AURANIA

AURANIA RESOURCES LTD.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the Three and Six Months Ended June 30, 2017

(*Expressed in Canadian Dollars)*

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING and NOTICE TO READER

The accompanying unaudited condensed consolidated interim financial statements of Aurania Resources Ltd. (the "Company") for the three and six months ended June 30, 2017 are the responsibility of the Company's management ("Management") and have been prepared by Management and include the selection of appropriate accounting principles, judgments and estimates necessary to prepare these condensed consolidated interim financial statements in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* using the accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") for condensed consolidated interim financial statements.

AURANIA RESOURCES LTD.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION (Unaudited)

(*Expressed in Canadian Dollars)*

AS AT	**June 30, 2017**	December 31, 2016
	$	$
ASSETS		
Current assets		
Cash	**3,331,984**	3,942
Prepaid expenses and receivables	**119,126**	2,512
	3,451,110	6,454
Property, plant and equipment *(note 5)*	**4,703**	-
Total assets	**3,455,813**	6,454
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current liabilities		
Trade and other payables *(note 11)*	**201,590**	260,611
Promissory notes *(note 7)*	**1,490,154**	380,740
Total liabilities	**1,691,744**	641,351
SHAREHOLDERS' EQUITY (DEFICIENCY)		
Share capital *(note 8)*	**273**	229
Share premium (*note 8*)	**13,028,550**	5,485,705
Warrants (*note 10*)	**841,599**	-
Contributed surplus	**843,956**	692,868
Deficit	**(12,950,309)**	(6,813,699)
Total shareholders' equity (deficiency)	**1,764,069**	(634,897)
Total liabilities and shareholders' equity (deficiency)	**3,455,813**	6,454

Nature of operations and business continuance *(note 1)*
Commitments and contingencies *(notes 6 and 13)*

APPROVED BY THE BOARD:

Signed, "Marvin K. Kaiser", Director

Signed, "Keith M. Barron", Director

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

AURANIA RESOURCES LTD.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY) (Unaudited)

(*Expressed in Canadian Dollars)*

	ISSUED CAPITAL		RESERVES				
	Common Shares #	Share Capital $	Share Premium $	Warrants $	Contributed Surplus $	Accumulated Deficit $	Total Shareholders' Equity (Deficiency) $
Balance - December 31, 2015	**22,759,735**	**229**	**5,485,705**	**-**	**586,017**	**(6,312,232)**	**(240,281)**
Net loss for the period	-	-	-	-	-	(169,745)	(169,745)
Balance - June, 2016	**22,759,735**	**229**	**5,485,705**	**-**	**586,017**	**(6,481,977)**	**(410,026)**
Stock-based compensation *(note 9)*	-	-	-	-	123,683	-	123,683
Expiry of options *(note 9)*	-	-	-	-	(16,832)	16,832	-
Net loss for the period	-	-	-	-	-	(348,554)	(348,554)
Balance - December 31, 2016	**22,759,735**	**229**	**5,485,705**	**-**	**692,868**	**(6,813,699)**	**(634,897)**
Shares issued for private placements (*note 8*)	3,200,890	32	6,401,748	-	**-**	-	**6,401,780**
Less share issue costs	-	-	(532,834)	-	**-**	-	**(532,834)**
Shares issued for acquisition (*note 8*)	1,000,000	10	1,765,532	-	**-**	-	**1,765,542**
Shares issued for debt settlement (*note 8*)	375,000	2	749,998	-	**-**	-	**750,000**
Warrants issued for private placements (*note 10*)	-	-	(750,476)	750,476	**-**	-	**-**
Broker warrants compensation (*note 8*)	-	-	(91,123)	91,123	-	-	**-**
Stock-based compensation *(note 9)*	-	-	-	-	151,088	-	**151,088**
Net loss for the period	-	-	-	-	-	(6,136,610)	**(6,136,610)**
Balance – June 30, 2017	**27,335,625**	**273**	**13,028,550**	**841,599**	**843,956**	**(12,950,309)**	**1,764,069**

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

AURANIA RESOURCES LTD.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS (Unaudited)

Expressed in Canadian dollars

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	**2017**	2016
	$	$	**$**	$
Expenses:				
Exploration expenditures (*note 6*)	**129,393**	5,863	**195,897**	12,079
Office and general	**73,456**	16,136	**95,958**	41,203
Professional and administrative fees	**17,381**	16,161	**37,303**	23,411
Stock-based compensation *(note 9)*	**124,182**	-	**151,088**	-
Management and directors' fees *(note 11)*	**95,892**	33,900	**125,892**	63,900
Regulatory and transfer agent fees	**38,769**	9,942	**52,929**	18,995
Investor relations and travel	**74,257**	5,383	**81,786**	13,219
Amortization	**137**	-	**137**	-
Total expenses	**553,467**	87,385	**740,990**	172,807
Other (income) expenses:				
Costs associated with acquisition of EcuaSolidus,S.A. (*note 4*)	**5,511,183**	-	**5,511,183**	-
(Gain) on foreign exchange	**(117,466)**	(3,600)	**(117,985)**	(3,062)
Interest expense	**2,422**	-	**2,422**	-
Net loss and comprehensive loss for the period	**5,949,606**	83,785	**6,136,610**	169,745
Basic and diluted loss per share	**$0.24**	$0.00	**$0.26**	$0.00
Weighted average common shares outstanding – basic and diluted	**24,386,718**	22,759,735	**23,573,277**	22,759,735

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

AURANIA RESOURCES LTD.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS (Unaudited)

Expressed in Canadian dollars

Six months ended June 30,	**2017**	2016
	$	$
Operating activities		
Net loss	**(6,136,610)**	(169,745)
Adjustment for:		
Unrealized foreign exchange gain	**(61,459)**	-
Acquisition of EcuaSolidus, S.A. (note 4)	**5,511,183**	-
Amortization	**137**	-
Stock-based compensation	**151,088**	-
Non-cash working capital items:		
Prepaid expenses and receivables	**(94,566)**	(20,131)
Trade and other payables	**33,913**	63,767
Net cash used in operating activities	**(596,314)**	(126,109)
Financing activities		
Shares issued for private placements	**6,380,916**	-
Less share issue costs	**(532,834)**	-
Promissory notes advances	**207,972**	128,190
Repayment of promissory notes	**(1,407,014)**	-
Net cash provided by financing activities	**4,649,040**	128,190
Investing activities		
Acquisition of EcuaSolidus, S.A.	**(703,769)**	-
Advances to EcuaSolidus, S.A.	**(20,915)**	-
Net cash used by investing activities	**(724,684)**	-
Increase in cash	**3,328,042**	2,081
Cash – beginning of period	**3,942**	7,753
Cash – end of period	**3,331,984**	9,834

Supplemental information	**2017** **$**	**2016** **$**
Issuance of broker warrants	91,123	-
Shares issued in settlement of debt	770,864	-
Shares issued for acquisition of EcuaSolidus, S.A.	1,765,542	-

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

1. NATURE OF OPERATIONS AND BUSINESS CONTINUANCE

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

On May 26, 2017, at the annual and special meeting of shareholders of the Company (the "Meeting"), the shareholders approved the acquisition of EcuaSolidus, S.A. ("ESA") (the "Transaction"), a company incorporated under the laws of the Republic of Ecuador. ESA has mineral concessions to explore (known as "Patentes") the Lost Cities – Cutucu Project ("Lost Cities") in Ecuador.

As at June 30, 2017, the Company had cash of $3,331,984 (December 31, 2016 - $3,942) and liabilities of $1,691,744 (December 31, 2016 - $641,351) including promissory notes of $1,490,154 ($380,740 at December 31, 2016). A total of $190,154 ($380,740) is due on demand and owing to a company controlled by a principal shareholder and director of the Company (the "Lender"). The Company is also indebted to the Lender for USD $1,000,000 (CAD $1,300,000) as evidenced by a promissory note. Terms of the note include interest being payable at 2% per annum and the note must be repaid no later than April 19, 2018. The Company has the right and privilege to make voluntary prepayments.

Further, the Company had an accumulated deficit of $12,950,309 (December 31, 2016 - $6,813,699) and working capital of $1,759,366 (December 31, 2016 – deficiency of $634,897).

On April 20, 2017, the Company completed a financing through the issuance of 3,200,890 units for total gross proceeds of $6,401,780 (collectively the "Offering"). Each unit is comprised of one common share and one-half share purchase warrant to purchase a common share at $3.00 per share until October 19, 2018.

Mining exploration operations of companies such as the Company are highly dependent on their managements' ability to secure financing to fund exploration and general corporate costs. As noted above, the Company was recently successful in completing a significant Offering, and the Company has also been successful in doing so in the past, however, there can be no assurance it will be able to do so in the future. These condensed consolidated interim financial statements do not include the adjustments that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

The accounting policies applied in these condensed consolidated interim financial statements are based on IFRS policies issued and outstanding as of the date the Board of Directors approved these interim financial statements (August 28, 2017). The same accounting policies and methods of computation are followed in these condensed consolidated interim financial statements as those applied in *note 2* of the Company's most recent annual consolidated financial statements for the year ended December 31, 2016 and have been consistently applied throughout all periods presented, as if these policies had always been in effect. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending December 31, 2017 could result in the restatement of these condensed consolidated interim financial statements.

(b) Basis of presentation

These condensed consolidated interim financial statements have been prepared on a historical cost basis using the accrual basis of accounting except for cash flow information. All amounts have been expressed in

2. SIGNIFICANT ACCOUNTING POLICIES, Continued

Canadian dollars, the functional currency, unless otherwise stated and CHF represents Swiss francs and USD represents United States dollars.

(c) Basis of consolidation

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

(d) Significant accounting judgments and estimates

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

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

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

(i) the inputs used in accounting for valuation of warrants and options which are included in the condensed consolidated interim statement of financial position;

(ii) the inputs used in accounting for stock-based compensation expense in the condensed consolidated interim statement of loss;

(iii) the $nil provision for decommissioning and restoration obligations which are included in the condensed consolidated interim statement of financial position; and

(iv) the existence and estimated amount of contingencies (*note 13 – Commitments and Contingencies*).

(v) the valuation of the acquisition of ESA.

(e) Changes in Accounting Policies

During the six months ended June 30, 2017, the Company adopted a number of new IFRS standards, interpretations, amendments and improvements of existing standards including IAS 1. These new standards and changes did not have any material impact on the Company's condensed consolidated interim financial statements.

3. CAPITAL AND FINANCIAL RISK MANAGEMENT

Capital management

The Company considers the capital that it manages to include share capital, share premium, warrants, contributed surplus and deficit, which at June 30, 2017 was $1,764,069 (December 31, 2016 - deficiency of $634,897). 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 six months ended June 30, 2017.

3. CAPITAL AND FINANCIAL RISK MANAGEMENT, Continued

Capital management, Continued

The Company is not subject to externally imposed capital requirements by a lending institution or regulatory body, other than those of the TSX Venture Exchange ("TSXV"), which requires adequate working capital or financial resources of the greater of (i) $50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of six months.

Financial risk management

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

(a) Credit risk

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

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

(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 at June 30, 2017, the Company had $3,331,984 in cash to settle $1,691,744 of trade and other payables and promissory notes (December 31, 2016 - $3,942 in cash to settle $641,351 of trade and other payables and promissory notes).

Depending on the results of planned exploration, the proceeds of the Offering may not be sufficient to meet all expenditures that will occur within the next twelve months; therefore Management may need to raise additional funds to finance corporate and exploration expenditures within this future period.

(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

3. CAPITAL AND FINANCIAL RISK MANAGEMENT, Continued

Financial risk management, Continued

(ii) Foreign currency risk

Certain of the Company's expenses are incurred in CHF and USD and are therefore subject to gains or losses due to fluctuations in these currencies. Management believes that the foreign exchange risk derived from currency conversions is best served by not hedging its foreign exchange risk. At June 30, 2017 and December 31, 2016, the Company's exposure to foreign currency risk with respect to amounts denominated in CHF and USD, was substantially as follows:

In Canadian $ equivalents	**June 30, 2017**	December 31, 2016
Cash	**$34,600**	$3,108
Trade and other payables	**34,571**	(40,340)
Net exposure	**$69,171**	$(37,232)

(d) Commodity price risk

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

Commodity prices have fluctuated significantly in recent years. There is no assurance that these metals will be produced in the future or that a profitable market will exist for them. As of June 30, 2017 and December 31, 2016 the Company was not a metals commodity producer.

(e) Sensitivity analysis

As of June 30, 2017 and December 31, 2016, 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 and the USD at June 30, 2017 would have decreased the net asset position of the Company by $6,917 (December 31, 2016 – an increase of $3,723). A 10% weakening of the Canadian dollar against the same would have had an equal but opposite effect.

4. ACQUISITION OF ECUASOLIDUS, S.A

On May 26, 2017, the Company acquired all of the issued and outstanding shares of ESA (the "Transaction") pursuant to an Agreement of Purchase and Sale (the "Agreement" form Dr. Keith Barron, Chairman and CEO and significant shareholder of the Company (the "Vendor").

The transaction did not constitute a business combination as ESA did not meet the definition of a business. As a result, the transaction was accounted for as an asset acquisition at the fair value of the consideration given.

The purchase price consideration paid and the net assets acquired by the Company were as follows:

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

(Expressed in Canadian Dollars)

4. ACQUISITION OF ECUASOLIDUS, S.A., Continued

Identifiable assets and liabilities assumed

Equipment	$4,840
Sundry receivables and prepaid expenses	22,048
Trade payables and accrued liabilities	(165,967)
Promissory notes	(2,902,793)
Fair value of net liabilities assumed	$(3,041,872)

The deficiency of the fair value of the net assets of ESA over the purchase price, in the amount of $5,511,183 was recognized in the statement of loss in the three months ended June 30, 2017.

(i) As a condition of the closing of the Transaction, the Company agreed to settle certain outstanding debt owed by the Company to the Vendor, or its affiliate or affiliates by issuing common shares of the Company to the Vendor or as he may so direct, at a deemed price of $2.00 per common share, in an aggregate amount not to exceed $750,000 (the "Debt Settlement").

Concurrent with the Transaction, but not forming a part of it, includes the following:

A cash payment of USD $1,000,000 to the Vendor, for the repayment of a loan, made by the Vendor to ESA, for the purpose of the payment of annual mineral concession fees totaling USD $2,000,000. These costs were required to be paid by the concession holder, prior to March 31, 2017.

A two percent (2%) net smelter return royalty on metal production, and a two percent (2%) net sales return royalty on non-metallic products, will be held by the Vendor.

5. PROPERTY, PLANT & EQUIPMENT

COST	Furniture and Fixtures $	Computers and Software $ [1]	Total $
At June 30 and December 31, 2016	-	-	-
Additions	808	4,032	4,840
At June 30, 2017	**808**	**4,032**	**4,840**
ACCUMULATED DEPRECIATION	**Furniture and Fixtures $**	**Computers and Software $**	**Total $**
At June 30 and December 31, 2016	**-**	**-**	**-**
Additions	**-**	**(137)**	**(137)**
At June 30, 2017	**-**	**(137)**	**(137)**
NET BOOK VALUE	**Furniture and Fixtures $**	**Computers and Software $**	**Total $**
At June 30 and December 31, 2016	**-**	**-**	**-**
At June 30, 2017	**808**	**3,895**	**4,703**

(1) Depreciation for computers and software is calculated using straight-line method - 6 years

6. EXPLORATION EXPENDITURES

(a) ECUADOR

Entitlements under the Transaction

Pursuant to the Transaction the Company has become the beneficial holder of the rights, title and interest in the Lost Cities Project, comprised of 42 mineral concessions spanning 207,807 Ha, in the Cordillera de Cutucu, in Ecuador.

Annual fees and Mineral Concession Maintenance Requirements

An annual mineral concession fee per hectare is required to be paid to the State by March 31st each year in order to maintain a concession in good standing. The fee is based on a percentage of the minimum mining wage that is set by the State, and hence the fee can be expected to fluctuate from year to year. In 2017 the fee is USD $9.62 per hectare.

Under the terms of a mineral concession agreement with the State, the Company is required to make exploration expenditures as follows: Year 1: USD $5 per hectare; Year 2: USD $5 per hectare; Year 3: USD $10 per hectare; Year 4: USD $10 per hectare. Excess expenditures made on a concession in any one year may be carried over in partial fulfillment of the expenditure obligation for the following year. Annual expenditures and reporting on exploration undertaken on each concession is required to be filed with the Ministry of Mines by March 31st each year. Mineral concessions can be cancelled should the concession-holder misrepresent the stage of the concessions' development, by causing an excessive environmental impact, irreparable damage to Ecuadorian cultural heritage, or by the violation of human rights.

(b) SWITZERLAND

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

Permit Status

In 2015, the Company made formal application to obtain new five-year Permits and were advised that the Canton Authority (the "Ministry") intended to revise the Swiss Mining Law (the "ML") prior to issuing new permits. The applications were deemed legally "frozen", therefore Management believes all rights, title and interest under the Permits, have been preserved.

To June 30, 2017, Management is unaware of any change in the status of the Permits.

(Expressed in Canadian Dollars)

6. EXPLORATION EXPENDITURES, Continued

The following table summarizes the Company's cumulative exploration expenditures from inception:

	Cumulative Balance, December 31, 2015 $	Additions Expensed $	Cumulative Balance December 31, 2016 $	Additions Expensed $	Cumulative Balance June 30, 2017 $
ECUADOR					
Lost Cities - Cutucu					
Acquisition (Patentes)	**-**	-	-	242	**242**
Travel, supplies	**-**	62,660	62,660	23,705	**86,365**
Geology, studies	**-**	-	**-**	77,839	**77,839**
CSR, Country Manager	**-**	-	**-**	88,200	**88,200**
		62,660	**62,660**	189,986	**252,646**
SWITZERLAND					
Mont Chemin					
Permits, maintenance	**36,600**	8,427	**45,027**	5,911	**50,938**
Exploration	**950,596**	-	**950,596**	-	**950,596**
	987,196	8,427	**995,623**	5,911	**1,001,534**
Siviez					
Permits, maintenance	**39,634**	1,260	**40,894**	-	**40,894**
Exploration	**1,118,415**	1,844	**1,120,259**	-	**1,120,259**
	1,158,049	3,104	**1,161,153**	-	**1,161,153**
Marécottes					
Permits, maintenance	**17,056**	2,000	**19,056**	-	**19,056**
Exploration	**576,022**	-	**576,022**	-	**576,022**
	593,078	2,000	**595,078**	-	**595,078**
	2,738,323	76,191	**2,814,514**	195,897	**3,010,411**

7. PROMISSORY NOTES AND MINERAL CONCESSIONS LOAN

Promissory Notes

During the six months ended June 30, 2017, a company that is controlled by the Chairman and CEO (the "Lender") made short term advances to and certain bill payments for the Company totaling $207,972 (2016 - $128,190). At December 31, 2016, the Company owed the Lender a total of $380,740 for these short-term loans and payments.

During the six months ended June 30, 2017 and 2016, the Company owed $54,000 and $163,122, respectively to Geosource Resources Ltd. ("Geosource") for services rendered related to rental space and consulting services in the areas of administrative assistance, investor relations and IT. Geosource is also owned and controlled by the Lender. To December 31, 2016, the Company owed the Lender and service provider a total of $163,122 for these services. On May 26, 2017, as a condition of closing the Transaction, it was agreed between the Company and the Lender that the short-term advances and unpaid services, then totaling $750,000 (the "Indebtedness") would be settled with the issuance of common shares, at a deemed price of $2.00 per common share. *See note 4 – Acquisition of EcuaSolidus, S.A.* The Company made a cash payment of $55,834 during the six months ended June 30, 2017 resulting in these promissory notes and other amounts due being fully paid. As at June 30, 2017, all amounts have been paid in full.

7. PROMISSORY NOTES AND MINERAL CONCESSIONS LOAN, Continued,

Mineral Concessions Loan

In December 2016, ESA made application to the Mining Ministry in Ecuador to be the registered holder of the mineral concessions forming the Lost Cities Project. Annual tariffs for the mineral concessions were estimated at USD $2,000,000 and due on or before March 31, 2017. The Vendor loaned USD $2,000,000 to ESA and the concession fees were paid. The indebtedness of ESA to the Vendor is documented by way of an interest-bearing promissory note. Terms of the note include interest payable at 2% per annum on the outstanding balance and a maturity date of April 19, 2018. The loan may be repaid earlier. As a condition of the Transaction, the Company agreed to repay half of the loan, or USD $1,000,000 ($1,351,180) from the Offering proceeds. The Company has the right and privilege to make voluntary prepayments *See note 4 – Acquisition of EcuaSolidus, S.A*

As at June 30, 2017, $1,316,851 remains outstanding in addition to $185,131 due in relation to advances made to ESA by the Lender prior to the Transaction

8. SHARE CAPITAL

(i) Authorized share capital at June 30, 2017 and December 31, 2016 is 1,000,000,000 common shares with a par value of $0.00001 per share. All shares issued are fully paid.

(ii) Issued and outstanding common shares at June 30, 2017 is 27,335,625 (December 31, 2016 - 22,759,735).

(iii) During the six months ended June 30, 2017, the Company:

(a) Issued 3,200,890 common shares pursuant to a private placement financing for 3,200,890 units (Offering Units), each Offering Unit consisting of one common share and one-half of one common share purchase warrant ("Offering Warrant"). Each full Offering Warrant is exercisable to acquire one common share at $3.00 until October 19, 2018. Total consideration for the Offering Units is $6,401,780, comprised of $6,380,916 cash and $20,864 for services rendered, in exchange for 10,432 Offering Units. The Offering Warrants were assigned an estimated fair value of $750,476 using the Black-Scholes option pricing model, using the following assumptions: forfeiture rate 0%, dividend yield 0%, expected volatility 100% based on the historical volatility of similar companies, a risk-free interest rate of 0.62% and an expected life of 18 months. Therefore the valuation has attributed $1.76 to the common shares and $0.24 to the Offering Warrants.

Agreed to pay compensation to the Agents including: cash payments of $288,400 and the issuance of 144,200 compensation options ("Agents' Options"). Each Agent Option is exercisable into one unit ("Agent Unit) at a price of $2.00 for a period of 18 months until October 19, 2018. Each Agent Unit consists of one common share of the Company and one-half of one common share purchase warrant ("Agent Warrant"). Each Agent Warrant entitles the holder to acquire one common share at a price of $3.00 until October 19, 2018. The Agents' Warrants were assigned an estimated fair value of $91,123 using the Black-Scholes option pricing model, using the following assumptions: forfeiture rate 0%, dividend yield 0%, expected volatility 100% based on the historical volatility of similar companies, a risk-free interest rate of 0.62% and an expected life of 18 months.

For both the Offering and Agents' Units, if the volume weighted average trading price of the Company's common shares on the Company's principal stock exchange exceeds $3.00 for a period of 20 consecutive trading days, the Company may accelerate the expiry date to the date which is 30 days following the date upon which notice of the accelerated expiry date of the Offering and Agents' Options will be provided by the Company to the holders of said Warrants.

b) Issued 1,000,000 common shares of the Company (the "Transaction Shares") to the Vendor as part of the Transaction purchase price. The Transaction Shares have been assigned an estimated fair value of $1,765,542 using the share price calculated using the Black-Scholes pricing model more particularly described in 6(a) above.

8. SHARE CAPITAL, Continued

(Expressed in Canadian Dollars)

c) Issued 375,000 common shares (the “Settlement Shares”) to Lender as the settlement of $750,000 promissory note shareholder loans. For purposes of the Transaction, it was agreed between the Vendor and the Company to value the Settlement Shares at a deemed price of $2.00.

9. STOCK-BASED COMPENSATION

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

(i) On July 13, 2016, the Company granted 415,000 stock options to directors and officers. Each option is exercisable to acquire one common share at a price of $0.60. These options expire on July 13, 2021, and vest as follows: 1/3 on the grant date, 1/3 on July 13, 2017 and the remaining 1/3 on July 13, 2018. A total value of $218,232 has been assigned to the options and to June 30, 2017, a total of $177,975 of the total value has been recorded.

(ii) On May 26, 2017, the Company granted 150,000 stock options to the President of the Company. Each option is exercisable to acquire one common share at a price of $2.30. These options expire on May 26, 2022, and vest as follows: 1/3 on the grant date, 1/3 on May 26, 2018 and the remaining 1/3 on May 26, 2019. A total value of $256,242 has been assigned to the options using the Black-Scholes option pricing model using the following assumptions: expected forfeiture rate of 0%, expected dividend yield of 0%, expected volatility of 100%, a risk-free interest rate of 0.96% and an expected life of 5 years. To June 30, 2017 a total of $96,796 (2016 – nil) has been expensed in relation to the vested options.

(iii) The following summarizes the stock options activity during the six months ended June 30, 2017:

	Number of Options	Weighted Average Exercise Price	Estimated Fair Value at Grant/Issue Date
Balance - December 31, 2016	**2,165,000**	**$0.44**	**$739,417**
Issued	150,000	**$2.30**	256,242
Balance - June 30, 2017	**2,315,000**	**$0.56**	**$995,659**

(v) The following summarizes the stock options outstanding at June 30, 2017:

Issued Number of Options	Exercisable Number of Options	Exercise Price	Expiry Date	Estimated Fair Value at Grant/Issue Date
1,750,000	1,750,000	$0.40	April 11, 2018	$521,184
415,000	138,333	$0.60	July 13, 2021	$218,233
150,000	50,000	$2.30	May 26, 2022	$256,242
2,315,000	**1,938,333**			**$995,659**

The weighted average contractual life remaining for stock options as at June 30, 2017 is 1.63 (2016 – 1.95) years. The above stock options were not included in the computation of diluted net loss per share for the periods presented as they are anti-dilutive.

(Expressed in Canadian Dollars)

10. WARRANTS

On April 19, 2017, a total of 1,600,445 common share purchase warrants were issued by the Company in connection with the Offering*. See note 8(iii)(a) – Share Capital.*

Also on April 19, 2017 a total of 144,200 Agent Warrants were issued in connection with the Offering. *See note 8(iii)(a) – Share Capital*

The above warrants have not been included in the computation of diluted net loss per share as they are anti-dilutive.

Option-pricing models require the use of highly subjective estimates and assumptions including the expected stock price volatility. Changes in the underlying assumptions described in Notes 8 and 10 can materially affect the fair value estimates.

The following summarizes the warrants activity for the six months ended June 30, 2017:

	Number of Warrants	Weighted Average Exercise Price	Estimated Fair Value
Balance – December 31, 2016	-	-	-
Issued (note 8(iii)(a))	1,600,445	$3.00	$750,476
Issued (note 8(iii)(a))	118,650	$3.00	91,123
Balance – June 30, 2017	**1,719,095**	**$3.00**	**$841,599**

The following summarizes the outstanding warrants for the six months ended June 30, 2017:

Number of Warrants Outstanding	Exercise Price	Expiry Date
1,719,095	**$3.00**	**October 19, 2018**

11. RELATED PARTY TRANSACTIONS

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

During the six months ended June 30, 2017:

(i) A total of $55,000 (2016 - $30,000), plus applicable taxes was charged to the Company by the CFO on account of management consulting fees. Included in trade and other payables at June 30, 2017 is $5,650 (December 31, 2016 - $5,650) owing to the CFO, for unpaid consulting fees. These amounts are unsecured, non-interest bearing and due on demand.

(ii) A total of $15,000 (2016 - $nil), plus applicable taxes was charged to the Company by the President on account of management consulting fees.

(iii) A total of $33,375 (2016 - $30,000) was recorded for directors' fees. Included in trade and other payables at June 30, 2017 is $nil (December 31, 2016 - $30,000) owing to directors for unpaid directors' fees. These amounts are unsecured, non-interest bearing and due on demand.

(iv) The Company incurred $64,800 of service costs, provided by Geosource Exploration Ltd. ("Geosource"), a company controlled by the Chairman and President. These costs were approved by the Board of Directors under an agreement in effect since January 1, 2013 *(note 13).* These costs were allocated in the condensed consolidated interim financial statements as follows: $34,200 to office and general (including $30,000 rent), $10,200 to investor relations, $12,000 to operations in Switzerland and $8,400 to professional and administration fees. Included in trade and other payables at June 30, 2017 is $nil (December 31, 2016 - $163,122) owing to Geosource for these unpaid costs. These amounts are unsecured, non-interest -bearing and due on demand.

(Expressed in Canadian Dollars)

11. RELATED PARTY TRANSACTIONS, Continued

During the three months ended June 30, 2017:

(vi) A total of $15,000 (2016 - $15,000), plus applicable taxes was charged to the Company by the CFO on account of management consulting fees; additionally a $25,000 performance bonus was awarded to the CFO during the period.

(vii) A total of $15,000 (2016 - $nil), plus applicable taxes was charged to the Company by the President on account of management consulting fees.

(viii) A total of $18,375 (2016 - $15,000) was recorded for directors' fees.

(ix) The Company incurred $32,400 of service costs, provided by Geosource Exploration Ltd. ("Geosource"), a company controlled by the Chairman and President. These costs were approved by the Board of Directors under an agreement in effect since January 1, 2013 *(note 10).* These costs were allocated in the condensed consolidated interim financial statements as follows: $17,100 to office and general (including $15,000 rent), $5,100 to investor relations, $6,000 to operations in Switzerland and $4,200 to professional and administration fees.

(x) 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 six months ended June 30,	**2017**	2016
Management fees (note 11 (i)(ii)(iii))	**$ 70,000**	$30,000
Directors fees (note 11 (iii))	**33,375**	30,000
Stock-based compensation (note 9(i)(ii)	**151,088**	-
	$254,463	$60,000

Other Transactions

See note 4 – Acquisition of EcuaSolidus, S.A. and note 7 – Promissory notes.

12. SEGMENTED INFORMATION

At June 30, 2017, the Company's operations comprised two operating segments engaged in mineral exploration in Ecuador and Switzerland. Cash of $3,243,384 (December 31, 2016 - $834) is held in a Canadian chartered bank, with the balance of $85,837 (December 31, 2016 - $nil) being held in a chartered bank in Ecuador and $2,763 (December 31, 2016 - $3,108) being held in a chartered bank in Ecuador.

13. COMMITMENTS AND CONTINGENCIES

Environmental Contingencies

The Company's exploration activities are subject to various federal, provincial, municipal and international laws and regulations governing the protection of the environment. 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.

13. COMMITMENTS AND CONTINGENCIES, Continued

Service Costs and Consulting Agreements

Geosource provides investor relations, administrative and IT services to the Company at a monthly cost of $10,800. This agreement may be terminated by the Company with 90 days' written notice provided to Geosource of the Company's intention to terminate the agreement.

The Company's CEO provides management services to the Company without receiving any compensation other than stock options granted under the Company stock option plan.

The President provides management services to the Company pursuant to a one-year (renewable) consulting agreement. His annual compensation is $150,000. Upon change of control as defined in the agreement, the contract will be extended two years from the effective date of the change of control (the "Change"). If the agreement is terminated, other than for cause, or if the President terminates the agreement 'for good reason', within one year of the Change, then the President shall receive $300,000 and any unvested options shall vest immediately therein. .

The Company's CFO and Chief Geologist provide consulting services pursuant to annual, renewable consulting agreements. Accordingly, the CFO is remunerated at the rate of $60,000 per annum and the Project Manager is contracted on an 'as needed' basis and compensated at an amended rate of $500USD ($650CAD) per diem. Early termination of the contracts requires 90 days' written notice by the party terminating the agreement therein.

The Company has entered into a consulting agreement (the "Contract" with a professional CSR company to design and implement a CSR program to be run in conjunction with the Project exploration programme. Compensation for services is stipulated at $1,000 per diem up to 10 days per month ("the base services"). Any additional services to be performed over and above the base services must be pre-approved in writing. Either party may terminate the contract with 30 days' written notice.