1/3 on May 26, 2019. A total fair value of \$256,242 was 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 0.96% and an expected life of 5 years. During the year ended December 31, 2018, \$92,510 (2017 – \$162,287) was recorded as stock-based compensation expense and to December 31, 2018, a total of \$254,797 has been expensed for the vested options.
- ii) On November 2, 2017, the Company granted 370,000 stock options to directors, officers, and consultants. Each option is exercisable to acquire one common share at a price of \$2.00. These options expire on November 2, 2022, and vest as follows: 1/3 on the grant date, 1/3 on November 2, 2018 and the remaining 1/3 on November 2, 2019. A total value of \$521,700 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 125%, a risk-free interest rate of 1.62% and an expected life of 5 years. During the year ended December 31, 2018, \$260,475 (2017 – \$216,440) has been recorded as stock-based compensation expense and to December 31, 2018, a total of \$476,915 has been expensed for the vested options.
- iii) On November 2, 2017, the Company granted 60,000 stock options to two consultants. Each option is exercisable to acquire one common share at a price of \$2.00. These options expire on May 3, 2019 and vested immediately on the grant date. A total value of \$51,585 has been assigned and fully expensed to these 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 113%, a risk-free interest rate of 1.40% and an expected life of 18 months.

## AURANIA RESOURCES LTD.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017

(Expressed in Canadian Dollars)

#### 11. STOCK-BASED COMPENSATION, continued

##### Stock Option Plan ("SOP"), continued

##### (a) Stock Options, continued

- iv) On March 2, 2018, the Company granted 250,000 stock options to two directors and one consultant. Each option is exercisable to acquire one common share at a price of \$2.89. 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. 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. During the year ended December 31, 2018, \$406,223 (2017 – \$nil) has been recorded as stock-based compensation expense for these options.
- v) On April 5, 2018, the Company granted 300,000 stock options to a director/officer. Each option is exercisable to acquire one common share at a price of \$2.68. The options expire on April 5, 2023, and vest as follows: 1/3 on the grant date, 1/3 on April 5, 2019 and the remaining 1/3 on April 5, 2020. A total value of \$602,706 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 2.03% and an expected life of 5 years. Volatility was based on the historical trading of the Company's shares. During the year ended December 31, 2018, \$423,719 (2017 – \$nil) has been recorded as stock-based compensation expense for these options.
- vi) On November 26, 2018 the Company granted 1,260 stock options to a consultant. Each option is exercisable to acquire one common share at a price of \$3.00. The options expire on May 26, 2020. A total value of \$1,168 has been assigned to the stock 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 2.24% and an expected life of 18 months. During the year ended December 31, 2018, the assigned value of \$1,168 for these options was fully expensed.
- vii) During the year ended December 31, 2018, a total 1,730,000 stock options were exercised in consideration of cash and debt settlement. **See notes 10(l)(i)(ii) – Share Capital.**

**AURANIA RESOURCES LTD.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****For the years ended December 31, 2018 and 2017**

(Expressed in Canadian Dollars)

**11. STOCK-BASED COMPENSATION, continued****Stock Option Plan ("SOP"), continued****(a) Stock Options, continued**

viii) The following summarizes the stock options activity during the years ended December 31, 2018 and 2017:

	<b>Issued Number of Options</b>	<b>Weighted Average Exercise Price</b>	<b>Estimated Fair Value</b>
<b>Balance - December 31, 2016</b>	<b>2,165,000</b>	<b>\$0.44</b>	<b>\$719,417</b>
Issued	150,000	2.30	162,287
Issued	370,000	2.00	216,440
Issued	60,000	2.00	51,585
Exercised	(50,000)	(0.40)	(14,891)
<b>Balance - December 31, 2017</b>	<b>2,695,000</b>	<b>\$0.80</b>	<b>\$1,134,838</b>
Issued	250,000	2.89	406,223
Issued	300,000	2.68	423,719
Exercised	(1,700,000)	(0.40)	(506,294)
Exercised	(30,000)	(2.00)	(25,794)
Issued	1,260	3.00	1,168
Stock-based compensation expense	-	-	372,992
<b>Balance - December 31, 2018</b>	<b>1,516,260</b>	<b>\$2.92</b>	<b>\$1,806,852</b>

(ix) The following summarizes the stock options outstanding at December 31, 2018:

<b>Issued Number of Options</b>	<b>Exercisable Number of Options</b>	<b>Exercise Price</b>	<b>Expiry Date</b>	<b>Estimated Fair Value</b>
30,000	30,000	\$2.00	May 3, 2019	\$25,792
1,260	1,260	\$3.00	May 26, 2020	1,168
415,000	415,000	\$0.60	July 13, 2021	218,238
150,000	100,000	\$2.30	May 26, 2022	254,797
370,000	246,667	\$2.00	November 2, 2022	476,915
250,000	83,250	\$2.89	March 2, 2023	406,223
300,000	100,000	\$2.68	April 5, 2023	423,719
<b>1,516,260</b>	<b>976,177</b>			<b>\$1,806,852</b>

The weighted average contractual life remaining for stock options as at December 31, 2018 is 3.5 years (2017 – 1.7 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.

## AURANIA RESOURCES LTD.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017

(Expressed in Canadian Dollars)

#### 11. STOCK-BASED COMPENSATION, continued

##### Restricted Stock Unit Plan ("RSUP"), continued

##### (b) Restricted Stock Units ("RSU's")

- (i) On November 2, 2017, the Company granted 124,500 RSU's to officers, employees and consultants. The RSU's vest as to 1/3 on the first anniversary of the grant date, 1/3 on the second anniversary of the grant date and the final 1/3 on the third anniversary of the grant date. A total value of \$168,150 was assigned to the RSU's, being the closing price of the Company's common shares, on the grant date of the RSU's. During the year ended December 31, 2018, \$151,608 (2017 – \$23,363) was recorded as stock-based compensation expense for the RSU's. Additionally, 24,000 RSU's were cancelled when three employees left the Company and a total of \$25,343 was deducted from stock-based compensation expense in recognition of the forfeiture of unvested RSU's. On November 22, 2018, 33,500 common shares were issued to the grantees as the first tranche of vested RSU's and \$17,047 was debited to contributed surplus and credited to share premium to record the value of the issuance.
- (ii) There were no new issuances of RSU's during the year ended December 31, 2018.
- (iii) The following summarizes the RSU activity during the years ended December 31, 2018 and 2017:

	Number of RSUs	Weighted Average Fair Value	Estimated Fair Value
<b>Balance – December 31, 2016</b>	-	-	-
Issued	124,500	\$1.35	\$23,363
<b>Balance – December 31, 2017</b>	<b>124,500</b>	<b>\$1.35</b>	<b>\$23,363</b>
RSU's cancelled	(24,000)	(0.71)	(25,343)
Shares issued for RSU's	(33,500)	(0.38)	(17,047)
Stock-based compensation expense	-	1.69	151,608
<b>Balance – December 31, 2018</b>	<b>67,000</b>	<b>\$1.98</b>	<b>\$132,581</b>

The contractual life remaining for RSU's at December 31, 2018 is 2.25 (December 31, 2017 – 2.84) years. The RSU's were not included in the computation of diluted net loss per share for the periods presented as they are anti-dilutive.

#### 12. WARRANTS

- (i) On April 19, 2017, a total of 1,600,445 common share purchase warrants were issued in connection with the 2017 Offering. See note 10(a) – Share Capital.
- (ii) On April 19, 2017 a total of 144,200 Agents' Options were issued in connection with the 2017 Offering. Each Agent Option was exercisable into an Agent Unit at a price of \$2.00 for a period of 18 months until October 19, 2018. Each Agent Unit consisted of one common share of the Company and one-half of one common share purchase warrant ("Agent Warrant"). See note 10(a)(h) – Share Capital.
- (iii) From January 1, 2018 to February 28, 2018 a total of 530,536 warrants were exercised for proceeds of \$1,591,608. See note 10(g) – Share Capital.

## AURANIA RESOURCES LTD.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017

(Expressed in Canadian Dollars)

#### 12. WARRANTS, continued

- (iv) On January 31, 2018, 41,650 Agents' Options related to the 2017 Offering were exercised for 41,650 common shares and 20,825 broker warrants. **See notes 10(a)(h) – Share Capital.**
- (v) On June 29, 2018, a total of 1,000,000 common share purchase warrants were issued by the Company in connection with Tranche 1 of the 2018 Offering. **See note 10(c) – Share Capital.**
- (vi) On June 29, 2018, also in connection with Tranche 1 of the 2018 Offering, a total of 79,442 broker warrants were issued. **See note 10(h) – Share Capital.**
- (vii) On September 6, 2018, a total of 109,700 common share purchase warrants were issued by the Company in connection with Tranche 2 of the 2018 Offering. **See note 10(i) – Share Capital.**
- (viii) On September 12, 2018, the Company announced the extension of the expiry date of the non-broker warrants issued pursuant to the Company's 2017 Offering, until October 19, 2019. The extended warrants are subject to Company's acceleration option that allows the Company to accelerate the expiration date to a date which is 30 days following the date on the acceleration notice if the average trading price of the common shares exceeds \$3.00 for a period of 20 consecutive days.
- (ix) Pursuant to securities regulations, the Company was unable to extend the 2017 broker warrants from the 2017 Offering and therefore a total of 20,825 broker warrants expired on October 19, 2018 and the grant date fair value of \$15,000 was debited to warrants reserve and credited to deficit.
- (x) The following summarizes the activity of warrants and Agents' Options for the year ended December 31, 2018 and 2017:

	Number of Warrants/ Agents' Options	Weighted Average Exercise Price	Estimated Fair Value
<b>Balance – December 31, 2016</b>	-	\$-	\$-
Issued for private placement (note 10(a))	1,600,445	\$3.00	\$750,476
Issued for Agents' Options (note 10(a))	144,200	\$2.00	133,398
<b>Balance – December 31, 2017</b>	<b>1,744,645</b>	<b>\$2.92</b>	<b>\$883,874</b>
Exercised (note 12(iii))	(530,536)	\$(3.00)	(248,777)
Exercised and cancelled Agents' Options (note 12(ii))	(144,200)	\$(2.00)	(133,398)
Issued upon exercise of agents' options (note 12(iv))	20,825	\$3.00	15,000
Issued (note 12(v))	1,000,000	\$3.00	525,000
Issued brokers' warrants (note 12(vi))	79,442	\$3.00	43,810
Issued (note 12(vii))	109,700	\$3.00	53,000
Expired brokers' warrants (note 12(iv),(viii))	(20,825)	\$3.00	(15,000)
<b>Balance – December 31, 2018</b>	<b>2,259,051</b>	<b>\$2.92</b>	<b>\$1,123,509</b>

## AURANIA RESOURCES LTD.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017

(Expressed in Canadian Dollars)

#### 12. WARRANTS, continued

(xi) The following summarizes the outstanding warrants and brokers' warrants at December 31, 2018:

Issued Number of Warrants	Exercise Price	Expiry Date	Estimated Fair Value
1,069,909	\$3.00	October 19, 2019	\$501,699
1,000,000	\$3.00	December 29, 2019	525,000
79,442	\$3.00	December 29, 2019	43,810
109,700	\$3.00	March 6, 2020	53,000
<b>2,259,051</b>			<b>\$1,123,509</b>

The above warrants have not been included in the computation of diluted net loss per share as they are anti-dilutive. Warrant-pricing models require the use of highly subjective estimates and assumptions including the expected stock price volatility. Changes in the underlying assumptions described in note 10 can materially affect the fair value estimates.

#### 13. 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 ("Key Management").

During 2018 and 2017, the remuneration of Key Management was:

For the year ended December 31,	2018	2017 (note 16)
Management fees corporate <sup>(1)</sup>	<b>\$279,803</b>	\$243,040
Management fees technical <sup>(1)</sup>	<b>256,306</b>	284,169
Director and advisor fees <sup>(2)</sup>	<b>68,396</b>	63,375
Stock-based compensation for Key Management <sup>(3)</sup>	<b>1,116,860</b>	423,638
<b>Total key management compensation expense</b>	<b>\$1,721,365</b>	\$1,014,222

(1) Management fees corporate includes 100% CFO fees, Toronto, 100% salary/benefits of the Country Manager, Ecuador, and 30% of the President's compensation. Management fees technical includes the remaining 70% of the President's compensation and 100% of the compensation paid to the Vice President, Exploration.

(2) Director's fees are \$15,000 per annum or \$3,750 per quarter. From March 2, 2018 to June 13, 2018, Mr. Alfred Lenarciak served as a financial advisor to the Company, at a compensation rate equal to that of a Director. Mr. Lenarciak joined the Board of Directors on June 13, 2018 after being elected a Director at the Company's ASM, and his advisory position was terminated. **See note 18 – Commitments and Contingencies.**

(3) This figure is the fair value expense of vested stock options and RSU's granted to key management .

## AURANIA RESOURCES LTD.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017

(Expressed in Canadian Dollars)

#### 14. EXPLORATION EXPENDITURES

For the years ended December 31,	2018	2017(note 16)
<b>ECUADOR</b>		
<b>GEOLOGY/FIELD:</b>		
- Salaries, benefits	\$914,060	\$138,249
- Camp costs, equipment, supplies	411,151	48,878
- Project management	320,398	195,043
- Travel, accommodation	172,942	198,927
- Office (Quito, Macas)	105,944	67,686
- Environment, health & safety	72,619	24,231
<b>GEOCHEMISTRY</b>	368,680	14,919
<b>GEOPHYSICS</b>	48,039	971,883
<b>CORPORATE SOCIAL RESPONSIBILITY - fees, travel, supplies</b>	609,352	302,776
<b>FINANCIAL AND ADMINISTRATIVE SUPPORT SERVICES <sup>(1)</sup></b>	226,188	70,000
<b>LEGAL COSTS FOR CONCESSION MAINTENANCE</b>	173,617	101,600
<b>CONCESSION MAINTENANCE – permits</b>	2,612,433	82,627
<b>Total exploration expense – Ecuador</b>	<b>\$6,035,423</b>	<b>\$2,216,819</b>

For the years ended December 31,	2018	2017 (note 16)
<b>SWITZERLAND</b>		
<b>GEOLOGY/FIELD:</b>		
- Travel, accommodation	\$478	\$15,887
- Core shack rental fees	1,377	950
<b>Total exploration expense – Switzerland</b>	<b>\$1,855</b>	<b>\$16,837</b>
<b>TOTAL EXPLORATION EXPENSE</b>	<b>\$6,037,278</b>	<b>\$2,233,656</b>

(1) Approximately 50% of the service costs incurred by the Company for the staffing engaged in the Toronto office has been charged to exploration expenditures to reflect the allocation of support services provided directly to the Project.

#### 15. 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. During the years ended December 31, 2018 and 2017, the Company entered into the following transactions with related parties:

- (a) A total of \$150,000 (2017 - \$96,750), plus applicable taxes was charged to the Company by a management company controlled by the President, on account of management consulting fees (the "Fees"). Included in the Fees is a charge of \$6,750 for geographic information systems services provided to the Company by the spouse of the President. Included in accounts payable and accrued liabilities at December 31, 2018 is \$nil (December 31, 2017 - \$21,753) owed to the President's company, for unpaid Fees. These amounts are unsecured, non-interest bearing and due on demand.

## AURANIA RESOURCES LTD.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017

(Expressed in Canadian Dollars)

#### 15. RELATED PARTY TRANSACTIONS, continued

- (b) A total of \$75,000 (2017 - \$66,250), 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.
- (c) A total of \$201,742 (2017 - \$158,607) was charged to the Company by a company controlled by the Vice President, Exploration (“VPX”), on account of Project Management consulting fees. The fees paid in 2017 were related to a partial year and his contract is denominated in US dollars. Included in accounts payable and accrued liabilities at December 31, 2018 is \$nil (December 31, 2017 - \$19,970) owed to the VPX, for unpaid consulting fees. These amounts are unsecured, non-interest bearing and due on demand.
- (d) A total of \$68,396 (2017 - \$63,375) has been recorded as directors’ and advisor fees. Included in accounts payable and accrued liabilities at December 31, 2018 is \$20,003 (December 31, 2017 – \$11,250) owed to the directors for unpaid directors’ fees. These amounts are unsecured, non-interest bearing and due on demand.

#### Service Costs

- (e) From 2013 to 2017, the Company engaged a company controlled by the CEO, director and principal shareholder to provide Base Services (“ServiceCo”). From January 1 to September 30, 2017, the Company paid a total of \$201,235 to ServiceCo for the Bases Services and these costs were allocated in the financial statements as follows: \$53,800 to office and general for rent, \$80,500 (for marketing and telecommunications) to investor relations and \$66,935 to professional and administration fees.
- (f) Effective October 1, 2017 the Company entered into a new arrangement with another service company (“NewServiceCo”), also controlled by the CEO, director, and principal shareholder, to provide different rental space and the Base Services, to the Company. From October 1 to December 31, 2017, a total of \$90,561 (2016 - \$nil) was charged by NewServiceCo for the Base Services provided and costs were allocated in the consolidated financial statements as follows: IT and marketing under investor relations - \$25,411, legal project management under professional and administrative - \$18,933, Controller services under professional and administrative - \$9,605 and rent under office - \$36,612. Included in accounts payable and accrued liabilities at December 31, 2017 is \$55,162 owed to NewServiceCo. These amounts are unsecured, non-interest bearing and due on demand. NewServiceCo provides shared services to one other public and one other private company, in the same rental space.
- (g) During the year ended December 31, 2018, the Company incurred \$42,500 per month for the Base Services provided by New ServiceCo. These monthly costs were allocated in the financial statements as follows: \$18,000 to office and general (including rent and administrative), \$7,000 for investor relations, marketing and IT and \$17,500 direct project costs. Included in accounts payable and accrued liabilities at December 31, 2018 is \$82,500 (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 18 - Commitments and Contingencies.**
- (h) **See note 6 – Acquisition of Ecuasolidus, S.A. and note 9 - Indebtedness**

## AURANIA RESOURCES LTD.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017

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#### 16. 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.

#### 17. SEGMENTED INFORMATION

At December 31, 2018 and 2017, the Company's operations comprised one business segment engaged in mineral exploration and two geographical segments - in Ecuador and Switzerland.

As at and for the year ended December 31, 2018	Corporate <sup>(1)</sup> (\$)	Ecuador (\$)	Total (\$)
Cash	805,854	11,167	817,021
Restricted cash	255,912	-	255,912
Property, plant and equipment	76,790	61,107	137,897
Total assets	1,214,571	93,713	1,308,284
Loans payable	(3,491,976)	-	(3,491,976)
Total liabilities	(3,688,142)	(194,068)	(3,882,210)
Net loss	3,429,273	6,195,071	9,624,344

As at and for the year ended December 31, 2017	Corporate <sup>(1)</sup> (\$)	Ecuador (\$)	Total (\$)
Cash	665,863	5,483	671,346
Property, plant and equipment	17,618	34,955	52,573
Total assets	713,001	75,800	788,801
Loans payable	(1,273,000)	-	(1,273,000)
Total liabilities	(1,620,762)	(117,194)	(1,737,956)
Net loss	7,220,550	2,024,772	9,245,322

<sup>(1)</sup> Corporate includes cash in Switzerland, the segment's only asset.

#### 18. COMMITMENTS AND CONTINGENCIES

##### Environmental Contingencies

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

##### Consulting Agreements

The Company's 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 nine 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.

## AURANIA RESOURCES LTD.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017

(Expressed in Canadian Dollars)

#### 18. COMMITMENTS AND CONTINGENCIES, continued

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 party.

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 (approximately \$166,500) 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 worked for ESA. Should the Company terminate his contract, without cause, after January 1, 2021, he would receive 125% of one-month's salary for each year or fraction of a year worked for ESA.

The Company runs its 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 was \$15,000 per annum and the Board granted to him, 150,000 five-year stock options, with an exercise price of \$2.89. At the Annual and Special Meeting held June 13, 2018, Mr. Lenarciak joined the Board of Directors. Upon becoming a director, Mr. Lenarciak's advisory engagement was terminated. **See note 13 – Key Management Compensation Expense.**

On October 9, 2018, the Company entered into a capital markets support agreement (the "Agreement") with Noble Capital Markets Inc. ("Noble"), a Florida corporation. Noble has been engaged to assist the Company by broadening the Company's exposure within the U.S. and Latin American investment communities. The Company has agreed to pay to Noble – USD111,000 in the first year, paid as follows: USD21,000 paid upon signing the Agreement and USD30,000 paid each three-month period ("Quarterly") thereafter throughout the term of the Agreement. The Agreement commenced on October 1, 2018 ("Commencement Date") and will terminate on the second anniversary, unless extended as by mutual agreement. After a period of eight (8) months following the Commencement Date, the Agreement may be terminated by either party at any time, with or without cause, upon 30 days' prior written notice to the other party.

**See note 15 – Related Party Transactions.**

**See note 20 – Subsequent Events.**

## AURANIA RESOURCES LTD.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(Expressed in Canadian Dollars)

#### 19. INCOME TAXES

##### (a) Provision for income taxes

Major items causing the Company's income tax rate to differ from the federal statutory rate of approximately 0% (2017 – 0%) are as follows:

(Loss) before taxes:	<u>\$<b>(9,624,344)</b></u>	<u>\$<b>(9,245,322)</b></u>
Expected income tax benefit based on statutory rate	-	-
Adjustments to expected income tax benefit:		
Adjustment for taxes in foreign operations	<u>\$<b>(1,701,000)</b></u>	\$ <b>(2,384,000)</b>
Change in foreign exchange rates	<u><b>(284,000)</b></u>	51,000
Acquisition of ESA	-	600,000
Non-deductible expenses	<u><b>5,000</b></u>	140,000
Tax benefits not recognized	<u><b>1,980,000</b></u>	<u><b>1,593,000</b></u>
Deferred income tax	<u><u><b>\$-</b></u></u>	<u><u><b>\$-</b></u></u>

##### (b) Deferred income tax balances

Deferred income tax assets have not been recognized in respect of the following deductible temporary differences:

	2018 (\$)	2017 (\$)
Non-capital losses carry-forwards – Canada	<b>3,471,000</b>	2,114,000
Non-capital losses carry-forwards - Switzerland	<u><b>1,672,000</b></u>	<u>1,816,000</u>
Non-capital losses carry-forwards - Ecuador	<u><b>11,169,000</b></u>	<u>4,743,000</u>

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can use the benefits.

The losses which may reduce taxable income in Canada, amount to approximately \$3,471,000 and expire as follows:

	Amount (\$)	Year of Expiry
	<b>347,000</b>	2033
	<b>341,000</b>	2034
	<b>313,000</b>	2035
	<b>262,000</b>	2036
	<b>850,000</b>	2037
	<u><b>1,358,000</b></u>	2038
	<u><u><b>3,471,000</b></u></u>	

The losses which may reduce taxable income in Switzerland, amount to approximately \$1,672,000 (CHF 1,206,000) and expire as follows:

## AURANIA RESOURCES LTD.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017

(Expressed in Canadian Dollars)

	Amount (\$)	Year of Expiry
	68,000	2019
	590,000	2020
	165,000	2021
	547,000	2022
	199,000	2023
	100,000	2024
	3,000	2025
	<b>1,672,000</b>	

The Company also has approximately \$11,169,000 of non-capital losses in Ecuador, of which \$5,157,000 expire 2022 and \$6,012,000 expire in 2023.

## 20. SUBSEQUENT EVENTS

### Engagement of an Advisor and Granting of Stock Options

Effective January 16, 2019, the Company engaged a senior level financial consultant, on a part-time basis, to serve as an advisor (the "Consultant") to the Company. The Consultant's initial engagement is for six months (the "initial term"), at the end of which, Management will consider retaining him, on a permanent basis. His compensation is \$12,000 per month and concurrent with signing the agreement, the Consultant was granted up to 180,000 stock options at \$3.40 per share. 75,000 of the options will vest at the end of six months and the balance will vest over two years should the Consultant remain with the Company on a permanent basis.

Further on this date, the Company granted an aggregate of 48,000 stock options to two senior employees of ESA. These are five-year options that vest over two years from the date of grant. The exercise price is \$3.40 per share.

### Repayment and Conversion of Convertible Debenture

On January 28, 2019 the Company announced the issuance of 877,192 common shares from treasury in connection with the repayment of a USD2.0 million convertible debenture issued by the Company to Dr. Barron on May 26, 2018. As dictated by the terms of the Debenture, the unpaid principal amount of USD2.0 million, was converted into common shares at the conversion price of \$3.00 per common share, fixed at the March 20, 2018 Bank of Canada exchange rate of USD0.76 to \$1.00 such that the maximum number of common shares to be issued upon the exercise of the conversion right would be 877,192 common shares.

### Extension of 2017 Promissory Note

On January 28, 2019 and concurrent with the below described rights offering, the Company announced that it had negotiated a further extension of the 2017 Promissory Note with Dr. Barron, deferring the maturity date from May 29, 2019 to May 29, 2020 (the "New Maturity Date"), whereupon the principal amount and any accrued interest will be payable to Dr. Barron. The Company is currently indebted to Dr. Barron for \$579,915, pursuant to the Promissory Note. All other terms of the Promissory Note shall remain in full force and effect.

### Rights Offering

On March 8, 2019, the Company announced that it had completed a rights offering ("Rights Offering") for \$5,254,667 (gross), with the issuance of 1,946,172 common shares at \$2.70 per share. Eligible registered brokers were entitled to a commission of 3%, and the cash paid for commissions was \$106,471.

### Stand-By Commitment

In connection with the Rights Offering, the Company entered into a stand-by purchase agreement with Dr. Keith Barron, Chairman and Chief Executive Officer of the Company, for a commitment amount of \$4,000,000 (the

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## **AURANIA RESOURCES LTD.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the years ended December 31, 2018 and 2017**

(Expressed in Canadian Dollars)

“**Stand-By Commitment**”). As a result, Dr. Barron exercised his rights’ entitlement for the purchase of 1,385,790 common shares and purchased an additional 95,691 common shares from the ‘Additional’ shares pool, as agreed. Both the basic and additional shares were purchased for \$2.70 per share. In connection with the Stand-By Commitment for the Rights Offering, Dr. Barron did acquire 1,481,481 common shares.

#### **Payment of 2019 Mineral Concession Fees**

Between March 13 and 15, 2019, a total of USD2,046,475 (\$2,727,235) was paid to the Ecuador government, as payment in full for the renewal of the 2019 Mineral Concession Fees for the Company’s Ecuador Project concessions.



# AURANIA

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**AURANIA RESOURCES LTD.**

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

**For the Year Ended December 31, 2018**

(Expressed in Canadian Dollars unless otherwise indicated)

## 1 INTRODUCTION

The following Management’s Discussion and Analysis (“MD&A”) is a review by the management (“Management”) of Aurania Resources Ltd.’s (“Aurania” or the “Company”) financial condition and results of operations for the years ended December 31, 2018 and 2017. This MD&A is prepared as at April 17, 2019, unless otherwise indicated, and should be read in conjunction with the financial statements for the years ended December 31, 2018 and 2017 (“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”) – <http://www.sedar.com> and are also available on the Company’s website <http://www.aurania.com>.

## 2 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 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 (for gold, silver and copper, for example), currency exchange rates (such as the Canadian Dollar and the Swiss Franc (“CHF”) versus the United States Dollar (“USD”)), changes in accounting policies, risks related to non-core asset disposition, risks related to acquisitions, changes in project parameters as plans continue to be refined, changes in exploration 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, poor success of exploration programs, changes in permitting timelines, 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 to 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.

### 3 2018 HIGHLIGHTS

The following has been achieved over the last year and to the date of this MD&A:

#### EXPLORATION FOCUS:

On May 29, 2017, Aurania acquired Ecuasolidus, S.A., (“Ecuasolidus” or “ESA”), 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 concessions in Ecuador (the “Lost Cities – Cutucu Project” or the “Project”). Exploration continues. **See 4.4 OPERATIONS REVIEW – Projects**

#### EXPLORATION ACHIEVEMENTS ON THE PROJECT:

- Reconnaissance exploration program:
  - Eleven epithermal gold-silver targets have been identified and others are being confirmed through follow-up field work and analytical results;
  - Four porphyry copper targets have been identified, three of which have high-grade copper-silver in sedimentary and volcano-sedimentary strata adjacent to magnetic features evident in geophysical data. The magnetic features are interpreted as clusters of porphyry bodies;
  - A silver-zinc-lead target was identified in the reconnaissance exploration program;
  - The reconnaissance exploration program is now 40% complete with seven teams dedicated to this work;
- Target development:
  - Four teams focused on ridge and spur soil sampling to advance various targets towards scout drilling;
- Scout Drilling, Crunchy Hill:
  - Specific drill targets were defined from the multiple data sets that have been developed over the target area. Seven bore holes of approximately 350 metres (“m”) each are planned for the current scout drilling program;
  - The final authorization for the scout drilling was received and drilling commenced the first week of March 2019;
  - Three discrete targets for epithermal-style gold-silver mineralization are being prepared for scout drilling in the Yawi target area;  
Legislation around scout drilling has been streamlined so that the permitting process should be shorter and the emphasis from the Ministry of the Environment will be on checking on compliance in the field as opposed to bureaucracy related with the application itself; and
  - As at the date of the MD&A, 6 bore holes have been completed for a total of 2,124m. The 7<sup>th</sup> hole is underway.

**See 4.4 OPERATIONS REVIEW – Projects**

#### CORPORATE SOCIAL RESPONSIBILITY (“CSR”)

- Access agreements have been signed with 67% of the communities in the Project area. This work is ongoing.

#### CORPORATE:

- At the Annual and Special Meeting of Shareholders held in June 2018, Aurania added Mr. Alfred Lenarciak to the Board of Directors (“Board”); Mr. Lenarciak has over 25 years of experience in the financing and strategic development of domestic and international resource companies;
- Commenced trading on the Frankfurt Exchange, symbol “20Q” and on the OTCQB Venture Market in the United States, symbol “AUJAF”;

**FINANCE:**

**During the year ended December 31, 2018, the Company raised \$9,677,613 through the issuance of debt and equity and the exercise of stock options and warrants, as follows:**

- Completed two tranches of private placement equity issuances with the issuance of 2,219,400 common shares for gross proceeds of \$4,438,800 (“2018 Offering”). Commissions, legal and accounting fees and transfer agent and regulatory fees for the 2018 Offering totaled \$376,827;
- A total of 1,730,000 stock options were exercised by directors and officers for cash consideration of \$460,000 and \$280,000 settlement of debt;
- A total of 530,536 common share purchase warrants were exercised for cash consideration of \$1,591,608;
- A total of 137,813 agents’ options were exercised for cash consideration of \$275,626;
- These inflows of cash were offset by a repayment of debt to the Lender of \$500,000 cash.
- The Company further issued an unsecured, interest-bearing convertible debenture for \$2,631,579 to Dr. Keith Barron, Chairman, CEO and principal shareholders (the “Lender”). this allowed the Company to renew the full package of exploration concessions; and
- Extended 1,069,909 (non-broker) outstanding common share purchase warrants for one year, to mature on October 19, 2019.

**SUBSEQUENT TO YEAR END**

- The Company engaged a senior level financial consultant as finance and corporate advisor;
- The Lender converted a 2018 convertible debenture into 877,192 common shares;
- The Lender extended the maturity date of a 2017 Promissory Note, to May 29, 2020;
- The Company completed a rights offering (“Rights Offering”) with shareholders of record on February 4, 2019, for gross proceeds of \$5,254,667, with the issuance of 1,946,172 common shares; and
- The Company paid a total of USD2,046,475 to the Ecuador government for the 2019 renewal of the Mineral Concession Fees for Aurania’s 42 mineral concessions.

See 4.18 Subsequent Events

## **4 BACKGROUND**

This report is dated April 17, 2019.

### **The Company**

Aurania Resources Ltd. was incorporated under the laws of Bermuda on June 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, Canada.

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

Keith Barron – Chief Executive Officer, Chairman of the Board of Directors (“Board”) and Director  
Elaine Ellingham – Independent Director  
Gerald Harper – Independent Director  
Marvin Kaiser – Independent Director  
Alfred Lenarciak – Independent Director  
Donna McLean – Chief Financial Officer and Corporate Secretary  
Jean Paul Pallier – Vice President – Exploration (‘VPX’)  
Richard Spencer – President and Director.

### Corporate Office

Suite 1050, 36 Toronto St.  
Toronto, Ontario Canada M5C 2C5  
Tel: (416) 367-3200  
Email: [info@aurania.com](mailto:info@aurania.com); Website: <http://www.aurania.com>

### Registered Office

31 Victoria Street, Hamilton, HM 10, Bermuda.

### Exchange Listings

The Company’s common shares (“Common Shares”) are traded on the TSX Venture Exchange (“TSXV”) under the symbol “ARU”, on the Frankfurt Exchange, symbol “20Q” and on the OTCQB Venture Market under the symbol “AUIAF”.

### Nature of Operations and Company Focus

Aurania is a mineral exploration company engaged in the identification, evaluation, acquisition, and exploration of mineral property interests, with a focus on precious metals and copper.

## 4.1 OVERALL PERFORMANCE

### Statement of Financial Position

For the year ended December 31, 2018, (the “Reporting Period”), the principal changes to the statement of financial position are:

Total cash (available and restricted) increased from \$671,346 at December 31, 2017 to \$1,072,933 at December 31, 2018, as a result of the issuance of 2,219,400 units (“Units”) upon closing the 2018 Offering and the exercise of 560,536 warrants, 137,413 Agents’ Options and 1,030,000 stock options. These issuances resulted in \$6,389,207 net cash being added to treasury.

Property, plant & equipment increased from \$52,573 to \$137,897 primarily due to:

- \$10,564 spent on field and safety equipment for the exploration crews;
- \$56,060 used for the purchase of a hand-held XRF analyzer;
- \$5,591 for furniture and office items for the field office in Macas, Ecuador; and
- \$34,439 used for the acquisition of additional computers, software and security equipment for the Macas and Toronto offices.

Total liabilities for the Reporting Period increased from \$1,737,956 to \$3,882,210 largely as a result of the subscription of a USD2,000,000 convertible debenture (the “Debenture”) by the Lender; this funding was used to pay the 2018 mineral concession fees for the Project. **See 4.6 Liquidity and Capital Resources and 4.7 Equity.**

There were also reductions to total liabilities when the Company agreed: i) to settle \$280,000 of principal owing on a promissory note (the “2017 Promissory Note”), as consideration for the exercise of the Lender’s 700,000 stock options; and ii) to repay \$500,000 cash to the Lender, as permitted. **See 4.7 Equity.**

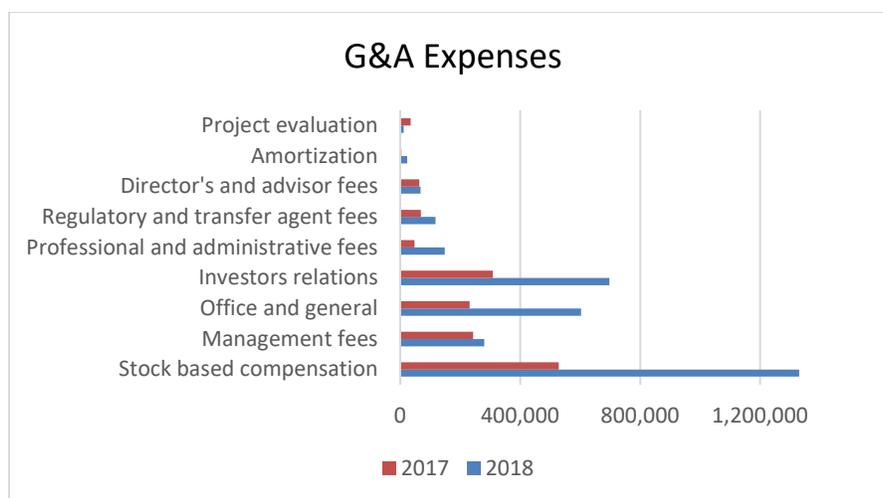
The Company incurred a net loss of \$9,624,344 (2017 - \$9,245,322) for the Reporting Period, which resulted in an increase to accumulated deficit, from \$16,059,021 in 2017 to \$25,668,365.

### Statement of Loss

In general, total net loss for the years ended December 31, 2018 and 2017 were similar in magnitude - \$9,624,344 in 2018 vs. \$9,245,322 in 2017), but dissimilar in nature.

In 2017, the Company spent several months working on the acquisition of ESA in order to advance exploration on the Project area. The recorded costs of acquiring ESA totaled \$5,511,183 (the “Transaction Costs”). These costs included cash, the issuance of shares and the assumption of certain debt (incurred by ESA to pay the 2017 mineral concession fees). Consequently, the Transaction Costs accounted for approximately 60% of the net loss recorded for 2017. Exploration expenditures were \$2,233,656 or 24% of the annual net loss and general and administrative costs (“G&A”) and other items comprised the balance of the 2017 net loss, at \$1,500,483 or 16%.

In 2018, with the Company being fully operational, the Company spent \$6,037,278, or 63% of the 2018 net loss, on field-related exploration. The remaining 37% of the 2018 loss was attributable to corporate overhead and accrued estimates for stock-based compensation and amortization expense.



See 4.4 PROJECTS REVIEW – Operations for Exploration expenditures

The main components of 2018/2017 corporate costs were as follows:

- i. Stock-based compensation expense of \$1,330,366 (2017 – \$528,224). This included \$831,110 (2017 - \$453,675) assigned as the fair value of new options granted during the year and \$499,256 (2017 - \$70,549) recorded for the fair value of vested options granted in prior year(s). **See note 11 – Stock-based Compensation** in the Annual Financial Statements;
- ii. Investor relations \$697,343 (2017 - \$309,452): Expanded marketing efforts with an increased focus on social media and domestic and international presentations to potential investors all resulted in higher expenditures in this area. \$236,422 was expended for booth rental, materials and travel and accommodation costs associated with the Company’s exhibiting at investment conferences in Canada, USA, Europe and Asia and for broker/fund presentations; \$270,926 was expended for external consulting (capital markets support); \$132,945 for internal investor and corporate relations support; \$39,189 for social media videos, e-blasts, press releases and other social media communications and \$17,860 for conducting the Annual and Special General Meeting of Shareholders (“ASM”) held in June 2018.
- iii. Office and general \$603,066 (2017 - \$231,910): Increased office and general costs of approximately \$30,000 per month resulted from added service costs, including financial and administrative consulting fees (**see 4.16 Commitments and Contingencies**), and costs to equip and maintain offices in Quito and Macas, Ecuador;
- iv. Management fees of \$279,803 (2017 - \$243,040): Management fees are higher in 2018 primarily due to: i) a 25% increase in the compensation of the CFO from \$60,000 to \$75,000 per annum, ii) the compensation recorded for the President includes fees paid for the entire period whereas in 2017, he joined the Company only in March. Directors’ fees remained constant at \$15,000 per annum, per director, year-over-year,

however a director was added to the Board of Directors at the ASM held in June 2018; **See 4.8 Key Management Compensation Expense;**

- v. Professional and administrative fees \$148,303 (2017 - \$48,197); these fees include outside professional legal (corporate) and accounting fees and internal administrative costs. These costs increased across the Company’s three administrative centres, commensurate with the higher level of operational activity in the year. **See 4.16 Commitments and Contingencies;**
- vi. Regulatory and transfer agent fees \$117,545 (2017 - \$68,656) increased by approximately 170% largely due to the increased share capital activity associated with the 2018 Offering. Included in these costs are the monthly costs and costs incurred for the 2018 the Offering, for transfer agency fees, monthly sustaining and Offering fees for the TSX-V, SEDAR filing fees and annual corporate public company fees charged to all Bermuda-registered companies. Approximately \$25,000 was incurred to list the Company on the OTCQB Venture Market and Frankfurt Exchange.
- vii. Amortization of \$23,023 (2017 - \$4,051) increased year-over-year with additional purchases of field and safety equipment to outfit added exploration teams and computers and security equipment for the Macas office and additional hardware/software for the expanded CSR team.

### Statement of Cash Flows

In both 2018 and 2017, the Company added to treasury through equity financings and the issuance of debt.

For the Reporting Period, financing activities of the Company provided \$8,520,786 cash (2017 - \$4,904,778) to fund its operations. The net available cash position increased by \$145,676 to \$817,021 (2017 - \$667,404 to \$671,346). The Company also has \$255,000 restricted cash pursuant to an interest-bearing guaranteed investment certificate which is maturing in December 2019. **See 4.6 Liquidity and Capital Resources.**

Cash Flow Activities	Year ended December 31, 2018	Year ended December 31, 2017
Operating	<b>\$(8,010,852)</b>	\$(3,481,821)
Financing	<b>8,520,786</b>	4,904,778
Investing	<b>(364,259)</b>	(755,553)
<b>Increase in cash during the period</b>	<b>\$145,675</b>	\$667,404

### Operating Activities

Net cash used in operating activities was \$8,010,852, of which the main components were:

- Payment of the 2018 mineral concession-related fees of \$2,626,449 and \$173,617 of legal and other costs related to maintaining the mineral concessions in good standing;
- \$3,249,373 of field-related exploration expenditures; **See 4.4 Operations Review;**
- \$751,369 of office overhead and corporate non-executive personnel costs;
- \$697,342 spent on capital market (consulting) support and investor and corporate relations; and
- \$279,803 for compensation for our senior executives in Toronto and Ecuador.

In 2017, the main components of the operating activities were \$2,233,656 of exploration expenditures (including a geophysical survey costing \$971,883), \$280,107 of office overhead and corporate non-executive personnel costs, \$309,452 spent on capital market (consulting) support and investor and corporation relations and \$243,040 for compensation for our senior executives in Toronto and Ecuador. The difference in spending year-over-year is directly related to the Company transitioning from start-up to fully-operational.

**Financing Activities**

Cash generated during the Reporting Period included:

- \$4,061,973 (net) from the 2018 Offering private placement;
- \$2,631,579 from the issuance of a convertible debenture. **See section Indebtedness in 4.6 Liquidity and Capital Resources;**
- \$1,591,608 from the exercise of common share purchase warrants;
- \$460,000 from the exercise of incentive stock options; and
- \$275,626 from the exercise of agents’ options.

In the prior year, financing activities consisted of (net) \$5,867,298 from the 2017 Offering private placement, \$20,000 from the exercise of stock options and \$425,094 advances from a promissory note loan. Partial repayments of \$1,407,614 against the balances owing for a convertible debenture and promissory note reduced total liabilities during the prior year.

**4.2 SELECTED ANNUAL INFORMATION**

<b>STATEMENTS OF LOSS</b>	<b>Year ended December 31, 2018</b>	<b>Year ended December 31, 2017</b>	<b>Year ended December 31, 2016</b>
Exploration expenses	<b>\$6,037,278</b>	\$2,233,656	\$76,191
Compensation - Stock-based compensation expense, management, directors’ and advisor fees	<b>1,678,566</b>	834,639	252,337
Corporate costs	<b>1,566,258</b>	697,744	184,263
Total expenses before other items	<b>9,316,663</b>	3,766,039	512,791
<b>Other income/expenses:</b>			
Costs associated with acquisition of ESA	-	5,511,183	-
(Gain) loss on foreign exchange and derivative	<b>25,641</b>	(46,347)	5,508
Interest income	<b>(9,127)</b>	-	-
Interest expense	<b>291,167</b>	14,447	-
<b>Loss for the period</b>	<b>\$9,624,344</b>	<b>\$9,245,322</b>	<b>\$518,299</b>

<b>FINANCIAL POSITION AS AT</b>	<b>December 31, 2018</b>	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Cash and restricted cash	<b>\$1,072,933</b>	\$671,346	\$3,942
Prepaid expenses and sundry receivables	<b>97,454</b>	64,882	2,512
Property, plant and equipment	<b>137,897</b>	52,573	-
Total assets	<b>\$1,308,284</b>	\$788,801	\$6,454
Total liabilities	<b>\$3,882,210</b>	\$1,737,956	\$641,351
Shareholders’ equity (deficiency)	<b>\$(2,573,926)</b>	\$(949,155)	\$(634,897)
Deficit	<b>\$(25,668,365)</b>	\$(16,059,021)	\$(6,813,699)

### 4.3 SEGMENTED INFORMATION

At December 31, 2018 and 2017, the Company’s operations comprised one business segment engaged in mineral exploration and two geographical segments - in Ecuador and Switzerland.

As at and for the year ended December 31, 2018	Corporate <sup>(1)</sup> (\$)	Ecuador (\$)	Total (\$)
Available and Restricted Cash	1,061,766	11,167	<b>1,072,933</b>
Property, plant and equipment	76,790	61,107	<b>137,897</b>
Total assets	1,214,571	93,713	<b>1,308,824</b>
Loans payable	(3,491,976)	-	<b>(3,491,976)</b>
Total liabilities	(3,688,142)	(194,068)	<b>(3,882,209)</b>
Net loss	3,429,273	6,195,071	<b>9,624,344</b>

As at and for the year ended December 31, 2017	Corporate <sup>(1)</sup> (\$)	Ecuador (\$)	Total (\$)
Available and Restricted Cash	665,863	5,483	<b>671,346</b>
Property, plant and equipment	17,618	34,955	<b>52,573</b>
Total assets	713,001	75,800	<b>788,801</b>
Loans payable	(1,273,000)	-	<b>(1,273,000)</b>
Total liabilities	(1,620,762)	(117,194)	<b>(1,737,956)</b>
Net loss	7,220,550	2,024,772	<b>9,245,322</b>

<sup>(1)</sup> Corporate includes cash in Switzerland, the segment’s only asset.

### 4.4 OPERATIONS REVIEW

#### ECUADOR

##### Mineral Concessions and Obligations

Post-closing of the Transaction, the Company became the holder of the rights, title and interest in the Lost Cities Project, comprised of 42 mineral concessions that constitute the 207,764 hectare (“Ha”) Project area in Ecuador. The concessions were granted on December 27 and 28, 2016, and are valid for 25 years, renewable for a subsequent 25 years, provided that the concessions are maintained in good standing.

Mineral concessions in Ecuador are regulated according to the following timeframes:

- up to four years of initial exploration;
- up to four years of advanced exploration;
- up to two years of economic evaluation of the deposit, which can be extended for an additional two-year period; and
- thereafter, the concessions are in the exploitation phase.

The key requirements for maintaining the good standing of concessions have been met as follows (see note 9 – **Indebtedness** in the Annual Financial Statements) and the Table below:

- Year 1 (ended December 2017 and Annual Reports presented to the Ecuadorian authorities by March 31, 2018):
  - Concession fees of USD1,973,198 (USD9.50/Ha) were paid by March 31, 2017; and
  - Expenditure on the concessions must have exceeded the larger of the USD5.00/Ha (USD1,038,820) required by law or the USD1,060,000 committed by the Company. In-country expenditure recorded in the annual reports presented to the Ecuadorian authorities for 2017, was USD3,354,497, which far exceeded the committed minimum expenditure;

- Year 2 (ended December 2018 and Annual Reports presented to the Ecuadorian authorities by March 31, 2019):
  - Concession fees of USD2,004,923 (USD9.65/Ha) were paid by March 31, 2018; and
  - Expenditure on the concessions must have exceeded the larger of the USD5.00/Ha (USD1,038,820) required by law or the USD1,090,000 committed by the Company. The in-country expenditure recorded in the annual reports presented to the Ecuadorian authorities for 2018, was USD4,396,820, which far exceeded the committed minimum expenditure.
- The Environmental Registration and Environmental Management Plan required for exploration of the concessions were received on June 30, 2017, and both are valid for the 4-year term of Initial Exploration.

Year	Concession Fees (USD)	Minimum Expenditure Required (USD)	Committed Expenditure (USD)	Actual Expenditure (USD)
1 (2017)	1,973,198	1,038,820	1,060,000	3,354,497
2 (2018)	2,004,923	1,038,820	1,090,000	4,396,820
3 (2019)	2,046,475	2,077,640	2,098,000	Will be reported in March 2020
4 (2020)	2,050,000 (Est.)	2,077,640	Not yet determined	Will be reported in March 2021

The size of the concession area constituting the Project may be reduced at the Company’s discretion based on exploration results. The high annual concession fees provide a strong incentive to reduce the size of the Project area. The national concession application process was closed in December 2017 and is expected to re-open sometime in 2019. The closure of the concession application process was for government administrative purposes. Consequently, no new concessions may be added to the Project area at this time. Mineral concessions may be cancelled by the State for various reasons, principally as a result of negligence or misrepresentation on the part of the patent holder.

#### **Future Mineral Concession Maintenance Requirements**

Maintenance of the full 42-concession package through the Initial Exploration phase requires the following expenditure, summarized in the Table above:

- Year 3 (up to December 2019):
  - Concession fees of USD2,046,475 (USD9.85/Ha) which were paid by March 31, 2019; and
  - Expenditure on the concessions must exceed the larger of the USD10.00/Ha (USD2,077,640) required by law or the USD2,098,000 committed by the Company;
- Year 4 (up to December 2020):
  - Concession fees of approximately USD2,050,000 (USD9.87/Ha) to be paid by March 31, 2020; and
  - Expenditure on the concessions must exceed the larger of the USD5.00 (USD1,038,820) required by law or a higher amount committed by the Company, and to be determined by March 31, 2020.

In Year 5 and beyond, the Company would be regulated by the requirements for conducting “Advanced Exploration” on selected target areas and hence required minimum expenditure cannot be estimated by Management at the reporting date.

### **New Legislation**

Legislation recently enacted allows for scout drilling to be conducted during the initial phase of exploration. All drilling had previously required a change in status of a concession to “Advanced Exploration”, which involved additional submissions to the Ministries of Electricity & Non-Renewable Resources and Environment. Further recent legislative changes are aimed at streamlining the application process for scout drilling. Applications will now be submitted electronically, which is expected to free up more time for the environmental authorities to monitor scout drilling activities in the field.

### **Reconnaissance Exploration**

The Company’s regional exploration program involves blanket coverage of the Project in a stream sediment sampling program. 40% of the Project area has been covered to date. Analysis of these samples is used to identify areas of metal enrichment. These areas are prioritized as targets based on the combination of elements enriched in the drainage area, the extent to which the elements of interest are enriched, the size of the area of enrichment, as well as its association with geophysical features. Seven exploration teams are involved in the stream sediment sampling program.

### **Target Development**

Clay-rich soil, such as that prevalent throughout the Project area, is efficient at capturing metals weathered from the underlying rock. The sampling of soil along ridge crests (“ridge and spur”) or subsequently in a regular grid, provides a reliable method of homing in on the source of metals that drained into the rivers, giving rise to the enrichment detected in the stream sediment sampling program. Four teams are currently engaged in the sampling of soils in order to more precisely locate the source of metals in the target areas.

Targets identified to-date are:

- Eleven epithermal-style targets with potential for gold and silver mineralization;
- Four porphyry-related targets with potential for copper-silver mineralization; and
- One “manto” - style target for silver-zinc-lead mineralization.

Soil sampling is underway on the four epithermal target areas that have been identified in the Yawi area, and on two of the copper-silver target areas. These targets are being mapped and rock-chip samples are being taken from mineralized or altered boulders and outcrops in order to refine the nature and location of each target.

### **Scout Drilling**

Scout drilling constitutes an integral part of exploration in deeply weathered and jungle-covered terrain such as that in the Project area. Scout drilling is necessary to confirm the validity of each target and will routinely be undertaken on the highest priority targets as part of the exploration program.

The current priorities for scout drilling are as follows:

- Crunchy Hill: drilling started the first week of March 2019. The plan is to drill seven diamond drill holes of approximately 350m each, totaling approximately 2,500m. This initial plan is likely to change as results are received from the first bore holes. The Crunchy Hill target is accessible by paved highway;
- Yawi 1, 2 and 3: More detailed exploration at the Yawi target area has defined four specific target areas. Three of these four targets are being prepared for scout drilling after Crunchy Hill;
- Additional target areas are currently undergoing detailed exploration and will be prioritized for scout drilling. The intention is that the man-portable diamond drill rig will move sequentially from one target to the next, providing that enough funding is available to maintain this pace of exploration; and
- As at the date of the MD&A, 6 bore holes have been completed for a total of 2,124m. The 7<sup>th</sup> hole is underway.

### Corporate Social Responsibility

The Company’s CSR team, under the guidance of Toronto-based O-Trade, has developed a complete Social Management Plan (SMP) to manage and mitigate social risk. The SMP includes early stakeholder engagement, social impact analysis, and defines partnerships with the Ecuadorian government. Specifically, the Company is working with the ministries of the Environment, Health, Agriculture and Education, in addition to its normal-course interaction with the Ministry of Electricity and Non-Renewable Resources. By principle, all strategies and their implementation recognize and honour human and indigenous rights. Formal access agreements have been established with 67% of communities that lie within the Project area. Improved access for the Company’s exploration teams has benefitted five communities directly and nine indirectly. The exploration team has created over 350 part-time work opportunities, equitably distributed across 36 communities and has engaged 21 local suppliers to provide consumables and services, such as transportation. Contaminated water, poor sanitation, and poor hygiene have been identified as the prime risk to the health of people living and working in the area, for which the Company is investing in education on basic sanitation and water purification methods. Over 500 families have benefitted from these basic, on-going training programs.

### Lost Cities – Cutucu Project - Exploration Expenditures

For the year ended December 31, 2018 total field-related expenses increased from \$2,233,656 in 2017 to \$6,037,278 in 2018. In general, the Company acquired the Project in late May 2017 therefore the costs presented only represent seven months of 2017 exploration activity, compared to a full year of activity reported for 2018. The main expenditures in 2017 were related to the planning, implementation and assessment of a magnetic geophysical survey over the whole Project area. In 2018, the technical focus shifted to regional exploration including prospecting, soil sampling and interpretation of the geophysical survey in order to identify drill targets for further exploration in 2019. **See Target Development above.** Further, a substantial focus of Management has also been on managing and mitigating Social Risk. **See Corporate Social Responsibility above.** Concession maintenance in Ecuador is rigorous. An annual report of expenditures must be filed for every concession held, along with the remittance of the prescribed concession fees. The Company engages a third party auditor and legal counsel to ensure that the filings are completed and remitted on an accurate and timely basis.

During the year ended December 31, 2018 (**YEAR 2**), the Company recorded exploration expenses for the Project, for the work undertaken as described above, totaling \$6,035,423 (2017 -\$2,216,819 (**YEAR 1**)).

The exploration expenditures for **YEAR 2** included:

#### **GEOLOGY/FIELD:**

- **\$914,060** (\$138,249) for salaries and consulting fees for the exploration teams comprised of geologists, guides and other part-time or occasional field assistants;
- **\$411,151** (\$48,878) for field supplies and equipment and food and accommodation for the exploration teams;
- **\$320,398** (\$195,043) for project management fees; this includes salaries and benefits for the VP Exploration and 70% of the consulting fees of the President, for the proportionate allocation of his time spent on the Project;
- **\$172,942** (\$198,927) for in-country and international travel for the exploration team members;
- **\$72,619** (\$24,231) for an in-house specialist in environment, health & safety matters;
- **\$105,944** (\$67,686) for overhead including rent, telecommunications and administrator for the Macas office.

#### **GEOCHEMISTRY:**

- **\$368,680** (\$14,919) for the processing and assay of 1,515 stream sediment samples, 2,985 soil samples and 821 rock-chip samples.

#### **GEOPHYSICS:**

- **\$48,039** (\$971,883) for consulting fees for on-going interpretation of data from the heliborne magnetic survey that was completed in 2017 (see below);

**CORPORATE SOCIAL RESPONSIBILITY:**

- **\$609,352** (\$302,776) for consulting fees, field costs, travel and accommodation of the CSR team, and various community initiatives;

**SUPPORT SERVICES (TORONTO):**

- **\$226,188** (\$70,000) – approximately \$20,000 month for Toronto personnel in the areas of project accounting, legal, translation, IT, communications and administration for the Project;

**LEGAL COSTS FOR CONCESSION MAINTENANCE:**

- **\$173,617** (\$101,600) for legal and other professional costs related to acquisition and maintenance of permits, CSR access permissions and annual reporting to maintain the concessions in good standing;

**ANNUAL MINERAL CONCESSION FEES:**

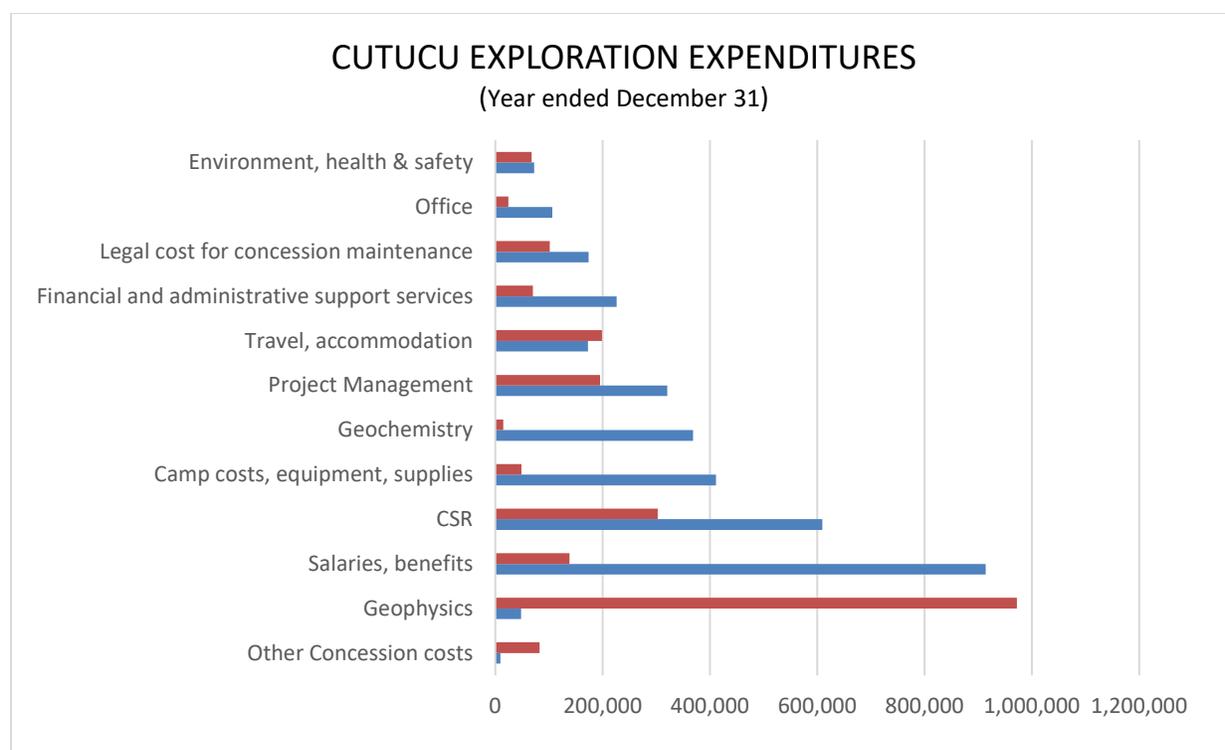
- USD2,004,923/\$2,612,433 (\$82,627 – **see below**) in annual and other fees for the 42 concessions, were paid to the State.

The exploration expenditures for **YEAR 1** (shown in brackets above) were similar in nature, except that in 2017:

- A total of \$971,883 was incurred for the heliborne geophysics survey. This included \$837,986 to the geophysics contractor and \$33,897 to the independent consultant that the Company contracted to perform quality assessment and quality control throughout the survey period. The consultant continues to assist with the processing and analysis of the data to define and refine target areas;
- A total of \$82,627 was spent on consulting fees of other professionals engaged to acquire and maintain the mineral concessions;
- A total of USD1,973,198 or USD9.50/Ha was paid for the mineral concession fees, however they were paid prior to the acquisition of the Project and the cost is reflected in Costs associated with the acquisition of ESA on the consolidated statement of loss; and
- The Company acquired the Project in late May 2017 and the remaining seven months activity in 2017 was principally devoted to i) the planning, implementation and completion of the geophysical survey and ii) mobilization and implementation of the Company’s CSR program to obtain access permissions from the communities to advance regional field exploration planned for and carried out in 2018.

**Lost Cities – Cutucu Project G&A Expenditures**

Ongoing rent, supplies, utilities, insurance, taxes and telecommunications costs are approximately \$15,000 per month for the Quito office and an apartment (maintained by the Company to accommodate Senior Management, consultants and others making corporate-related visits to Quito and site visits to the Project instead of using hotels). These costs are allocated in the Annual Financial Statements on the statement of loss in office and general and professional and administration fees.



**Note: In 2018 the Company paid Concession fees of USD2,004,923 (USD9.65/Ha) for the Project area concessions. In 2017, Concession fees of USD1,973,198 (USD9.50/Ha) were paid in March 2017 by Ecuasolidus, for the same Project area concessions. This cost was assumed by the Company, in the Transaction Costs recorded in May 2017.**

#### 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.

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 December 31, 2018, Management is unaware of any change in the status of the Permits. A total of \$1,855 was spent on filing and core shack rental fees and travel expense for the VPX’s visits to Switzerland, to ensure regulatory compliance, during the Reporting Period. **See note 14 Exploration Expenditures in the Annual Financial Statements.**

#### 4.5 FOURTH QUARTER RESULTS

During the three months ended December 31, 2018:

- ✓ Current assets decreased to \$1,170,387 from \$2,355,931. Operational spending was approximately \$460,000 per month, of which 80% or \$1,146,897, was related to Project costs.
- ✓ Property, plant and equipment increased to \$137,897 with purchases of additional field equipment and supplies of \$22,385.

- ✓ Liabilities increased from \$3,660,935 to \$3,882,210, primarily with additional accrued interest of \$32,513 and an increase to the fair value of the convertible debenture and derivative liability of \$259,780 as a result of the periodic re-evaluation performed at each report date
- ✓ Share capital increased from \$22,646,293 to \$23,094,439 (increase of \$448,146) due to the exercise of 96,313 agents’ options and the issuance of 33,500 common shares for vested RSU’s. Additional stock-based compensation expense added \$297,978 to contributed surplus.

The Company incurred \$789,897 for corporate costs during Q4 2018. These costs were principally incurred for: \$297,978 (38%) for stock-based compensation expense, \$174,240 (22%) for capital market support and marketing charged to investor relations and \$237,750 (30%) to office and corporate overhead. Overhead costs include the costs to equip, maintain and staff the offices in Toronto, Quito and Macas. Approximately 50% of the Toronto staffing costs are charged to exploration.

The Company incurred the following exploration-related costs during Q4 2018. (see annual costs for description details of the expenses):

**GEOLOGY/FIELD:**

- **\$288,075** salaries and benefits due to the exploration teams; extra payments were paid out during the quarter for additional source deductions and year-end benefit payments;
- **\$148,446** for camp-related costs (including field supplies and equipment; in 2017, \$12,753 was spent mostly on field equipment and supplies – no camp costs;
- **\$70,895** for project management fees as described above in the annual section; no change to the compensation rates per standing agreements;
- **\$30,495** for in-country and international travel for the exploration team members;
- **\$28,933** for an in-house specialist in environment, health & safety matters; this work was nominal in 2017 and was broadened in 2018 to a full-time position, due to increased workload from the expanded exploration program;
- **\$25,922** for overhead including rent and supplies, telecommunications and security and insurance for the Macas office. 24/7 security was engaged late in the year to safeguard the Company’s capital assets;

**GEOCHEMISTRY:**

- **\$150,175** there was a significant increase in the number of samples sent to the lab for processing and assay; no similar activity was conducted in the prior year.

**GEOPHYSICS:**

- **\$19,323** – the Company continues to interpret of heliborne magnetic survey from 2017 with assistance from an independent consultant; the survey was completed in Q4 2017;

**CORPORATE SOCIAL RESPONSIBILITY:**

- **\$203,049** for consulting fees, field costs and travel and accommodation of the CSR team and associated community-orientated programs;

**SUPPORT SERVICES (TORONTO):**

- **\$52,500** – see above for description of these costs – no change during Q4 2018.

**LEGAL AND OTHER COSTS FOR CONCESSION MAINTENANCE:**

- **\$129,084** - the Company relies on local legal and other professionals to prepare the annual report and other documentation required to be submitted as ongoing concession maintenance – see **4.4 Operations Review**. These costs in 2017 were captured under Costs Associated with acquisition of Ecuasolidus S.A. on the statements of loss.

#### 4.5 SUMMARY OF QUARTERLY RESULTS

Quarters Ended	Net revenue (\$)	Net Loss (\$)	Loss per Share (\$)
December 31, 2018	-	2,102,577	0.05
September 30, 2018	-	1,512,335	0.05
June 30, 2018	-	1,948,898	0.07
March 31, 2018	-	4,060,534	0.15
December 31, 2017	-	1,690,093	0.06
September 30, 2017	-	1,418,620	0.05
June 30, 2017	-	5,949,606	0.24
March 31, 2017	-	187,005	0.01

#### 4.6 LIQUIDITY AND CAPITAL RESOURCES

The Company considers the capital that it manages to include share capital, share premium, warrants, contributed surplus and deficit, which at December 31, 2018 was a deficit of \$(2,573,926) (December 31, 2017 - \$(949,155)). The Company manages and adjusts its capital structure based on the funds needed in order to support the acquisition, exploration and development of mineral properties. Management does this considering 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 year ended December 31, 2018.

The Company is not subject to externally imposed capital requirements by a lending institution or regulatory body, other than those of the 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 December 31, 2018, the Company may not be compliant with the policies of the TSXV. The impact of this non-compliance is not known and is ultimately dependent on the discretion of the TSXV.

The Company’s continued existence is dependent upon Management’s ability to obtain the necessary financing to advance exploration on its Project. The following represent the main sources of funding during fiscal 2018:

##### Indebtedness

##### **Promissory Note - Mineral Concessions Loan (“MCL1”)**

At the beginning of 2018, the Company owed \$1,273,000, principal and interest, to the Lender for the balance of MCL1.

On April 2, 2018 the Lender settled \$280,000 of MCL1 in consideration of exercising his 700,000 stock options, at \$0.40 per option. Accordingly, the Company issued 700,000 common shares to the Lender in exchange for reducing the principal owing on MCL1 by USD217,168 (\$280,000). On August 16, 2018 the Company repaid \$500,000 of MCL1 to the Lender, as permitted. At December 31, 2018, the accrued interest owing on MCL1 is \$34,347 (December 31, 2017 - \$15,100).

On May 29, 2018 the Lender extended the maturity date of the MCL1 to May 29, 2019 and on January 28, 2019 the Lender agreed to further extend the maturity date of the MCL1 to May 29, 2020. **See 4.18 - Subsequent Events.**

For the year ended December 31,	2018	2017
<b>Balance, beginning of year</b>	<b>\$1,273,000</b>	\$-
Initial funds loaned USD2,000,000	-	2,703,560
Cash repayment on closing of the Transaction	-	(1,351,780)
Accrued interest for 2018/2017	<b>19,247</b>	15,100
Settlements of debt (cash and shares)	<b>(780,000)</b>	-
Foreign exchange translation loss	<b>67,668</b>	(93,880)
<b>Balance, end of year</b>	<b>\$579,915</b>	\$1,273,000

### Convertible Debenture – Mineral Concession Loan (“MCL2”)

On May 22, 2018 the Company issued a USD2,000,000 face value Convertible Debenture, due May 29, 2019 for net proceeds of \$2,631,579. The Debenture accrues interest at 2% per annum, payable in cash at maturity. The principal amount may be converted at the option of the holder at any time during the term to maturity into a fixed number of 877,192 shares of Aurania’s common stock. Because the instrument is denominated in USD, Management has concluded that this derivative financial instrument requires bifurcation and liability classification, at fair value. Current standards contemplate that the classification of financial instruments requires evaluation at each reporting date.

The following table reflects the allocation of the proceeds and subsequent reporting since the financing date:

For the year ended December 31,	2018
<b>Balance, beginning of year</b>	\$-
Proceeds of MCL2	2,631,579
Embedded derivative at issue date of MCL2	(426,827)
Interest expense (accretion and coupon)	32,156
Amortization of debt discount	239,764
<b>Balance, end of year</b>	<b>\$2,476,672</b>

The carrying value of the Debenture at December 31, 2018 is \$2,444,516 (2017 - \$nil) and accrued interest from inception to December 31, 2018 is \$32,156. Discounts (premiums) are amortized through charges (credits) to interest expense over the term of the debt agreement. Amortization of debt discounts (premiums) amounted to \$239,764 during the period from inception to December 31, 2018.

The carrying value of the embedded derivative liability is on the statement of financial position, with changes in the carrying value being recorded as derivative (gain) loss on the consolidated statement of loss, in the Annual Financial Statements. The fair value of the embedded derivative liability at December 31, 2018 was \$435,390 and the loss on derivative for the period from inception to December 31, 2018 was \$8,563.

On February 4, 2019 the Lender converted MCL2 into 877,192 common shares. **See 4.18 – Subsequent Events.**

### Promissory Note - Other

In the year ended December 31, 2017, the Company relied on advances from the Lender in the amount of \$207,972 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 in 2017.

### Standby Letter of Credit and Restricted Cash

The Company has established a refundable reserve in the principal amount of \$255,000 as a requirement of the payment clearing processor responsible for transmitting funds by credit card subscriptions in respect of the 2018

Offering. The reserve is invested in an interest-bearing guaranteed investment certificate issued by a Canadian Chartered Bank. The reserve is required to be in place until December 18, 2019. Accrued interest from inception to December 31, 2018 is \$912.

### **Capital Financings**

Capital financing activities in the Reporting Period generated a net cash inflow of \$6,389,207 (after deducting \$379,827 share issue costs) from:

- \$4,061,973 from the 2018 Offering was comprised of Units priced at \$2.00, with each unit consisting of a Common Share and a half warrant, with each full warrant, valid for 18 months, being the right to purchase a Common Share at a price of \$3.00. The 2018 Offering closed in two tranches as follows:
  - Tranche 1 was for gross proceeds of \$4,000,000 through the issue of 2,000,000 Units and closed on June 29, 2018;
  - Tranche 2 was for gross proceeds of \$438,800 through the sale of 219,400 Units and closed on September 6, 2018;
- 1,030,000 stock options were exercised for proceeds of \$460,000;
- A total of 700,000 stock options were exercised for consideration of \$280,000 and the proceeds used to reduce debt (**see below**);
- 530,536 warrants from the 2017 Offering were exercised for proceeds of \$1,591,608; and
- One of the agents who participated in the 2017 Offering exercised 41,650 Agents’ Options. A payment of \$2.00 per option (\$83,300 in total) resulted in the issuance of 41,650 common shares and 20,825 warrants (with the same terms as the 2017 Offering warrants, including an expiry date of October 19, 2018)
- An additional 96,163 Agents’ Options were exercised for \$192,326; as a result, 96,163 common shares were issued to the agents. (No warrants were issued as the exercise occurred too close to expiry).

### **Funding Outlook**

As the Company currently has no source of revenues or cash flow, periodic financings are required to advance exploration at the Project, to meet ongoing obligations and discharge the Company’s liabilities in the normal course of business. As anticipated, the majority of the 2017 Offering financing was spent on Project acquisition, training and mobilizing the exploration teams, implementing a CSR program and establishing bases of operation, commencing exploration as well as conducting the heliborne geophysics survey over the Project area and environs.

The 2018 Offering was earmarked and principally used for continuing the reconnaissance exploration program and follow-up exploration to prepare targets for scout drilling, as well as for working capital purposes. On March 8, 2019, the Company completed the Rights Offering, which was made available to shareholders of record at February 4, 2019. The proceeds of the Rights Offering, before legal costs and commissions yielded \$5,254,667 to readily available cash. These funds have been earmarked for the costs of scout drilling, payment of the 2019 concession fees, CSR and corporate costs in both Ecuador and Toronto. Management will most likely pursue additional financing to continue its scout drilling program through 2019; the sources of which may include equity issuances, short-term loans and the exercise of warrants and stock options.

## **4.7 EQUITY**

Activity in the Company’s equity accounts is more fully described in **notes 10 to 12** in the Annual Financial Statements.

**Share Capital**

Activity during the year ended December 31, 2018 included:

	# Shares	Par Value	Share Premium
<b>Balance – December 31, 2017</b>	<b>27,385,625</b>	<b>\$273</b>	<b>\$13,019,518</b>
Shares issued for private placement	2,219,400	22	4,061,951
Shares issued for exercise of options	1,730,000	18	1,272,070
Shares issued for exercise of warrants	530,536	5	1,840,380
Shares issued for exercise of agents’ options	137,813	1	409,023
Shares issued for RSU’s	33,500	-	17,047
Fair value of warrants issued	-	-	(636,810)
<b>Balance – December 31, 2018</b>	<b>32,036,874</b>	<b>\$319</b>	<b>\$19,983,179</b>

**Stock Options**

Stock option activity during the year ended December 31, 2018 included:

	Number of Options	Weighted Average Exercise Price	Estimated Fair Value
<b>Balance - December 31, 2017</b>	<b>2,695,000</b>	<b>\$0.80</b>	<b>\$1,134,838</b>
Issued	250,000	2.89	406,223
Issued	300,000	2.68	423,719
Exercised	(1,700,000)	(0.40)	(506,294)
Exercised	(30,000)	(2.00)	(25,794)
Issued	1,260	3.00	1,168
Stock-based compensation expense	-	-	372,992
<b>Balance – December 31, 2018</b>	<b>1,516,260</b>	<b>\$2.92</b>	<b>\$1,806,852</b>

The following summarizes the stock options outstanding at December 31, 2018:

Issued Number of Options	Exercisable Number of Options	Exercise Price	Expiry Date	Estimated Fair Value
30,000	30,000	\$2.00	May 3, 2019	\$25,792
1,260	1,260	\$3.00	May 26, 2020	1,168
415,000	415,000	\$0.60	July 13, 2021	218,238
150,000	100,000	\$2.30	May 26, 2022	254,797
370,000	246,667	\$2.00	November 2, 2022	476,915
250,000	83,250	\$2.89	March 2, 2023	406,223
300,000	100,000	\$2.68	April 5, 2023	423,719
<b>1,516,260</b>	<b>976,177</b>			<b>\$1,806,852</b>

**Restricted Stock Units (“RSU’s”)**

The following summarizes the RSU activity during the year ended December 31, 2018:

	Number of RSUs	Weighted Average Fair Value	Estimated Fair Value
<b>Balance – December 31, 2017</b>	<b>124,500</b>	<b>\$1.35</b>	<b>\$23,363</b>
RSU’s cancelled	(24,000)	(0.71)	(25,343)
Shares issued for RSU’s	(33,500)	(0.38)	(17,047)
Stock-based compensation expense	-	1.69	151,608
<b>Balance – December 31, 2018</b>	<b>67,000</b>	<b>\$1.98</b>	<b>\$132,581</b>

The contractual life remaining for RSU’s at December 31, 2018 is 2.25 years (December 31, 2017 – 2.84) years. The RSU’s were not included in the computation of diluted net loss per share for the periods presented as they are anti-dilutive.

### Warrants

The following summarizes the warrants and agents’ options activity and warrants outstanding for the year ended December 31, 2018:

Issued Number of Warrants	Exercise Price	Expiry Date	Estimated Fair Value
1,069,909	\$3.00	October 19, 2019	\$501,699
1,000,000	\$3.00	December 29, 2019	525,000
79,442	\$3.00	December 29, 2019	43,810
109,700	\$3.00	March 6, 2020	53,000
<b>2,259,051</b>			<b>\$1,123,509</b>

	Number of Warrants/ Agents’ Options	Weighted Average Exercise Price	Estimated Fair Value
<b>Balance – December 31, 2017</b>	<b>1,744,645</b>	<b>\$2.92</b>	<b>\$883,874</b>
Exercised	(530,536)	\$(3.00)	(248,777)
Exercised Agents’ options	(137,813)	\$(2.00)	(127,489)
Cancelled Agents’ options	(6,387)	\$(3.00)	(5,909)
Issued upon exercise of agents’ options	20,825	\$3.00	15,000
Issued	1,000,000	\$3.00	525,000
Issued	79,442	\$3.00	43,810
Issued	109,700	\$3.00	53,000
Expired brokers’ warrants	(20,825)	\$3.00	(15,000)
<b>Balance – December 31, 2018</b>	<b>2,259,051</b>	<b>\$2.92</b>	<b>\$1,123,509</b>

<sup>(2)</sup> The warrants expire December 29, 2019

<sup>(3)</sup> The warrants expire March 6, 2020

### 4.8 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 (“Key Management”).

The remuneration of Key Management during the Reporting Period was as follows, with further detail being provided in **note 13 – Key Management Compensation Expense**, in the Annual Financial Statements:

For the year ended December 31,	2018	2017
Management fees, corporate	\$279,803	\$243,040
Management fees, technical	256,306	284,169
Director and advisor fees	68,396	63,375
Stock-based compensation, Key Management	1,116,860	423,638
<b>Total key management compensation expense</b>	<b>\$1,721,365</b>	<b>\$1,014,222</b>

### 4.9 RELATED PARTY TRANSACTIONS

Related parties include the Board of Directors, Officers, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

**During the years ended December 31, 2018 and 2017, Aurania completed the following transactions:**

The President, CFO and VPX are retained by Aurania pursuant to renewable consulting contracts. More details of the contracts are disclosed in **notes 15 – Related Party Transactions** and **note 18 – Commitments and Contingencies** in the Annual Financial Statements.

Management believes that the compensation paid to executives and non-executive staff is market competitive and determined appropriate to their skills, judgment and levels of responsibility. Any sums owing to the related parties at the reporting dates are unsecured, non-interest bearing and due on demand.

- (a) A total of \$150,000 (2017 - \$96,750), plus applicable taxes was charged to the Company by a management company controlled by the President, on account of management consulting fees.
- (b) A total of \$75,000 (2017 - \$66,250), 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.
- (c) A total of \$201,742 (2017 - \$158,607) was charged to the Company by a company controlled by the VPX, on account of Project Management consulting fees and government prescribed benefits. The fees paid in 2017 were related to a partial year and his contract is denominated in USD.
- (d) A total of \$68,396 (2017 - \$63,375) has been recorded as directors’ and advisor fees. Included in accounts payable and accrued liabilities at December 31, 2018 is \$20,003 (December 31, 2017 – \$11,250) owed to the directors for unpaid directors’ fees.

Non-executive staffing, office space and telecommunications in Toronto are provided by a company controlled by a director/principal shareholder of the Company (“ServiceCo”). Accordingly, certain services such as office space, financial administration, corporate and investor relations and marketing, translation and project legal, other administrative and IT services (the “Base Services”) are provided at a pre-determined monthly fee.

- (e) During the year ended December 31, 2018, the Company incurred \$42,500 per month for the Base Services. These monthly costs were allocated in the consolidated financial statements as follows: \$18,000 to office and general (including rent and administrative), \$7,000 for investor relations, marketing and IT and \$17,500 was charged to exploration expenses – office. Further, a one-time catch-up billing in the amount of \$36,340 was charged to the Company during this period, for unbilled services provided from 2017. Included in accounts payable and accrued liabilities at December 31, 2018 is \$82,500 (December 31, 2017 - \$55,162) owed for unpaid services.

From January 1 to September 30, 2017, the Company paid a total of \$201,235 for the Base Services and these costs were allocated in the consolidated financial statements as follows: \$53,800 to office and general for rent, \$80,500 (for marketing and telecommunications) to investor relations and \$66,935 to professional and administration fees.

From October 1 to December 31, 2017 a total of \$90,561 (2016 - \$nil) was charged for the Base Services provided and costs were allocated in the consolidated financial statements as follows: IT and marketing under Investor Relations \$25,411, legal project management under Professional and Administrative \$18,933, Controller services under Professional and Administrative \$9,605 and rent under office \$36,612. Included in accounts payable and accrued liabilities at December 31, 2017 is \$55,162.

Aurania shares the office space with other public companies and where practicable, the Base Services available to the Company and the other clients, are shared and billed accordingly.

#### **4.10 OFF-BALANCE SHEET TRANSACTIONS**

There are no off-balance sheet transactions contemplated at this time.

#### 4.11 PROPOSED TRANSACTIONS

From time to time, like other mineral exploration enterprises, the Company may evaluate, acquire or dispose of property assets, or form business relationships such as joint ventures, as determined by Management, based on exploration results, opportunities, the competitive nature of the business, and capital availability.

#### 4.12 ESTMA REPORTING

The *Extractive Sector Transparency Measures Act* (the Act) was enacted on December 16, 2014, and brought into force on June 1, 2015. The Act delivers on Canada’s international commitments to contribute to global efforts to increase transparency and deter corruption in the extractive sector by requiring extractive entities active in Canada to publicly disclose, on an annual basis, specific payments made to all governments in Canada and abroad. Reports are made annually within 150 days after year end. Therefore, the F2018 ESTMA report will include the USD2,004,923 (\$2,612,433) for mineral concession fees that were paid to the Ecuadorian State in 2018.

#### 4.13 CHANGES IN ACCOUNTING POLICIES AND FINANCIAL INSTRUMENTS

##### Changes in Accounting Policies

During the year ended December 31, 2018, the Company adopted the following policy:

##### **Compound financial instruments**

The components of compound financial instruments are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. The conversion feature of the convertible debentures issued does not meet the criteria for equity classification and accordingly, is accounted for as an embedded derivative liability. The derivative liability is calculated first, and the residual value is assigned to the debt component.

Subsequent to initial recognition, the embedded derivative component is re-measured at fair value at each reporting period with the changes in fair value recognized in operations. Subsequent to initial recognition, the liability component is accounted for at amortized cost using the effective interest rate method until the instrument is converted, or the instrument matures. The liability component accretes up to the principal balance at maturity. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

The Company also adopted other new IFRS standards, interpretations, amendments and improvements of existing standards including IFRS 9 and IFRIC 22, however these new standards and changes did not have any material impact on the Company’s Annual Financial Statements.

##### **Financial Instruments**

IFRS requires that the Company disclose information about the fair value of its financial assets and liabilities. The Carrying amounts of cash and restricted cash, receivables, accounts payable and accrued liabilities, promissory notes and convertible debenture 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.

The Company does have a derivative financial instrument and it is detailed in note 9 in the Annual Financial Statements, which is carried at fair value.

#### 4.14 FINANCIAL INSTRUMENTS AND MANAGEMENT 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). Risk management is carried out by Management

with guidance from the Audit Committee under policies approved by the Board. The Board also provides regular guidance for overall risk management. There have been no significant changes in the risks, objectives, policies and procedures during the reporting period.

**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, Swiss and Ecuadorian financial institutions, from which Management believes the risk of loss to be low. 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 enough readily available cash to continue operations and meet its financial obligations as they become due. **See 4.6 Liquidity and Capital Resources.**

As at December 31, 2018, the Company has available cash of \$817,021 to settle \$3,882,210 of liabilities. The liquidity risk at December 31, 2018, is therefore material.

**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.

**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.

**Foreign currency risk**

Certain of the Company’s expenses are incurred in USD and CHF and are therefore subject to gains or losses due to fluctuations in these currencies relative to the Canadian Dollar, in which currency funds are raised through equity placements. Management believes that the foreign exchange risk derived from currency conversions is best served by not hedging its foreign exchange risk.

At December 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:

	December 31, 2018	December 31, 2017
<b>In Canadian \$ equivalents</b>		
Cash	<b>\$29,301</b>	\$8,393
Accounts payable, accrued liabilities and promissory note	<b>(773,638)</b>	(1,391,262)
Convertible debenture	<b>(2,912,062)</b>	-
<b>Net exposure</b>	<b>\$(3,656,399)</b>	\$(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 and 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 December 31, 2018, and December 31, 2017, the Company was not a metals commodity producer.

### **Sensitivity analysis**

As of December 31, 2018 and 2017, 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 USD and the CHF at December 31, 2018 would have increased the net asset position of the Company by \$365,640 (December 31, 2017 – \$138,287). A 10% weakening of the Canadian dollar against the same would have had an equal but opposite effect.

## **4.15 RISKS AND UNCERTAINTIES**

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

### **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 the hazards and risks normally associated with mineral exploration and the development of deposits, some of which may include work stoppages, damage to property, and possible environmental damage. Mining involves a high degree of risk and few properties that are explored are ultimately developed into producing mines. None of the properties in which Aurania has an interest has a defined orebody and there is no assurance that any of Aurania’s mineral exploration and development activities will result in the discovery of a commercially viable mineral deposit. Exploring in a foreign jurisdiction subjects the Company to additional risks including potential political change, changes in law or policies, inability to obtain permits or delays in obtaining them, 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.

### **Corporate Social Responsibility**

The Company has engaged a professional CSR company to assist in the development and implementation of a CSR strategic framework that allows for collaboration with key stakeholders in a non-confrontational and respectful manner.

### **Ability of Community Stakeholders to Impede Project Success**

The Company recognizes that it is crucial that it engages with key constituency groups to mitigate the social and business risk associated with exploration on properties owned by non-shareholding stakeholders. The Company has implemented a comprehensive CSR program as a fundamental component of its activities in the Project.

### **Property Title**

Property title may be jeopardized by unregistered prior agreements or by the Company not fully complying with 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 that challenges to the titles may not emerge.

### **Environmental Matters**

The Company’s exploration activities are subject to various laws and regulations governing the protection of the environment. The Company believes that its operations are materially in compliance with all applicable laws and regulations. However, the Company has engaged, and is reliant upon, an environment specialist consultant to keep the Company informed and compliant with respect to environmental rules and regulations.

### Foreign Country Risk

The property interests are located outside of Canada and are subject to the investment risk associated with foreign jurisdictions, including increases in taxes and royalties, renegotiation of permits and currency exchange fluctuations.

The Company mitigates foreign country risk by keeping apprised of Ecuador’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 Company’s ability to operate or impact the financial results of the Company.

### Capital and Financial Management Risk

See Financial Management Risk.

## 4.16 COMMITMENTS AND CONTINGENCIES

### Environmental Contingencies

The Company conducts its operations so as to protect public health and the environment and believes that its operations are materially in compliance with all applicable laws and regulations.

### Consulting Agreements and Service Costs

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 the President would be entitled to an additional lump-sum cash payment equal to six months of monthly retainer fee. Should the President’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 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 party.

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.

The Company runs its 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.

On March 2, 2018, the Company appointed Mr. Alfred Lenarciak as an independent special financial advisor to the Board. His compensation was \$15,000 per annum and the Board granted to him, 150,000 five-year stock options, with an exercise price of \$2.89. At the ASM held June 13, 2018, Mr. Lenarciak joined the Board of Directors. Upon becoming a director, Mr. Lenarciak’s advisory engagement was terminated.

On October 9, 2018, the Company entered into a capital markets support agreement (the “Agreement”) with Noble Capital Markets Inc. (“Noble”), a Florida corporation. Noble has been engaged to assist the Company by broadening the Company’s exposure within the U.S. and Latin American investment communities. The Company has agreed to pay to Noble – USD111,000 in the first year, paid as follows: USD21,000 paid upon signing the Agreement and USD30,000 paid each three-month period thereafter, throughout the term of the Agreement. The Agreement commenced on October 1, 2018 (“Commencement Date”) and will terminate on the second anniversary, unless

extended as by mutual agreement. After a period of eight (8) months following the Commencement Date, the Agreement may be terminated by either party at any time, with or without cause, upon 30 days’ prior written notice to the other party.

**See 4.9 Related Party Transactions for Service Agreements**

**See 4.18 Subsequent Events**

**4.17 INCOME TAXES**

See note 19 – Income Taxes in the Annual Financial Statements.

**4.18 SUBSEQUENT EVENTS**

**Engagement of an Advisor**

Effective January 16, 2019, the Company engaged a senior level financial consultant, on a part time basis, to serve as an advisor (the “Consultant”) to the Company. The Consultant’s mandate includes the development of standard governance and compensation policies, internal controls plan, and risk management and financing strategies. The Consultant’s initial engagement is for six months (the “initial term”), at the end of which Management will consider his joining the Company, on a permanent basis. This process may be accelerated. His compensation is \$12,000 per month and concurrent with signing the agreement, the Consultant was granted up to 180,000 stock options at \$3.40 per share. 75,000 of the options will vest at the end of six months and the balance will vest over two years should the Consultant remain with the Company on a permanent basis.

Further on this date, the Company granted an aggregate of 48,000 stock options to two senior employees of ESA. These are five-year options that vest over two years from the date of grant. The exercise price is \$3.40 per share.

**Repayment and Conversion of Convertible Debenture**

On January 28, 2019 the Company announced the issuance of 877,192 common shares from treasury in connection with the repayment of a USD2.0 million convertible debenture issued by the Company to Dr. Barron on May 26, 2018. As dictated by the terms of the Debenture, the unpaid principal amount of USD2.0 million, was converted into common shares at the conversion price of \$3.00 per common share, fixed at the March 20, 2018 Bank of Canada exchange rate of USD0.76 to \$1.00 such that the maximum number of common shares to be issued upon the exercise of the conversion right would be 877,192 common shares.

**Extension of Promissory Note**

On January 28, 2019 and concurrent with the below-described rights offering, the Company announced that it had negotiated a further extension of the 2017 Promissory Note with Dr. Barron, deferring the maturity date from May 29, 2019 to May 29, 2020 (the “New Maturity Date”), whereupon the principal amount and any accrued interest will be payable to Dr. Barron. The Company is currently indebted to Dr. Barron for \$579,915, pursuant to the 2017 Promissory Note. All other terms of the Promissory Note remain in full force and effect.

**Rights Offering**

On March 8, 2019, the Company announced that it had completed a rights offering (“Rights Offering”) for \$5,254,667 (gross) with the issuance of 1,946,172 common shares at \$2.70 per share. Eligible registered brokers were entitled to a commission of 3%, and the cash paid for commissions was \$106,471.

The Rights Offering provided eligible shareholders the rights (the “Rights”) to purchase common shares at the close of business on the record date of February 4, 2019, on the basis of one right for each common share held. For every fourteen (14) Rights held, eligible shareholders could subscribe for one common share of the Company upon payment of the subscription price of \$2.70 per common share (the “Exercise Price”). The Company intends to use the net proceeds of the Rights Offering to fund exploration expenses, including scout drilling, concessions fees to maintain the Lost Cities – Cutucu Project in Ecuador in good standing, and general and administrative expenses.

### Stand-By Commitment

In connection with the Rights Offering, the Company entered into a stand-by purchase agreement with Dr. Keith Barron, Chairman and Chief Executive Officer of the Company, for a commitment amount of \$4,000,000 (the “Stand-By Commitment”). As a result, Dr. Barron exercised his rights’ entitlement for the purchase of 1,385,790 common shares and purchased an additional 95,691 common shares from the ‘Additional’ shares pool, as agreed. Both the basic and additional shares were purchased for \$2.70 per share.

### Payment of 2019 Mineral Concession Fees

Between March 13 and 15, 2019, a total of USD2,046,475 (\$2,727,235) was paid to the Ecuador government, as payment in full for the renewal of the Mineral Concession Fees for the Company’s 42 concessions.

### 4.19 QUALIFIED PERSON

The foregoing and technical information contained has been prepared or reviewed by Dr. Richard Spencer, President and Director, who is a registered Professional Geoscientist in Ontario (P.Geo) and is registered as a Chartered Geologist in the UK, and is a “Qualified Person” for the purposes of National Instrument 43-101, Standards of Disclosure for Mineral Projects of the Canadian Securities Administrators.

### 4.20 SHARE DATA

As at	Common Shares	Warrants <sup>(1)</sup>	Agents’ Options and Warrants	Stock Options <sup>(1)</sup>	RSUs <sup>(4)</sup>	Fully Diluted
December 31, 2017	27,385,625	1,600,445	144,200	2,695,000	124,500	31,943,383
December 31, 2018	32,036,874	2,179,609	79,442	1,516,260	67,000	35,879,185
April 17, 2019	34,925,238	2,124,609	79,442	1,734,260	67,000	38,930,549

<sup>(1)</sup> Subsequent to year-end, a total of 55,000 warrants were exercised for proceeds of \$165,000, and 10,000 stock options were exercised for proceeds of \$20,000.