



*Consolidated Financial Statements of*

**AURION RESOURCES LTD.**

*December 31, 2016 and 2015*

# **AURION RESOURCES LTD.**

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**AURION RESOURCES LTD.****Consolidated Statements of Financial Position****(Expressed in Canadian Dollars)**

	<b>As at December 31, 2016</b>	<b>As at December 31, 2015</b>
	<b>\$</b>	<b>\$</b>
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	<b>666,662</b>	11,066
Short-term investments (Note 7)	<b>526,748</b>	25,000
Reclamation deposit	<b>30,040</b>	30,040
Receivables (Note 7)	<b>125,883</b>	137,347
Prepaid expenses	<b>11,272</b>	12,424
Marketable securities (Note 4)	<b>361,952</b>	76,210
	<b>1,722,557</b>	292,087
EXPLORATION AND EVALUATION ASSETS (Note 8)	<b>2,065,170</b>	1,332,543
PROPERTY AND EQUIPMENT (Note 9)	<b>2,213</b>	4,037
	<b>3,789,940</b>	1,628,667
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Trade payables and accrued liabilities	<b>161,878</b>	164,650
Promissory notes (Notes 13 and 15)	<b>-</b>	283,000
	<b>161,878</b>	447,650
<b>SHAREHOLDERS' EQUITY</b> (Note 11)	<b>3,628,062</b>	1,181,017
	<b>3,789,940</b>	1,628,667
BASIS OF PREPARATION (Note 2)		
COMMITMENTS (Note 14)		
SUBSEQUENT EVENT (Note 16)		

AUTHORIZED FOR ISSUE BY THE BOARD OF DIRECTORS on April 27, 2017:

"Richard Graham" Director"Michael Basha" Director

See accompanying notes to the consolidated financial statements

**AURION RESOURCES LTD.****Consolidated Statements of Operations and Comprehensive Loss****(Expressed in Canadian Dollars )**

	<b>For the year ended December 31, 2016</b>	<b>For the year ended December 31, 2015</b>
	<b>\$</b>	<b>\$</b>
<b>INCOME</b>		
Administration fee income	<b>50,419</b>	30,972
Interest income	<b>3,173</b>	1,098
	<b>53,592</b>	32,070
<b>EXPENSES</b>		
Share-based payments (Notes 11 and 13)	<b>301,694</b>	-
Wages and benefits (Note 13)	<b>174,439</b>	193,211
General and administrative	<b>138,401</b>	171,158
Professional fees (Note 13)	<b>60,045</b>	49,974
Accounting	<b>42,032</b>	39,387
Interest and bank charges	<b>34,545</b>	17,614
Property investigation costs	<b>30,950</b>	-
Consulting fees (Note 13)	<b>25,050</b>	87,425
Foreign exchange (gain) loss	<b>14,377</b>	(6,243)
Write-down of exploration and evaluation assets (Note 8)	<b>11,514</b>	784,069
Unrealized loss on marketable securities (Note 4)	<b>1,258</b>	10,710
Depreciation (Note 9)	<b>3,590</b>	5,933
Gain on sale of marketable securities (Note 4)	<b>(3,891)</b>	-
	<b>(834,004)</b>	(1,353,238)
<b>NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR</b>	<b>(780,412)</b>	(1,321,168)
<b>LOSS PER COMMON SHARE - BASIC AND DILUTED</b>	<b>(0.02)</b>	(0.03)
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - BASIC AND DILUTED</b>	<b>49,020,524</b>	43,686,696

See accompanying notes to the consolidated financial statements

**AURION RESOURCES LTD.****Consolidated Statements of Changes in Shareholders' Equity****(Expressed in Canadian Dollars)**

		<b>Share capital</b>	<b>Warrants</b>	<b>Share-based payment reserve</b>	<b>Expired stock options and warrants reserve</b>	<b>Deficit</b>	<b>Total Equity</b>
	Number of shares	\$	\$	\$	\$	\$	\$
Balance, December 31, 2014	41,540,641	7,567,346	2,138,341	537,302	711,611	(8,612,915)	2,341,685
Total comprehensive loss for December 31, 2015						(1,321,168)	(1,321,168)
Shares issued for property acquisition	2,450,000	122,500	-	-	-	-	122,500
Shares issued for debt	760,000	38,000	-	-	-	-	38,000
Expiry of stock options	-	-	-	(186,959)	186,959	-	-
Expiry of warrants	-	-	(2,138,341)	-	2,138,341	-	-
<b>Balance, December 31, 2015</b>	<b>44,750,641</b>	<b>7,727,846</b>	<b>-</b>	<b>350,343</b>	<b>3,036,911</b>	<b>(9,934,083)</b>	<b>1,181,017</b>
Total comprehensive loss for December 31, 2016						(780,412)	(780,412)
Shares issued for private placements	6,312,500	2,525,000	-	-	-	-	2,525,000
Shares issued for property acquisition	3,976,750	529,477	-	-	-	-	529,477
Exercise of stock options	237,500	70,232	-	(25,857)	-	-	44,375
Expiry of stock options	-	-	-	(257,292)	257,292	-	-
Share-based payments	-	-	-	301,694	-	-	301,694
Share issuance costs	-	(173,089)	-	-	-	-	(173,089)
<b>Balance, December 31, 2016</b>	<b>55,277,391</b>	<b>10,679,466</b>	<b>-</b>	<b>368,888</b>	<b>3,294,203</b>	<b>(10,714,495)</b>	<b>3,628,062</b>

See accompanying notes to the consolidated financial statements

**AURION RESOURCES LTD.**  
**Consolidated Statements of Cash Flows**  
**(Expressed in Canadian Dollars )**

	<b>For the year ended December 31, 2016</b>	<b>For the year ended December 31, 2015</b>
	<b>\$</b>	<b>\$</b>
<b>OPERATING ACTIVITIES</b>		
Net loss	<b>(780,412)</b>	(1,321,168)
Items not affecting cash:		
Depreciation	<b>3,590</b>	5,933
Interest income	<b>(3,173)</b>	(1,098)
Unrealized loss on marketable securities	<b>1,258</b>	10,710
Gain on sale of marketable securities	<b>(3,891)</b>	-
Share-based payments	<b>301,694</b>	-
Write-down of exploration and evaluation assets	<b>11,514</b>	784,069
Changes in non-cash operating working capital (Note 12)	<b>32,733</b>	(97,018)
	<b>(436,686)</b>	(618,572)
<b>INVESTING ACTIVITIES</b>		
Exploration and evaluation expenditures, net	<b>(594,554)</b>	(147,417)
Interest income received	<b>3,173</b>	1,098
Short-term investments	<b>(501,748)</b>	-
Reclamation deposit	-	(30,040)
Purchase of property and equipment	<b>(1,766)</b>	-
Proceeds from sale of marketable securities	<b>73,891</b>	-
	<b>(1,021,004)</b>	(176,359)
<b>FINANCING ACTIVITIES</b>		
Proceeds from promissory notes	<b>170,000</b>	283,000
Repayment of promissory notes	<b>(453,000)</b>	-
Proceeds from issuance of share capital - net	<b>2,396,286</b>	-
	<b>2,113,286</b>	283,000
<b>INCREASE (DECREASE) IN CASH</b>	<b>655,596</b>	(511,931)
<b>CASH, BEGINNING OF YEAR</b>	<b>11,066</b>	522,997
<b>CASH, END OF YEAR</b>	<b>666,662</b>	11,066

**SUPPLEMENTAL CASH FLOW INFORMATION (NOTE 12)**

See accompanying notes to the consolidated financial statements

# **AURION RESOURCES LTD.**

## **Notes to the Consolidated Financial Statements**

**For the years ended December 31, 2016 and 2015**  
**(Expressed in Canadian Dollars)**

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### **1. DESCRIPTION OF BUSINESS**

Aurion Resources Ltd. (the “Company”) was incorporated under the *Business Corporations Act (Alberta)* on April 6, 2006 and listed on the TSX Venture Exchange (the “Exchange”) on October 3, 2008. The Company has its registered head office at 1900, 520-3<sup>rd</sup> Avenue S W, Calgary, Alberta, Canada, and its principal office is 120 Torbay Road, Suite W240, St. John’s, Newfoundland and Labrador, Canada. Aurion and its wholly-owned subsidiaries, Minera Aurion de Mexico S.A. de C.V., Aurion Resources (US) LLC, Aurion Resources AB and Aurion Resources Oy (together the “Company”) are engaged in the evaluation, acquisition and exploration of mineral properties in Canada, Mexico, the United States, Sweden and Finland, of which substantially all of the exploration activities of the Company are carried out with partners. The Company plans to ultimately develop the properties, bring them into production, option or lease properties to third parties, or sell the properties outright. The Company has not determined whether these properties contain ore reserves that are economically recoverable and the Company is considered to be in the exploration stage.

These consolidated financial statements (the “financial statements”) for the year ended December 31, 2016 were authorized for issuance by the Board of Directors of the Company on April 27, 2017.

### **2. BASIS OF PREPARATION**

#### *Statement of compliance*

These financial statements, have been prepared in accordance with accounting policies consistent with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

#### *Basis of consolidation and presentation*

These financial statements reflect the financial position, results of operations and cash flows of the Company and its wholly owned subsidiaries: Minera Aurion de Mexico S.A. de C.V., Aurion Resources (US) LLC, Aurion Resources AB and Aurion Resources Oy. All inter-company transactions and balances have been eliminated upon consolidation.

The financial statements of the Company have been prepared in accordance with IFRS on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. The Company does not have any proven economically recoverable reserves, has continuous losses, and at December 31, 2016, the Company had an accumulated deficit of \$10,714,495 (December 31, 2015 - \$9,934,083). However, management has assessed that the working capital (inclusive of the private placement proceeds received subsequent to year end (Note 16)) is sufficient for the Company to continue as a going concern beyond one year. The success of the Company and the recoverability of exploration costs are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain financing to fund and complete the development of such reserves, the ability of the Company to satisfy obligations as they come due and upon future profitable production from the properties or proceeds from disposition. The Company’s

**AURION RESOURCES LTD.**  
**Notes to the Consolidated Financial Statements**  
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**(Expressed in Canadian Dollars)**

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**2. BASIS OF PREPARATION (Continued)**

ability to raise additional funds is dependent on favourable conditions in equity and alternative investment markets, which are volatile and subject to significant uncertainty.

The amounts shown as exploration and evaluation assets represent net costs to date less write-offs and do not necessarily represent present or future values. Although the Company has taken steps to verify title to mineral properties 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 unregistered prior agreements or transfers and may be affected by undetected defects. If the going concern assumption was not appropriate for these financial statements, adjustments would be necessary to the carrying value of assets and liabilities, the reported net loss and the statement of financial position classifications used.

*Basis of measurement*

These financial statements have been prepared on a historical cost basis, except for financial assets classified as at fair value through profit or loss, which are measured at fair value. Additionally, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

*Currency of presentation*

All amounts are expressed in Canadian dollars, unless otherwise stated.

**3. SIGNIFICANT ACCOUNTING POLICIES**

These financial statements reflect the financial position, results of operations and cash flows of Aurion Resources Ltd. and its wholly owned subsidiaries. All inter-company transactions have been eliminated upon consolidation.

*Cash and cash equivalents*

Cash and cash equivalents consists of amounts on deposit and short-term investments with original maturities of three months or less in term deposits with financial institutions that are readily convertible to cash. As at December 31, 2016 and 2015, the Company did not have any cash equivalents.

*Exploration and evaluation assets*

The Company is in the exploration stage and defers all expenditures related to its exploration and evaluation assets until such time as the properties are put into commercial production, sold or abandoned. Under this method, all amounts shown as exploration and evaluation assets represent acquisition and exploration costs incurred to date and do not necessarily represent present or future values. Costs are only capitalized subsequent to gaining the legal rights to the property. If the properties are put into commercial production, the expenditures will be depleted following the unit of production method. If the properties are sold or abandoned, or considered to be impaired in value, the expenditures will be



**AURION RESOURCES LTD.**  
**Notes to the Consolidated Financial Statements**  
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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

charged to operations. The Company does not accrue the estimated future costs of maintaining its mineral properties in good standing.

Proceeds received from a partial option of an exploration and evaluation asset are credited against the carrying value of the mineral property. When the proceeds exceed the carrying costs the excess is recorded in profit or loss in the period of receipt. No initial value is assigned to any retained royalty interest on the completion of an option agreement. The royalty interest would subsequently be assessed for value by reference to developments on the underlying mineral property.

Exploration and evaluation assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be fully recoverable. These events may include the following:

- the period for which the Company has exploration rights has expired or will shortly
- there is no further exploration planned for a property
- continued unfavourable exploration results

If a property's recoverable amount is less than the assets carrying amount, an impairment loss is recognized. The ultimate recoverability of the amounts capitalized for the exploration and evaluation assets is dependent upon the delineation of economically recoverable ore reserves, the Company's ability to obtain the necessary financing to complete their development and realize profitable production or proceeds from the disposition thereof.

Management's estimates of recoverability of the Company's investment in its various projects have been based on current conditions. However, it is reasonably possible that changes could occur in the near term which could adversely affect management's estimates and may result in future write-downs of carrying values.

*Property and equipment*

Property and equipment are recorded at cost. Depreciation is calculated on a declining balance basis at rates which will reduce original cost to estimated residual value over the estimated useful lives of the assets, except for leasehold improvements, which are depreciated over the period of the lease. Property and equipment is reviewed for impairment annually or whenever events or changes in circumstances indicate that the carrying value may not be fully recoverable. If an asset's recoverable amount is less than the carrying amount, an impairment loss is recognized.

The rates applicable to each category of property and equipment are as follows:

Furniture and equipment	20%
Computers	45%
Leasehold improvements	5 Years (Term of lease)

**AURION RESOURCES LTD.**  
**Notes to the Consolidated Financial Statements**  
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**(Expressed in Canadian Dollars)**

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Share Capital*

Common shares and warrants are classified as shareholders' equity. Incremental costs directly attributable to the issue of common shares are recognized as a reduction of shareholders' equity, net of tax.

The Company has adopted a relative fair value method with respect to the measurement of common shares and warrant issued as private placement units. The relative fair value method allocates value to each component on a pro-rata basis, based on the fair value of the components calculated independently of one another. The Company considers the market value of the common shares issued as fair value, and measures the fair value of the warrant component of the unit using the Black-Scholes model option pricing model. The unit value is then allocated, pro-rata, between the two components, with fair value attributed to the warrants being recorded to the Company's warrant reserve.

*Flow-through shares*

Any premium received by the Company on the issuance of flow-through shares is initially recorded as a liability ("flow-through tax liability") and included in current liabilities. Upon renouncement by the Company of the tax benefits associated with the related expenditures, a deferred tax liability is recognized and the flow-through tax liability will be reversed. To the extent that suitable deferred tax assets are available, the Company will reduce the deferred tax liability and record a deferred tax recovery.

*Share-based payments*

The stock option plan (Note 11) allows Company employees and consultants to acquire shares of the Company. Share-based payments to employees are measured using the fair value method at the date of grant of stock options. An individual is classified as an employee when the individual is considered an employee for legal or tax purposes or provides similar services to those performed by an employee. Share-based payments to non-employees are measured at the fair value of goods and services received or, if it is determined that the fair value of the goods or services received cannot be reliably measured, the fair value method will be used to determine the value at the date the options are granted.

The fair value of options is determined using the Black-Scholes option pricing model and is expensed to earnings over the vesting period on a graded basis with an offset to share-based payment reserve. When options are exercised, the corresponding share-based payment reserve and the proceeds received by the Company are credited to share capital. Forfeitures are estimated at the time of the grant. When options expire, the fair value of the options is transferred from share-based payment reserve with an offset to expired options and warrants reserve.

*Income taxes*

Income tax expense comprises current and deferred income tax. Current tax and deferred tax are recognized in earnings or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

**AURION RESOURCES LTD.**  
**Notes to the Consolidated Financial Statements**  
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**(Expressed in Canadian Dollars)**

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

Current tax expense comprises the expected tax payable on the taxable income for the period, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to apply when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been substantively enacted by the end of the reporting period. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on either the same taxable entity, or on different taxable entities, which intend to settle current tax liabilities and assets on a net basis or realize their tax assets and liabilities simultaneously.

A deferred tax asset is recognized for unused tax losses, unused tax credits and deductible temporary differences, to the extent that it is probable that future taxable income will be available against which the unused tax losses, unused tax credits and temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that all or part of the related tax benefit will be realized.

*Earnings (loss) per share*

The Company presents basic and diluted earnings (loss) per share (“EPS”) data for its common shares. Basic EPS is computed by dividing the loss for the period by the weighted-average number of shares outstanding during the period. Diluted EPS is equivalent to basic EPS as the inclusion of outstanding stock options and warrants is anti-dilutive, since the Company is in a loss position for the years presented.

*Foreign currency translation*

The functional currency of the Company and its subsidiaries is the Canadian dollar. Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates in effect at the statement of financial position date for monetary items and at exchange rates prevailing at the transaction date for non-monetary items. Income and expenses are translated at the average exchange rates prevailing during the period except for depreciation, which is translated at historical exchange rates. Gains and losses on translation are included in the determination of net loss for the period.

*Decommissioning and restoration provision*

The Company recognizes the fair value of the liability for asset decommissioning and restoration in the period in which it is incurred and records a corresponding increase in the carrying value of the related long-lived asset. Fair value is estimated using the present value of the estimated future cash outflows to abandon the asset at the Company’s risk-free interest rate. The liability is subsequently adjusted for the passage of time, and is recognized as an accretion expense in the consolidated statement of loss and comprehensive loss. The liability is also adjusted due to revisions in either the timing or the amount of the original estimated cash flows associated with the liability. The increase in the carrying value of the asset is amortized on the same basis as mineral properties. In Management’s estimation, there is no liability at this time.

**AURION RESOURCES LTD.**  
**Notes to the Consolidated Financial Statements**  
**For the years ended December 31, 2016 and 2015**  
**(Expressed in Canadian Dollars)**

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Financial instruments*

The Company classifies its financial instruments in the following categories: at fair value through profit or loss (“FVTPL”), loans and receivables, and other financial liabilities. The classification depends on the purpose for which the financial assets or liabilities were acquired. Management determines the classification of financial assets and liabilities at initial recognition.

Cash, short-term investments and marketable securities are classified as FVTPL. Marketable securities are marked-to-market through profit or loss at each period end.

Receivables are classified as loans and receivables. After their initial fair value measurement, they are measured at amortized cost using the effective interest rate method. For the Company, the measured amount generally corresponds to cost, due to the short-term nature of financial assets.

Trade payables and accrued liabilities are classified as other financial liabilities. After their initial fair value measurement, they are measured at amortized cost using the effective interest rate method. For the Company, the measured amount generally corresponds to cost, due to the short-term nature of financial liabilities.

Transaction costs are included in the initial carrying amount of financial instruments, except for FVTPL items which are expensed as incurred.

The Company has determined that it does not have derivatives or embedded derivatives as at December 31, 2016 and 2015.

*Impairment*

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, this reversal is recognized in profit or loss.

**AURION RESOURCES LTD.**  
**Notes to the Consolidated Financial Statements**  
**For the years ended December 31, 2016 and 2015**  
**(Expressed in Canadian Dollars)**

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

(ii) Non-financial assets

Non-financial assets are evaluated at each reporting period by management for indicators that the carrying value is impaired and may not be recoverable. When indicators of impairment are present the recoverable amount of an asset is evaluated at the cash-generating unit (“CGU”) level, the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets, where the recoverable amount of a CGU is the greater of the CGU’s fair value less costs to sell and its value in use. An impairment loss is recognized in profit or loss to the extent that the carrying amount exceeds the recoverable amount. The Company’s exploration and evaluation asset impairment policy is more specifically discussed above.

*Significant accounting judgments, estimates and assumptions*

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of the assets, liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

The Company has identified the following critical accounting policies under which significant judgments, estimates and assumptions are made and where actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods:

Exploration and evaluation assets

The Company makes certain estimates and assumptions regarding the recoverability of the carrying values of exploration and evaluation assets. These assumptions are changed when conditions exist that indicate that the carrying value may be impaired, at which time an impairment loss is recorded.

Receivables

The Company reviews its receivables on a regular basis and makes estimates of any amounts which are not expected to be collected. If such doubt exists, an allowance for doubtful accounts will be recorded.

Property and equipment

The Company reviews the estimated useful lives of property and equipment at the end of each reporting period to ensure assumptions are still valid.

Share-based payments

The Company makes certain estimates and assumptions when calculating the fair values of stock options and warrants granted. The significant assumptions used include estimates of expected volatility, expected life and the expected risk-free rate of return. Changes in these assumptions may result in a material change to the expense recorded for the issuance of stock options and warrants.

# AURION RESOURCES LTD.

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

(Expressed in Canadian Dollars)

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### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Functional currency

The Company has determined the functional currency of each entity is the Canadian dollar. Determination of functional currency may involve certain judgments to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

#### Going concern

The Company must assess its ability to continue as a going concern. Factors that affect this determination include current cash and investments, budgeted expenditures for future periods and the conditions of the market for exploration companies.

#### *New Accounting Policies*

The Company adopted certain new accounting standards and amendments during the year ended December 31, 2016, none of which had a material impact on the Company's financial statements.

The IASB intends to replace IAS 39 Financial Instruments: Recognition and Measurement in its entirety with IFRS 9 Financial Instruments ("IFRS 9") which is intended to reduce the complexity in the classification and measurement of financial instruments. IFRS 9 is effective for periods beginning on or after January 1, 2018. The Company is evaluating the impact the final standard is expected to have on its consolidated financial statements.

IFRS 16 Leases was issued in January 2016 and is effective for periods beginning on or after January 1, 2019. It provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The Company is evaluating the impact the final standard is expected to have on its consolidated financial statements.

**AURION RESOURCES LTD.**  
**Notes to the Consolidated Financial Statements**  
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(Expressed in Canadian Dollars)

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**4. MARKETABLE SECURITIES**

Marketable securities consist of common shares listed on an active market that have been received pursuant to mineral property option agreements (Note 8). Changes in marketable securities outstanding are as follows:

	<b>Total</b>
	<b>\$</b>
<u>Cost</u>	
December 31, 2014	<b>12,420</b>
Additions	<b>74,500</b>
<hr/> December 31, 2015	<hr/> <b>86,920</b>
<u>Fair Value</u>	
December 31, 2014	<b>12,420</b>
Additions	<b>74,500</b>
Unrealized loss	<b>(10,710)</b>
<hr/> December 31, 2015	<hr/> <b>76,210</b>
 <u>Cost</u>	
December 31, 2015	<b>86,920</b>
Additions	<b>357,000</b>
Disposals	<b>(70,000)</b>
<hr/> December 31, 2016	<hr/> <b>373,920</b>
<u>Fair Value</u>	
December 31, 2015	<b>76,210</b>
Additions	<b>357,000</b>
Disposals	<b>(73,891)</b>
Realized gain	<b>3,891</b>
Unrealized loss	<b>(1,258)</b>
<hr/> December 31, 2016	<hr/> <b>361,952</b>

The valuation of these shares has been determined in whole by reference to the bid price of the shares on the Exchange or the Canadian Securities Exchange (“CSE”) at each reporting period.

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**5. CAPITAL MANAGEMENT**

The capital structure of the Company consists of capital and equity comprising share capital, warrants, reserves and deficit. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The properties in which the Company has an interest are in the exploration stage; as such, the Company has historically relied on the equity markets to fund its activities. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis which remains unchanged from the year ended December 31, 2015. The Company is not subject to externally imposed capital requirements.

**6. FINANCIAL INSTRUMENTS**

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 – valuation based on quoted prices (unadjusted) observed in active markets for identical assets or liabilities

Level 2 – valuation techniques based on inputs that are quoted prices or similar instruments in active markets; inputs other than quoted prices used in a valuation model that are observable for that instrument; and inputs that are derived principally from or corroborated by observable market data by correlation or other means

Level 3 – valuation techniques with significant unobservable market inputs

The Company does not have any level 2 or 3 fair value measurements, and there have been no transfers between levels.

<b>As at December 31, 2016</b>	Level 1	Level 2	Level 3	Total financial assets at fair value
<b>Financial assets</b>	\$	\$	\$	\$
<b>Cash</b>	666,663	-	-	666,663
<b>Short-term investments</b>	526,748	-	-	526,748
<b>Marketable securities</b>	361,952	-	-	361,952
<b>Total financial assets</b>	1,555,363	-	-	1,555,363



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**6. FINANCIAL INSTRUMENTS (Continued)**

*Financial Risk Factors*

The Company has exposure to credit risk, liquidity risk and market risk. The Company's Board of Directors has the overall responsibility for the oversight of these risks and reviews the Company's policies on an ongoing basis to ensure that these risks are appropriately managed, which are summarized below:

*Credit risk*

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to receivables, which is mainly comprised of government tax refunds. Management believes that the credit risk concentration with respect to financial instruments included in the receivables is not significant. The Company holds cash and invests it in interest bearing deposit accounts at its financial institution. Management believes that the associated credit risk for its invested cash is low.

*Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. As at December 31, 2016, the Company had cash of \$666,663 to settle current liabilities of \$161,878. To the extent that the Company does not believe it has sufficient liquidity to meet its current obligations, the Board of Directors considers securing additional funds through equity or partnering transactions. All of the Company's financial liabilities are short-term in nature and are subject to normal trade terms.

*Market risk*

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

(a) Interest rate risk – The Company has cash balances subject to interest rate risk. The Company's current policy is to invest excess cash in either interest bearing deposit accounts or Guaranteed Income Certificates ("GICs") issued by its financial institutions. As of December 31, 2016, the Company held deposits in a short-term savings accounts at a variable interest rate. A 0.5% change in interest rates would change the Company's net loss by approximately \$5,830. Management believes it has minimal exposure to interest rate risk.

(b) Foreign exchange risk - The Company transacts certain business in Euro, Swedish Kroner, U.S. Dollars and Mexican Pesos, and therefore is subject to foreign exchange risk on certain receivables, trade payables and cash balances. The Company attempts to mitigate these risks by managing its foreign exchange inflows and outflows. No hedging instruments have been used by the Company, however, depending upon the nature and level of future foreign exchange transactions, consideration may be given to the use of hedging instruments. The Company believes that it adequately manages its foreign exchange risk, and the risk is minimal.

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**6. FINANCIAL INSTRUMENTS (Continued)**

The following table shows the net exposures in US dollars, Swedish Kroner and Euro.

	US\$	Euro	SEK
Cash	695	178,577	50,000
Trade payables	-	(31,777)	-
Net currency exposure	<u>695</u>	<u>146,800</u>	<u>50,000</u>

Based on the above currency exposures, a 10% change in the value of each currency to the value of the Canadian dollar would impact the Company's net loss by:

US\$	Euro	SEK
<u>70</u>	<u>14,680</u>	<u>5,000</u>

(c) Equity risk – The Company is exposed to market risk because of the fluctuating values of its publicly traded marketable securities. The Company has no control over these fluctuations and does not hedge its investments. Based on the December 31, 2016 value of the marketable securities every 10% increase or decrease in the share prices of these companies would have impacted the loss for the year, up or down, by approximately \$36,195 (2015 - \$7,600) before income taxes.

**7. OTHER CURRENT ASSETS**

A summary of the Company's receivables is as follows:

	<b>December 31, 2016</b>	December 31, 2015
	\$	\$
Harmonized sales tax receivable	31,859	36,836
Value added tax receivable	94,024	82,849
Due from B2Gold (Note 8)	-	17,662
	<u>125,883</u>	<u>137,347</u>

The Company's short-term investments are comprised of GICs held with Canadian financial institutions which accrue interest at an average rate of 0.98%. As at December 31, 2016, the Company holds two GICs with a combined principal of \$525,000 (December 31, 2015 – one GIC with a principal of \$25,000). As at December 31 206, the carrying value of the Company's short-term investments includes \$1,748 of accrued interest (December 31, 2015 – \$nil).

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**8. EXPLORATION AND EVALUATION ASSETS**

As at December 31, 2016

Geographical Area	Balance, Beginning of Year	Additions	Receipts From Partners	Properties written down	Balance, End of Period
	\$		\$	\$	\$
Finland	911,656	1,094,165	(357,000)	(5,977)	1,642,844
United States	420,887	1,558	-	(119)	422,326
Mexico	-	5,418	-	(5,418)	-
	<b>1,332,543</b>	<b>1,101,141</b>	<b>(357,000)</b>	<b>(11,514)</b>	<b>2,065,170</b>

As at December 31, 2015

Geographical area	Balance, Beginning of Year	Additions	Receipts From Partners	Properties Written Down	Balance, End of Year
	\$		\$	\$	\$
Finland	676,342	377,987	(124,500)	(18,173)	911,656
United States	1,169,213	11,907	-	(760,233)	420,887
Mexico	-	5,663	-	(5,663)	-
	<b>1,845,555</b>	<b>395,557</b>	<b>(124,500)</b>	<b>(784,069)</b>	<b>1,332,543</b>

- (a) On January 8, 2015, the Company signed a Definitive Agreement with AA Sakatti Mining Oy (“AA”), a wholly owned subsidiary of Anglo American plc to purchase two land tenements covering 3,530 ha located immediately adjacent to the Company’s Kutuvuoma project in northern Finland. Under the terms of the agreement, the Company issued 1,000,000 common shares (Note 11) and paid €50,000. AA will retain a 1% net smelter return (“NSR”) royalty which can be purchased for €1,000,000. AA can also back-in to any future nickel–platinum group (“Ni-PGM”) discovery for three times the Company’s exploration expenditures or €1,000,000, whichever is greater. If there is appreciable gold in the backed-in Ni-PGM discovery the Company will receive a sliding scale royalty of between €7 and €15 per ounce produced based on the market gold price.
- (b) On March 4, 2014, the Company announced that it had signed a binding Letter of Intent (“LOI”) with Dragon Mining oy (“Dragon”) to acquire a 100% interest in two advanced exploration projects in northern Finland. On May 26, 2014, the Company announced it had signed the Definitive Purchase Agreement. Pursuant to the terms of the agreement, subject to regulatory approvals, the Company will issue a total of 6,000,000 shares to Dragon in four tranches over three years. The first three tranches will be held in escrow for release 18 months from the date of the first issuance

# AURION RESOURCES LTD.

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### 8. EXPLORATION AND EVALUATION ASSETS (continued)

of shares on signing. The Company has also committed to incur a total of €1,000,000 in expenditures on these properties over three years. There will be no firm work commitments for the first two years, other than maintaining the tenements in good standing. In addition, Dragon will retain a 3% NSR on any deposit mined by the Company within the projects or any defined Area of Interests. The NSR can be purchased at any time on or before the sixth anniversary of signing the Purchase Agreement with a single cash payment of €4,000,000. Upon successful resource definition, the Company will also make bonus payments to Dragon for the sum of €2,000,000 in cash or equivalent in common shares of the Company for the defining of 1,000,000 ounces of gold material and €1,000,000 in cash or equivalent in common shares of the Company for the defining of every additional 1,000,000 ounces of gold equivalent material within the projects and the defined Area of Interests.

On March 3, 2015, the Company signed a Letter Agreement to amend the Purchase Agreement entered into with Dragon. The amendments include the removal of the Right of First Refusal clause, the inclusion of an additional clause in relation to Confidential Information and the relaxing of the time period before the Company can seek a third party partner. As compensation for the amendments, the Company will issue a total of 750,000 common shares over and above those shares to be issued pursuant to the Purchase Agreement. 250,000 common shares were issued to Dragon upon execution of the Letter Agreement and 500,000 common shares will be issued to Dragon either 1) at the same time of the issuance of the final instalment of shares due pursuant to the Purchase Agreement, or 2) on termination of the Purchase Agreement.

The Company has issued a total of 6,750,000 shares to Dragon and has therefore fulfilled its obligation for the issuance of shares under the Purchase Agreement and subsequent Letter Agreement to amend the Purchase Agreement (Note 11).

- (c) On April 15, 2015, the Company signed a Letter Agreement amending the terms of the Logan Pass Property Option Agreement with Genesis Gold Corp (“Genesis”) for the second time. Under the terms of the amendment, the lease payments for 2015, 2016 and 2017 were reduced to US\$40,000, US\$40,000 and US\$65,000 respectively and the purchase amount of US\$3,000,000, less any payments previously made, will be considered as an advance royalty against the 2% NSR retained by Genesis. As compensation for the amendments, the Company issued 200,000 common shares to Genesis (Note 11) and committed to issue an additional 50,000 common shares per annum until October 12, 2025 for a total of 750,000 common shares. In September 2015, the Company abandoned the Logan Pass Property and the agreement with Genesis was terminated.
- (d) On August 13, 2015, the Company signed a binding Letter Agreement with B2Gold, granting B2Gold the right to earn up to an undivided 75% interest of an approximately 25,000 ha project area that includes the Kutuvuoma and Ahvenjarvi projects in Finland.

On January 18, 2016, the Company formalized a definitive Option Agreement with B2Gold consistent with the terms of the binding Letter agreement signed on August 12, 2015.

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**8. EXPLORATION AND EVALUATION ASSETS (Continued)**

Under the terms of the Option Agreement B2Gold must complete \$5,000,000 in exploration expenditures, pay the Company \$50,000 cash and issue 550,000 B2Gold shares over 4 years to earn an initial 51% interest. B2Gold can earn an additional 19% interest by spending a further \$10,000,000 over 2 years. B2Gold can earn an additional 5% interest (for a total of 75%) by completing a bankable feasibility study. The Company received a total of 150,000 B2Gold shares to December 31, 2016 (Note 4).

The first-year commitment of \$750,000 in exploration expenditures, including 2,000 m of drilling and payment of \$50,000 cash and 50,000 B2Gold shares, is guaranteed. The Company will be the operator until drilling commences. A finder's fee with respect to this transaction, was approved by the Exchange and paid by the Company (Note 11).

- (e) On January 6, 2011, the Company signed an Option Agreement with Genesis, whereby it has an option to purchase a 100% interest in the Bull Property in east-central Nevada, subject to a 2% NSR, by making annual cash payments starting at US\$10,000 (paid) increasing to a maximum US\$125,000 beginning in year 6. The option to purchase can be executed at any time by making a one-time cash payment of US\$3,000,000 less any payments already made.

On December 17, 2015, the Company signed a Letter Agreement to amend the terms of the Bull Option Agreement. Under the terms of the amendment, the lease payment for 2016 was reduced to US\$10,000 and the lease payments for the years 2017 through 2027 were to remain at US\$125,000 per year.

On November 5, 2016, the Company signed a Letter Agreement to amend the terms of the Bull Property Option Agreement with Genesis for the second time. Under the terms of the amendment, the lease payment for 2017 will be waived and the lease payments for the years 2018 through 2027 will remain at US\$125,000 per year.

On October 18, 2016, the Company received notice of termination of the Exploration, Development and Mine Operating Agreement entered into on November 12, 2012 with Midway Gold US Inc. for the Bull property in Nevada.

- (f) On December 5, 2016, the Company entered into an agreement with Tertiary Minerals plc ("Tertiary") for the purchase of two gold projects in Northern Finland known as the Kaasselka and Kiekeromma prospects. The Company will pay £15,000 in cash and issue £85,000 in common shares for a 100% ownership interest in both projects subject to certain royalties including a Pre-Production Royalty of US\$1.00 to \$3.00/ounce gold following the definition of a NI 43-101 (or equivalent) Code compliant Inferred, Indicated and/or Measured Mineral Resources Estimate respectively, on either project. Tertiary will retain a 2% NSR royalty on all future gold production from either project of which the Company can purchase 50% of the NSR from Tertiary for US\$1,000,000 at any time prior to commencement of commercial production on either project. The sale is conditional upon the successful transfer of the exploration licences for each project from Tertiary to the Company and Exchange approval.

# AURION RESOURCES LTD.

## Notes to the Consolidated Financial Statements

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### 9. PROPERTY AND EQUIPMENT

	Leasehold Improvements	Computers	Furniture and Equipment	Total
	\$	\$	\$	\$
<b>Cost:</b>				
At December 31, 2015	13,641	33,233	13,264	60,138
Additions	-	1,766	-	1,766
Disposals	-	-	-	-
At December 31, 2016	13,641	34,999	13,264	61,904
<b>Depreciation:</b>				
At December 31, 2015	12,225	31,531	12,345	56,101
Additions	1,416	1,255	919	3,590
Disposals	-	-	-	-
At December 31, 2016	13,641	32,786	13,264	59,691
<b>Carrying value:</b>				
At December 31, 2015	1,416	1,702	919	4,037
<b>At December 31, 2016</b>	<b>-</b>	<b>2,213</b>	<b>-</b>	<b>2,213</b>

	Leasehold Improvements	Computers	Furniture and Equipment	Total
	\$	\$	\$	\$
<b>Cost:</b>				
At December 31, 2014	13,641	33,233	13,264	60,138
Additions	-	-	-	-
Disposals	-	-	-	-
At December 31, 2015	13,641	33,233	13,264	60,138
<b>Depreciation:</b>				
At December 31, 2014	10,526	29,802	9,840	50,168
Additions	1,699	1,729	2,505	5,933
Disposals	-	-	-	-
At December 31, 2015	12,225	31,531	12,345	56,101
<b>Carrying value:</b>				
At December 31, 2014	3,115	3,431	3,424	9,970
<b>At December 31, 2015</b>	<b>1,416</b>	<b>1,702</b>	<b>919</b>	<b>4,037</b>

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**10. INCOME TAXES**

*(a) Deferred income taxes*

Tax-effected deductible temporary differences and unused tax losses for which no deferred tax assets have been recognized are attributable to the following:

	<u>2016</u>	<u>2015</u>
	\$	\$
Deferred income tax assets		
Tax loss carryforwards	<b>2,889,000</b>	2,752,000
Financing costs and other	<b>39,000</b>	20,000
Exploration and evaluation assets	<b>539,000</b>	560,000
Property and equipment	<b>4,000</b>	5,000
	<b>3,471,000</b>	3,337,000

The realization of benefits related to these future potential tax deductions is uncertain and cannot be viewed as probable. Accordingly, no net deferred income tax asset has been recognized for accounting purposes.

*(b) Income tax rate*

The Company's effective tax rate differs from the statutory rate of 29% (2015 – 29%) as follows:

	<u>2016</u>	<u>2015</u>
	\$	\$
Expected income tax recovery	<b>(226,000)</b>	(383,000)
Permanent differences	<b>88,000</b>	4,000
Change in foreign tax, foreign exchange rates and other	<b>60,000</b>	24,000
Financing costs	<b>(50,000)</b>	-
Non-recognition of deferred tax assets due to the unused tax losses and deductible temporary differences	<b>128,000</b>	355,000
Recovery of deferred income taxes	-	-

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**10. INCOME TAXES (Continued)**

*(c) Non-capital losses*

The Company has Canadian non-capital losses of approximately \$4,371,000 (2015 - \$3,865,000) which are available to reduce future taxable income. These non-capital losses expire as follows:

	\$
2028	<b>123,000</b>
2029	<b>296,000</b>
2030	<b>332,000</b>
2031	<b>782,000</b>
2032	<b>634,000</b>
2033	<b>662,000</b>
2034	<b>458,000</b>
2035	<b>583,000</b>
2036	<b>501,000</b>
	<u><b>4,371,000</b></u>

The Company also has available Canadian development expenses of approximately \$40,000 (2015 - \$40,000) and Canadian exploration expenses of \$20,000 (2015 - \$20,000) which may be deducted in determining Canadian taxable income of future years. The Company also has available exploration and development expenses incurred in foreign jurisdictions which can be deducted from taxable income of future years in those jurisdictions. The Company has not recognized the potential future income tax benefits related to all of its deductible temporary differences including its non-capital losses and exploration and development expenses.

**11. SHAREHOLDERS' EQUITY**

*Share Capital*

*Authorized*

An unlimited number of common shares with no par value

An unlimited number of preferred shares issuable in series

On April 29, 2016, the Company issued 1,476,750 common shares valued at \$0.13 per share (total value of \$191,978) as a finders' fee for the B2Gold agreement (Note 8 (d)).

On May 20, 2016, the Company issued 2,500,000 common shares to Dragon valued at \$0.135 per share (total value of \$337,500) as the final instalment of shares due pursuant to the terms of the Purchase Agreement dated May 26, 2014 and the subsequent amendment to the Purchase Agreement dated March 3, 2015 (Note 8 (b)).



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**11. SHAREHOLDERS' EQUITY (Continued)**

On August 8, 2016, the Company issued 100,000 common shares pursuant to the exercise of stock options for gross proceeds of \$10,000 (\$0.10 per share). The Company also recorded a fair value transfer between share-based payments reserve and share capital of \$5,404 in connection with the exercise.

On September 23, 2016, the Company issued 2,562,500 common shares at \$0.40 per share for gross proceeds of \$1,025,000 pursuant to a brokered private placement. A cash finders' fee of \$61,500, being 6% of the proceeds was paid with respect to this transaction. The Company also incurred other share issuance costs of \$49,156 in connection with the brokered private placement.

On September 28, 2016, the Company issued 3,750,000 common shares at \$0.40 per share for gross proceeds of \$1,500,000 pursuant to a non-brokered private placement. The Company incurred share issuance costs of \$62,433 in connection with the non-brokered private placement.

On December 20, 2016, the Company issued 137,500 common shares pursuant to the exercise of stock options for gross proceeds of \$34,375 (\$0.25 per share). The Company also recorded a fair value transfer between share-based payment reserve and share capital of \$20,453 in connection with the exercise.

*Issued during the year ended December 31, 2015:*

On January 5, 2015, the Company issued 1,000,000 shares to Dragon valued at \$0.05 per share (total value of \$50,000) as the third payment for the Kutuvuoma and Silasselka projects in Finland (Note 8 (b)).

On March 11, 2015, the Company issued 1,000,000 shares to AA valued at \$0.05 per share (total value of \$50,000) as per the agreement entered into on January 8, 2015 (Note 8 (a)).

On March 24, 2015, the Company issued 250,000 shares valued at \$0.05 per share (total value of \$12,500) to Dragon as per the terms of the Letter Agreement entered into on March 3, 2015. (Note 8 (b)).

On July 6, 2015, the Company issued 200,000 shares valued at \$0.05 per share (total value of \$38,000) to Genesis as compensation for amendments to the original Purchase Agreement for the Logan Pass Property (Note 8 (c)).

On December 6, 2015, the Company issued 760,000 shares valued at \$0.05 per share to an arms-length contractor to settle certain trade payables.

*Preferred shares*

The preferred shares which have been authorized may be issued in one or more series and the directors are authorized to fix the number of shares in each series and to determine the designation, rights, privileges, restrictions and conditions attached to the shares of each series. No preferred shares have been issued from incorporation to December 31, 2016.

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**11. SHAREHOLDERS' EQUITY (Continued)**

*Stock options*

The Company has a Stock Option Plan under which options to purchase common shares in the Company may be granted to directors, officers, key employees and consultants of the Company. The maximum number of options which may be granted to directors, officers, key employees and consultants of the Company, under the stock option plan is equivalent to 10% of the issued and outstanding common shares of the Company. The exercise price for the options is set by the Company at an amount equal to the Exchange trading price on the day preceding the date the options are granted, less any applicable discount as permitted by the Exchange policies as decided by the Company. The exercise period for the options is determined by the Company at the time the options are granted and shall not exceed ten years. Vesting terms for the options are also determined by the Company at the time of grant. Changes in stock options outstanding are as follows:

	<b>December 31, 2016</b>		
	<b>Number</b>	<b>Amount (\$)</b>	<b>Weighted-Average Exercise Price \$</b>
Balance, December 31, 2015	1,212,500	350,343	0.41
Granted	3,300,000	301,694	0.13
Exercised	(237,500)	(25,857)	0.19
Expired	(725,000)	(257,292)	0.52
<b>Balance, December 31, 2016</b>	<b>3,550,000</b>	<b>368,888</b>	<b>0.14</b>

	<b>December 31, 2015</b>		
	<b>Number</b>	<b>Amount (\$)</b>	<b>Weighted-Average Exercise Price \$</b>
Balance, December 31, 2014	2,017,500	537,302	0.42
Expired	(805,000)	(186,959)	0.36
<b>Balance, December 31, 2015</b>	<b>1,212,500</b>	<b>350,343</b>	<b>0.41</b>

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**11. SHAREHOLDERS' EQUITY (Continued)**

The following table summarizes information about stock options outstanding and exercisable:

Exercise Price Range \$	Total Outstanding Options			Total Exercisable Options		
	Number of Outstanding Options	Remaining Contractual Life	Weighted-Average Strike Price \$	Number of Exercisable Options	Remaining Contractual Life	Weighted-Average Strike Price \$
0.10 - 0.26	3,550,000	3.82	0.14	3,550,000	3.82	0.14

*Share-based payment reserve*

The stock option reserve records items recognized as share-based compensation expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital.

During the year ended December 31, 2016 the Company recorded share-based payment expense of \$301,694, which represents the fair value of stock options vested, granted and accrued during the year with the offsetting amount credited to reserves.

On January 19, 2016, the Company granted 2,700,000 options to directors, officers and consultants, exercisable at \$0.10 per share until January 19, 2021. The fair value of the stock options granted was estimated at \$145,897 (\$0.054 per option) based on the Black-Scholes option pricing model, with the following assumptions: risk-free interest rate of .63%, volatility of 158.3%, dividend yield of 0%, forfeiture rate of 0%, and an expected life of 5 years.

On July 1, 2016, the Company granted 600,000 options to employees and consultants, exercisable at \$0.26 per share until July 1, 2021. The fair value of the stock options granted was estimated at \$155,796 (\$0.260 per option) based on the Black-Scholes option pricing model, with the following assumptions: risk-free interest rate of .60%, volatility of 155.3%, dividend yield of 0%, forfeiture rate of 0%, and an expected life of 5 years.

During the year ended December 31, 2016, a total of 725,000 stock options expired unexercised (2015 – 805,000 stock options). The Company transferred \$257,292 (2015 - \$186,959) between reserves in connection with these expirations.

*Expired stock options and warrants reserve*

The expired stock options and warrants reserve records the value of any stock options or warrants that have expired unexercised.

# AURION RESOURCES LTD.

## Notes to the Consolidated Financial Statements

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### 11. SHAREHOLDERS' EQUITY (Continued)

#### *Warrants*

Changes in warrants outstanding are as follows:

	For the years ended December 31, 2015 and 2016		
	Number	Amount (\$)	Weighted- Average Exercise Price \$
Balance, December 31, 2014	13,750,594	2,138,341	0.52
Expired	(13,750,594)	(2,138,341)	-
Balance, December 31, 2015 and 2016	-	-	-

# AURION RESOURCES LTD.

## Notes to the Consolidated Financial Statements

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### 12. SUPPLEMENTAL CASH FLOW INFORMATION

	<b>For the year ended December 31, 2016</b>	<b>For the year ended December 31, 2015</b>
	\$	\$
<i>Non-cash investing and financing activities</i>		
Receipt of marketable securities as consideration for option payments	<b>357,000</b>	74,500
Acquisition of mineral properties for share consideration	<b>529,477</b>	122,500
Settlement of trade payables for share consideration	-	38,000
Exploration and evaluation costs remaining in trade payables and accrued liabilities	<b>52,851</b>	75,640
	<b>939,328</b>	310,640

	<b>For the year ended December 31, 2016</b>	<b>For the year ended December 31, 2015</b>
	\$	\$
<i>Changes in non-cash operating working capital</i>		
Change in receivables	<b>11,464</b>	(101,144)
Change in prepaid expenses	<b>1,154</b>	11,869
Change in trade payables and accrued liabilities	<b>20,117</b>	(7,743)
	<b>32,735</b>	(97,018)

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**13. RELATED PARTY TRANSACTIONS**

The following represents a summary of transactions with key management of companies controlled by key management of the Company:

	<b>For the years ended</b>	
	<b>December 31,</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>Paid to D.R. Loveys &amp; Associates Inc., a company controlled by the CFO:</b>		
Accounting and management consulting services provided by David Loveys	<b>25,050</b>	22,425
Amounts expensed as:		
Consulting Fees	<b>25,050</b>	22,425
<b>Paid to McInnis Cooper LLP , a company in which a Corporate Director is a partner:</b>		
Legal services provided by Dennis Clarke	<b>2,500</b>	7,897
Amounts expensed as:		
Professional fees	<b>2,500</b>	7,897
<b>Compensation for key management personnel not included above:</b>	<b>225,133</b>	130,000
Amounts expensed as:		
Salary and other short term benefits for the CEO (expensed)	<b>55,333</b>	100,500
Share-based compensation (expensed)	<b>91,800</b>	-
Capitalized in exploration and evaluation assets	<b>78,000</b>	29,500
	<b>225,133</b>	130,000
<b>Received from Michael Basha, CEO of the Company</b>	<b>-</b>	48,000
Amounts disclosed as:		
Promissory Notes	<b>-</b>	48,000

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**14. COMMITMENTS**

*Lease commitments*

Minimum annual lease payments on leased premises over the next three years are as follows:

2017	\$ 43,128
2018	43,128
2019	39,534
	<u>\$ 125,790</u>

**15. PROMISSORY NOTES**

During the years ended December 31, 2016 and 2015, the Company had received promissory notes in the amount of \$453,000 (cumulative). Of the total received, \$48,000 was from the Company's CEO and the remaining \$405,000 was from a Shareholder who became a reporting insider of the Company during 2016. Pursuant to the terms of the notes, they accrued interest at 10% per annum, were unsecured and were to be repaid by the Company on successful completion of a financing.

The following provides details of notes and interest payable for the years indicated:

As at December 31, 2016

	Balance, beginning of the year	Notes received	Interest accrued	Repayments	Balance, end of the year
	\$	\$	\$	\$	\$
CEO	49,699	-	3,811	(53,509)	-
Shareholder	244,753	170,000	25,128	(439,881)	-
	<u>294,452</u>	<u>170,000</u>	<u>28,939</u>	<u>(493,391)</u>	<u>-</u>

As at December 31, 2015

	Balance, beginning of the year	Notes received	Interest accrued	Repayments	Balance, end of the year
	\$	\$	\$	\$	\$
CEO	-	48,000	1,699	-	49,699
Shareholder	-	235,000	9,753	-	244,753
	<u>-</u>	<u>283,000</u>	<u>11,452</u>	<u>-</u>	<u>294,452</u>

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**15. PROMISSORY NOTES (Continued)**

Please note that accrued interest had been included in trade payables and accrued liabilities as at December 31, 2015.

**16. SUBSEQUENT EVENT**

On February 24, 2017, the Company completed a non-brokered private placement issuing 5,783,997 common shares at a price of \$1.50 per share raising gross proceeds of \$8,675,996. In connection with the private placement, the Company paid finder's fees equal to 6.0% of the gross proceeds of the private placement and issued finders' options equal to 6.0% of the number of common shares issued pursuant to the private placement. The finders' options are exercisable into common shares at a price of \$1.50 per share for a period of 24 months from the date of closing of the private placement.

On March 10, 2017, the Company completed the purchase of two gold projects from Tertiary following Exchange approval and the transfer of the exploration licences from Tertiary to the Company. The Company issued £15,000 in cash and issued 83,072 common shares for a 100% ownership interest in both projects (Note 8(f)).

On April 12, 2017, the Company granted 2,175,000 stock options to directors, officers, employees and consultants, exercisable at a price of \$1.75 per shares until April 12, 2022.