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**AURANIA RESOURCES LTD.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**Years Ended December 31, 2015 and 2014**

*(Expressed in Canadian Dollars)*

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## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Aurania Resources Ltd.

We have audited the accompanying consolidated financial statements of Aurania Resources Ltd. and its subsidiary, which comprise the consolidated statements of financial position as at December 31, 2015 and 2014, and the consolidated statements of changes in shareholders' (deficiency) equity, consolidated statements of loss and comprehensive loss and consolidated statements of cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards 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.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Aurania Resources Ltd. and its subsidiary as at December 31, 2015 and 2014, and their financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.

### Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that the Company had a working capital deficiency as at December 31, 2015 and continuing losses for the year ended December 31, 2015. These conditions along with other matters set forth in Note 1 indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

McGOVERN, HURLEY, CUNNINGHAM, LLP



Chartered Accountants  
Licensed Public Accountants

TORONTO, Canada  
April 15, 2016

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

As at December 31,	2015	2014
	\$	\$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	7,753	211,340
Prepaid expenses and receivables	2,070	2,857
<b>Total assets</b>	<b>9,823</b>	<b>214,197</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Trade and other payables (note 10)	88,004	34,367
Promissory note (note 6)	162,100	-
<b>Total liabilities</b>	<b>250,104</b>	<b>34,367</b>
<b>SHAREHOLDERS' (DEFICIENCY) EQUITY</b>		
Share capital (note 7)	229	229
Share premium	5,485,705	5,485,705
Warrants (note 8)	-	73,500
Contributed surplus (note 8)	586,017	570,952
Deficit	(6,312,232)	(5,950,556)
Total shareholders' (deficiency) equity	(240,281)	179,830
<b>Total liabilities and shareholders' (deficiency) equity</b>	<b>9,823</b>	<b>214,197</b>

Nature of operations and business continuance (note 1)

Commitments and contingencies (note 12)

Subsequent event (note 13)

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 SHAREHOLDERS' (DEFICIENCY) EQUITY***(Expressed in Canadian Dollars)*

	ISSUED CAPITAL			RESERVES			Total Shareholders' (Deficiency) Equity \$
	Common Shares #	Share Capital \$	Share Premium \$	Warrants \$	Contributed Surplus \$	Accumulated Deficit \$	
<b>Balance - December 31, 2013</b>	<b>22,759,735</b>	<b>229</b>	<b>5,485,705</b>	<b>73,500</b>	<b>432,127</b>	<b>(5,327,921)</b>	<b>663,640</b>
Stock-based compensation (note 8)	-	-	-	-	138,825	-	138,825
Net (loss) for the year	-	-	-	-	-	(622,635)	(622,635)
<b>Balance - December 31, 2014</b>	<b>22,759,735</b>	<b>229</b>	<b>5,485,705</b>	<b>73,500</b>	<b>570,952</b>	<b>(5,950,556)</b>	<b>179,830</b>
Stock-based compensation (note 8)	-	-	-	-	24,038	-	24,038
Expiry of broker warrants and options (note 8)	-	-	-	(73,500)	(8,973)	82,473	-
Net (loss) for the year	-	-	-	-	-	(444,149)	(444,149)
<b>Balance - December 31, 2015</b>	<b>22,759,735</b>	<b>229</b>	<b>5,485,705</b>	<b>-</b>	<b>586,017</b>	<b>(6,312,232)</b>	<b>(240,281)</b>

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>2015</b>	2014
	<b>\$</b>	<b>\$</b>
<b>Expenses</b>		
Bank charges and interest	<b>2,024</b>	2,124
Exploration expenditures <i>(notes 4 and 10)</i>	<b>34,312</b>	75,414
Insurance	<b>7,118</b>	10,846
Investor relations <i>(note 10)</i>	<b>34,690</b>	35,715
Office and general <i>(note 10)</i>	<b>144,278</b>	154,714
Management and directors' fees <i>(note 10)</i>	<b>127,800</b>	127,800
Professional and administrative fees <i>(note 10)</i>	<b>30,699</b>	39,886
Regulatory fees and transfer agent	<b>39,299</b>	38,123
Stock-based compensation <i>(notes 8 and 10)</i>	<b>24,038</b>	138,825
Travel	-	1,336
<b>Total expenses</b>	<b>444,258</b>	624,783
<b>Other expenses/income:</b>		
Interest (income)	<b>(119)</b>	(2,363)
Loss on foreign exchange	<b>10</b>	215
<b>Loss and comprehensive loss for the year</b>	<b>444,149</b>	622,635
<b>Basic and diluted loss per share</b>	<b>\$0.02</b>	\$0.03
<b>Weighted average common shares outstanding - Basic and diluted</b>	<b>22,759,735</b>	22,759,735

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

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

(Expressed in Canadian dollars)

For the years ended December 31,	2015	2014
	\$	\$
<b>Cash flows from the following activities:</b>		
<b>Operating</b>		
Net (loss) for the year	(444,149)	(622,635)
Non-cash items:		
Stock-based compensation	24,038	138,825
Net change in non-cash working capital (note 5)	54,424	(197,336)
Net cash used in operating activities	(365,687)	(681,146)
<b>Financing</b>		
Promissory note (note 6)	162,100	-
Net cash provided by financing activities	162,100	-
<b>(Decrease) in cash</b>	<b>(203,587)</b>	<b>(681,146)</b>
<b>Cash – beginning of year</b>	<b>211,340</b>	<b>892,486</b>
<b>Cash – end of year</b>	<b>7,753</b>	<b>211,340</b>

Supplemental cash flow information (note 5)

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, 2015 and 2014

(Expressed in Canadian Dollars)

### 1. NATURE OF OPERATIONS AND BUSINESS CONTINUANCE

Aurania Resources Ltd. (the "Company") was incorporated under *the Companies Act 1981, Bermuda*, on June 26, 2007 under the name "Urania Ltd.". On December 22, 2010, the Company changed its name to "Urania Resources Ltd." and on March 21, 2012, the Company further changed its name to Aurania Resources Ltd. On February 18, 2011, the Corporation was extra-provincially registered in the Province of Ontario. The registered head office of the Company is located at 31 Victoria Street, Hamilton, HM10, Bermuda.

These consolidated financial statements for the years ended December 31, 2015 and 2014 were approved and authorized for issue by the Board of Directors on April 15, 2016.

Aurania Resources Ltd. is a junior exploration mining company engaged in the search for mineral resources which could be economically and legally extracted or produced. Through its 100% wholly-owned subsidiary AuroVallis Sàrl, the Company is currently engaged in the exploration and development of certain exploration property interests in Switzerland, more particularly described in *note 4 (the "Properties")*.

The business of mineral 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 continuing existence is dependent upon the discovery of economically recoverable reserves and resources, securing and maintaining title to and beneficial interest in exploration property interests and the ability to obtain the necessary financing to complete exploration.

The Company is exploring the Properties under government-granted permits and has not yet determined whether these Properties contain reserves that are economically recoverable. The Properties 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.

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. See note 4 regarding the current status of the Company's permits.

The Company's ability to continue operations and fund its future exploration property expenditures is highly dependent on management's ability to secure additional financing. Management acknowledges that while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future. These 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, 2015, the Company had cash of \$7,753 (December 31, 2014 - \$211,340), current trade and other payables of \$88,004 (December 31, 2014 - \$34,367) and a promissory note of \$162,100 (2014 - \$nil). During the year ended December 31, 2015, the Company received \$162,100 as a short-term loan. See also note 6, *Promissory Note* and note 13, *Subsequent Event*. Further, the Company had an accumulated deficit of \$6,312,232 (December 31, 2014 - \$5,950,556) and working capital deficiency of \$240,281 (December 31, 2014 - surplus of \$179,830).

### 2. SIGNIFICANT ACCOUNTING POLICIES

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

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and its interpretations.

# AURANIA RESOURCES LTD.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2015 and 2014

(Expressed in Canadian Dollars)

### 2. SIGNIFICANT ACCOUNTING POLICIES, Continued

#### **(b) Basis of presentation**

These consolidated financial statements have been prepared on a historical cost basis using the accrual basis of accounting except for cash flow information. All amounts have been expressed in Canadian dollars, the functional currency, unless otherwise stated and CHF represents Swiss francs.

#### **(c) Basis of consolidation**

These consolidated financial statements incorporate the financial statements of the Company and its wholly-owned subsidiary AuroVallis Sàrl ("AVS"), incorporated under the laws of Switzerland. All intercompany transactions, balances, income and expenses are eliminated upon consolidation.

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 control ceases. The financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiary after eliminating inter-entity balances and transactions.

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

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

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

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the 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, 2015 and 2014. Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value and these estimates are updated at least annually. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

#### *Share-based payments*

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based non-vested share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock 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.



# AURANIA RESOURCES LTD.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2015 and 2014

(Expressed in Canadian Dollars)

### 2. SIGNIFICANT ACCOUNTING POLICIES, Continued

#### (d) Significant accounting judgments and estimates, Continued

##### *Income taxes and recoverability of potential deferred tax assets*

The Company is subject to income and other taxes in various jurisdictions. 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 and other tax liabilities requires interpretation of complex laws and regulations often involving multiple jurisdictions. 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 filings are subject to audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made. Any estimates for value added and withholding taxes have been included in accounts payable and accrued liabilities.

*Commitments and Contingencies - note 12.*

#### (e) Cash and cash equivalents

Cash and cash equivalents include cash-on-hand and balances with banks and short-term investments with original maturities of three months or less. The Company did not have any cash equivalents as at December 31, 2015 and 2014.

#### (f) Financial instruments

The Company does not have any derivative financial instruments. All 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, 2015 and 2014, 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, 2015 and 2014, 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.

# AURANIA RESOURCES LTD.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2015 and 2014

(Expressed in Canadian Dollars)

### 2. SIGNIFICANT ACCOUNTING POLICIES, Continued

#### *(f) Financial instruments, Continued*

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 trade and other payables 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, 2015 and 2014, the Company had not classified any financial liabilities as FVTPL.

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, 2015 and 2014, the Company did not have any financial instruments recorded using the fair value hierarchy.

#### *(g) 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.

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.

#### *(h) 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, 2015 and 2014.

# AURANIA RESOURCES LTD.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2015 and 2014

(Expressed in Canadian Dollars)

### 2. SIGNIFICANT ACCOUNTING POLICIES, Continued

#### *(i) 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 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 statement of loss.

##### Non-financial assets

At each statement of financial position 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 statement of loss.

#### *(j) 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 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.

#### *(k) 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 warrants and options as they are anti-dilutive.

# AURANIA RESOURCES LTD.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2015 and 2014

(Expressed in Canadian Dollars)

### 2. SIGNIFICANT ACCOUNTING POLICIES, Continued

#### *(l) 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.

#### *(m) 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

This is provided using the liability method, providing 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 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.

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

The Company has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2015. These changes were made in accordance with the applicable transitional provisions. The nature and effect of the changes are explained below.

**IFRS 8 - Operating Segments ("IFRS 8")** was amended to require an entity to disclose the judgments made by management in aggregating segments. IFRS 8 was also amended to clarify that an entity needs to present a reconciliation between the total reporting segment's assets to the entities' total assets if this information is usually provided to the chief operating decision maker.

# AURANIA RESOURCES LTD.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2015 and 2014

(Expressed in Canadian Dollars)

### 2. SIGNIFICANT ACCOUNTING POLICIES, Continued

#### *(n) Changes in Accounting Policies, Continued*

*The Company conducted a review of the amendment to this standard and determined that it did not result in any material change to the consolidated financial statements.*

**IFRS 13 – Fair Value Measurement (“IFRS 13”)** was amended to clarify that the exception which allows fair value measurements of a group of financial assets and liabilities on a net basis applies to all contracts within the scope of IAS 39 or IFRS 9, regardless of whether they meet the definitions of financial assets or liabilities as defined in IAS 32.

*The Company conducted a review of the amendment to this standard and determined that it did not result in any material change to the consolidated financial statements.*

**IAS 24 – Related Party Disclosures (“IAS 24”)** was amended to clarify that an entity providing key management services to the reporting entity or the parent of the reporting entity is a related party of the reporting entity. The amendments also require an entity to disclose amounts incurred for key management personnel services provided by a separate management entity.

*The Company conducted a review of the amendment to this standard and determined that it did not result in any material change to the consolidated financial statements.*

The following revised standards and amendments, unless otherwise stated, are effective on or after January 1, 2016, and have not been applied in preparing these consolidated financial statements. Many are not applicable or do not have a significant impact to the Company and have been excluded. Management has not yet considered the potential impact of their adoption and does not plan to adopt these standards early.

**IFRS 9 - Financial Instruments (“IFRS 9”)** was issued by the IASB in November 2009 with additions in October 2010 and May 2013 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, 2018. 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.

**IAS 1 - Presentation of Financial Statements (“IAS 1”)** was amended in December 2014 in order to clarify, among other things, that information should not be obscured by aggregating or by providing immaterial information, that materiality consideration apply to all parts of the financial statements and that even when a standard requires a specific disclosure, materiality considerations do apply. The amendments are effective for annual periods beginning on or after January 1, 2016.

# AURANIA RESOURCES LTD.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2015 and 2014

(Expressed in Canadian Dollars)

### 3. CAPITAL AND FINANCIAL RISK MANAGEMENT

#### Capital management

The Company considers the capital that it manages to include share capital, share premium, warrants, contributed surplus and deficit, which at December 31, 2015 was a deficiency of \$240,281 (December 31, 2014 - surplus of \$179,830). The Company manages its capital structure and makes adjustments to it, based on the funds needed in order to support the acquisition, exploration and development of mineral properties. Management does this in light of changes in economic conditions and the risk characteristics of the underlying assets. There has been no change with respect to the overall capital risk management strategy during the years ended December 31, 2015 and 2014.

The Company is not subject to externally imposed capital requirements by a lending institution or regulatory body, with the exception of the TSX Venture Exchange ("TSXV"), which has set certain minimum requirements to maintain a listing that include 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, 2015, the Company may not be compliant with the policies of the TSXV but has not been notified of such a deficiency or any possible impact, which is ultimately dependent upon the discretion of the TSXV.

The Company's continued existence is dependent upon the ability to obtain the necessary financing to complete exploration and development, obtain necessary government approvals and attain profitable production. Management continues to evaluate and assess new project opportunities consistent with its growth strategy.

During the year ended December 31, 2015, a company that is a significant shareholder and is controlled by the Chairman and President of the Company, advanced \$162,100 (2014 - \$nil) to the Company, in the form of an unsecured, non-interest bearing promissory note. At December 31, 2015, the Company does not have sufficient funds to continue operating in the normal course and continues to rely on short term loans to meet its ongoing financial commitments (see note 13).

#### Financial risk management

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate, foreign exchange rate, and commodity price risk). Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management. There have been no changes in the risks, objectives, policies and procedures during the reporting period.

##### (a) Credit risk

Credit risk is the risk of an unexpected loss if a third party to a financial instrument fails to meet its contractual obligations. The Company has no significant concentration of credit risk arising from its operations. Cash is held at select Canadian and Swiss financial institutions, from which management believes the risk of loss to be remote.

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

##### (b) Liquidity risk

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

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

As at December 31, 2015, the Company had \$7,753 in cash to settle \$88,004 of trade and other payables and a promissory note of \$162,100 (December 31, 2014 - \$211,340 in cash to settle \$34,367 of trade and other payables and a promissory note of \$nil.) Working capital will continue to fluctuate until the Company has achieved profitable levels of operations and profitability will not occur within the next twelve months; therefore management will need to raise additional funds to finance corporate and exploration expenditures.

#### c) *Market risk*

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

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

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

##### (ii) *Foreign currency risk*

Certain of the Company's expenses are incurred in CHF and are therefore subject to gains or losses due to fluctuations in this currency. Management believes that the foreign exchange risk derived from currency conversions is best served by not hedging its foreign exchange risk. At December 31, 2015 and 2014, the Company's exposure to foreign currency risk with respect to amounts denominated in CHF, was substantially as follows:

<i>In Canadian \$ equivalents</i>	December 31,	
	2015	2014
Cash	\$5,868	\$9,683
Trade and other accounts payable	(6,288)	(5,254)
<b>Net exposure</b>	<b>(420)</b>	<b>\$ 4,429</b>

#### (d) *Commodity price risk*

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

Commodity prices have fluctuated significantly in recent years. There is no assurance that these metals will be produced in the future or that a profitable market will exist for them. At December 31, 2015 and 2014, the Company was not a metals commodity producer.

#### (e) *Sensitivity analysis*

As of December 31, 2015 and 2014, both the carrying and fair value amounts of the Company's financial instruments are approximately equivalent due to their short-term nature. Based on management's knowledge and experience of the financial markets, the Company believes that a 10% strengthening of the Canadian dollar against the CHF would have increased (decreased) the net asset position of the Company as at December 31, 2015 by \$42 (December 31, 2014 - \$(443)). A 10% weakening of the Canadian dollar against the same would have had an equal but opposite effect.

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### 4. EXPLORATION EXPENDITURES

The Company, through its wholly-owned subsidiary AVS, has been maintaining a 100% interest in three exploration 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, described as follows:

a) **Mont Chemin Project (gold-silver)**

On July 11, 2008, the Company was granted a five-year exploration permit known as the "Perimetre de Tête-des Éconduits – Mont Chemin *Permis de fouille*" by a government department of the Canton.

b) **Siviez Project (uranium-copper-gold-silver)**

On June 24, 2009, the Company was granted a five-year exploration permit known as the "Siviez-Plan du Fou – Col. des Mines *Permis de fouille*" by a government department of the Canton.

c) **Marécottes Project (uranium)**

On July 11, 2008 the Company was granted a five-year exploration permit known as the "Perimetre de la Creusaz (Marécottes) Balaye (Finhaut) *Permis de fouille*" by a government department of the Canton.

#### Permit Status

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

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

The Mining Law is still being revised and management believes their "freeze" status on the permits is still in effect. The Company has also requested a reduction in area to be explored and the Ministry has accepted this proposal, in principle.



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**4. EXPLORATION EXPENDITURES, Continued**

The following table summarizes the cumulative exploration expenditures related to the Properties from inception:

	Cumulative Balance, December 31, 2013 \$	Additions Expensed \$	Cumulative Balance December 31, 2014 \$	Additions Expensed \$	Cumulative Balance December 31, 2015 \$
<b>Mont Chemin</b>					
Geology field studies	358,380	49,123	407,503	12,382	419,885
Geophysics	89,738	-	89,738	-	89,738
Drill program	418,705	(21,305)	397,400	-	397,400
Property, permit maintenance	20,033	12,809	32,842	3,758	36,600
Technical studies	43,573	-	43,573	-	43,573
	930,429	40,627	971,056	16,140	987,196
<b>Siviez</b>					
Geology field studies	720,069	28,858	748,927	5,805	754,732
Geophysics	122,937	-	122,937	-	122,937
Property maintenance	18,873	12,575	31,448	8,186	39,634
Technical studies	25,428	-	25,428	-	25,428
Drill program	189,186	(12,652)	176,534	-	176,534
Environment study	38,784	-	38,784	-	38,784
	1,115,277	28,781	1,144,058	13,991	1,158,049
<b>Marécottes</b>					
Geology field studies	475,617	4,429	480,046	3,269	483,315
Geophysics	67,900	-	67,900	-	67,900
Property maintenance	14,567	1,577	16,144	912	17,056
Technical studies	24,807	-	24,807	-	24,807
	582,891	6,006	588,897	4,181	593,078
	2,628,597	75,414	2,704,011	34,312	2,738,323

**5. SUPPLEMENTAL CASH FLOW INFORMATION**

For the years ended December 31,	2015 \$	2014 \$
Net changes in non-cash working capital:		
Prepaid expenses and receivables	787	2,403
Trade and other payables	53,637	(199,739)
	54,424	(197,336)
Interest paid	-	-
Corporate taxes paid	-	-

**6. PROMISSORY NOTE**

During the year ended December 31, 2015, the Company received a total of \$162,100 (2014 - \$nil) short-term advances from a company that is a significant shareholder and is controlled by the Chairman and President, (the "Lender"). These advances are evidenced by an unsecured, non-interest bearing promissory note, and are repayable within 30 days of a written notice of demand by the Lender.

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**7. SHARE CAPITAL**

- a) **Authorized share capital** at December 31, 2015 and 2014 is 1,000,000,000 common shares with a par value of \$0.00001 per share. All shares issued are fully paid.
- b) **Issued and outstanding common shares** at December 31, 2015 and 2014 - 22,759,735.

In accordance with National Policy 46-201 and the TSXV regulations, a total of 13,427,873 common shares, owned or controlled by the Company's principals, were deposited into escrow, to be automatically time-released over the 36 month period following April 17, 2013 (date of listing). To December 31, 2015 a total of 11,412,669 (December 31, 2014 – 7,385,282) escrowed shares have been released and therefore 2,015,204 (December 31, 2014 – 6,042,591) escrowed shares are still held for release.

Further, applicable Exchange seed share restrictions were imposed in connection with the Company's 2013 IPO and a total of 660,000 seed shares were also subject to hold periods for resale. 10,000 of these seed shares were released by August 11, 2013. The balance of 650,000 seed shares have also been automatically time-released over the 36 month period following the date of listing. To December 31, 2015 a total of 552,450 (December 31, 2014 – 357,498) escrowed seed shares have been released and therefore 97,550 (December 31, 2014 – 292,502) escrowed seed shares are still held for release.

**8. STOCK-BASED COMPENSATION**

The Company maintains a stock option plan (the "Plan") for the benefit of directors, officers, employees and consultants. The maximum number of common shares reserved for issuance with respect to the Plan cannot exceed 10% of the issued and outstanding common shares of the Company at the date of grant. Stock options generally vest 1/3 annually.

- (i) During the years ended December 31, 2015 and 2014, there were no new issuances of stock options under the Plan.
- (ii) On May 13, 2015, 30,000 stock options expired. The value of \$8,973 was reclassified to accumulated deficit.
- (iii) On April 11, 2015, 350,000 broker warrants expired, unexercised. The value of \$73,500 was reclassified to accumulated deficit.
- (iv) During the year ended December 31, 2015, the balance of 583,333 stock options became fully vested and as a result, \$24,038 (2014 - \$138,825) of stock-based compensation was recorded in the statement of loss.
- (v) The following summarizes the stock options/broker warrant activity during the years ended December 31, 2015 and 2014:

	<b>Number of Options/Broker Warrants</b>	<b>Weighted Average Exercise Price</b>	<b>Estimated Fair Value at Grant/Issue Date</b>
<b>Balance - December 31, 2013 and 2014</b>	<b>2,210,000</b>	<b>\$0.40</b>	<b>\$620,489</b>
Expired	(380,000)	\$0.40	\$(82,473)
<b>Balance - December 31, 2015</b>	<b>1,830,000</b>	<b>\$0.40</b>	<b>\$538,016</b>

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

(vi) The following summarizes the stock options/broker warrants outstanding at December 31, 2015:

Issued Number of Options	Exercisable Number of Options	Exercise Price	Expiry Date	Estimated Fair Value at Grant/Issue Date
80,000	80,000	\$0.40	July 13, 2016	\$16,832
1,750,000	1,750,000	\$0.40	April 11, 2018	\$521,184
<b>1,830,000</b>	<b>1,830,000</b>			<b>\$538,016</b>

The weighted average contractual life remaining for stock options as at December 31, 2015 is 2.20 (December 31, 2014 – 2.7) years. The above stock options and broker warrants were not included in the computation of diluted net loss per share for the periods presented as they are anti-dilutive.

**9. 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% (2014 – 0%) are as follows:

	2015 \$	2014 \$
(Loss) before taxes:	<u>(444,149)</u>	<u>(622,635)</u>
Expected income tax benefit based on statutory rate	-	-
Adjustments to expected income tax benefit:		
Adjustment for taxes in foreign operations	(94,000)	(111,000)
Change in foreign exchange rates	(95,000)	12,000
Expiry of tax losses	53,000	67,000
Other	(7,000)	1,000
Tax benefits not recognized	<u>143,000</u>	<u>31,000</u>
Deferred income tax	<u>-</u>	<u>-</u>

**(b) Deferred income tax balances**

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

	2015 \$	2014 \$
Non-capital losses carry-forwards - Canada and Switzerland -	<u>4,198,000</u>	<u>3,545,000</u>

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**9. INCOME TAXES, Continued**

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. These losses, which may reduce taxable income in Switzerland amount to approximately \$3,196,000 (CHF 2,285,000) and expire as follows:

	Amount(\$)	Year of Expiry
	939,000	2016
	922,000	2017
	386,000	2018
	69,000	2019
	596,000	2020
	167,000	2021
	<u>117,000</u>	2022
	<u>3,196,000</u>	

The Company also has approximately \$1,002,000 Canadian non-capital losses that expire from 2033 to 2035.

**(c) Temporary difference**

As at December 31, 2015, a temporary difference of \$16,831 (2014 - \$16,831) was not recognized in respect of the investment in subsidiary because it is not probable that the temporary difference will reverse in the foreseeable future and that taxable profit will be available against which the temporary differences will be utilized.

**10. RELATED PARTY TRANSACTIONS**

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

**(a) During the year ended December 31, 2015:**

- (i) A total \$60,000 (2014 - \$60,000), plus applicable taxes was charged to the Company by the CFO on account of management consulting fees. Included in trade and other payables at December 31, 2015 is \$11,300 (2014 - \$nil) owed to the CFO. This amount is unsecured, non-interest bearing and due on demand.
- (ii) A total of \$60,000 (2014 - \$60,000) was recorded for directors' fees. Included in trade and other payables at December 31, 2015 is \$15,000 (2014 - \$3,750). This amount is unsecured, non-interest bearing and due on demand.
- (iii) The Company incurred \$176,400 (2014 - \$185,600) of service costs that were payable to Geosource Exploration Ltd. ("Geosource"), a company controlled by the Chairman and President. These costs were allocated in the consolidated financial statements as follows: \$134,900 (2014 - \$124,600) to office and general (including \$94,200 rent (2014 - \$105,600), \$22,400 (2014 - \$25,000) to investor relations, \$8,000 (2014 - \$12,000) to professional and administrative fees, \$11,100 to management and directors' fees (2014 - \$nil) and \$nil (2014 - \$24,000) to exploration expenses. Included in trade and other payables at December 31, 2015 is \$33,522 (2014 - \$nil) owed to Geosource. See note 12.
- (iv) A company controlled by the Chairman and President provided \$162,100 (2014 - \$nil) of short term advances to the Company in the form of promissory notes (notes 6 and 13).

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### 10. RELATED PARTY TRANSACTIONS, Continued

#### (b) Key Management Compensation

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

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

For the years ended December 31,	2015	2014
Management fees (note 10(a)(i))	\$60,000	\$60,000
Directors' fees (note 10(a)(ii))	60,000	60,000
Stock-based compensation (note 8)	19,917	107,949
	\$139,917	\$227,949

### 11. SEGMENTED INFORMATION

At December 31, 2015, the Company's operations comprised a single reporting operating segment engaged in mineral exploration in Switzerland. Cash of \$1,885 (December 31, 2014 - \$201,657) is held in a Canadian chartered bank, with the balance of \$5,868 (December 31, 2014 - \$9,683) being held in a Swiss chartered bank.

### 12. 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.

One of the requirements of the original five-year exploration permits for the Company's Swiss projects, was the establishment of a bank guarantee of CHF500,000 (Cdn\$698,500) for environment remediation. This requirement, together with other financial and technical conditions, to maintain the validity of new five-year permits, is currently being renegotiated with the Canton Authority, see note 4 - *Exploration Expenditures*. In 2015, the bank guarantee was withdrawn by the Company, however, CHF 2,400 was deposited with the Canton towards any potential reforestation costs.

#### Service Costs and Consulting Agreements

In 2013, the Company entered into a service costs agreement with Geosource, at a monthly cost of \$15,800. Effective October 2015 this monthly cost was renegotiated down to \$10,800. This agreement may be terminated by the Company with 90 days' written notice of the Company's intention to terminate the agreement.

Since 2013, the CFO has been providing services pursuant to an annual, renewable consulting agreement. Accordingly, the CFO is remunerated at the rate of \$60,000 per annum (plus applicable taxes). Early termination of the contract requires 90 days' written notice by the party terminating the agreement therein.

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**13. SUBSEQUENT EVENT**

Subsequent to December 31, 2015 the Company received additional short-term loans totaling \$73,119 from the Lender. These loans are unsecured, non-interest bearing and due on demand with 30 days' notice from the Lender. See also note 6 – *Promissory Note*.