AURANIA

AURANIA RESOURCES LTD.

CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

INDEX

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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 subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of changes in shareholders' equity (deficiency), 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 subsidiaries as at December 31, 2017 and 2016, 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 Aurania Resources Ltd. had a working capital deficiency as at December 31, 2017 and continuing losses for the year ended December 31, 2017. 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 ability of Aurania Resources Ltd. to continue as a going concern.

UHY McGovern Hurley LLP

UHY McGovern Hurley LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
April 30, 2018

AURANIA RESOURCES LTD.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian Dollars)

AS AT	December 31, 2017	December 31, 2016
ASSETS		
Current assets		
Cash	**$671,346**	$3,942
Prepaid expenses and receivables	**64,882**	2,512
Total current assets	**736,228**	6,454
Non-current asset		
Property, plant and equipment (note 5)	**52,573**	-
TOTAL ASSETS	**$788,801**	$6,454
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (notes 13 and 16)	**$464,956**	$260,611
Promissory notes (note 7)	**1,273,000**	380,740
Total liabilities	**1,737,956**	641,351
EQUITY (DEFICIENCY)		
Share capital (note 8)	**273**	229
Share premium (note 8)	**13,019,518**	5,485,705
Warrants (note 10)	**883,874**	-
Contributed surplus	**1,206,201**	692,868
Deficit	**(16,059,021)**	(6,813,699)
Total equity (deficiency)	**(949,155)**	(634,897)
TOTAL LIABILITIES AND EQUITY (DEFICIENCY)	**$788,801**	$6,454

Nature of operations and business continuance (note 1)
Commitments and contingencies (note 16)
Subsequent events (note 18)

APPROVED BY THE BOARD:

Signed, "Marvin K. Kaiser", Director

Signed, "Keith M. Barron", Director

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

AURANIA RESOURCES LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)

(Expressed in Canadian Dollars)

	ISSUED CAPITAL						
	Common Shares #	**Share Capital**	**Share Premium**	**Warrants**	**Contributed Surplus**	**Accumulated Deficit**	**Total Equity (Deficiency)**
Balance - December 31, 2015	**22,759,735**	**$229**	**$5,485,705**	**$-**	**$586,017**	**$(6,312,232)**	**$(240,281)**
Stock-based compensation	-	-	-	-	123,683	-	123,683
Expiry of options	-	-	-	-	(16,832)	16,832	-
Net loss for the year	-	-	-	-	-	(518,299)	(518,299)
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	-	-	(534,482)	-	-	-	(534,482)
Shares issued for acquisition (notes 4, 8)	1,000,000	10	1,765,532	-	-	-	1,765,542
Shares issued for debt settlement (notes 4, 8)	375,000	2	749,998	-	-	-	750,000
Warrants issued for private placements (note 10)	-	-	(750,476)	750,476	-	-	-
Agents' options compensation (notes 8,10)	-	-	(133,398)	133,398	-	-	-
Stock-based compensation – options (notes 9, 12)	-	-	-	-	504,861	-	504,861
Stock-based compensation - Restricted Stock Units ("RSUs") compensation (notes 9, 12)	-	-	-	-	23,363	-	23,363
Exercise of stock options (note 8)	50,000	-	34,891	-	(14,891)	-	20,000
Net loss for the period	-	-	-	-	-	(9,245,322)	(9,245,322)
Balance - December 31, 2017	**27,385,625**	**$273**	**$13,019,518**	**$883,874**	**$1,206,201**	**$(16,059,021)**	**$(949,155)**

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*)

For the years ended December 31,	2017	2016 (note 14)
Operating Expenses		
Exploration expenditures (notes 6 and 11)	**$2,197,942**	$13,531
Stock-based compensation (notes 9, 12)	**528,224**	123,683
Management fees	**314,230**	67,800
Office and general	**240,631**	80,421
Investor relations (note 13)	**309,452**	26,644
Professional and administrative fees (note 13)	**48,197**	40,343
Regulatory and transfer agent fees	**24,461**	36,855
Directors' fees	**63,375**	60,854
Project evaluation expenses including travel	**35,476**	62,660
Amortization (note 5)	**4,051**	-
Total expenses	**$3,766,039**	$512,791
Other expenses/income:		
Costs associated with acquisition of EcuaSolidus, S.A. (note 4)	**5,511,183**	-
Loss on foreign exchange	**(46,347)**	5,508
Interest expense (net of interest income earned)	**14,447**	-
Loss and comprehensive loss for the year	**$9,245,322**	$518,299
Basic and diluted loss per share	**$0.36**	$0.02
Weighted average common shares outstanding - Basic and diluted	**25,487,461**	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,	2017	2016 (note 14)
Cash flow from the following activities:		
Operating activities:		
Net (loss) for the year	**$(9,245,322)**	$(518,299)
Adjustment for:		
Acquisition of EcuaSolidus S.A.	**5,511,183**	-
Amortization	**4,051**	-
Stock-based compensation	**528,224**	123,683
Accrued interest	**15,100**	-
Foreign exchange (gain) on promissory notes	**(93,880)**	-
Non-cash items:		
Prepaid expenses and receivables	**(40,322)**	(442)
Accounts payable and accrued liabilities	**(160,855)**	172,607
Net cash used in operating activities	**(3,481,821)**	(222,451)
Financing activities:		
Shares issued for private placements	**6,401,780**	-
Less share issue costs	**(534,482)**	-
Exercise of options	**20,000**	-
Promissory notes advances (note 7)	**425,094**	218,640
Repayment of promissory notes	**(1,407,614)**	-
Net cash provided by financing activities	**4,904,778**	218,640
Investing activities:		
Purchase of capital assets	**(51,784)**	-
Acquisition of EcuaSolidus S.A. (note 4)	**(703,769)**	-
Net cash used by investing activities	**(755,553)**	-
Increase (decrease) in cash	**667,404**	(3,811)
Cash – beginning of year	**3,942**	7,753
Cash – end of year	**$671,346**	$3,942

Supplemental Information	2017 $	2016 $
Issuance of broker warrants	**133,398**	-
Shares issued in settlement of debt	**749,998**	-
Shares issued for acquisition of EcuaSolidus, S.A.	**1,765,542**	-
Interest paid	-	-
Corporate taxes paid	-	-

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

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 Company was extra-provincially registered in the Province of Ontario, Canada. The registered head office of the Company is located at 31 Victoria Street, Hamilton, HM10, Bermuda. The corporate office is located at Ste. 1050 – 36 Toronto St., Toronto, ON M5C 2C5.

Aurania Resources Ltd. is a junior 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, the Company acquired EcuaSolidus, S.A. ("ESA"), a private Ecuador-based company (the "Transaction"), owned by the principal shareholder of the Company, in order to acquire all the rights, title and interest in 42 mineral exploration licenses in Ecuador. Concurrent with the Transaction, the Company completed a private placement for the issuance of 3,200,890 units (the "Units"), for total consideration of $6,401,780 (the "Offering"). Each Unit is comprised of one common share and one-half share purchase warrant to purchase one common share at $3.00 per share until October 19, 2018. See note 4 – Acquisition of EcuaSolidus, S.A. and note 8 – Share Capital.

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

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

Although the Company has taken steps to verify title to the properties on which it is conducting exploration activities and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, unregistered claims and noncompliance with regulatory and environmental requirements. See note 6 – Mineral Property Interests regarding the current status of the Company's permits and licenses.

As at December 31, 2017, the Company had cash of $671,346 (December 31, 2016 - $3,942), current accounts payable and accrued liabilities of $464,956 (December 31, 2016 - $260,611) and a promissory note of $1,273,000 (2016 - $380,740). Further, the Company had an accumulated deficit of $16,059,023 (December 31, 2016 - $6,813,699) and working capital deficiency of $1,001,728 (December 31, 2016 – $634,897). Subsequent to December 31, 2017, the Company added $2,134,908 to the treasury from the exercise of 1,030,000 options and 530,536 warrants and 41,650 Agents' Compensation Units.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

These annual consolidated financial statements were approved and authorized by the Board of Directors on April 30, 2018.

Basis of Measurement

These annual consolidated financial statements have been prepared under the historical cost convention except for certain financial assets and financial liabilities, which are measured at fair value. The Company's assets are located in Ecuador and Switzerland and are subject to the risk of foreign investment, including increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and restrictions and political uncertainty.

Basis of Consolidation

Subsidiaries

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

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

Transactions Eliminated on Consolidation

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

Functional and Reporting Currency

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

2. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Segment Reporting

A segment is a component of the Company that is distinguishable by economic activity (business segment), or by its geographical location (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Company operated in one business segment - mineral exploration, and two geographical segments – Ecuador and Switzerland, during the years ended December 31, 2017 and 2016.

Accounting standards and interpretations issued but not yet adopted

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after January 1, 2018 or later periods. Many are not applicable to, or do not have a significant impact on, the Company and have therefore been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

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.

IFRS 16 – Leases ("IFRS 16") was issued in January 2016 and replaces IAS 17 – Leases as well as some lease-related interpretations. With certain exceptions for leases under twelve months in length or for assets of low value, IFRS 16 states that upon lease commencement a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the lessee shall measure the right-of-use asset at cost less accumulated depreciation and accumulated impairment. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 requires that lessors classify each lease as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise it is an operating lease. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted if IFRS 15 has also been applied.

IFRIC 22 – Foreign Currency Transactions and Advance Consideration ("IFRIC 22") was issued in December 2016 and addresses foreign currency transactions or parts of transactions where there is consideration that is denominated in a foreign currency; a prepaid asset or deferred income liability is recognised in respect of that consideration, in advance of the recognition of the related asset, expense

2. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Accounting standards and interpretations issued but not yet adopted, Continued

or income; and the prepaid asset or deferred income liability is non-monetary. The interpretation committee concluded that the date of the transaction, for purposes of determining the exchange rate, is the date of initial recognition of the non-monetary prepaid asset or deferred income liability. IFRIC 22 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

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

Accounting changes

During the year ended December 31, 2017, the Company adopted a number of new IFRS standards, interpretations, amendments and improvements of existing standards. These included IAS 7. These new standards and changes did not have any material impact on the Company's consolidated financial statements.

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:

<u>Estimation of decommissioning and restoration costs and the timing of expenditure</u>

Management is not aware of any material restoration, rehabilitation and environmental provisions as at December 31, 2017 and 2016. Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations

2. SIGNIFICANT ACCOUNTING POLICIES, Continued

Estimation of decommissioning and restoration costs and the timing of expenditure, Continued

and are measured at fair value and these estimates are updated at least annually. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of a mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

Share-based payments

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

Income, value added, withholding and other taxes

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

Business combinations vs. asset acquisitions

Determination of whether a set of assets acquired, and liabilities assumed, constitute a business requires the Company to make certain judgments, taking into account all facts and circumstances. In making this determination, the Company considers items including, but not limited to: whether there are inputs and processes attributable to the set of assets and liabilities, the extent of the infrastructure in place, the work required to bring the acquired assets to production and whether the project has resources or reserves. Such judgments are inherently uncertain and could have a significant effect on the method of accounting for the acquisition and the disclosures required.

2. SIGNIFICANT ACCOUNTING POLICIES, Continued

Commitments and contingencies

See note 16 – Commitments and Contingencies.

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, 2017 and 2016.

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, 2017 and 2016, the Company had no items classified as FVTPL.

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

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary. At December 31, 2017 and 2016, the Company had no financial assets classified as available-for-sale.

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

Financial liabilities

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

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

2. SIGNIFICANT ACCOUNTING POLICIES, Continued

Financial liabilities, Continued

Financial liabilities classified as FVTPL include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held-for-trading unless they are designated as effective hedging instruments. Fair value changes of financial liabilities classified as FVTPL are recognized through the consolidated statement of loss. At December 31, 2017 and 2016, 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, 2017 and 2016, the Company did not have any financial instruments recorded using the fair value hierarchy.

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES, Continued

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, 2017 and 2016.

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES, Continued

Basic and diluted loss per share

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

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.

Income taxes

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

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

Deferred tax
Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying

2. SIGNIFICANT ACCOUNTING POLICIES, Continued

Income taxes, Continued

Deferred tax, Continued

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.

Property, plant and equipment and amortization

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

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

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

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, 2017 was a deficiency of $949,155 (December 31, 2016 - $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 years ended December 31, 2017 and 2016.

On May 26, 2017 the Company completed a private placement Offering for the issuance of 3,200,890 Units at $2.00 per Unit for total consideration of $6,401,780. Subsequent to December 31, 2017, the Company added $2,134,908 to the treasury from the exercise of 1,030,000 options and 530,536 warrants and 41,650 Agents' Compensation Options. An additional 700,000 stock options were

3. CAPITAL AND FINANCIAL RISK MANAGEMENT, Continued

Capital management, Continued

exercised in exchange for a debt settlement of $280,000. See note 8 - Share Capital and note 18 - Subsequent Events.

Prior to completion of the Offering, the Company was relying on advances from a company controlled by the principal shareholder who is also the Chairman and CEO of the Company (the "Lender"). During the year ended December 31, 2017, the Lender paid bills and advanced cash totaling $425,094 (2016 - $218,640) to the Company, however prior to year-end these advances were repaid.

Subsequent to December 31, 2017, the Lender advanced USD2,000,000 to the Company pursuant to an interest-bearing convertible debenture (the "Debenture"). The Debenture proceeds were used to pay the 2018 concession fees for the Lost Cities-Cutucu Project (the "Project"). See note 6 – Mineral Property Interests and note 18 – Subsequent Events.

Financial risk management

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate, foreign currency, and commodity price risk). Risk management is carried out by 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 years ended December 31, 2017 and 2016.

Credit risk

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

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

Liquidity risk

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

At December 31, 2017, the Company has $671,346 in cash to settle $464,956 of accounts payable and accrued liabilities and $1,273,000 of promissory notes (December 31, 2016 - $3,942 in cash to settle $260,611 of trade and other payables and $380,740 of promissory notes).

As the Company has no steady source of revenues or cash flow and has implemented its exploration plan as anticipated, it is highly probable that additional financing will be required during 2018 to further advance exploration at the Project, to meet ongoing financial obligations and discharge the Company's

3. CAPITAL AND FINANCIAL RISK MANAGEMENT, Continued

Liquidity risk, Continued

liabilities, in the normal course of business. The Company is considering different sources of potential funding to advance exploration, including equity issuances, short-term loans, the exercise of warrants and stock options and joint venture partnerships.

Market risk

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

Interest rate risk

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

Foreign currency risk

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

In Canadian $equivalents	**December 31, 2017**	December 31, 2016
Cash	**$8,393**	$3,108
Accounts payable, accrued liabilities and promissory notes	**(1,391,262)**	(40,340)
Net exposure	**$(1,382,869)**	$(37,232)

Commodity price risk

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

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

(Expressed in Canadian Dollars)

3. CAPITAL AND FINANCIAL RISK MANAGEMENT, Continued

Sensitivity analysis

At December 31, 2017 and 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 USD and CHF at December 31, 2017 would have increased the net asset position of the Company by $138,287 (December 31, 2016 – $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 pursuant to an Agreement of Purchase and Sale (the “Agreement”) from Dr. Keith Barron, Chairman and CEO and significant shareholder of the Company (the “Vendor”). The purchase price consideration paid and the net assets acquired by the Company were as follows:

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

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

The deficiency of the fair value of the net assets of ESA over the purchase price, in the amount of $5,511,183 has been recognized in the statement of loss, principally in the second quarter.

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

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

- A cash repayment of US$1,000,000 for the MCL as discussed above; and
- A two percent (2%) net smelter return royalty on metal production and a two percent (2%) net sales return royalty on non-metallic products, held by the Vendor.

(Expressed in Canadian Dollars)

5. PROPERTY, PLANT & EQUIPMENT

COST	Leasehold Improvements $	Furniture and Fixtures $	Computer Equipment $	Total $
At December 31, 2015	-	-	4,081	4,081
Additions	-	-	-	-
At December 31, 2016	-	-	4,081	4,081
Additions	25,477	768	30,379	56,624
At December 31, 2017	**25,477**	**768**	**34,460**	**60,705**
ACCUMULATED DEPRECIATION	**Leasehold Improvements $**	**Furniture and Fixtures $**	**Computer Equipment $**	**Total $**
At December 31, 2015	-	-	(4,081)	(4,081)
Additions	-	-	-	-
At December 31, 2016	-	-	(4,081)	(4,081)
Additions	(851)	(38)	(3,162)	(4,051)
At December 31, 2017	**(851)**	**(38)**	**(7,243)**	**(8,132)**
NET BOOK VALUE				
At December 31, 2016	**-**	**-**	**-**	**-**
At December 31, 2017	**24,626**	**730**	**27,217**	**52,573**

6. MINERAL PROPERTY INTERESTS

ECUADOR

Exploration Entitlements

Post-closing of the Transaction, the Company became the holder of the rights, title and interest in the Lost Cities Project, comprised of 42 mineral concessions spanning 207,764 Hectares ("Ha"), in the Cordillera de Cutucu, in Ecuador.

Annual Concession Fees

An annual mineral concession fee per hectare is required to be paid to the State no later than March 31 in each year in order to maintain a concession in good standing. The fee is based on a percentage of the minimum mining wage that is set by the State, and hence the fee can be expected to fluctuate from year to year. In 2017, the annual fee was USD1,973,198 ($2,482,086) or USD9.50/Ha.($12/Ha)

(Expressed in Canadian Dollars)

6. MINERAL PROPERTY INTERESTS, Continued

ECUADOR, Continued

Annual Concession Fees, Continued

The 2018 annual concession fee of USD2,004,923 ($2,626,449) was paid, therefore Management believes that the mineral exploration concessions are in good standing. The 2018 concession payment was financed pursuant to an interest-bearing convertible debenture loan with the Vendor. See note 18 – Subsequent Events.

Mineral Concession Maintenance Requirements

Under the terms of the current mineral concession agreement with the State, the Company is required to make exploration expenditures as follows: Years 1 and 2 - USD5/Ha ($6.25/Ha); Years 3 and 4 - USD10/Ha ($13.50/Ha).

Based on retaining 100% of the presently held 207,764 Ha concession rights, the expenditure commitments for the next three years are as follows

Year	2018	2019	2020	Total
Exploration expenditures (USD)	1,039,035	2,078,070	2,078,070	5,195,175

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' exploration and development, by causing an excessive environmental impact, irreparable damage to Ecuadorian cultural heritage, or by the violation of human rights.

SWITZERLAND

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

Permit Status

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

To December 31, 2017, Management is unaware of any change in the status of the Permits.

See note 11 - Exploration Expenses

(Expressed in Canadian Dollars)

7. PROMISSORY NOTES

Short-term Loan

For the years ended December 31,	2017	2016
Balance, beginning of year	**$380,740**	$162,100
Cash advances	**189,715**	192,560
Bill payments	**18,257**	26,080
For services rendered	**217,122**	-
	805,834	380,740
Cash repayment	**(55,834)**	-
Settlement for 375,000 shares (notes 4 and 8)	**(750,000)**	-
Balance, end of year	**-**	$380,740

From January 1 to June 30, 2017, the Lender made $189,715 cash advances to the Company, and paid bills totaling $18,257 on behalf of the Company, therefore shareholder loan increased by $207,972 (May 15, 2015 to December 31, 2016 - $380,740). In addition, from January 1, 2013 to May 31, 2017, a company controlled by the Lender ("ServiceCo") provided services to the Company including rental space and consulting services in the areas of administrative assistance, investor relations and IT. Unpaid service costs owed to ServiceCo during the first five months of 2017 was $54,000 (October 1, 2015 to December 31, 2016 - $163,122). Therefore, the cumulative total of advances, bill payments and unpaid services to June 30, 2017, was $805,834 (the "Indebtedness"). Post-closing of the Transaction, the Indebtedness was repaid by the Company with shares and cash: 375,000 common shares were issued to the Lender with a value of $2.00 per share to satisfy $750,000 of the Indebtedness, and the balance of $55,834 was paid in cash. See note 4 – Acquisition of EcuaSolidus, S.A. and note 8 - Share Capital.

Mineral Concessions Loan ("MCL")

For the years ended December 31,	2017	2016
Balance, beginning of year	**$-**	$-
Payment of 2017 Project concession fees (USD2,000,000)	**2,703,560**	-
Cash repayment on closing the Transaction	**(1,351,780)**	-
	1,351,780	-
Accrued interest	**15,100**	-
Foreign exchange translation gain	**(93,880)**	-
Balance, end of year	**$1,273,000**	$-

In December 2016, ESA applied to the Mining Ministry in Ecuador to be the registered holder of 42 mineral concessions constituting the Lost Cities - Cutucu Project. Annual fees for the mineral concessions were estimated at USD2,000,000 and were due on or before March 31, 2017. In agreement with the Company, the Vendor loaned USD2,000,000 to ESA prior to closing the Transaction and the concession fees were paid from those funds. The indebtedness of ESA to the Vendor is documented by way of an interest-bearing promissory note. Terms of the note included 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 repaid half of the loan, or USD1,000,000 ($1,351,780) from the Offering proceeds. At December 31, 2017, the balance owing for the MCL is USD1,000,000 ($1,273,000) including

7. PROMISSORY NOTES, Continued

Short-term Loan, Continued

$15,100 accrued interest and an unrealized foreign exchange gain of $93,880. See note 4 – Acquisition of EcuaSolidus S.A.

8. SHARE CAPITAL

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

The number of issued and outstanding common shares at December 31, 2017 is 27,385,625 (December 31, 2016 - 22,759,735).

During the years ended December 31, 2017 and 2016, 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. Share issue costs of $534,482 attributable to the Offering, were deducted from the share premium account. 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%, 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.

(b) 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 $133,398 using the Black-Scholes option pricing model, using the following assumptions: forfeiture rate 0%, dividend yield 0%, expected volatility 100%, a risk-free interest rate of 0.70% 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' Warrants will be provided by the Company to the holders of said Warrants.

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

8. SHARE CAPITAL, Continued

(d) 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.

(e) No common shares were issued during 2016.

(f) In October 2017, an officer exercised 50,000 stock options for proceeds of $20,000.

9. STOCK-BASED COMPENSATION

The Company maintains a stock option plan ("SO" Plan) and a restricted stock unit plan ("RSU" Plan) for the benefit of directors, officers, employees and consultants. The maximum number of common shares reserved for issuance with respect to the SO and RSU Plans cannot exceed 20% of the issued and outstanding common shares of the Company at the date of grant.

(a) 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 using the Black-Scholes option pricing model using the following assumptions: expected forfeiture rate of 0%, expected dividend yield of 0%, expected volatility of 137%, a risk-free interest rate of 0.65% and an expected life of 5 years. During the year ended December 31, 2017, $74,549 was expensed and to December 31, 2017, a total of $198,232 (2016 – $123,683) has been expensed since the grant date, in relation to the vested options.

(b) 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. During the year ended December 31, 2017, $162,287 (2016 – nil) was expensed in relation to the vested options.

(c) On November 2, 2017, the Company granted 370,000 stock options to directors, officers, and consultants. Each option is exercisable to acquire one common share at a price of $2.00. These options expire on November 2, 2022, and vest as follows: 1/3 on the grant date, 1/3 on November 2, 2018 and the remaining 1/3 on November 2, 2019. A total value of $521,700 has been assigned to the options using the Black-Scholes option pricing model using the following assumptions: expected forfeiture rate of 0%, expected dividend yield of 0%, expected volatility of 125%, a risk-free interest rate of 1.62% and an expected life of 5 years. To December 31, 2017, a total of $216,440 (2016 – nil) has been expensed in relation to the vested options.

(d) On November 2, 2017, the Company granted 60,000 stock options to consultants. Each option is exercisable to acquire one common share at a price of $2.00. These options expire on May 3, 2019, and vest immediately on the grant date. A total value of $51,585 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 113%, a risk-free

(Expressed in Canadian Dollars)

9. SHARE-BASED COMPENSATION PLANS, Continued

interest rate of 1.40% and an expected life of 18 months. To December 31, 2017, the $51,585 (2016 – nil) has been expensed in relation to the vested options.

(e) On November 2, 2017, the Company granted 124,500 RSU's to officers, employees and consultants. The RSUs vest as to 1/3 on the first anniversary of the grant date of the RSU, another 1/3 on the second anniversary of the grant date of the RSU and the final 1/3 on the third anniversary of the grant date of the RSU. A total value of $23,363 has been assigned to the RSUs being valued at the closing price of the Company common shares on the grant date of the RSU's.

(f) The following summarizes the stock options activity during the years ended December 31, 2017 and 2016:

	Number of Options	Weighted Average Exercise Price	Estimated Fair Value
Balance – December 31, 2015	**1,830,000**	**$0.40**	**$538,017**
Issued	415,000	$0.60	198,232
Expired	(80,000)	$(0.40)	(16,832)
Balance - December 31, 2016	**2,165,000**	**$0.44**	**$719,417**
Issued	150,000	$2.30	162,287
Issued	370,000	$2.00	216,440
Issued	60,000	$2.00	51,585
Exercised	(50,000)	$(0.40)	(14,891)
Balance – December 31, 2017	**2,695,000**	**$0.80**	**$1,134,838**

The following summarizes the stock options outstanding at December 31, 2017:

Issued Number of Options	Exercisable Number of Options	Exercise Price	Expiry Date	Estimated Fair Value
1,700,000	1,700,000	$0.40	April 11, 2018	**$506,294**
415,000	276,667	$0.60	July 13, 2021	**198,232**
150,000	50,000	$2.30	May 26, 2022	**162,287**
370,000	123,333	$2.00	November 2, 2022	**216,440**
60,000	60,000	$2.00	May 3, 2019	**51,585**
2,695,000	**2,210,000**			**$1,134,838**

The weighted average contractual life remaining for stock options as at December 31, 2017 is 1.69 (2016 – 1.9) 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)

9. SHARE-BASED COMPENSATION PLANS, Continued

(g) The following summarizes the RSU activity during the years ending and outstanding RSUS at December 31, 2017 and 2016:

	Number of RSUs	Weighted Average Fair Value	Estimated Fair Value
Balance – December 31, 2015 and 2016	-	-	-
Issued	124,500	$1.35	$23,363
Balance – December 31, 2017	**124,500**	**$1.35**	**$23,363**

The weighted average contractual life remaining for RSUs at December 31, 2017 is 2.84 (2016 – nil) years. The RSUs were not included in the computation of diluted net loss per share for the periods presented as they are anti-dilutive.

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(a) – Share Capital.

On April 19, 2017 a total of 144,200 Agents' Options were issued in connection with the Offering. Each Agent Option is exercisable into an 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. See note 8(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 to 10 can materially affect the fair value estimates.

The following summarizes the warrants activity and outstanding warrants for the years ended December 31, 2017 and 2016:

	Number of Warrants/ Agents' Options [1]	Weighted Average Exercise Price	Estimated Fair Value
Balance – December 31, 2016	-	-	$-
Issued for private placement (note 8(a))	1,600,445	$3.00	$750,476
Issued for Agents' Options (note 8(a))	144,200	$2.00	133,398
Balance – December 31, 2017	**1,744,645**	**$2.92**	**$883,874**

[1] The warrants and Agents' Options have a maturity date of October 19, 2018.

(Expressed in Canadian Dollars)

11. EXPLORATION EXPENSE

For the years ended December 31,	**2017**	2016
ECUADOR		
GEOLOGY/FIELD:		
- Project management	**$229,329**	$-
- Travel, accommodation	**198,927**	-
- Salaries, benefits	**162,480**	-
- Office	**67,686**	-
- Equipment, supplies	**48,878**	-
GEOCHEMISTRY	**14,919**	-
GEOPHYSICS	**971,883**	-
CORPORATE SOCIAL RESPONSIBILITY - fees, travel, supplies	**302,776**	-
LEGAL COSTS RELATED TO CONCESSIONS	**101,600**	-
CONCESSION MAINTENANCE	**82,627**	-
Total exploration expense – Ecuador	**$2,181,105**	$-

SWITZERLAND		
GEOLOGY/FIELD:		
- Travel, accommodation	**$15,887**	$8,427
- Assays, sampling	**949**	5,104
Total exploration expense – Switzerland	**16,836**	13,531
TOTAL EXPLORATION EXPENSE	**$2,197,942**	$13,531

12. KEY MANAGEMENT COMPENSATION EXPENSE

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

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

For the years ended December 31,	**2017**	2016
Management fees (1)	**$527,209**	$60,000
Directors fees (note 13)	**63,375**	60,000
Stock-based compensation (note 9) (2)	**423,638**	123,683
Total key management compensation expense	**$1,014,222**	$243,683

(1) This includes management fees Toronto (note 13(a)(b)) and salary and benefits paid to the Country Manager, Quito office and the technical fees paid to the V.P. Exploration and Senior Geologist.

(2) This figure is the fair value of stock options and RSUs granted to only Key Management during fiscal 2017. The balance of $104,586 is the fair value of stock options and RSUs granted to other employees and consultants.

13. 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 year ended December 31, 2017:

(a) A total of $96,750 (2016 - $nil), plus applicable taxes was charged to the Company by a management company controlled the President, on account of management consulting fees (the "Fees"). Included in the Fees is a charge of $6,750 for geographic information systems services provided to the Company by the spouse of the President. Included in accounts payable and accrued liabilities at December 31, 2017 is $21,753 (December 31, 2016 - $nil) owed to the President's company, for unpaid consulting fees. These amounts are unsecured, non-interest bearing and due on demand.

(b) A total of $66,250 (2016 - $60,000), plus applicable taxes was charged to the Company by a company controlled by the CFO, on account of CFO consulting fees. In June 2017, the Company awarded the CFO a performance bonus in the amount of $25,000. Included in accounts payables and accrued liabilities at December 31, 2017 is $Nil (December 31, 2016 - $5,650) owed to the CFO, for unpaid consulting fees. These amounts are unsecured, non-interest bearing and due on demand.

(c) A total of $158,607 (2016 - $47,450) was charged to the Company by a company controlled by the Vice President, Exploration ("VPX"), on account of Project Management consulting fees. Included in accounts payable and accrued liabilities at December 31, 2017 is $19,970 (December 31, 2016 - $31,125) owed to the VPX, for unpaid consulting fees. These amounts are unsecured, non-interest bearing and due on demand.

(d) A total of $63,375 (2016 - $60,000) was recorded for directors' fees. Included in accounts payable and accrued liabilities at December 31, 2017 is $11,250 (December 31, 2016 - $30,000) owed to directors for unpaid directors' fees. These amounts are unsecured, non-interest bearing and due on demand.

(e) Commencing January 1, 2013, a management services company has provided certain services to the Company, including office space, investor relations and marketing, administrative and IT services (the "Services"). ServiceCo. is owned by a company controlled by a principal shareholder and director (the "Manager Owner"). From January 1 to September 30, 2017, the Company paid a total of $201,235 for the Services provided and costs were allocated in the financial statements as follows: $53,800 to office and general for rent, $80,500 (for marketing and telecommunications) to investor relations and $66,935 to professional and administration fees.

Effective October 1, 2017 a new Service company ("NewServiceCo)" was engaged to provide different rental space and consulting services to the Company. NewServiceCo is also controlled by the Manager Owner. From October 1 to December 31, 2017 a total of $90,561 (2016 - $nil) was charged by NewServiceCo for the Services provided and costs were allocated in the consolidated financial statements as follows: IT and marketing under Investor Relations $25,411, legal project management under Professional and Administrative $18,933, Controller services under Professional and Administrative $9,605 and Rent under Office $36,612. Included in accounts payable and accrued liabilities at December 31, 2017 is $55,162 owed to NewServiceCo. These amounts are unsecured, non-interest bearing and due on demand. NewServiceCo provides shared services to several other private and public companies in the same rental space.

13. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2016:

(f) The Company incurred $129,600 of service costs, provided by ServiceCo. These costs were allocated in the consolidated financial statements as follows: $68,400 to office and general (including $60,000 rent), $10,800 to investor relations, $24,000 to exploration expenditures and $26,400 to professional and administration fees. Included in accounts payable and accrued liabilities at December 31, 2016 is $163,122 owing to ServiceCo. for these unpaid costs. These amounts are unsecured, non-interest -bearing and due on demand.

(g) Other Transactions

See note 4 – Acquisition of EcuaSolidus, S.A.

14. RECLASSIFICATION OF PRIOR YEAR'S DATA FOR PRESENTATION

Certain of the 2016 comparative figures have been reclassified to conform to the 2017 form of presentation.

15. SEGMENTED INFORMATION

At December 31, 2017, the Company's operations comprised one business segment engaged in mineral exploration and two operating segments - in Ecuador and Switzerland. Cash of $665,333 (December 31, 2016 - $834) is held in a Canadian chartered bank, with the balance of $530 (December 31, 2016 - $3,108) being held in a chartered bank in Switzerland and $5,483 (December 31, 2016 - $nil) being held in a chartered bank in Ecuador.

16. COMMITMENTS AND CONTINGENCIES

Environmental Contingencies

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

Service Costs and Consulting Agreements

From January 1, 2013 to August 31, 2017, the Company retained ServiceCo. to provide certain services more particularly described in note 13 (d), at a monthly cost of $10,800. Effective October 1, 2017, the Services arrangement was moved to NewServiceCo. For the period October 1, 2017 to December 31, 2017 there was no formal agreement between the Company and NewServiceCo. As a result, NewServiceCo. charged the same monthly cost of $10,800 as previously paid plus additional fees were charged for the actual management and consulting services provided, at commercial rates. The total service costs during the fourth quarter totaled $90,561. See note 13 – Related Party Transactions. Management intends to enter into a formal agreement with NewServiceCo., shortly.

16. COMMITMENTS AND CONTINGENCIES, Continued

Service Costs and Consulting Agreements, Continued

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

The Company's CFO provides financial/accounting and corporate secretarial services to the Company pursuant to an annual, renewable consulting agreement, also through a personal management company. The CFO's annual compensation is $75,000. From January 1 to August 31, 2017, the base salary of the CFO was $60,000. Early termination of the agreement requires 90 days' written notice by either Ms. McLean or the Company.

The Company's VPX provides geological/technical consulting services to the Company, through ESA, pursuant to a consulting agreement. The VPX's annual compensation is USD150,000. Should the Company terminate his contract without cause or if he is constructively dismissed, on or before January 1, 2021, he is entitled to receive six months' salary plus an additional 25% of his monthly salary for each year or fraction of a year, worked for ESA. If early termination occurs after this date, he will receive 125% of one-month's salary for each year or fraction of a year worked for ESA.

During the year ended December 31, 2017, the Company engaged a consulting company to design and implement a corporate social responsibility ("CSR") program to run in conjunction with the Project exploration. Compensation for services is stipulated at $1,000 per diem for up to 10 days per month ("the base services"). Any additional services to be performed over and above the base services must be pre-approved in writing. Either party may terminate the CSR Contract with 30 days' written notice.

On June 14, 2017 the Company entered into an agreement with a geophysics company for an airborne geophysics survey to be undertaken over the 2,080 square kilometre Project and enclosing area ("Area of Interest") for The Lost Cities - Cutucu Project. The heliborne survey measured magnetic and radiometric data from the Area of Interest. The Company agreed to pay $850,000 plus applicable taxes for the survey. Additional taxes and standby fees of $121,883 were charged bringing the total survey cost to $971,883. Included in accounts payable and accrued liabilities at December 31, 2017 is $127,988 due and owing for the Survey. The contract has since been completed and fully paid for.

(Expressed in Canadian Dollars)

17. 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% (2016 – 0%) are as follows:

	2017	2016
(Loss) before taxes:	**$(9,245,322)**	$ (518,299)
Expected income tax benefit based on statutory rate	**-**	-
Adjustments to expected income tax benefit:		
Adjustment for taxes in foreign operations	**$(2,384,000)**	$(104,000)
Change in foreign exchange rates	**51,000**	21,000
Expiry of tax losses	**-**	169,000
Acquisition of ESA	**600,000**	-
Non-deductible expenses	**140,000**	-
Other	**-**	21,000
Tax benefits not recognized	**1,593,000**	(107,000)
Deferred income tax	**$-**	$-

(b) Deferred income tax balances

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

	2017	2016
Non-capital losses carry-forwards – Canada and Switzerland	**$-**	$3,482,000
Non-capital losses carry-forwards - Ecuador	**4,743,000**	-

17. INCOME TAXES

(b) Deferred income tax balances

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 $1,509,000 (CHF 1,167,360) and expire as follows:

Amount ($)	**Year of Expiry**
356,000	2018
64,000	2019
650,000	2020
154,000	2021
192,000	2023
93,000	2024

17. INCOME TAXES, Continued

(b) Deferred income tax balances, Continued

The Company also has approximately $2,920,000 in Canadian non-capital losses that expire from 2033 to 2037.

The Company also has approximately $1,364,000 of non-capital losses in Ecuador which expire in 2022.

(c) Temporary difference

As at December 31, 2017, a temporary difference of $nil (2016 - $16,831) was not recognized in respect of the investment in a 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 can be utilized.

18. SUBSEQUENT EVENTS

Subsequent to December 31, 2017, the Company issued 1,730,000 common shares for the exercise of 1,730,000 stock options previously granted to directors, officers and consultants. Total consideration for the options exercise was $460,000 cash and a reduction of shareholder loan of $280,000.

Subsequent to December 31, 2017, the Company issued 530,536 common shares for the exercise of 530,536 whole warrants previously held by Warrantholders from the 2017 Offering. Total consideration for the warrant exercise was $1,591,608 cash.

Subsequent to December 31, 2017, the Company issued 41,650 common shares to Agents of the Offering for the exercise of Agents Compensation Units. For consideration of $83,300 the Agents received 41,650 common shares and 20,825 common share purchase warrants. The exercise price of the warrants is $3.00, and they expire on October 19, 2018.

Subsequent to December 31, 2017, the Company negotiated an extension of the MCL loan that resulted in the maturity date of the loan being deferred from May 25, 2018 to May 29, 2019.

On March 2, 2018 a total of 250,000 stock options were granted to a director/officer and two consultants. The options vest over two years and have an exercise price of $2.89. 100,000 of the options expire on March 2, 2023, while the remaining 150,000 expire as late as March 2, 2023, depending on the consultant's term.

On April 5, 2018, the Company announced that a USD2,000,000 convertible debenture has been negotiated with Dr. Keith Barron, Lender and principal shareholder of the Company. Proceeds of the debenture loan were paid out on March 31, 2018 for the 2018 concession renewal fees at the Project in Ecuador. See note 6 – Mineral Property Interests. The debenture is unsecured, interest-bearing at 2% per annum, non-cumulative, convertible into common shares at $3 per share and matures May 29, 2019.

On April 5, 2018, a total of 300,000 stock options were granted to Dr. Barron. The options vest over five years, have an exercise price of $2.68 and expire on April 5, 2023.