AURANIA

AURANIA RESOURCES LTD.

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

For the Year Ended December 31, 2017

(Expressed in Canadian Dollars unless otherwise indicated)

1 INTRODUCTION

The following Management's Discussion and Analysis ("MD&A") is Management's review of the financial condition and results of operations for the year ended December 31, 2017 (the "Reporting Period") of Aurania Resources Ltd. ("Aurania" or the "Company"). This MD&A is prepared as at April 30, 2018 unless otherwise indicated and should be read in conjunction with the annual consolidated audited financial statements for the year ended December 31, 2017 ("Annual Financial Statements") and the notes related thereto which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All monies are expressed in Canadian dollars unless otherwise indicated. Additional information relevant to the activities of the Company has been filed electronically through the System for Electronic Document Analysis and Retrieval ("SEDAR") – http://www.sedar.com and are also available on the Company's website http://aurania.com. The Company's common shares ("Common Shares") are traded on the TSX Venture Exchange ("TSX-V") under the symbol "ARU".

2 CAUTIONARY NOTE

This MD&A contains "forward-looking information" under applicable Canadian securities legislation. Except for statements of historical fact relating to the Company, information contained herein constitutes forward-looking information, including any information as to the Company's strategy, plans or future financial or operating performance. Forward-looking statements are characterized by words such as "plan," "expect", "budget", "target", "project", "intend", "believe", "anticipate", "estimate" and other similar words, or statements that certain events or conditions "may" or "will" occur. Forward-looking statements are based on the opinions, assumptions and estimates of Management considered reasonable at the date the statements are made and are inherently subject to a variety of risks and uncertainties and other known and unknown factors that could cause actual events or results to differ materially from those projected in the forward-looking information. These factors include the Company's expectations in connection with the expected exploration on its projects, potential development and expansion plans on the Company's projects, the impact of general business and economic conditions, global liquidity, inflation, inability to raise additional funds as may be required through debt or equity markets, fluctuating metal prices (such as gold, silver and copper), currency exchange rates (such as the Canadian Dollar ("$") and the Swiss Franc ("CHF") versus the United States Dollar ("USD")), changes in accounting policies, risks related to non-core asset disposition, risks related to acquisitions, changes in project parameters as plans continue to be refined, changes in exploration time-frames, the possibility of project cost-overruns or unanticipated costs and expenses, higher prices for fuel, power, labour and other consumables contributing to higher costs and general risks of the mining industry, poor success of exploration activities, permitting timelines, government regulation and the risk of government expropriation of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims, limitations on insurance coverage and timing and possible outcome of labour disputes and/or shortages, as well as those risk factors discussed or referred to herein. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results not to be anticipated, estimated or intended. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. The Company undertakes no obligation to update forward-looking statements if circumstances or Management's estimates, assumptions or opinions should change, except as required by applicable law. The reader is cautioned not to place undue reliance on forward-looking information. The forward-looking

information contained herein is presented to assisting investors in understanding the Company's expected financial and operational performance and results as at, and for the periods ended on, the dates presented in the Company's plans and objectives and may not be appropriate for other purposes.

3 DISCUSSION AND ANALYSIS

This report is dated April 30, 2018.

3.1 BACKGROUND

3.1.1 The Company

Aurania Resources Ltd. was incorporated under the laws of Bermuda on September 26, 2007 pursuant to the provisions of *The Companies Act 1981* (Bermuda). On February 18, 2011, the Corporation registered extra-provincially in the Province of Ontario, Canada.

3.1.2 Directors, Officers and Management

Keith Barron – Chief Executive Officer, Chairman of the Board and Director
Richard Spencer – President and Director
Donna McLean – Chief Financial Officer and Corporate Secretary
Jean Paul Pallier – Vice President – Exploration
Elaine Ellingham – Director
Gerald Harper – Director
Marvin Kaiser – Director

3.1.3 Corporate Office

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

3.1.4 Registered Office

31 Victoria Street, Hamilton, HM 10, Bermuda.

3.1.5 Nature of Operations and Company Focus

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

3.2 OVERVIEW

3.2.1 Company Highlights

The Company held its Annual & Special Meeting ("ASM") on May 26, 2017, at which time shareholders approved all Resolutions, including the election of directors, the ratification of the Company's 2012 Stock Option Plan and the adoption of a restricted stock unit incentive plan ("RSU Plan"); and the shareholders also

approved the acquisition of EcuaSolidus, S.A. ("ESA"). The acquisition of ESA resulted in the Company being able to deliver on its objective to acquire certain highly prospective exploration projects in Ecuador. ESA holds the Lost Cities – Cutucu Project (the "Project") that consists of 42 mineral concessions covering approximately 207,764 hectares ("Ha"), that Management believes to have potential to contain gold and/or copper deposits of significant size.

Finance

The following transactions were undertaken:

- A private placement of $6,401,780 (the "Offering") was successfully completed to finance the Transaction, ongoing corporate and administration costs, and the start-up of the first phase of exploration of the Project;
- $750,000 of debt was settled through the issuance of 375,000 common shares of Aurania ("Common Shares") valued at $2.00 per share;
- A loan repayment of $1,351,780 was made; and
- In the first four months of 2018, $2,134,908 was received by the Company from the exercise of stock options and warrants. See Liquidity and capital resources.

Corporate

The principal corporate initiatives were:

- Dr. Richard Spencer, an exploration geologist with extensive experience in Ecuador and in senior management roles, was appointed President (see press release dated May 29, 2017 – www.sedar.com);
- The Company appointed Jean Paul Pallier as Vice President ("VPX") – Exploration of Aurania (see press release dated November 2, 2017 – www.sedar.com); and
- On March 5, 2018, the Company appointed Mr. Alfred Lenarciak as an independent Special Advisor to the Board of Directors and formed an Advisory Committee whose members are Mr. Lenarciak and Dr. Spencer. Mr. Lenarciak has over 25 years of experience in the financing and strategic development of domestic and international resource companies (see press release dated March 5, 2018 – www.sedar.com).

Technical

Key components of the exploration of the Project were:

- A heliborne geophysics survey was undertaken between August 3rd and October 31st. Magnetic and radiometric data were collected over the 2,080km^2 the Project. Magnetic and radiometric signatures that clearly define many of the porphyry copper-gold and copper deposits along-trend in the Cordillera del Condor, are being used as a guide in the interpretation of the data. See Operations – Ecuador;
- A field office has been established in the town of Macas located near the northwest corner of the Project area. Through our community engagement program, the Company has established a very capable local team of administration personnel and field assistants; and
- Seven field teams have been trained and deployed to carry out the reconnaissance exploration of the Project area. Members of local communities are being trained as technicians to bolster the exploration team with the objective of accelerating the reconnaissance program.

3.3 OVERALL PERFORMANCE – Financial position, operating results and cash flows

3.3.1 Financial Position

At December 31, 2017, the Company had an available cash of $671,346 (2016 - $3,942). These funds were earmarked to meet the Company's financial obligations including cash calls to cover exploration expenses of the Project and ongoing corporate costs. *See Operations - Ecuador*. Prepaid expenses were higher than those of the same period at December 31, 2016 ($64,882 vs. $2,512) primarily due to the lodgment of deposits associated with the rental of the Toronto corporate office and new office space in Quito and Macas in Ecuador (the "Offices"). Approximately $10,000 of prepaid expenses relate to higher insurance premiums (paid in advance) for increased coverage including directors' and officers' liability insurance. New property, plant and equipment costs relate to the purchase of computer and office equipment for the Offices, as well as field and safety equipment for the exploration crews. Accounts payable and other liabilities are short-term and non-interest bearing.

In December 2016, ESA applied to Ecuador's Mining Ministry to be the registered holder of the mineral concessions for the Project. Mineral concession fees totaled approximately USD9.50 per hectare ("/Ha") and were due by March 31, 2017. Dr. Keith Barron, director and principal shareholder of Aurania, and the then-owner of ESA, agreed to loan USD2,000,000 (the "Mineral Concession Loan" or "MCL") to ESA, in order to meet this financial obligation. Accordingly, as part of the Transaction terms, ESA and Aurania committed to a loan arrangement whereby half of the MCL would be repaid out of the Offering proceeds, on closing. The repayment of USD1,000,000 (CAD1,351,180), was made, on closing of the Transaction. The remaining USD1,000,000 of the MCL is interest-bearing at 2% per annum and matured April 19, 2018. A one-year extension to this loan, under the same financial conditions, has been negotiated. The MCL liability of USD1,000,000 ($1,273,000) is recorded in Promissory Notes in the Annual Financial Statements, on the statement of financial position.

For the year ended December 31, 2017, the Company incurred losses of $9,245,322 (2016 - $518,299). Accumulated deficit increased from $6,813,699 in 2016 to $16,059,021 in 2017. Losses from operations of $3,766,039 and Transaction costs of $5,511,183 were the primary contributors to the increased deficit. As the Company has no source of ongoing revenues, this trend will likely continue (*see Liquidity and Capital Resources).*

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") from Dr. Keith Barron, Chairman, 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
Identifiable assets and liabilities assumed	
Equipment	$ 4,840
Sundry receivables and prepaid expenses	22,048
Accounts payable and accrued liabilities	(365,200)
Promissory notes	(2,703,560)
Fair value of net liabilities assumed	$(3,041,872)

The consideration paid was comprised of cash of $500,000 and 1,000,000 common shares valued at $1,765,542. This value was assigned as the $2.00 Unit Offering price less the value of $0.35 assigned to the Unit Warrant. Additionally, other transactions costs of $203,769, consisting of legal and filing fees and other expenses directly attributable to the acquisition were included as part of the consideration paid. In valuing what the Company acquired, the fair value of the net liabilities assumed was minus $3,041,872, largely due to promissory notes liabilities assumed for the MCL loan. Therefore, the total consideration paid of $2,469,311 added to the deficiency of the fair value of the net assets of ESA of $3,041,872, resulted in the recording of other expense in the statement of loss of $5,511,183.

As a condition of the closing of the Transaction, the Company settled certain outstanding debt owed by the Company to the Vendor, or its affiliate or affiliates by issuing Common Shares to the Vendor or as directed, at a deemed price of $2.00 per common share, in an aggregate amount not to exceed $750,000 (the "Debt Settlement"). This settlement was completed on closing of the Transaction.

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 (completed); 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.

3.3.2 Operating Results

During the year ended December 31, 2017, the Company focused on the following:

Technical Activities:

The principal technical activities undertaken were:

- Completion of interpretation of satellite imagery to define target areas for potential epithermal gold-silver and porphyry copper and copper-gold mineralization;
- Completion of a heliborne geophysical survey over the Project;
- Recruiting of a team of geologists to undertake grassroots exploration as well as a more experienced group to undertake the follow-up of targets;
- Commencing a reconnaissance exploration program in August 2017. This program is planned to continue until the end of 2019. To date, approximately 12% of the Project area has been covered in the stream sediment sampling program which has identified five epithermal targets with gold-silver mineralization potential, and one porphyry copper target;
- Identifying and recruiting a team of suitably experienced geologists, consultants and specialists to focus on detailed exploration over defined target areas and prepare them for drill-testing; and
- Recruiting of local staff for the Corporate Social Responsibility ("CSR") team to engage with local communities regarding the proposed exploration program and its potential impacts on the communities. The team is responsible for arranging access to field areas with the local communities and landowners prior to the arrival of the exploration teams.

Corporate Activities:

The principal corporate activities were:

- The acquisition of ESA and completion of the Offering;
- Establishment and staffing of Project corporate and field offices in Quito and Macas;
- Recruitment of exploration teams and senior technical staff;
- Recruitment of a professional consultant and implementation of a comprehensive CSR plan for the Project;
- Meeting with government officials to update them of plans and progress of the Project; and

- Marketing with an emphasis on improved communication using social media and real-time operations updates, with existing and potential investors.

Promissory Notes and Convertible Debenture

Short-term Loans

For the years ended December 31,	2017	2016
Balance, beginning of the 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 were $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, were $805,154 (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 of the Financial Statements – 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 the 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 forming the Lost Cities - Cutucu Project. Annual tariffs for the mineral concessions were estimated at USD2,000,000 and were formally 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 this loan was used for the payment of the concession fees. 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 May 25, 2018. A one-year extension of this loan has been negotiated. As a condition of the Transaction, the Company repaid half of the loan, or USD1,000,000 ($1,351,180) from the Offering proceeds. At December 31, 2017, the balance owing for the MCL is USD1,000,000 (CAD1,273,180) plus $15,100 accrued interest.

On March 31, 2018 the Company entered into a convertible debenture loan with the Lender in order to pay the 2018 concession fees. See 3.18 Subsequent Events.

Operating Expenses

Cash and accrued expenses increased 800% in 2017 as a result of the Company's activity escalating from "care-and-maintenance" to implementing a comprehensive exploration program. The Company incurred operating expenses of $3,766,039 (2016 - $512,791) during the year. The main components of that expenditure were as follows:

- Exploration expenditures of $2,197,942 ($13,531) (see 3.5.1 for details);
- Stock-based compensation expense of $528,224 (2016 - $123,683), directors fees of $63,375 (2016 – 60,854) and management fees of $314,230 (2016 - $67,800);
- Other overhead expenses $662,248 ($246,923) included:
  - Office and general $240,631 ($80,421);
  - Investor relations $309,452 ($26,644);
  - Professional and administrative fees $48,197 ($40,343);
  - Regulatory and transfer agent fees $24,461 ($36,855);
  - Project evaluation and travel expenses $35,476 ($62,660); and
  - Amortization $4,051 ($-).

Management fees increased by $246,430, year-over-year with a compensation and benefits expense for a President in Canada and a Country Manager in Ecuador. Also included in this increase is a Board-authorized performance bonus of $25,000 for the CFO, awarded in May 2017. Increased office and general costs of $240,652 (2016 - $80,421) resulted from establishing and maintaining two new offices in Ecuador and moving into a larger rental space in Toronto. Certain regulatory and transfer agent fees, professional and administrative fees, legal fees and agents' commissions and other expenses relating to the Offering have been captured in share issue costs of $534,482.

Cash Flows

During the year ended December 31, 2017, cash inflows were principally provided by the net proceeds of the Offering and the exercise of stock options. Historically and prior to the closing of the Financing, the Company relied for funding on shareholder loans from the Lender.

During the same period in fiscal 2016, Management relied on $218,640 of short-term loans from the Lender to meet the Company's ongoing corporate and exploration expenditures. There was minimal exploration activity during that time.

Cash Flow Activities	**Year ended December 31, 2017**	Year ended December 31, 2016
Operating	**$(3,481,821)**	$(222,451)
Financing	**4,904,778**	218,640
Investing	**(755,553)**	-
Increase (decrease) in cash during the period	**$667,404**	$(3,811)

Operating Activities

During the year ended December 31, 2017, adjustments to the net loss of $9,245,322 included:

- add backs of $5,511,183 for the assigned value to the acquisition of ESA (see 3.3.1);
- $4,051 amortization charged on computer hardware, office furnishings and leasehold improvements;
- the estimation of $528,224 for stock-based compensation expense on vested options and RSUs for directors, officers, employees and consultants and $15,100 for accrued interest on the MCL.

These add-backs were offset by $201,176 net change in accounts payable and accrued liabilities and prepaid expenses, year over year, and $93,880 unrealized losses on promissory note loans in ESA. The activity generated by a public financing, acquiring ESA and associated mineral concessions in Ecuador and the commencement of the exploration program in the Lost Cities – Cutucu Project, all contributed to the significant year-over-year increase in expenditure in 2017.

Financing Activities

During the year ended December 31, 2017, inflows and outflows of cash included the following:

- The completed Offering for 3,200,890 units raised $6,401,780 less legal, agents' commissions and other share issue costs of $534,482;
- 50,000 stock options were exercised for $20,000 cash;
- The Lender made working capital cash advances to the Company and ESA totaling $425,094. These advances were exchanged for common shares, both through a debt settlement agreement and the Acquisition of ESA; Pursuant to the Transaction, the Company repaid the Lender a) an additional $55,584 for short-term advances made to the Company as a bridging measure during the time of closing the Transaction and Offering and b) $1,351,780 (USD 1,000,000) being 50% of the MCL; and
- Repayments to the Lender of $1,407,614.

During the year ended December 31, 2016, the Company relied on short-term advances from the Lender of $218,640 to meet the Company's financial obligations.

Investing Activities

During the year ended December 31, 2017, the Company established two offices in Ecuador - a corporate office in the capital, Quito, and a field office in Macas, and moved the Toronto staff to a larger shared office space. This expansion of quarters and personnel resulted in the expenditure of $56,624 for leasehold improvements, furniture purchases and computer hardware and software. Amortization of $4,051 associated with these capital assets additions resulted in recording capital assets of $52,573 for property, plant and equipment, at year-end. No similar expenditures were made in the comparable period in the prior year. Investing outlays of $703,769 were made in relation to the Acquisition of ESA and comprised of $500,000 cash consideration paid to the Vendor and $203,769 paid for professional legal, accounting, regulatory and other costs directly attributable to the Acquisition.

3.4 SELECTED PERIOD FINANCIAL RESULTS

FINANCIAL POSITION	Year ended December 31, 2017	Year ended December 31, 2016
Cash	**$671,346**	$3,942
Total assets	**788,801**	6,454
Total liabilities	**1,737,956**	641,351
Shareholders' equity (deficiency)	**(949,155)**	(634,897)
Deficit	**$(16,059,021)**	$(6,813,699)
STATEMENT OF LOSS	**Year ended December 31, 2017**	Year ended December 31, 2016
Exploration expense	**$2,197,942**	$13,531
Stock-based compensation, management fees and directors fees	**905,829**	252,337
Other overhead expense	**662,248**	246,923
Total expenses before other items	**3,766,039**	512,791
Other (income) expenses:		
Transaction costs	**5,511,183**	-
(Gain) loss on foreign exchange	**(46,347)**	5,508
Interest expense	**14,447**	-
Loss for the period	**$9,245,322**	$518,299

3.5 OPERATIONS REVIEW

3.5.1 Operations - ECUADOR

Land tenure & permits

Titles to the 42 mineral concessions that constitute the 207,764 hectare ("Ha") Lost Cities – Cutucu Project area in Ecuador, were granted on December 27 and 28, 2016, and are valid for 25 years, renewable for a subsequent 25 years, provided that the concessions are maintained in good standing. Maintenance of exploration concessions during the initial four-year exploration period of the title includes:

- Paying the annual concession fee to the State. The Company has the option to reduce the land position by relinquishing whole concessions or parts of concessions;
- Meeting an average annual expenditure commitment of US$5/Ha in the first two years and US$10/Ha in years 3 and 4. The calculation to determine whether expenditure commitments have been met is made at the end of the four-year exploration period;
- Obtaining an Environmental Impact Report ("*Informe de Factibilidad Ambiental*") in order to explore the concessions; and
- Locating corner markers on each concession.

The current status of these maintenance items is as follows:

- Concession fees of USD1,973,198 (average USD9.50/Ha) were paid for the first year of the exploration period by March 31, 2017 and USD2,004,923 (USD9.65/Ha) by March 31, 2018;

- The annual exploration expenditure commitment for 2017 has been met and exceeded with the airborne geophysics survey that was completed over the Project;
- An Environmental Impact Report was accepted by the Mining Authorities on May 11, 2017, allowing the Company to undertake reconnaissance exploration activities for the initial four-year term of the 42 concessions; and
- The emplacement of corner markers on the concessions is underway.

The Project may be increased or decreased pursuant to exploration results and this will impact annual concession payments and minimum exploration expenditure required to keep the concessions in good standing.

Geophysical Survey

A heliborne magnetic and radiometric survey of approximately 12,379 line kilometres was completed over the Project and adjacent area between August 3rd and October 31st by Ontario-based MPX Geophysics Ltd. The survey was designed to identify two principal mineral target-types:

- Epithermal gold targets that, by analogy with deposits in the adjacent Cordillera del Condor, are associated with pull-apart basins developed along north-trending fault zones. Magnetic data from the geophysics program has identified breaks associated with such fault zones, as well as the magnetic cores of intrusive stocks that are typically located near epithermal deposits. Clay alteration associated with epithermal deposits is magnetite-destructive and should therefore appear as an area of weak magnetism. Some epithermal-related clays contain potassium that may be evident in radiometric data. A typical epithermal target would therefore ideally appear as an area of weak magnetism along a north-trending fault, or in a pull-apart basin identified from magnetic data and interpretation of satellite imagery, with a coincident, elevated potassium radiometric signature; and
- Porphyry copper-gold and copper deposits that, by analogy with deposits in the Cordillera del Condor, have mineralized cores that contain magnetite and biotite and/or potassium feldspar. The magnetic cores are typically 0.8km – 1.5km in diameter and the 400m flight-line spacing used in the geophysical survey was designed to ensure that even a smaller porphyry would be detected by at least two flight-lines. A typical porphyry target would be defined by a roughly circular area of strong magnetism with a coincident potassic radiometric signature. Instances in which a porphyry system is more completely preserved due to less severe erosion, magnetite-destructive clay alteration may be preserved over the top of the mineralized and magnetic core. This scenario would ideally result in a central magnetic core enclosed by a weakly magnetic ring, coincident with an elevated potassium radiometric signature.

Exploration Program

Reconnaissance Exploration

Seven geologist-led field teams have been trained to undertake stream sediment sampling in the Project. The efficiency of the regional sampling crews is being augmented through the training of people with appropriate exploration-orientated aptitude from the local communities. Each exploration group will, in future, consist of two to three people trained in-house, each leading a sampling crew, with each group overseen by one field geologist. Stream sediment sampling started in the southwestern part of the Project area in August, 2017, and has recently encompassed part of the northern and central part of the Project. Approximately 12% of the Project area has been covered by the stream sediment sampling program which has resulted in the definition of five epithermal targets and one porphyry target.

The five epithermal targets are located within an area of approximately 100 square kilometres ("km^2") and are jointly termed the Latorre Target. The specific targets are Latorre East, Latorre West, Latorre A, Latorre B (now

known as Crunchy Hill), and Latorre C. Stream sediment geochemistry in this area has detected elevated values of volatile elements such as naturally-occurring arsenic, antimony and mercury, combined with metals such as silver, molybdenum and zinc. Textures evident in chalcedonic silica blocks in streams are indicative of the upper levels of an epithermal system. Some features observed in the field are typical of those developed in the environs of present-day geysers. Although silver is enriched in rock-chip samples in parts of the Latorre Target, very little gold has been detected to date. The presence of silver and the lack of gold is consistent with the upper parts of an epithermal system – typically the gold precipitation zone lies 100-200 metres below the surface at which geyser activity occurred. These targets are now being mapped in more detail, and soil sampling undertaken, to refine the targets.

The Awacha Target area is located approximately 70 kilometres from the Latorre Target and consists of a cluster of 13 magnetic centres identified in the airborne magnetometer survey. Initial stream sediment sampling has identified elevated molybdenum and arsenic associated with one of the magnetic centres that also has associated quartz-sericite-pyrite alteration. The coincidence of these characteristics suggests that the areas of enhanced magnetism represent the cores of porphyry systems. This cluster of targets will undergo more detailed mapping while other teams work on completing the stream sediment program over the area.

The exploration approach is that the stream sediment sampling teams will be followed by a team that refines and develops the targets and readies them for scout drilling. Once the scout drilling starts, it is anticipated that a man-portable diamond drill will be moved from one target to the next behind the stream sediment sampling and target development teams.

Target-Specific Exploration

The Latorre B target has been renamed "Crunchy Hill". A two-point stream sediment anomaly in arsenic, antimony, selenium, thallium and silver led to the discovery of a ridge in which vuggy silica and cross-cutting banded chalcedonic silica veins are exposed. The outcrop lies immediately beneath a brown shale that caps the vuggy silica and quartz veins and the epithermal system is suspected to extend beneath the shale. A soil grid has been cut over the ridge and environs, and initial soil sampling has been completed at a spacing of 100m x 25m over the central area, extending to 200m x 50m over peripheral areas. Initial analysis of the soils was done with portable XRF equipment in the field office. Geochemical results received from the conventional assay lab corroborate results obtained from the portable XRF equipment for some of the pathfinder elements (see press release dated April 26, 2108).

Corporate Social Responsibility

During the year, the Company engaged a professional CSR consultant, Toronto-based O-Trade, to provide, among others, the following services:

- Advise the Company on appropriate application of Global CSR standards for the mining industry in the Project area; and
- Assist the Company:
  - to assess social and business risks and opportunities with respect to CSR;
  - to develop a CSR Strategic Framework ("CSF");
  - to implement the strategies and policies defined in the CSF; and
  - to engage community stakeholders to build alliances with key constituency groups.

Further information on the Lost Cities-Cutucu Project, including a NI 43-101 compliant Technical Report, can be viewed at http://www.aurania.com.

Lost Cities – Cutucu Project Exploration Expenditures

During the year ended December 31, 2017, the Company recorded exploration expenses for the Project, totaling $2,181,105 (2016 - $nil), the principal components of which are as follows:

- $67,686 for field office costs;
- $229,329 for project management fees;
- $162,480 for salaries and consulting fees for the exploration teams;
- $48,878 in field expenses and equipment;
- $198,927 for in-country and international travel for the exploration team leaders;
- $302,776 for consulting fees, field costs and travel and accommodation of the CSR team;
- $971,883 for the heliborne geophysics survey. This includes $837,986 to the geophysics contractor and $33,897 to the independent consultant that the Company contracted to perform quality assessment and quality control throughout the survey period. The consultant continues to assist with the processing and analysis of the data to define and refine target areas;
- $14,919 for geochemical analysis and assay; and
- $82,627 for concession maintenance costs
- $101,600 for legal costs related to concessions

A total of $48,804 (2016 - $62,660) is shown separately on the statement of loss for a project evaluation expense which includes landsat studies and technical project evaluation fees.

Lost Cities G&A Expenditures

Since acquiring ESA, the Company has expended $112,667 (2016 - $nil) for salaries, benefits and consulting fees for administration costs related to the Quito and Macas offices. In addition, approximately $25,000 was expended for leasehold improvements for these locations. Ongoing rent, supplies, utilities and telecommunications costs are approximately $7,500 per month for the Quito office. These costs are allocated in the Annual Financial Statements on the statement of loss in office and general and professional and administration fees.

3.5.2 Operations - SWITZERLAND

The Company, through its wholly-owned subsidiary AuroVallis Sarl ("AVS"), has been maintaining a 100% interest in three exploration permits (the "Permits") in Switzerland. The Permits are located in the Canton of Valais (the "Canton") and are 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 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. As of December 31, 2017, Management is unaware of any change in the status of the Permits.

Project Exploration Expenditures

During the year ended December 31, 2017, a total of $16,836 (2016 - $13,531) was charged to exploration for technical consulting fees, permit maintenance, intercompany and property costs.

3.5.3 Financial Performance

At December 31, 2017, the Company had cash of $671,346 and accounts payable and accrued liabilities of $464,956 and promissory notes of $1,273,000 ($3,942 of cash and $260,611 of accounts payable and accrued liabilities and $380,740 of promissory notes at December 31, 2016). The promissory notes balance is the USD1,000,000 principal ($1,257,900) and interest owing on the MCL ($15,100) at year end. Cash is held in low-interest-bearing accounts at large, commercial banks in Canada, Switzerland and Ecuador, and is being used to fund the current Phase 1 exploration program in Ecuador and the ongoing corporate costs in Canada and Ecuador. Prior to completing the recent Offering, the Company relied on short-term related-party loans (*see Liquidity and Capital Resources).*

Expenditures for the year ended December 31, 2017 and 2016, year-over-year, were significantly higher primarily due to:

- The acquisition of ESA ($5,511,183 transaction costs including the consideration paid and application for the payment of annual fees for 42 exploration concessions (USD1,973,198 compared to USD nil in 2016));
- Contracting a CSR consultant and the establishment of a local CSR team; ($302,776 compared to $nil in 2016);
- Costs associated with undertaking a comprehensive exploration program in the Lost Cities Project – including $971,883 for the heliborne magnetic survey, $391,809 for fees and salaries of geologists and the field team members and $247,805 for the deployment of same, including travel, accommodation and equipment. There was $nil in 2016 for this as the program was in the project evaluation and planning stage at that time);
- Establishment of a field office in the town of Macas, located adjacent to the Project area ($14,827 start-up costs with ongoing rent, utilities and incidentals running $3,581 monthly, compared to $nil in 2016);
- Professional fees in this period included legal fees and other consulting fees incurred in multi-jurisdictions, in relation to the Transaction and Offering. In particular, the Company relied on local counsel to navigate the registration system in Ecuador for the granting of the mineral concessions (see previous discussions regarding costs directly associated with the Transaction and the Offering);
- Regulatory and transfer agent fees of $68,921 were split between Transaction costs ($44,460 in other expense) and $24,461 to operations expense, compared to $36,855 in 2016. This increase, year-over-year, was primarily due to costs related to the Transaction and Offering including:
  - the filing fees incurred in Canada and Ecuador, as required by regulatory bodies in several reporting jurisdictions;
  - fixed retainer charges and other fees incurred for the services provided by the transfer agent;
  - other costs incidental to heightened trading activity;
- Investor relations of $309,452 were significantly higher than the $26,644 expended in the same period in the prior year. Expanded marketing efforts with an increased focus on social media and domestic and international presentations to potential investors all resulted in higher expenditures in this area; and
- Higher management fees were discussed in the Operations Results section above.

3.5.4 SUMMARY OF QUARTERLY RESULTS

Quarters Ended	Net Revenue ($)	Net Loss ($)	Loss per Share ($)
December 31, 2017	-	1,690,091	0.06
September 30, 2017	-	1,418,620	0.05
June 30, 2017	-	5,949,606	0.24
March 31, 2017	-	187,005	0.01
December 31, 2016	-	163,073	0.01
September 30, 2016	-	185,481	0.01
June 30, 2016	-	83,785	0.00
March 31, 2016	-	85,960	0.00

3.6 LIQUIDITY AND CAPITAL RESOURCES

The Company considers the capital that it manages to include share capital, share premium, warrants, contributed surplus and deficit, which at December 31, 2017 was a deficiency of $949,155 (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.

Inflows of Cash and Expenditures

On May 26, 2017 the Company completed the Offering with the issuance of 3,200,890 units ("Units") at a price of $2.00 per Unit for gross cash proceeds of $6,401,780. After paying the share issue costs of $534,482, $500,000 to the Vendor for the Acquisition, $420,000 of aged payables and $1,351,780 for the repayment of 50% of the MCL loan, the Company had available cash of approximately $3,600,000. Subsequent to December 31, 2017, the Company received $2,065,000 cash from the exercise of options, warrants and agents' compensation warrants. Since year end the Company has expended $800,000 on exploration, including the final payment of the geophysics survey ($150,000) and $350,000 on corporate and administration costs. Cash on hand at April 30, 2018 is $875,000.

Funding Outlook

As the Company has no steady source of revenues or cash flow and has implemented its exploration plan as anticipated, additional financing will be required in 2018 to further advance exploration at the Project, to meet ongoing obligations and discharge the Company's liabilities (including the balance of the MCL), in the normal course of business. As anticipated, a significant portion of the initial financing was spent on Project acquisition, mobilizing and training the exploration teams, initiating a CSR program and establishing bases of operation, as well as conducting the heliborne geophysics survey over the entire Project and adjacent area. With these all accomplished, the next financing is anticipated to be focused on continuing the reconnaissance exploration program and follow-up exploration to prepare targets for scout drilling that is planned to commence in the latter half of 2018. Management is considering different sources of potential funding to undertake these next phases of exploration, including equity issuances, short-term loans, the exercise of warrants and stock options and JV partnerships.

3.7 FINANCIAL MANAGEMENT RISK

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

3.7.1 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.

3.7.2 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 (*see Liquidity and Capital Resources)*.

3.7.3 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.

3.7.4 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.

3.7.5 Foreign currency risk

Certain of the Company's expenses are incurred in USD and CHF and are therefore subject to gains or losses due to fluctuations in these currencies relative the Canadian Dollar, in which currency funds are raised through equity placements. Management believes that the foreign exchange risk derived from currency conversions is best served by not hedging its foreign exchange risk.

At December 31, 2017 and 2016, the Company's exposure to foreign currency risk with respect to amounts denominated in USD and CHF was substantially as follows:

	December 31,	December 31,
In Canadian $ equivalents	**2017**	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)

3.7.6 Commodity price risk

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

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

3.7.7 Sensitivity analysis

As of December 31, 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 US$ 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.

3.8 EQUITY

3.8.1 Share Capital – Activity during the year ended December 31, 2017:

	# Shares	Par Value	Share Premium
Balance – December 31, 2016	**22,759,735**	**$229**	**$5,485,705**
Shares issued for private placements	3,200,890	32	6,401,748
Less share issue costs	-	-	(534,482)
Shares issued for acquisition	1,000,000	10	1,765,532
Shares issued for debt settlement	375,000	2	749,998
Warrants issued for private placements	-	-	(750,476)
Broker warrants compensation	-	-	(133,398)
Exercise of options	50,000	-	34,891
Balance – December 31, 2017	**27,385,625**	**$273**	**$13,019,518**

3.8.2 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**	**$1,134,839**

3.8.3 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
60,000	60,000	$2.00	May 3, 2019	51,585
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
2,695,000	**2,210,000**			**$1,134,839**

3.8.4 Restricted Stock Units – Activity and outstanding during and at the years ended December 31, 2016 and 2017:

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

3.8.5 Warrants – Activity during the year ended December 31, 2017:

	Number of Warrants/Agents' Options	Weighted Average Exercise Price	Estimated Fair Value
Balance – December 31, 2016	-	-	-
Issued for private placement	1,600,445	$3.00	$750,476
Issued for Agents' Options	144,200	$2.00	133,398
Balance – December 31, 2017	**1,744,645**	**$2.92.00**	**$883,874**

3.9 RELATED PARTY TRANSACTIONS

Related parties include the Board of Directors, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions. During the year ended December 31, 2017, the Company entered into the following transactions with related parties:

- A total of $96,750 (2016 - $nil), plus applicable taxes was charged to the Company by a management company controlled by the President, on account of management consulting fees (the "Fees"). Included in the Fees is a charge of $6,750 for technical services provided to the Company by the spouse of the President, who is a Spanish-speaking, geographic information systems geoscientist. Her scope of work, to analyze historical records and capture relevant geographic information in a geographic information system for the purpose of defining the location of historic sites within the Project area, was issued by the Company's CEO, and her invoice was reviewed and approved by the

CEO. 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.

- A total of $66,250 (2016 - $60,000), plus applicable taxes was charged to the Company by a company controlled by the CFO, for CFO consulting fees. In June 2017, the Company awarded the CFO a one-time performance bonus in the amount of $25,000. Included in accounts payable 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.

- 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.

- 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.

- 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, 2017 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 contracted to provide different rental space and consultant 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:
  - $25,411 for IT and marketing under Investor Relations;
  - $18,933 for legal project management under Professional and Administrative;
  - $9,605 for controller services under Professional and Administrative; and
  - $36,612 for Rent under Office.

Included in accounts payable and accrued liabilities at December 31, 2017 is $55,162 owing 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.

During the year ended December 31, 2016:

- 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.

See Acquisition of ESA under Section 3.3.1 above.

3.10 OTHER TRANSACTIONS

No other transactions are contemplated at this time.

3.11 PROPOSED TRANSACTIONS

The Company has no proposed transaction to acquire any additional assets or to dispose of any asset of the Company. However, from time to time, and like other junior mineral exploration enterprises, the Company may acquire or dispose of property assets as determined by Management based on exploration results, opportunities, the competitive nature of the business, and venture-capital availability.

3.12 ESTMA REPORTING

The *Extractive Sector Transparency Measures Act* (the Act) was enacted on December 16, 2014, and brought into force on June 1, 2015. The Act delivers on Canada's international commitments to contribute to global efforts to increase transparency and deter corruption in the extractive sector by requiring extractive entities active in Canada to publicly disclose, on an annual basis, specific payments made to all governments in Canada and abroad. Payments reported under ESTMA are:

- $178,794 paid to Ecuadorian tax authorities; and
- $2,586,442 for exploration concession fees paid to the Ministry of Mines in Ecuador.

3.13 CHANGES IN ACCOUNTING POLICIES AND NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

3.13.1 Changes in Accounting Policies

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after January 1, 2017 or later periods. Many are not applicable or do not have a significant impact to the Company
and have 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. Earlier adoption is permitted.

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.

IAS 7 – Statement of Cash Flows ("IAS 7") was amended in January 2016 to clarify that disclosures shall be provided that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments are effective for annual periods beginning on or after January 1, 2017.

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 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.

3.13.2 Accounting changes

During the year ended December 31, 2017, the Company adopted several 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.

3.14 RISKS AND UNCERTAINTIES

Although Management attempts to mitigate risks associated with exploration and mining and minimize their effect on the Company's financial performance, there is no guarantee that the Company will be profitable in the future and the Company's Common Shares should be considered speculative.

3.14.1 Exploration, Development and Operating Risk

Mineral exploration involves many risks which, even a combination of experience, knowledge and careful evaluation, may not be able to overcome. Operations in which the Company has a direct or indirect interest will be subject to the hazards and risks normally associated with exploration and development, many of which could result in work stoppages, damage to property, and possible environmental damage. Mining involves a high degree of risk and few properties that are explored are ultimately developed into producing mines. None of the properties in which Aurania has an interest has a defined orebody and there is no assurance that any of Aurania's mineral exploration and development activities will result in the discovery of a commercially viable mineral deposit. Exploring in a foreign jurisdiction subjects the Company to additional risks including potential political change, changes in law or policies, inability to obtain permits or delays in obtaining them, limitations on foreign ownership and other risks not specified here. Foreign currency fluctuations may also adversely affect the Company's financial position and operating results.

3.14.2 Ability of Community Stakeholders to Impede Project Success

The Company recognizes that it is crucial that it engages with key constituency groups to mitigate the social and business risk associated with exploration on properties owned by non-shareholding stakeholders. The Company has implemented a comprehensive CSR program as a fundamental component of its activities in the Project.

3.14.3 Corporate Social Responsibility

The Company has engaged a professional CSR company to assist in the development and implementation of a CSR Strategic Framework that allows for collaboration with key stakeholders in a non-confrontational and respectful manner.

3.14.4 Property Title

Property title may be jeopardized by unregistered prior agreements or by the Company not fully complying with regulatory requirements.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee that challenges to the titles may not emerge.

3.14.5 Environmental Matters

The Company's exploration activities are subject to various federal, cantonal, provincial and international laws and regulations governing the protection of the environment. The Company believes that its operations are materially in compliance with applicable laws and regulations. However, the Company has engaged, and is reliant upon, an environment specialist consultant to keep the Company informed and compliant with respect to environmental rules and regulations.

3.14.6 Foreign Country Risk

The property interests are located outside of Canada and are subject to the investment risk associated with foreign jurisdictions, including increases in taxes and royalties, renegotiation of permits and currency exchange fluctuations.

The Company mitigates foreign country risk by keeping apprised of Ecuador's economic and political climate and by relying on certain advisors, including technical and financial consultants, to inform Management of any proposed change to the laws and regulations that could significantly impact the Company's ability to operate or impact the financial results of the Company.

3.14.7 Financial Instruments

Fair Value

IFRS requires that the Company disclose information about the fair value of its financial assets and liabilities. The Carrying amounts of cash equivalents, receivables, trade and other accounts payable and promissory note on the statements of financial position approximate fair value because of the limited term of these instruments.

Fair value estimates are made by the Company at the date of the statement of financial position based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision.

Capital and Financial Management Risk

See Financial Management Risk.

3.15 COMMITMENTS AND CONTINGENCIES

3.15.1 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 that its operations are materially in compliance with all applicable laws and regulations.

3.15.2 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 fee 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 – Related Party Transactions). Management intends to enter into a formal agreement with NewServiceCo shortly.

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. If terminated, Dr. Spencer would have a three-month paid notice period, for which he would be paid a pro rata proportion for any time not worked during the notice period at the Company's request. He would also receive a lump-sum cash payment equal to three months of monthly retainer fee. In the event of termination due to a change of control, the term of Dr. Spencer's contract would be extended to the later of the end of his contract or two years from the date on which the change of control occurs. If Dr. Spencer's contract is terminated, or Dr. Spencer terminates the agreement for good reason, within the 12 months following a change of control, he will be entitled to a payment of $300,000, 50% of which would be due on termination and 50% within 6 months of the date of the initial termination payment. In addition, any unvested options will vest immediately and will remain exercisable for 90 days following the date of termination.

The Company's CFO provides financial/accounting and corporate secretarial services 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. Upon completion of the term, Ms. McLean's consulting agreement may be renewed for additional one-year terms. Early termination of the agreement requires 90 days' written notice.

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.
The Company has entered into a consulting agreement for corporate social responsibility services (the "CSR Contract") with a professional CSR company to design and implement a CSR program to be run in conjunction with the Project exploration program. 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 CSR Contract with 30 days' written notice.

On June 14, 2017 the Company entered into an agreement with MPX Inc. for an airborne geophysics program to be undertaken over the 2,080 km^2 Lost Cities – Cutucu Project. The Company agreed to pay $850,000 plus applicable taxes for the survey. Additional taxes and standby fees of approximately $120,000 were charged bringing the total survey cost to $970,000. 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 is fully paid for.

3.16 QUALIFIED PERSON

The foregoing and technical information contained has been prepared or reviewed by Jean Paul Pallier, VPX, who is registered as a EurGeol with the European Federation of Geologists and is a 'Qualified Person' for the purpose of National Instrument 43-101, Standards of Disclosure for Mineral Projects of the Canadian Securities Administrators.

3.17 SHARE DATA

As at	Common Shares[1]	Warrants	Agents' Options and Warrants	Stock Options	RSUs([4]	Fully Diluted
December 31, 2016	22,759,735	-	-	2,165,000	-	24,924,735
December 31, 2017	27,385,625	1,600,445	144,200	2,695,000	124,500	32,021,870
April 30, 2018	29,687,811[1]	1,067,423[1]	102,550[1] [3]	1,515,000[1] [2]	124,500	32,548,559

(1) A total of 2,302,186 common shares have been issued since year-end in relation to the exercise of: 1,730,000 stock options, 530,536 May 2017 warrants and 41,650 Agents' Compensation Units. This latter issuance resulted in the issuance of 20,825 additional share purchase warrants.
(2) A total of 550,000 stock options were granted between March 2 and April 5, 2018. They are five-year options that vest over two years and the exercise price range is $2.86 to $2.89.
(3) Each agent compensation option entitles the holder to purchase an Agent Unit comprised of one common share and one-half purchase warrant. Therefore the purchase of the Agent Units and subsequent exercise of the Agents' Warrants would result in the issuance of 102,550 common shares and 51,275 warrants.
(4) A total of 124,500 RSUs were granted on November 2, 2017 pursuant to a RSU incentive plan adopted by shareholders on May 26, 2017. The RSUs vest over three years.

3.18 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 Options. 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 and officer, and two consultants. The options vest over two years, and have an exercise price of $2.89 100,000 of the options expire of March 2, 2023, while the remaining 150,000 expire as late as March 2, 2023, depending on the consultant 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 two years, have an exercise price of $2.68 and expire on April 5, 2023.

The maturity date of the remaining USD1,000,000 of the MCL has been extended by one year and is now payable on May 29, 2019. The other terms of the MCL remain the same – the loan bears an interest rate of 2%.