# AURANIA RESOURCES LTD.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF**
**FINANCIAL CONDITION AND RESULTS OF OPERATIONS**
**For the Three Months Ended March 31, 2013**
**(Expressed in Canadian Dollars unless otherwise indicated)**

Dated: May 29, 2013

The following is Management's Discussion and Analysis ("MD&A") of Aurania Resources Ltd. ("Aurania" or the "Company"), of the financial condition and results of operations for the three months ended March 31, 2013. This MD&A provides a review of the performance of Aurania, prepared as at May 29, 2013 unless otherwise indicated and should be read in conjunction with the consolidated financial statements ("Financial Statements") and related notes for the years ended December 31, 2012 and 2011 which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All monies are expressed in Canadian dollars unless otherwise indicated. Additional information relevant to the activities of the Company has been filed electronically through the System for Electronic Document Analysis and Retrieval ("SEDAR") – www.sedar.com. On April 17, 2013 the Company's common shares ("Common Shares") commenced trading on the TSX Venture Exchange (TSXV") under the symbol "AOZ".

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

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

**CAUTIONARY NOTE**

**This document contains or refers to forward-looking information. Such forward-looking information includes, among other things, statements regarding targets, estimates and/or other conditions, and is based on current expectations that involve a number of business risks, uncertainties and assumptions. Factors that could cause the Company's actual results to differ materially from any forward-looking statements include, but are not limited to: exploration and development costs varying significantly from estimates; inflation; fluctuations in commodity prices; delays in exploration or development of any project caused by unavailability of equipment, labour or supplies, climatic conditions or otherwise; failure to raise additional funds required to finance the completion of a project, and other factors. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. These forward-looking statements are made as of the date hereof and we assume no responsibility to update them or revise them to reflect new events or circumstances, except as required by law.**

## 1.1 REPORT DATED MAY 29, 2013

## 1.2 OVERALL PERFORMANCE

**The Company**
Urania Ltd. was incorporated under the laws of Bermuda on June 26, 2007 pursuant to the provisions of *The Companies Act 1981* (Bermuda). On December 22, 2010, Urania Ltd. amended its name to Urania Resources Ltd. On March 21, 2012 Urania Resources Ltd. amended its name to Aurania Resources Ltd to better reflect the focus of the Company.

Aurania is currently an exploration company engaged in the search for mineral resources which could be economically and legally extracted or produced. This search typically includes the review of existing data, grid establishment, geological mapping, geophysical surveying, trenching and pitting, and reverse circulation and/or diamond drilling to test targets followed by infill drilling, if successful, to define a resource and, perhaps ultimately, a reserve. The Company is currently exploring properties located exclusively in Switzerland.

**Directors & Officers**
Keith Barron - Chief Executive Officer, President, Chairman of the Board and Director
Donna McLean - Chief Financial Officer and Secretary
Jean Paul Pallier - Chief Geologist and Qualified Person
Elaine Ellingham – Director and Qualified Person
Gerald Harper - Director
Marvin Kaiser – Director

**Corporate Offices**
Suite 1010, 8 King Street East
Toronto, Ontario M5C 1B5
Canada
Phone: (416) 367-3200
Email: info@auraniaresources.com

The Company's registered office is located at 31 Victoria Street, Hamilton, HM 10, Bermuda.

**Nature of Operations**
The Company is currently in the process of exploring certain mineral properties in Switzerland. The Company holds a 100% interest in three exploration permits in the Canton of Valais (collectively, the "Permits"), through its wholly-owned subsidiary **AuroVallis Sàrl ("AVS")** which is a Swiss limited liability corporation:

1) **Mont Chemin Gold Project** — 31.0 $km^2$
   - Exploration Permit granted on July 11, 2008 for a term of five years.

2) **Marécottes Uranium Project**, Switzerland — 36.0 $km^2$
   - Exploration Permit granted on July 11, 2008 for a term of five years.

3) **Siviez Project Uranium-copper-(gold-silver) Project**, Switzerland — 31.6 $km^2$
   - Exploration Permit granted on June 24, 2009 for a term of five years.

The Company has not yet determined whether these projects contain resources that are economically recoverable. The projects are located outside of Canada and are subject to the risk of foreign investment, including increases in taxes and royalties, renegotiation of permits and currency exchange fluctuations.

**Recent Company Highlights**

- ✓ Aurania's Common Shares commenced trading on the TSXV under the symbol "AOZ", on Wednesday, April 17, 2013.
- ✓ Aurania raised total gross proceeds of $2,000,000 through the issuance of 5,000,000 Common Shares at a price of $0.40 per Common Share through an Initial Public Offering ("IPO"). A cash commission of $70,000 was paid, and 350,000 broker warrants (the "Agent's Warrants") were issued to the Agent. Each Agent's Warrant entitles the holder to purchase one Common Share at a price $0.40 per Common Share until April 11, 2015.
- ✓ Management has engaged Geonor Servicios Técnicos, S.L., of Galicia, Spain ("Geonor"), to conduct an initial 1,500 metre diamond drill program on the Mont Chemin gold-silver prospect. All Permits are in place to allow the Company to commence drilling.

**Capital Matters**

- On December 21, 2012, the Company issued 776,862 Special Warrants ("Warrants") at $0.40 per Special Warrant, for gross proceeds of $310,745. Each Warrant entitled the holder to automatically receive, for no additional consideration and without further action by the holder, one common share for each Warrant held. These Warrants were qualified under the Company's recent IPO and on April 11, 2013, all Warrant holders became automatically entitled to receive one Common Share of Aurania, for each Warrant held therein;
- As at December 31, 2012 Aurania had:
  - 16,982,873 common shares; and
  - 776,862 special warrants
- At May 29, 2013, and subsequent to the closing of the IPO, Aurania has:
  - 22,759,735 issued and outstanding Common Shares;
  - 350,000 Agent's Warrants, issuable into 350,000 Common Shares at $0.40 per share;
  - 1,750,000 Common Shares subject to issuance pursuant to five-year stock options, granted on closing of the IPO; and
  - Approximately $1,600,000 cash (net of current liabilities (unaudited))

**Trends:**

It is a very challenging time for junior exploration companies. Similar to its peers, Aurania's future financial performance is highly dependent on several external factors, including, but not limited to: the price of, and demand for commodities which continue to be highly volatile and difficult to predict and the stability of and improvement in major global economies. The world is experiencing rapid and dramatic changes in domestic and international political, social and economic environments. The outcome of these changes and times of uncertainty has resulted in risk aversion among investors and little interest to invest in junior gold exploration companies. The shares of a disconcerting number of TSXV-listed junior mining companies are trading at less than their cash value, with their projects receiving little or no market value. However, with all this uncertainty, ironically, the low interest in investing in mining equities has obscured the buoyant market for the purchase of actual gold bars and coins. Central banks continue to add to their reserves and the demand for jewellery production remains high.

## 1.3 OUTLOOK AND STRATEGY

Aurania remains bullish on gold and uranium. We are commencing our first drill program on the Mont Chemin project and during this summer's field season, we plan to mobilize our exploration team to carry out work programs on our uranium projects. Management also continues to identify and evaluate additional worldwide business opportunities to add to the Company's asset base.

## 1.4 SELECTED ANNUAL FINANCIAL RESULTS

| Balance Sheet Data | As at March 31, 2013 | As at December 31, 2012 |
|---|---|---|
| **Cash** | **$194,425** | **$312,831** |
| **Total assets** [(1)] | **$206,173** | **$350,819** |
| **Total liabilities** | **$426,398** | **$208,524** |
| **Shareholders' equity (deficiency)** | **$(220,225)** | **$142,295** |

(1) All acquisition and exploration costs are charged to operations in the period incurred until such time as it has been determined that a property has economically recoverable resources. To date the Company has expended $1,928,815 on exploration of its Swiss properties.

| Statement of Loss and Comprehensive Loss and Deficit Data | Three months ended March 31, 2013 | Three months ended March 31, 2012 |
|---|---|---|
| **Total revenue** | **$ --** | **$ --** |
| **Total expenses** | **$140,552** | $93,396 |
| **Project expenditures (during the period)** | **$38,521** | $66,402 |
| **Total loss and comprehensive loss** | **$139,130** | $105,345 |
| **Basic and diluted loss per share** | **$0.008** | $0.009 |
| **Deficit** | **$(3,833,657)** | $(3,694,528) |

**1.5 RESULTS OF OPERATIONS**

**A. EXPLORATION FOCUS**

**Why Switzerland?**
Switzerland is a peaceful, prosperous and modern market economy with low unemployment and a highly skilled labour force. Aurania's projects are situated in the Canton of Valais, in southwestern Switzerland, about 100 km by road east of Geneva. Valais has a well-developed hydro-electric system and its main industries include tourism, agriculture and the production of metals and chemicals.

Although never a main industry, mining in Switzerland is not totally unknown either. Mining in Switzerland dates back possibly as far as the Iron or Bronze Age. The Romans are known to have mined around Martigny and are thought to have exploited some of the lead-zinc-silver mineralization on and around Aurania's Siviez property. Remnants of several shallow shafts, pits and exploration adits on lead-silver mineralization in this area date from the 1700s and 1800s. All of the previous workings are of very limited size.

Aurania has been exploring in Switzerland since 2007 and to date, representatives of the government, local landowners and other interested parties have been cooperative and approved the advancement of Aurania's mineral exploration throughout the permitting process.

**Exploration for Gold**
On the Company's Mt. Chemin property, near Martigny, mining dates back to the 5th-7th century AD with iron reduction workings. In the 18th and 19th centuries, Switzerland had many small metal mining operations, especially in Canton Valais. Around Mont Chemin, magnetite skarns and lead-silver-fluorite veins were mined intermittently until World War II. Minor gold production has come from the Calanda and Costa mines in eastern and southern Switzerland, respectively, as well as the Salanfe area and Gondo mine in Valais. Operations closed between the 1800s and the beginning of World War I, as mineral deposits were exhausted.

**Exploration for Uranium**
Exploration for uranium in Switzerland began in 1946 with the establishment of the Arbeitsausschuss für Atombrenstoffe (Institute for the Study of Atomic Materials) with the mandate to test all underground installations and excavations for mineralization, which took over 20 years to complete. Radioactivity was discovered in a water conduit hydroelectric tunnel under the Le Fou area of the Company's Siviez Property in 1957. Exploration continued intermittently over a period of more than 20 years. The area of Aurania's Marécottes Permit, near Martigny, also became a focus for uranium exploration in the 1970s to early 1980s after radioactivity was encountered in a water conduit hydroelectric tunnel southwest of Finhaut in 1969. In the early to mid 1980s, exploration efforts were abandoned due to a declining global uranium price and opposition to the use of nuclear fuels after the Chernobyl accident.

**Mining Permits**
AVS is a 100% wholly-owned subsidiary of Aurania and is the sole registered title holder of the three Exploration permits in the Canton of Valais (the "Permits"), covering 98.6 square kilometers: (i) Tête-des-Éconduits-Mont Chemin (31 $km^2$) ("Mont Chemin"), (ii) La Creusaz-Balayé-Marécottes (36 $km^2$) ("Marécottes"), and (iii) Siviez-Plan du Fou-Col des Mines (31.6 $km^2$) ("Siviez"). The Permits do not include surface rights.

Mining is under cantonal jurisdiction and governed by the *"Loi sur les mines et carrières"* (law concerning mines and quarries) that was enacted in 1856 by the Grand Council of Valais, with few subsequent amendments (www.vs.ch/public/public_lois/fr/Pdf/931.1.pdf).

AVS has three valid exploration Permits, two that were issued July 10, 2008, and a third that was issued on June 24, 2009, by the Department of Transport, Equipment and Environment of the Canton of Valais (the "DTEE"). Under the Mining Law, the Permits have a five-year term, with an annual renewal that must be requested. The key requirements that have been imposed to maintain the Permits include: 1) an annual report on work performed and a report on expenditures, including proof of qualifying expenditures; 2) a bank guarantee of CHF 500,000 ($541,750) lodged for environmental remediation, and 3) annual proof of public liability insurance of CHF 10 million ($10,835,000) and a listing of Aurania's Common Shares on the TSXV on or before April 21, 2013. *[To date the Company has met all of these conditions.]*

Additionally, pursuant to a ruling of the DTEE, entered into force on May 25, 2012, the following conditions must be satisfied in order to maintain the validity of the exploration permits until their maturity:

- 500m of drilling on the Mont Chemin Project in 2013 and demonstration that the Company has adequate funding to complete this drilling;
- settlement of the annual taxes in the amount of approximately CHF 600 per permit;
- the Company has the preferential right, under the Mining Act and the exploration Permits, to renew the exploration Permits for a second five-year term, however, in order to renew the Mont Chemin and Marécottes exploration Permits, the Company must demonstrate that it has adequate funding to complete an aggregate of 4,000 m of drilling as follows:
  - 2,500m of drilling to be completed on any of the three Permits as the Company may so determine on or before July 10, 2013 with a right to request an extension until March 31, 2014 (this is in addition to the 500m of drilling on the Mont Chemin Project to be completed in 2013); and
  - 1,500m of drilling to be completed on the Siviez exploration permit on or before June 24, 2014 with a right to request an extension until March 31, 2015.

If the foregoing drilling obligations are not met in a timely manner, the area of the Permits shall be reduced proportionately and the Company shall have the right to select the areas to be maintained.

Upon outlining a potentially economic mineral deposit, a permit-holder must report it within 30 days to the cantonal government, which shall then determine if a finder's certificate should be issued. Within six months of the declaration of discovery, the permit-holder may apply for a mining lease. Development and production may not commence until a mining lease is granted.

**Permit Renewals**

As permitted under the Mining Act, the Company intends to exercise its preferential right, to renew the exploration Permits for its Swiss projects, for a second five-year term. Management is currently preparing a formal request for the Permit renewals, to be filed during the second quarter of fiscal 2013. Although Management believes it will be successful in obtaining the Permit renewals, there is no assurance of this.

**Mining Royalties**

Under Article 39 of the Mining Act, the holder of a mining concession is required to pay a royalty of 3% of the gross value of the ore to the Canton and a 0.75% gross value royalty to the surface rights holders.

## B. PROJECTS REVIEW

Detailed overview, history, description and geological prospects for the Company’s exploration projects may be viewed in Aurania’s IPO Prospectus and NI 43-101 Technical Report, both filed on www.sedar.com

### *Mont Chemin*

Aurania has planned a Phase 1 work program , to include drilling and extending the prospecting, mapping and sampling over the prospective granite porphyry with the goal of identifying additional gold/ silver mineralized veins:

- An initial 1,500m diamond drill program to test:
  - the Goilly Vein for continuity at depth and along strike (two holes totalling 150m);
  - beneath the gold showings at the Scheelite and Vouillamoz Pit areas and intervening area (3 holes totalling 350m); targeting the induced polarization targets generated in the 2011 survey

- Continue mapping and prospecting following previous work with a focus on delineating the porphyry unit that hosts the Goilly Vein, and prospecting for additional prospective porphyry bodies on the Mont Chemin Project, in particular in the vicinity of Mount Catogne; and

- Investigate the potential to trench or drill an additional area in close proximity to the Crettaz Vein, where visible gold has been reported and an Aurania sample returned 127,000 ppm Au. The same target as Scheelite and Vouillamoz pits where phase 1 drilling is planned.

Note that drilling costs will likely be higher than many other locations and in part due to the small size of the Phase 1 program. The access and terrain on the ridge top area around Tête des Éconduits is gentle, and drill access should not be difficult.

### *Marécottes*

Aurania has planned the following Phase 1 program on the Marécottes Project

- Radon-in-soil surveying is planned along selected target areas within and in the contact zones of the Vallorcine Granite, to consist of a limited pilot study over the various types of mineralization in order to test the feasibility and effectiveness of the technique in the Alpine soil environment and terrain. Contingent on positive results, the survey could be broadened to cover target areas identified by structural interpretation, known mineralization and the airborne radiometric results.

- Additional work in Phase 1 will include detailed prospecting, mapping and sampling along key new mineralized zones identified in 2009 and 2010, such as the Emaney structure and Tête du Loup episyenite in the south-western area of the Property.. Underground mapping and sampling in the Nant de Drances tunnel would be done as needed as construction advances.

### *Siviez*

Aurania has planned the following Phase 1 exploration program:

- A 3-D model to be prepared, integrating geological mapping, mineral occurrences, topography and structural data in order to select and/or refine the locations of sites for diamond core drilling. Layout of possible drill hole locations and lengths will rely heavily on this 3-D model;

- Additional prospecting, mapping and sampling will be done, as warranted, northeast of Grand Alou, into the volcanic rocks above Plan du Fou, at Le Fou, and in the area between Le Fou and Col des Mines where new zones of radioactivity and mineralization were identified;

Other ground work would include a limited pilot survey of radon in soil (Alpha Track or activated charcoal system) to test its effectiveness over scree slopes where the Nendaz – Siviez contact area is obscured and where radioactive boulders are found downslope, and if the pilot study proves effective, grid survey areas will be established and the survey expanded over scree-covered areas.

## C. FINANCIAL PERFORMANCE

At March 31, 2013, the Company had cash of $ 194,425 and current liabilities of $420,398 ($312,831 cash and $208,524 of current liabilities at December 31, 2012). Subsequent to period end the Company completed an IPO financing for gross proceeds of $2,000,000, with the issuance of 5,000,000 Common Shares at $0.40 per Common Share.

In the first quarter of 2013, minimal cash was expended and Management relied on extended trade credit in anticipation of the completion of its IPO. During the same period in 2012, a director, officer and principal shareholder (the "Lender") loaned the Company a total of $ 279,532, to reduce trade payables and meet minimal ongoing overhead obligations. On March 22, 2012, the Company agreed to issue 5,410,100 Common Shares to the Lender in settlement of total accumulated shareholder loans (2011 and 2012) of $811,515.

From May to December 2012 the same Lender advanced a further $264,313 which was used to maintain and keep in good standing the exploration Permits, to revisit and finalize Phase I work program designs, to reduce 2011 trade payables and cover general overhead expenses. On December 21, 2012 the Company agreed to issue 661,033 Common Shares to the Lender in settlement of this debt (at $0.15 per share). The fair value of these shares was the same as the arms' length special warrants sold on the same date. No similar loans were required in Q1 of 2013.

As a result of ongoing exploration activities, the Company continues to incur net losses. The net loss for the three months ended March 31, 2013 was $139,129 (2012 - $105,345). The Period spending included exploration costs of $38,521, more particularly described above (2012 - $66,402); general and office costs of $32,410 (2012 - $6,175); management and consulting fees of $ 25,950 (2012 - $15,000) and regulatory filing fees in anticipation of completing the IPO in April, of $18,472 (2012 - $2,120.) Effective January 1, 2013, the Company entered into a service costs agreement with a company controlled by a director, officer and principal shareholder of the Company to provide services such as office space(s), equipment, administrative and investor relations assistance, telecommunications and vehicle usage, at a monthly cost of $15,000. This agreement may be terminated with 90 days' written notice and should the termination take place prior to April 11, 2015, a break fee of $75,000 would be due and owing to the provider.

During the period, professional fees for legal, accounting and other services provided in connection with the IPO were capitalized to 'share issue costs' and were charged to the share premium account. Similar costs incurred during 2012 were expensed as the IPO was not completed by year end. The Canadian dollar was relatively stable against the Swiss franc during the period therefore foreign exchange movement was nominal. Effective January 1, 2013, the Company also entered into annual consulting agreements with two executive officers, for compensation of $60,000 per annum (plus applicable taxes) and 545 CHF, respectively. Both contracts may be terminated with 90 days written notice without further bonus or penalty. These costs have been charged to management fees and exploration expenses.

## 1.6 SUMMARY OF QUARTERLY RESULTS

| Quarters Ended | Revenue ($) | Net Loss ($) | Loss per Share ($) |
|---|---|---|---|
| **March 31, 2013** | NIL | 139,129 | 0.008 |
| **December 31, 2012** | NIL | 68,096 | 0.0045 |
| **March 31, 2012** | NIL | 105,345 | 0.009 |
| **September 30, 2012** | NIL | 51,822 | 0.003 |
| **December 31, 2011** | NIL | 299,699 | 0.03 |
| **September 30, 2011** | NIL | 85,374 | 0.008 |

## 1.7 LIQUIDITY

As an exploration company, the Company manages its capital structure and makes adjustments to it, based on the funds needed in order to support the acquisition, exploration and development of mineral properties. Management does this in light of changes in economic conditions and the risk characteristics of the underlying assets. The Company's liquid assets at March 31, 2013 consisted primarily of cash $194,425 ($312,831 at December 31, 2012). All of the Company's cash is held on deposit in accredited Canadian and Swiss banks.

## 1.8 CAPITAL RESOURCES

Junior mining companies typically require frequent capital raises in the development stage. The business of mining and exploration involves a high degree of risk and there can be no assurance that the Company's exploration programs will result in profitable mining operations. The Company's continued existence is dependent upon the discovery of economically recoverable resources, securing and maintaining title and beneficial interest in the Properties, the ability to obtain the necessary financing to complete exploration, obtaining certain government approvals and attaining profitable production. There can be no assurance that the Company will be able to raise sufficient funds as and when required.

Historically, the Company has relied on private placement financings and loans from related parties to secure sufficient capital of the Company to meet its obligations. At March 31, 2013 the Company had a negative working capital of $(222,057). The significant increase in payables and accrued liabilities from year end was largely due to professional fees and regulatory costs incurred while preparing the Company's IPO during the period. At December 31, 2012 the Company had positive working capital of $139,247 as a result of generating $310,745 through a non-brokered special warrants offering.

This trend of minimal or negative working capital will continue until the Company has achieved profitable levels of operation. From inception to date, the Company has raised $917,500 through non-brokered private placements for Common Shares, $310,745 from a special warrants offering and $2,000,000 from its IPO, which closed subsequent to period end. A director, officer and principal shareholder of the Company subscribed for 3,500,000 Common Shares under the IPO for subscription proceeds of $1,400,000; this is a related party transaction that was approved by the Board. This same shareholder now has beneficial ownership of 62 % of the Company's share capital.

On the closing of the IPO, the Company issued 1,750,000 stock options to directors, officers and consultants with an exercise price of $0.40 per share and a five- year term to maturity. These options vest over two years from the grant date. Further, and also upon closing, the 776,862 special warrants issued in December 2012 were automatically converted into 776,862 Common Shares.

Going forward, management intends to return to public markets to fund its activities. The Company has no regular cash flow and while Management is reasonably confident it will be successful in future capital raisings there can be no assurance of this, particularly in light of the current, extremely tight capital markets.

**1.9 OFF BALANCE SHEET ARRANGEMENTS**

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

**1.10 RELATED PARTIES TRANSACTIONS**

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

i) During the three months ended March 31, 2013 a total of $16,950 was charged to the Company by the CFO on account of management consulting fees, and $20,500 was charged to exploration expenses for project management services provided to the projects by the Chief Geologist. Included in the accounts payable and accrued liabilities at March 31, 2013 is $37,450 owed to these two officers of the Company for providing such services. Further, at period end, $20,000 was still owed to a director and former officer of the Company who provided management consulting services to the Company in fiscal 2011.

ii) During 2012, it was agreed that a company controlled by a director of the Company (the “Service Provider”) would provide the Company with free office space. Accordingly, the Company recorded a benefit of $6,000 in each quarter, being the estimate of rent the Company would have paid on normal commercial terms. This expense was charged to rent and contributed surplus. Effective January 1, 2013 the Company entered into a formal service costs agreement with the Service Provider. This agreement includes the provision of services such as office space(s), administration and investor relations, communications and vehicle usage. *See - Commitments and Contingencies.*

iii) During the year ended December 31, 2011, Bambazonke Holdings Ltd., a company controlled by a director, officer and principal shareholder of the Company (the “Lender”) advanced a total of $531,983 to the Company (“Advances 1”) to fund working capital and reduce trade payables.

From January 1, 2012 to March 22, 2012 the same Lender advanced a final $279,532 to fund working capital (“Advances 2”). On March 22, 2012, the Company agreed to issue 5,410,100 common shares valued at $0.15 per share ($811,515), to the Lender, in full settlement of Advances 1 and 2.

From May to September 2012, the same Lender advanced $264,413 (“Advances 3”) to the Company, also to fund working capital and reduce trade payables. On December 21, 2012, the Company agreed to issue 661,033 common shares, valued at $0.40 per share, to the Lender in full settlement of Advances 3.

iv) No further loans were required during the first quarter of fiscal 2013.

**1.11 PROPOSED TRANSACTIONS**

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

**1.12 CHANGES IN ACCOUNTING STANDARDS**

The Company has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2013. These changes were made in accordance with the applicable transitional provisions:

**IFRS 7** — Financial Instruments: Disclosures ("IFRS 7") was amended by the IASB in December 2011 to amend the disclosure requirements in IFRS 7 to require information about all recognised financial instruments that are offset in accordance with paragraph 42 of IAS 32 *Financial Instruments: Presentation*. The amendments also require disclosure of information about recognised financial instruments subject to enforceable master netting arrangements and similar agreements even if they are not set off under IAS 32.

*The Company conducted a review of the new standard and determined that the adoption of IFRS 7 did not result in any change to the condensed consolidated interim financial statements.*

**IFRS 10** – *Consolidated financial statements* ("IFRS 10") was issued by the IASB in May 2011. IFRS 10 is a new standard which identifies the concept of control as the determining factor in assessing whether an entity should be included in the consolidated financial statements of the parent company. Control is comprised of three elements: power over an investee; exposure to variable returns from an investee; and the ability to use power to affect the reporting entity's returns.

*The Company conducted a review of the new standard and determined that the adoption of IFRS 10 did not result in any change to the condensed consolidated interim financial statements.*

**IFRS 11** – Joint Arrangements ("IFRS 11") was issued by the IASB in May 2011 and will replace IAS 31 Interest in Joint Ventures and SIC 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers. IFRS 11 is a new standard which focuses on classifying joint arrangements by their rights and obligations rather than their legal form. Entities are classified into two groups: joint operations and joint ventures. A joint operation exists when the parties have rights to the assets and obligations for the liabilities of a joint arrangement. A joint venture exists when the parties have rights to the net assets of a joint arrangement. Assets, liabilities, revenues and expenses in a joint operation are accounted for in accordance with the arrangement. Joint ventures are accounted for using the equity method.

*The Company conducted a review of the new standard and determined that the adoption of IFRS 11 did not result in any change to the condensed consolidated interim financial statements.*

## 1.12 CHANGES IN ACCOUNTING STANDARDS

**IFRS 12** – *Disclosure of interests in other entities* ("IFRS 12") was issued by the IASB in May 2011. IFRS 12 is a new standard which requires enhanced disclosure about both consolidated entities and unconsolidated entities in which the Company has an interest.

*The Company conducted a review of the new standard and determined that the adoption of IFRS 12 did not result in any change to the condensed consolidated interim financial statements.*

**IFRS 13**, *Fair value measurement* ("IFRS 13"), provides the guidance on the measurement of fair value and related disclosures through a fair value hierarchy. IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value.

*The Company conducted a review of the new standard and determined that the adoption of IFRS 13 did not result in any change to the condensed consolidated interim financial statements.*

**IAS 1**, *The Presentation of Financial Statements* ("IAS 1") has adopted amendments to IAS 1 effective January 1, 2013. These amendments required the Company to group other comprehensive income items by those that will be reclassified subsequently to profit or loss and those that will not be reclassified.

*The Company conducted a review of the new standard and determined that the adopted amendments to IAS 1 did not result in any change to the condensed consolidated interim financial statements.*

**IAS 28** - *Investments in Associates and Joint Ventures* ("IAS 28") was issued by the IASB in May 2011 and supersedes IAS 28 *Investments in Associates* and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IAS 28 defines significant influence as the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. IAS 28 also provides guidance on how the equity method of accounting is to be applied and also prescribes how investments in associates and joint ventures should be tested for impairment.

*The Company conducted a review of the new standard and determined that the adopted amendments of IAS 28 did not result in any change to the condensed consolidated interim financial statements.*

### New Accounting Standards Issued But Not Yet Effective

The following have not yet been adopted and are still being evaluated to determine the impact, in any, on the Company's condensed consolidated interim financial statements:

**IFRS 9** – Financial Instruments ("IFRS 9") was issued by the IASB in November 2009 with additions in October 2010 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. Earlier adoption is permitted.

**IAS 32** – *Financial Instruments: Presentation* (“IAS 32”) was amended by the IASB in December 2011 to clarify certain aspects of the requirements on offsetting. The amendments focus on the criterion that an entity currently has a legally enforceable right to set off the recognized amounts and the criterion that an entity intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. The amendments to IAS 32 are effective for annual periods beginning on or after January 1, 2014. Earlier adoption is permitted.

## 1.13 RISKS AND UNCERTAINTIES

**An investment in the Common Shares of the Company is speculative in nature and involves a high degree of risk.**

***Exploration Development and Operating Risk***

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

***Title***

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

***Environmental Matters***

The Company’s mining and exploration activities are subject to various federal, cantonal and international laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

***Financial risk management***

The Company has exposure to the following risks from its use of financial instruments:

**a) Credit risk**

At this stage in the Company's growth development, the Company does not have any material risk exposure to any single debtor or group of debtors.

**b) Liquidity risk**

Liquidity risk arises through an excess of financial obligations over financial assets at any point in time. The Company's approach to managing liquidity risk is to maintain sufficient readily available cash to continue operations and meet its financial obligations as they become due. However, as the Company has no producing assets, continued operations are dependent upon its ability to raise adequate financing in the market, through equity raisings or by debt, and there is no assurance that it will be able to do so in the future. At period end, the Company had $194,425 cash to settle current liabilities of $426,398 (at December 31, 2012 cash of $312,831 to settle current liabilities of $208,524). These liabilities were met from the IPO net proceeds.

**c) Market risk**

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

*i) Interest rate risk*

Cash balances are deposited in highly-accessible and low-interest bank accounts that are used for short-term working capital requirements. Accordingly, the Company does not feel that an interest rate sensitivity calculation is material.

*ii) Foreign currency risk*

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

*iii) Fair value sensitivity analysis*

A 10% strengthening of the Canadian dollar against the Swiss franc at December 31, 2012 would have increased (decreased) the net asset position of the Company by approximately $3,046 ($12). A 10% weakening of the Canadian dollar against the same would have had an equal but opposite effect.

*iv) Global Economic and Financial Markets*

Recent market events and conditions, including disruption in the Canadian, U.S. and international credit markets and other financial systems and the deterioration of Canadian, U.S. and global economic conditions, could, among other things, impede access to capital or increase the cost of capital, which would have an adverse effect on the Company's ability to fund its working capital and other capital requirements.

In addition, general economic indicators have deteriorated, including declining consumer confidence, increased unemployment and declining economic growth and uncertainty about corporate earnings. These unprecedented disruptions in the credit and financial markets have had a significant material adverse impact on a number of financial institutions and have limited access to capital and credit for many companies, particularly resource exploration and development companies.

**d) *Commodity price risk***

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

## 1.14 COMMITMENTS AND CONTINGENCIES

**Environmental Contingencies**

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

Pursuant to exploration permit requirements, a director, officer and principal shareholder of the Company has personally lodged a CHF 500,000 (Cdn. $547,500) bank guarantee in connection with any potential reclamation costs to be incurred by the Company in connection with its claims in Switzerland. To date the Company is unaware of any known environmentally assessed costs.

**Service Costs and Consulting Agreements Commitments**

Effective January 1, 2013, the Company entered into a service costs agreement with Geosource Exploration Inc. (a company of which a director who is also an officer of the Company is principal shareholder), ("Geosource"), at an annual cost of $180,000. If Geosource is provided 90 days' written notice by the Company of the Company's intention to terminate the agreement, and such termination would be effective within two years from April 11, 2013, then a one-time break fee of $75,000 would be payable to Geosource, in addition to any other amounts then owed.

The Company also entered into two annual consulting agreements dated January 1, 2013, with two officers of the Company for management consulting fees of $60,000 (plus HST) per annum and CHF 545 (CDN $594) per diem, respectively. Early termination of these contracts requires 90 days' written notice by the party terminating the agreement therein.

## 1.15 SUBSEQUENT EVENTS

### i) IPO Completed

On April 11, 2013 the Company completed an IPO for gross proceeds of $2,000,000 with the issuance of 5,000,000 Common Shares at $0.40 per share. A director, officer and principal shareholder of the Company acquired a total of 3,500,000 Common Shares pursuant to the IPO for gross proceeds of $1,400,000. A cash commission of $70,000 was paid and a total of 350,000 agent's warrants were issued to the Agent. Each agent warrant entitles the holder to purchase one common share at a price of $0.40 per share until April 11, 2015. Further, and also on closing of the

IPO, the 661,033 special warrants that were qualified under the IPO were automatically converted into 661,033 Common Shares, as provided for in the Prospectus.

Listing and IPO costs of $77,728 were expensed during 2012. Additional IPO costs of $34,940 incurred in 2012 were classified as prepaid expenses at December 31, 2012, but will be reclassified to share issue costs during fiscal 2013. A total of 13,427,873 Common Shares held by principals of Aurania will be held in escrow and released as permitted by regulation.

ii) **Incentive Stock Options**

The Company maintains a Stock Option Plan (the "Plan") for the benefit of directors, officers, employees and consultants. The maximum number of Common Shares reserved for issuance with respect to the Plan cannot exceed 10% of the issued and outstanding Common Shares of the Company at the date of grant. Stock options granted generally vest 1/3 on granting and 1/3 on each of the first and second anniversary of the grant date.

On April 11, 2013, the Company granted incentive stock options, pursuant to its Plan, to its directors, officers and consultants to purchase up to 1,750,000 Common Shares, at $0.40 per common share, exercisable for a period of five years from the date granted.

iii) **Drilling Contract**

On May 27, 2013, the Company announced the commencement of an initial 1500 metre Phase I diamond drill campaign at its Mont Chemin gold-silver prospect. Geonor Servicios Técnicos , S.L. of Galicia, Spain was awarded the drilling contract. This campaign has been designed to test several subsurface induced polarization (I.P.) geophysical anomalies.

iv) Permit Renewals

As permitted under the Mining Act, the Company intends to exercise its preferential right, to renew the exploration Permits for its Swiss projects, for a second five-year term. Management is currently preparing a formal request for the Permit renewals, to be filed during the second quarter of fiscal 2013.

## 1.16 OUTSTANDING SHARE DATA

At May 29, 2013, the Company had issued and outstanding:

- 22,643,873 Common Shares
- 350,000 agent's warrants exercisable for 350,000 Common Shares, until April 11, 2015, at an exercise price of $0.40 per share and
- 1,750,000 stock options with an exercise price of $0.40 per share and a maturity date of April 11, 2018

## 1.17 QUALIFIED PERSON

The foregoing scientific and technical information has been prepared or reviewed by Elaine Ellingham, P. Geo. She is a "qualified person" within the meaning of National Instrument 43-101.

## 1.18 OUTLOOK

**Aurania's Strengths:**

- Host country politically stabile with good infrastructure and community support
- 100% ownership of three Exploration Permits
- Four field seasons completed with experienced exploration team in place
- Drill targets identified on all three properties with initial drill permits in hand and sufficient funding

**Aurania's Challenges**

- Three multi-target exploration projects that require significant capital to fund drilling
- No reserves or resources and sub-surface mineralization not verified by drilling
- Dependent on buoyant commodity price to attract and maintain investor support
- Switzerland not yet a recognized mining jurisdiction
- Weakened capital and credit markets

**NEXT STEPS**

Complete Phase 1 work programs on the Mont Chemin, Siviez and Marécottes projects.