



AURANIA

AURANIA RESOURCES LTD.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the Three and Six Months Ended June 30, 2018

(Expressed in Canadian Dollars)

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AURANIA

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING and NOTICE TO READER

The accompanying unaudited condensed consolidated interim financial statements of Aurania Resources Ltd. (the "Company") for the three and six months ended June 30, 2018 are the responsibility of the Company's management ("Management") and have been prepared by Management and include the selection of appropriate accounting principles, judgments and estimates necessary to prepare these condensed consolidated interim financial statements in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* using the accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") for condensed consolidated interim financial statements.

In accordance with National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice indicating that the condensed consolidated interim financial statements have not been reviewed by an auditor. The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with the standards established by the Chartered Professionals Accountants of Canada for a review of condensed consolidated interim financial statements by an entity's auditor.

AURANIA RESOURCES LTD.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN FINANCIAL POSITION
(Unaudited)***(Expressed in Canadian dollars)*

AS AT	JUNE 30, 2018	DECEMBER 31, 2017
	\$	\$
ASSETS		
Current assets		
Cash	4,254,422	671,346
Prepaid expenses and receivables	72,661	64,882
Total current assets	4,327,083	736,228
Non-current asset		
Property, plant and equipment (note 5)	108,529	52,573
TOTAL ASSETS	4,435,612	788,801
LIABILITIES AND EQUITY (DEFICIENCY)		
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 13)	696,363	464,956
Promissory notes (note 6)	1,055,725	1,273,000
Derivative liability convertible debenture (note 6)	455,759	-
Convertible debenture (note 6)	2,237,507	-
Total liabilities	4,445,978	1,737,956
EQUITY (DEFICIENCY)		
Share capital (note 7)	315	273
Share premium (note 7)	19,408,525	13,019,518
Warrants (note 9)	1,180,377	883,874
Contributed surplus	1,468,867	1,206,201
Deficit	(22,068,450)	(16,059,021)
Total equity (deficiency)	(10,366)	(949,155)
TOTAL LIABILITIES AND EQUITY (DEFICIENCY)	4,435,612	788,801
Nature of operations and business continuance (note 1)		
Commitments and contingencies (notes 4 and 16)		
Subsequent events (note 17)		

APPROVED BY THE BOARD:

Signed, "Marvin K. Kaiser", Director

Signed, "Keith M. Barron", Director

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

AURANIA RESOURCES LTD.

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

(Expressed in Canadian dollars)

	ISSUED CAPITAL		RESERVES				Total Equity (Deficiency)
	Common Shares #	Share Capital	Share Premium	Warrants	Contributed Surplus	Accumulated Deficit	
Balance - December 31, 2016	22,759,735	\$229	\$5,485,705	\$-	\$692,868	\$(6,813,699)	\$(634,897)
Shares issued for private placements	3,200,890	32	6,401,748	-	-	-	6,401,780
Less share issue costs	-	-	(532,834)	-	-	-	(532,834)
Shares issued for acquisition	1,000,000	10	1,765,532	-	-	-	1,765,542
Shares issued for debt settlement	375,000	2	749,998	-	-	-	750,000
Warrants issued for private placements	-	-	(750,476)	750,476	-	-	-
Broker warrants compensation	-	-	(91,123)	91,123	-	-	-
Stock-based compensation	-	-	-	-	151,088	-	151,088
Net loss for the period	-	-	-	-	-	(6,136,610)	(6,136,610)
Balance – June 30, 2017	27,335,625	\$273	\$13,028,550	\$841,599	\$843,956	\$(12,950,309)	\$1,764,069
Share issue costs	-	-	(1,648)	-	-	-	(1,648)
Stock-based compensation – options	-	-	-	-	353,773	-	353,773
Broker warrants compensation	-	-	(42,275)	42,275	-	-	-
Stock-based compensation - Restricted Stock Units (“RSUs”) (notes 9, 13)	-	-	-	-	23,363	-	23,363
Exercise of stock options	50,000	-	34,891	-	(14,891)	-	20,000
Net loss for the period	-	-	-	-	-	(3,108,712)	(3,108,712)
Balance - December 31, 2017	27,385,625	\$273	\$13,019,518	\$883,874	\$1,206,201	\$(16,059,021)	\$(949,155)
Shares issued for private placement	2,000,000	20	3,999,980	-	-	-	4,000,000
Less share issue costs	-	-	(261,442)	-	-	-	(261,442)
Shares issued for exercise of options (note 8(a)(iii))	1,730,000	16	1,272,070	-	(532,086)	-	740,000
Shares issued for exercise of warrants (notes 8, 9)	530,536	5	1,840,380	(248,777)	-	-	1,591,608
Shares issued for exercise of agents’ options (note 7)	41,650	1	121,829	(38,530)	-	-	83,300
Stock-based compensation – options (notes 9, 11)	-	-	-	-	723,078	-	723,078
Warrants issued for exercise of agents’ options (note 8)	-	-	(15,000)	15,000	-	-	-
Stock-based compensation – RSU’s (notes 8, 10)	-	-	-	-	71,674	-	71,674
Warrants issued for private placements (note 9)	-	-	(525,000)	525,000	-	-	-
Broker warrants compensation (notes 7, 9)	-	-	(43,810)	43,810	-	-	-
Net loss for the period	-	-	-	-	-	(6,009,429)	(6,009,429)
Balance – June 30, 2018	31,687,811	\$315	\$19,408,525	\$1,180,377	\$1,468,867	\$(22,068,450)	\$(10,366)

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

AURANIA RESOURCES LTD.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS (Unaudited)***(Expressed in Canadian dollars)*

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
	\$	\$	\$	\$
Operating Expenses:				
Exploration expenditures (notes 4, 11)	860,751	129,393	4,028,067	195,897
Stock-based compensation (notes 8, 10)	469,125	124,182	794,752	151,088
Investor relations	215,824	74,257	396,139	81,786
Office and general	119,282	73,456	244,488	95,958
Management, directors, advisor fees	120,015	95,892	216,440	125,892
Professional and administration fees	47,991	17,381	95,601	37,303
Regulatory and transfer agent fees	8,558	38,769	52,100	52,929
Amortization (note 5)	5,515	137	9,118	137
Total expenses	1,847,061	553,467	5,836,705	740,990
Other expenses/income				
Costs associated with acquisition of ESA	-	5,511,183	-	5,511,183
(Gain) loss on foreign exchange	25,870	(117,466)	91,425	(117,985)
(Gain) loss on derivative	28,932	-	28,932	-
Interest income	(681)	-	(1,729)	-
Interest expense (note 6)	47,716	2,422	54,096	2,422
Loss and comprehensive loss for the period	1,948,898	5,949,606	6,009,429	6,136,610
Basic and diluted loss per share	\$0.07	\$0.24	\$0.21	\$0.26
Weighted average common shares outstanding – basic and diluted	29,632,811	24,386,718	28,907,113	23,573,277

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

AURANIA RESOURCES LTD.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS (Unaudited)**

For the three and six months ended June 30, 2018

(Expressed in Canadian Dollars)

	Six months ended June 30,	
	2018	2017
	\$	\$
Cash flows from the following activities:		
Operating activities:		
Net (loss) for the period	(6,009,429)	(6,136,610)
Non-cash items:		(61,459)
Amortization	9,118	137
Accretion convertible debenture	32,755	
Acquisition of ESA (note 4)	-	5,511,183
Stock-based compensation	794,752	151,088
Accrued interest (note 6)	24,683	-
Loss on derivative	28,932	
Foreign exchange on promissory note and convertible debenture (note 6)	91,425	-
Net change in non-cash working capital (note 12)	223,628	(60,653)
Net cash used in operating activities	(4,804,136)	(596,314)
Financing activities:		
Units issued for private placements	4,000,000	6,380,916
Less share issue costs	(261,442)	(532,834)
Shares issued for option exercises (notes 7, 8)	460,000	-
Shares issued for warrant exercises (notes 6, 9)	1,591,608	-
Shares issued for agents' options exercise (notes 7, 8)	83,300	-
Convertible debenture (note 6)	2,578,800	-
Promissory note advances (note 6)	-	207,972
Repayment of promissory note	-	(1,407,014)
Net cash provided by financing activities	8,452,286	4,649,040
Investing activity:		
Acquisition of ESA	-	(703,769)
Advances to ESA	-	(20,915)
Purchase of capital assets	(65,074)	-
Net cash used by investing activities	(65,074)	(724,684)
Increase in cash	3,583,076	3,328,042
Cash – beginning of period	671,346	3,942
Cash – end of period	4,254,422	3,331,984

Supplemental Cash Flow Information - see note 12.

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

AURANIA RESOURCES LTD.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the three and six months ended June 30, 2018 and 2017

(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND BUSINESS CONTINUANCE

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

On May 29, 2017, the Company acquired EcuSolidus, S.A., a private Ecuador-based company, 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 (the "Lost Cities – Cutucu Project" or the "Project"). See note 4 – Mineral Property Interests.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that the current exploration program will result in profitable mining operations. The recoverability of the carrying value of property, plant and equipment 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.

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 4 – Mineral Property Interests regarding the current status of the Company's permits and licenses.

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.

As at June 30, 2018, the Company had cash of \$4,254,422 (December 31, 2017 - \$671,346), current accounts payable and accrued liabilities of \$691,363 (December 31, 2017 - \$464,956), a promissory note of \$1,055,725 (December 31, 2017 - \$1,273,000), and a convertible debenture of \$2,693,266, which include a derivative liability of \$455,759 (December 31, 2017 - \$nil). Further, the Company had an accumulated deficit of \$22,068,450 (December 31, 2017 - \$16,059,021) and working capital deficiency of \$118,895 (December 31, 2017 - \$1,001,728).

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

AURANIA RESOURCES LTD.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the three and six months ended June 30, 2018 and 2017

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES, Continued

Statement of compliance, Continued

The accounting policies applied in these condensed consolidated interim financial statements are based on IFRS policies issued and outstanding as of the date the Board of Directors approved these interim financial statements being Aug 27, 2018. The same accounting policies and methods of computation are followed in these condensed consolidated interim financial statements as those applied in note 2 of the Company's most recent annual consolidated financial statements for the year ended December 31, 2017 and have been consistently applied throughout all periods presented, as if these policies had always been in effect. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending December 31, 2018 could result in the restatement of these condensed consolidated interim financial statements.

Basis of Presentation

These condensed consolidated interim financial statements have been prepared under the historical cost convention except for certain financial assets and 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. All amounts have been expressed in Canadian dollars ("C\$"), the Company's functional currency, unless otherwise stated and USD represents United States dollars and CHF represents Swiss francs.

Basis of Consolidation

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

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:

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

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the three and six months ended June 30, 2018 and 2017

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES, Continued

Significant accounting judgments and estimates, Continued

- (ii) the inputs used in accounting for stock-based compensation expense in the condensed consolidated interim statement of loss;
- (iii) the provision, if any, for decommissioning and restoration obligations which are included in the condensed consolidated interim statement of financial position; and
- (iv) the existence and estimated amount of contingencies; see note 16 – Commitments and Contingencies.
- (v) the valuation of the acquisition of ESA.

Changes in Accounting Policies

During the six months ended June 30, 2018, the Company adopted the following policy:

Compound financial instruments:

The components of compound financial instruments are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. The conversion feature of the convertible debentures issued does not meet the criteria for equity classification and accordingly, is accounted for as an embedded derivative liability. The derivative liability is calculated first, and the residual value is assigned to the debt component.

Subsequent to initial recognition, the embedded derivative component is re-measured at fair value at each reporting period with the changes in fair value recognized in operations. Subsequent to initial recognition, the liability component is accounted for at amortized cost using the effective interest rate method until the instrument is converted or the instrument matures. The liability component accretes up to the principal balance at maturity. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

The Company also adopted other new IFRS standards, interpretations, amendments and improvements of existing standards including IFRS 9 and IFRIC 22 however these new standards and changes did not have any material impact on the Company's condensed consolidated interim financial statements.

3. CAPITAL AND FINANCIAL RISK MANAGEMENT

Capital management

The Company considers the capital that it manages to include share capital, share premium, warrants, contributed surplus and deficit, which at June 30, 2018 was \$83,291 (December 31, 2017 - \$(949,155)). The Company manages its capital structure and makes adjustments to it, based on the funds needed in order to support the acquisition and exploration of mineral properties. Management does this in light of changes in economic conditions and the risk characteristics of the underlying assets. There has been no change with respect to the overall capital risk management strategy during the six months ended June 30, 2018. See Liquidity Risk below.

AURANIA RESOURCES LTD.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the three and six months ended June 30, 2018 and 2017

(Expressed in Canadian Dollars)

3. CAPITAL AND FINANCIAL RISK MANAGEMENT, Continued

Capital management, Continued

The Company's continued existence is dependent upon Management's ability to obtain the necessary financing to advance exploration on its Project.

Cash and Debenture Loan

During the six months ended June 30, 2018, the Company closed Tranche 1 of the 2018 Offering which yielded net proceeds of \$3,738,558 to treasury. Further, in order to pay the 2018 mineral concession fees owed by ESA, the Company subscribed for a convertible debenture (the "Debenture") with the principal shareholder of the Company (the "Lender") for USD2,000,000. Additionally, in April 2018, the Company reduced the principal owing on the USD1,000,000 promissory note ("2017 Promissory Note") by USD217,168 (\$280,000) in consideration of the Lender's exercise of 700,000 stock options. The Lender extended the maturity date of the 2017 Promissory Note from May 29, 2018 to May 29, 2019. See note 6 – Promissory Notes and Convertible Debenture.

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, Ecuadorian and Swiss financial institutions, from which Management believes the risk of loss to be remote. The Company does not have any material risk exposure to any single debtor or group of debtors.

Liquidity risk

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

As at June 30, 2018, the Company had \$4,254,422 in cash to settle \$4,445,978 of liabilities (December 31, 2017 - \$671,346 in cash to settle \$1,737,956 of liabilities). The liquidity risk at June 30, 2018 is therefore material.

For fiscal 2017, a significant portion of the \$6,401,780 financing completed in 2017 (the "2017 Offering") was spent on Project acquisition, mobilizing and training the exploration teams, initiating a CSR program and establishing bases of operation, as well as completion of a heliborne geophysics survey over the Project.

For Q3 and Q4 of 2018, a significant portion of the \$4,000,000 financing completed in June 2018 (the "2018 Offering") has been earmarked for mineral exploration, which includes continuing the geochemical sampling program and exploration approach already deployed in discovering several epithermal targets, additional geophysical surveys over specific target areas and remote sensing, all with a focus on further defining specific drill targets. The balance of the 2018 Offering will be used for general working capital.

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.

AURANIA RESOURCES LTD.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the three and six months ended June 30, 2018 and 2017

(Expressed in Canadian Dollars)

3. CAPITAL AND FINANCIAL RISK MANAGEMENT, Continued

(i) Interest rate risk

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

(ii) Foreign currency risk

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

At June 30, 2018 and December 31, 2017, the Company's exposure to foreign currency risk with respect to amounts denominated in USD and CHF, was substantially as follows:

<i>In Canadian \$ equivalents</i>	June 30, 2018	December 31, 2017
Cash	\$574	\$8,393
Accounts payable, accrued liabilities, promissory notes and convertible debenture	(3,913,002)	(1,391,262)
Net exposure	\$(3,912,428)	\$(1,382,869)

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 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 June 30, 2018 and December 31, 2017, the Company was not a metals commodity producer.

Sensitivity analysis

As of June 30, 2018 and December 31, 2017, both the carrying and fair value amounts of the Company's financial instruments (except for the Debenture) 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 the CHF would have increased the net asset position of the Company as at June 30, 2018 by \$391,243 (at December 31, 2017 – \$138,287). A 10% weakening of the Canadian dollar against the same would have had an equal but opposite effect.

AURANIA RESOURCES LTD.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the three and six months ended June 30, 2018 and 2017

(Expressed in Canadian Dollars)

4. MINERAL PROPERTY INTERESTS

ECUADOR

Exploration Entitlements

The Company holds 100% of the rights, title and interest in the Project, comprised of 42 mineral concessions spanning 207,764 Hectares ("Ha"), in the Cordillera de Cutucu, in southeastern 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. The 2018 annual concession fee of USD2,004,923 (\$2,636,373) was paid, therefore Management believes that the mineral exploration concessions are in good standing. Further, an additional \$38,250 was incurred for legal and regulatory filing fees related to renewing the concession licenses, and \$27,377 was paid to consultants who prepared and submitted the required Informe Anual (Annual Report); annual expenditures and reporting on exploration undertaken on each concession is required to be filed with the Ministry of Mines by March 31 in each year. The 2018 concession payment was financed pursuant to an interest-bearing convertible debenture loan with the Lender. See note 6 – Promissory Note and Convertible Debenture.

In 2017, the annual fee was USD1,973,198 (\$2,482,086) or USD9.50/Ha (\$12/Ha).

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 (\$6.45/Ha); Years 3 and 4 - USD10/Ha (\$12.90/Ha). 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. 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 June 30, 2018, Management is unaware of any change in the status of the Permits.

AURANIA RESOURCES LTD.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the three and six months ended June 30, 2018 and 2017

(Expressed in Canadian Dollars)

5. PROPERTY, PLANT & EQUIPMENT

	Leasehold Improvements	Field Equipment	Furniture and Fixtures	Computer Equipment	Total
COST	\$	\$	\$	\$	\$
At December 31, 2017	25,477	-	768	34,460	60,705
Additions	-	59,013	-	6,061	65,074
At June 30, 2018	25,477	59,013	768	40,521	125,779
ACCUMULATED DEPRECIATION	\$	\$	\$	\$	\$
At December 31, 2017	(851)	-	(38)	(7,243)	(8,132)
Additions ⁽¹⁾	(524)	(3,748)	(20)	(4,826)	(9,118)
At June 30, 2018	(1,375)	(3,748)	(58)	(12,069)	(17,250)
NET BOOK VALUE:					
At December 31, 2017	24,626	-	730	27,217	52,573
At June 30, 2018	24,102	55,265	710	28,452	108,529

⁽¹⁾ Depreciation is calculated using straight-line method over periods ranging from 3 to 6 years.

6. PROMISSORY NOTES AND CONVERTIBLE DEBENTURE

(a) Promissory Note - Mineral Concessions Loan ("MCL1")

For the six months ended JUNE 30,	2018
Balance, beginning of period	\$1,273,000
MCL1	-
Accrued interest	11,334
Settlement of debt	(280,000)
Foreign exchange translation loss	51,391
Balance, end of period	\$1,055,725

On March 20, 2017, the Lender advanced USD2,000,000 to ESA to facilitate the payment of the 2017 minerals concession fees, pursuant to an unsecured, promissory note loan. On May 29, 2017 the Company repaid USD1,000,000 of the MCL1 from the proceeds of the 2017 Offering.

On April 2, 2018 Dr. Barron settled \$280,000 of MCL1 in consideration of exercising his 700,000 stock options, at \$0.40 per option. Accordingly, the Company issued 700,000 common shares to Dr. Barron in exchange for reducing the principal owing on MCL1 by USD217,168 (\$280,000). At June 30, 2018, the accrued interest owing on MCL1 is \$26,434 (December 31, 2017 - \$15,100).

See note 17 – Subsequent Events

(b) Convertible Debenture – Mineral Concession Loan ("MCL2")

On May 22, 2018 the Company issued a US\$2,000,000 face value Convertible Debenture, due May 29, 2019 for net proceeds of CAD\$2,631,579. The Debenture accrues interest at 2% per annum, payable in cash at maturity. However, the principal amount may be converted at the option of the holder at any time during the term to maturity into a fixed number of 877,193 shares of our common stock, subject to adjustment solely

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6. PROMISSORY NOTES AND CONVERTIBLE DEBENTURE, Continued

(b) Convertible Debenture – Mineral Concession Loan (“MCL2”), Continued

for capital reorganization events. The Debenture also embodies certain traditional default provisions that are linked to credit or interest risks, such as bankruptcy proceedings, liquidation events and corporate existence. We have concluded that the embedded conversion option did not pass the conditions for equity classification. Therefore, the embedded conversion option is subject to classification in our financial statements in liabilities at fair value both at inception and subsequently pursuant to IAS 32 and IAS 39.

Accounting for the Convertible Debenture

We have evaluated the terms and conditions of the secured convertible notes under the guidance of IAS 32 and IAS 39. Because the face value of the note is denominated in other than the Company’s functional currency, the conversion feature requires classification and measurement as a derivative financial instrument. Accordingly, our evaluation resulted in the conclusion that this derivative financial instrument requires bifurcation and liability classification, at fair value. Current standards contemplate that the classification of financial instruments requires evaluation at each report date.

The following table reflects the allocation of the proceeds on the financing date:

	Debtenture: US\$2,000,000 Face Value
Secured Convertible Notes	
Proceeds	\$(2,631,579)
Embedded derivative	426,827
Carrying value at inception	<u>\$2,204,752</u>

The carrying value of the convertible debenture at December 31, 2017 was \$nil and the carrying value at June 30, 2018 was \$2,237,507 and accrued interest from inception to June 30, 2018 was \$5,624.

Discounts (premiums) on the convertible notes arise from (i) the allocation of basis to other instruments issued in the transaction, (ii) fees paid directly to the creditor and (iii) initial recognition at fair value, which is lower than face value. Discounts (premiums) are amortized through charges (credits) to interest expense over the term of the debt agreement. Amortization of debt discounts (premiums) amounted to (\$32,755) during the period from inception to June 30, 2018.

Derivative Liabilities

The carrying value of the Embedded Derivative Liability is on the balance sheet, with changes in the carrying value being recorded as Derivative (Gain) Loss on the income statement. The fair value of the embedded derivative liability as of June 30, 2018 was \$455,759 and the Derivative Loss for the period from inception to June 30, 2018 was \$28,932.

(c) Promissory Note Other

In the six months ended June 30, 2017, the Company relied on advances from the Lender in the amount of \$207,972 which were fully repaid on May 29, 2017, as part of the settlement of \$750,000 of cumulative promissory note advances, which was satisfied with the issuance of 375,000 shares of the Company in 2017.

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7. SHARE CAPITAL

Authorized share capital at June 30, 2018 and December 31, 2017 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 June 30, 2018 is 31,687,811 (December 31, 2017 - 27,385,625).

During the six months ended June 30, 2018, the Company:

- (a) Issued 2,000,000 units ("Offering Units"), pursuant to a private placement financing ("2018 Offering"). Each Offering Unit consists of one common share and one-half of one common share purchase warrant ("Offering Warrant"). Each whole Offering Warrant is exercisable to acquire one common share at \$3.00 until December 29, 2019. Gross proceeds for the Offering Units were \$4,000,000. Share issue costs of \$261,442 attributable to the Offering, were deducted from the share premium account. The Offering Warrants were assigned an estimated fair value of \$525,000 using the Black-Scholes option pricing model, using the following assumptions: dividend yield 0%, expected volatility 100%, a risk-free interest rate of 1.91% and an expected life of 18 months.
- (b) Agreed to pay compensation to the Agents including: cash payments of \$158,885 and the issuance of 79,442 compensation units ("Agents' Units"). 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 December 29, 2019. The Agents' Warrants were assigned an estimated fair value of \$43,810 using the Black-Scholes option pricing model, using the following assumptions: dividend yield 0%, expected volatility 100%, a risk-free interest rate of 1.91% and an expected life of 18 months.
- (c) Issued 1,030,000 common shares as a result of the exercise of 1,030,000 stock options previously granted to directors, officers and consultants, for proceeds of \$460,000.
- (d) Issued 700,000 common shares as a result of the exercise of 700,000 stock options previously granted to a director/officer, in consideration of a debt settlement of \$280,000 against the outstanding balance of MCL1. See note 7 – Promissory Notes and Convertible Debenture.
- (e) Issued 530,536 common shares to holders of 530,536 (2017 Offering) warrants, for proceeds of \$1,591,608, or \$3.00 per common share.
- (f) Issued 41,650 Agents' Compensation Units to agents of the 2017 Offering for the exercise of 41,650 broker warrants. Each Agents' Unit is comprised of one common share and one half of one warrant to purchase one common share of the Company for \$3.00, prior to October 19, 2018. The consideration for these Units was \$83,300. The new Warrants were assigned an estimated fair value of \$15,000 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 1.91% and an expected life of 9 months.

8. STOCK-BASED COMPENSATION

Stock Option Plan ("SOP") and Restricted Stock Unit Plan ("RSUP")

The Company maintains a stock option plan and a restricted stock unit ("RSU") plan under which directors, officers, employees and consultants of the Company and its affiliates are eligible to receive stock options and RSU's. The SOP is a rolling plan under which the maximum number of common shares reserved for issuance

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8. STOCK-BASED COMPENSATION, Continued

Stock Option Plan ("SOP") and Restricted Stock Unit Plan ("RSUP"), Continued

is 10% of the issued shares of the Company at the time of granting the options. The RSUP is a fixed plan under which the maximum number of common shares reserved for issuance is 2,275,973.

Both the SOP and RSUP are intended to enhance the Company's ability to attract and retain highly qualified officers, directors, key employees, consultants and other persons, and to motivate such officers, directors, key employees, consultants and other persons to serve the Company and to expend maximum effort to improve the business results and earnings of the Company, by providing to such persons an opportunity to acquire or increase a direct proprietary interest in the operations and future success of the Company

(a) Stock Options

(i) On March 2, 2018, the Company granted 250,000 stock options to a director/officer and two consultants. Each option is exercisable to acquire one common share at a price of \$2.89. 100,000 of the options expire on March 2, 2023, and vest as follows: 1/3 on the grant date, 1/3 on March 2, 2019 and the remaining 1/3 on March 2, 2020. The remaining 150,000 stock options will expire as late as March 2, 2023, depending on the consultant's term. A total value of \$541,934 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 2.1% and an expected life of 5 years. Volatility was based on the historical trading of the Company's shares. To June 30, 2018, a total of \$269,689 has been expensed for the vested options.

(ii) On April 5, 2018, the Company granted 300,000 stock options to a director/officer. Each option is exercisable to acquire one common share at a price of \$2.68. The options expire on April 5, 2023, and vest as follows: 1/3 on the grant date, 1/3 on April 5, 2019 and the remaining 1/3 on April 5, 2020. A total value of \$602,706 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 2.03% and an expected life of 5 years. Volatility was based on the historical trading of the Company's shares. To June 30, 2018, a total of \$271,873 has been expensed for the vested options.

(iii) During the six months ended June 30, 2018, a total 1,730,000 stock options were exercised in consideration of cash and debt settlement. See note 8(c)(d) – Share Capital.

(iv) The following summarizes the stock options activity during the six months ended June 30, 2018:

	Number of Options	Weighted Average Exercise Price	Estimated Fair Value
Balance - December 31, 2017	2,695,000	\$0.44	\$1,134,838
Issued	250,000	\$2.89	269,689
Issued	300,000	\$2.68	271,873
Exercised	(1,700,000)	\$(0.40)	(506,294)
Exercised	(30,000)	\$(2.00)	(25,793)
Stock-based compensation expense	-	-	181,517
Balance – June 30, 2018	1,515,000	\$1.93	\$1,325,830

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8. STOCK-BASED COMPENSATION, Continued

Stock Option Plan ("SOP") and Restricted Stock Unit Plan ("RSUP"), Continued

(v) The following summarizes the stock options outstanding at June 30, 2018:

Issued Number of Options	Exercisable Number of Options	Exercise Price	Expiry Date	Estimated Fair Value
30,000	30,000	\$2.00	May 3, 2019	\$25,793
415,000	276,666	\$0.60	July 13, 2021	218,238
150,000	50,000	\$2.30	May 26, 2022	194,868
370,000	123,333	\$2.00	November 2, 2022	345,419
250,000	83,250	\$2.89	March 2, 2023	269,689
300,000	100,000	\$2.68	April 5, 2023	271,823
1,515,000	663,249			\$1,325,830

The weighted average contractual life remaining for stock options as at June 30, 2018 is 3.99 (2017 – 1.63) 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.

(b) Restricted Stock Units

(i) 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 \$168,500 has been assigned to the RSU's based on the closing price of the Company's common shares on the grant date of the RSU's. To June 30, 2018, a total of \$95,037 has been expensed for the vested options.

(ii) There were no issuances of RSUs during the six months ended June 30, 2018.

(iii) The following summarizes the RSU activity during the six months ended June 30, 2018:

	Number of RSUs	Weighted Average Fair Value	Estimated Fair Value
Balance – December 31, 2016	-	\$-	\$-
Awarded November 2, 2017	124,500	\$0.19	23,363
Balance – December 31, 2017	124,500	\$0.19	\$23,363
Stock-based compensation expense	-	-	71,674
Balance – June 30, 2018	124,500	\$0.76	\$95,037

The weighted average contractual life remaining for RSUs at June 30, 2018 is 2.34 (December 31, 2017 – 2.84) years. The RSUs were not included in the computation of diluted net loss per share for the periods presented as they are anti-dilutive.

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9. WARRANTS

The following summarizes the warrants and Agents' Options activity and outstanding warrants and Agents' Options for the six months ended June 30, 2018:

- (i) On June 29, 2018, a total of 1,000,000 common share purchase warrants were issued by the Company in connection with the 2018 Offering. See note 8(a) – Share Capital.
- (ii) On June 29, 2018, also in connection with the 2018 Offering, a total of 79,442 broker warrants were issued.

	Number of Warrants/ Agents' Options	Weighted Average Exercise Price	Estimated Fair Value
Balance – December 31, 2016	-	-	-
Issued for private placement (note 8(a)) ⁽¹⁾	1,600,445	\$3.00	\$750,476
Issued for Agents' Options (note 8(a)) ⁽¹⁾	144,200	\$2.00	133,398
Balance – December 31, 2017	1,744,645	\$2.92	\$883,874
Exercised	(530,536)	\$(3.00)	(248,777)
Exercised	(41,650)	\$(2.00)	(38,530)
Issued upon exercise of agents' options ⁽¹⁾	20,825	\$3.00	15,000
Issued ⁽²⁾	1,000,000	\$3.00	525,000
Issued ⁽²⁾	79,442	\$3.00	43,810
Balance – June 30, 2018	2,272,726	\$2.95	\$1,180,377

⁽¹⁾ The warrants and agents' options expire October 19, 2018.

⁽²⁾ The warrants and agents' options expire December 29, 2019.

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

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

10. 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.

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10. KEY MANAGEMENT COMPENSATION EXPENSE, Continued

The remuneration of Key Management and Directors of the Company was:

For the six months ended JUNE 30,	2018	2017
Management fees ⁽¹⁾	\$135,618	\$70,000
Director and advisor fees ⁽²⁾	30,527	33,375
Stock-based compensation for key management ⁽³⁾	663,546	151,088
Total key management compensation expense	\$829,691	\$254,463

- (1) This includes 100% CFO fees, Toronto, 100% salary/benefits of the Country Manager, Ecuador, and 30% of the President's compensation. The remaining 70% of the President's compensation and 100% of the compensation paid to the VPX has been charged to exploration. In 2017, this is 100% CFO fees, and 100% of the President's compensation, for one month.
- (2) Director's fees are \$15,000 per annum or \$3,750 per quarter. From March 2, 2018 to June 13, 2018, Mr. Alfred Lenarciak served as a financial advisor to the Company, at a compensation rate equal to that of a Director. Mr. Lenarciak joined the Board of Directors on June 13, 2018 after being elected a Director at the Company's ASM, and his advisory position was terminated. See note 17 – Commitments and Contingencies.
- (3) This figure is the fair value expense of vested stock options and RSUs granted to key management during the six months ended June 30, 2018.

11. EXPLORATION EXPENSE

	Three months ended June 30,		Six months ended June 30	
	2018	2017	2018	2017
ECUADOR	\$	\$	\$	\$
GEOLOGY/FIELD:				
Salaries, benefits	71,194	16,667	218,803	16,667
Travel, accommodation	116,395	15,280	207,468	15,280
Project management	310,922	43,151	401,076	77,839
Equipment, supplies	26,585	8,425	72,858	8,425
Office	30,338	-	91,424	-
GEOCHEMISTRY	97,970	-	135,499	-
GEOPHYSICS	7,566	-	16,747	-
CORPORATE SOCIAL RESPONSIBILITY				
:		45,768		71,533
Fees, travel, supplies	126,156		255,287	
Total expenses	787,126	129,291	1,399,162	189,744
Legal fees and other concession costs	45,950	242	65,628	242
Concession maintenance (note 4)	26,880	-	2,562,482	-
Total exploration expense - Ecuador	859,959	129,533	4,027,272	189,986

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11. EXPLORATION EXPENSE, Continued

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
SWITZERLAND	\$		\$	
GEOLOGY/FIELD:				
Permit maintenance	-	(140)	-	5,211
Core storage	795	-	795	700
Total exploration expense - Switzerland	795	(140)	795	5,911
TOTAL EXPLORATION EXPENSES	860,751	129,393	4,028,067	195,897

12. SUPPLEMENTAL CASH FLOW INFORMATION

(a) Net change in non-cash working capital

	Six months ended June 30,	
	2018	2017
Accounts receivable	\$(9,086)	\$1,200
Prepaid expenses and deposits	1,307	32,713
Accounts payable and accrued liabilities	226,405	(94,566)
	\$218,626	\$(60,653)

(b) Other

	Six months ended June 30,	
	2018	2017
Issuance of broker warrants	\$-	\$91,123
Shares issued for settlement of debt	\$280,000	\$770,864
Shares issued for acquisition of ESA	\$-	\$1,765,542

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 six months ended June 30, 2018:

(a) A total of \$75,000 (2017 - \$15,000), 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 accounts payable and accrued liabilities at June 30, 2018 is \$14,125 (December 31, 2017 - \$21,573) owed to the President's company, for unpaid consulting fees. These amounts are unsecured, non-interest bearing and due on demand.

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13. RELATED PARTY TRANSACTIONS, Continued

(b) A total of \$30,000 (2017 - \$55,000), plus applicable taxes was charged to the Company by a management company controlled by the Chief Financial Officer ("CFO"), on account of accounting consulting fees. Included in accounts payable and accrued liabilities at June 30, 2018 is \$14,125 (December 31, 2017 - \$nil) owed to the CFO's company, for unpaid consulting fees. These amounts are unsecured, non-interest bearing and due on demand.

(c) During the six months ended June 30, 2018, the Company incurred \$255,000 of service costs provided by a company controlled by a director/principal shareholder of the Company ("New ServiceCo") for certain services including office space, investor relations and marketing, administrative and IT services (the "Services"). These costs were allocated in the financial statements as follows: \$108,000 to office and general (including rent and administrative), \$42,000 for investor relations, marketing and IT and \$105,000 was charged to exploration expenses – office. Included in accounts payable and accrued liabilities at June 30, 2018 is \$95,381 (December 31, 2017 - \$55,162) owed to New ServiceCo, for unpaid services. These amounts are unsecured, non-interest bearing and due on demand. - See note 16 - Commitments and Contingencies.

14. RECLASSIFICATION OF PRIOR YEAR'S DATA FOR PRESENTATION

Certain of the 2018 comparative amounts have been reclassified to conform to the 2018 form of presentation.

15. SEGMENTED INFORMATION

At June 30, 2018, the Company's operations comprised one business segment engaged in mineral exploration and two operating segments - in Ecuador and Switzerland. Cash of \$4,273,224 (December 31, 2017 - \$665,333) is held in a Canadian chartered bank, an overdraft of \$19,373 (December 31, 2017 - \$5,483) being held in a chartered bank in Ecuador and the balance of \$572 (December 31, 2017 - \$530) being held in a chartered bank in Switzerland.

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

Commencing October 1, 2017, the Company engaged New ServiceCo to provide the Services at a monthly cost of \$42,500. These costs are allocated as follows: \$7,000 for investor relations and marketing, \$18,000 for general and office (including rent) and the remaining \$17,500 for costs directly related to the Project. Termination of the arrangement can be effected with 90 days' notice by either party.

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

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16. COMMITMENTS AND CONTINGENCIES, Continued

Service Costs and Consulting Agreements, Continued

Dr. Spencer would be entitled to an additional lump-sum cash payment equal to six 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. Early termination of the agreement requires 90 days' written notice by either party.

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 USD124,188 plus benefits. 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.

Since mid-year 2017, the Company has run a corporate social responsibility ("CSR") program under the guidance of a Toronto consulting firm, in tandem with the Project exploration program. Compensation for services provided by the consultants 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. This arrangement continues.

On March 2, 2018, the Company appointed Mr. Alfred Lenarciak as an independent special financial advisor to the Board. His compensation was \$15,000 per annum and the Board granted to him, 150,000 five-year stock options, with an exercise price of \$2.89. At the ASM held June 13, 2018, Mr. Lenarciak joined the Board of Directors. Upon becoming a director, Mr. Lenarciak's advisory engagement was terminated. See note 11 – Key Management Expense.

17. SUBSEQUENT EVENTS

(a) Promissory note – MCL1

On August 17, 2018, the Company repaid \$500,000 of MCL1, as permitted under the terms of the loan.

(b) Standby Letter of Credit

The Company has established a refundable reserve in the principal amount of \$255,000 as a requirement of the payment clearing processor responsible for transmitting funds by credit card subscriptions in respect of the 2018 Offering. The reserve is invested in an interest-bearing guaranteed investment certificate issued by a Canadian Chartered Bank. The reserve is required to be in place until December 18, 2019.