



*Condensed Consolidated Interim Financial Statements of*

**AURION RESOURCES LTD.**

*For the three and six months ended June 30, 2020 and 2019*



## **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

The accompanying unaudited condensed consolidated interim financial statements of Aurion Resources Ltd. for the three and six months ended June 30, 2020 and 2019 have been prepared by and are the responsibility of the Company's management.

The Company's independent auditors have not performed a review of these financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

# **AURION RESOURCES LTD.**

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# AURION RESOURCES LTD.

## Condensed Consolidated Interim Statements of Financial Position

(Expressed in Canadian Dollars - unaudited )

|  | Note | As at<br>June 30,<br>2020<br>\$ | As at<br>December 31,<br>2019<br>\$ |
|--|------|---------------------------------|-------------------------------------|
| <b>ASSETS</b>                          |      |                                 |                                     |
| <b>CURRENT</b>                         |      |                                 |                                     |
| Cash                                   |      | 2,452,480                       | 8,750,837                           |
| Short-term investments                 | 5    | 3,746,400                       | 3,663,824                           |
| Reclamation deposit                    |      | 125,841                         | 125,841                             |
| Re Amortization of right-of-use asset  |      | 764,023                         | 984,048                             |
| Prepaid expenses                       |      | 389,677                         | 356,032                             |
| Marketable securities                  | 6    | 5,089,168                       | 3,505,000                           |
|  |      | <b>12,567,589</b>               | 17,385,582                          |
| EXPLORATION AND EVALUATION ASSETS      | 7    | <b>26,358,451</b>               | 21,878,229                          |
| RIGHT-OF-USE ASSETS                    | 9    | <b>80,790</b>                   | 98,102                              |
| PROPERTY AND EQUIPMENT                 | 11   | <b>271,996</b>                  | 322,115                             |
|  |      | <b>39,278,826</b>               | 39,684,028                          |
| <b>LIABILITIES</b>                     |      |                                 |                                     |
| <b>CURRENT</b>                         |      |                                 |                                     |
| Trade payables and accrued liabilities |      | 481,838                         | 1,258,672                           |
| Lease liability                        | 10   | 34,332                          | 34,332                              |
| Total current liabilities              |      | <b>516,170</b>                  | 1,293,004                           |
| <b>NON-CURRENT</b>                     |      |                                 |                                     |
| Lease liability                        | 10   | 55,387                          | 72,553                              |
| Deferred share unit liability          | 12   | 621,047                         | 485,896                             |
| Total non-current liabilities          |      | <b>676,434</b>                  | 558,449                             |
| <b>Total Liabilities</b>               |      | <b>1,192,604</b>                | 1,851,453                           |
| <b>SHAREHOLDERS' EQUITY</b>            | 12   | <b>38,086,222</b>               | 37,832,575                          |
|  |      | <b>39,278,826</b>               | 39,684,028                          |
| BASIS OF PREPARATION                   | 2    |                                 |                                     |
| SUBSEQUENT EVENTS                      | 15   |                                 |                                     |

AUTHORIZED FOR ISSUE ON BEHALF OF THE BOARD OF DIRECTORS ON August 26, 2020:

"Dennis Clarke" Director

"David Loveys" Director

See accompanying notes to the condensed consolidated interim financial statements

**AURION RESOURCES LTD.**

**Condensed Consolidated Interim Statements of Operations and Comprehensive Loss**

(Expressed in Canadian Dollars - unaudited)

|   | Note  | For the three<br>months ended<br>June 30,<br>2020<br>\$ | For the three<br>months ended<br>June 30,<br>2019<br>\$ | For the six<br>months ended<br>June 30,<br>2020<br>\$ | For the six<br>months ended<br>June 30,<br>2019<br>\$ |
|---|-------|---|---|---|---|
| <b>EXPENSES</b>   |       |   |   |   |   |
| Share-based payments  | 12,14 | 794,224   | 181,206   | 1,375,358   | 417,243   |
| General and administrative  |       | 212,249   | 214,188   | 716,749   | 380,236   |
| Wages and benefits  |       | 176,578   | 165,887   | 502,607   | 376,742   |
| Write-down of exploration and evaluation assets                                 | 7     | -   | -   | 3,370   | 13,106  |
| Professional fees   |       | 3,134   | 30,522  | 50,470  | 51,482  |
| Depreciation  | 11    | 40,088  | 26,188  | 62,797  | 64,494  |
| Amortization of right-of-use assets   | 9     | 8,656   | -   | 17,313  | -   |
| Accounting  |       | 42,994  | 28,126  | 44,029  | 40,654  |
| Consulting fees   |       | 4,500   | 4,750   | 9,015   | 10,620  |
| Interest and bank charges   |       | 3,796   | 5,008   | 3,476   | 6,594   |
| Interest on lease liabilities   | 10    | 2,286   | -   | 4,572   | -   |
|   |       | <b>(1,288,505)</b>                                      | <b>(655,875)</b>  | <b>(2,789,756)</b>                                    | <b>(1,361,171)</b>                                    |
| <b>OTHER INCOME (EXPENSES)</b>  |       |   |   |   |   |
| Foreign exchange gain (loss)  |       | 84,386  | (45,676)  | 58,194  | (44,217)  |
| Interest and other income   |       | 529,336   | 2,039,381   | 590,796   | 2,070,589   |
| Unrealized gain (loss) on marketable securities                                 | 6     | 1,850,000   | 72,000  | 1,105,000   | (3,000)   |
|   |       | <b>2,463,722</b>  | <b>2,065,705</b>  | <b>1,753,990</b>                                      | <b>2,023,372</b>                                      |
| <b>Net Income (Loss) and Comprehensive Income (Loss) for the Period</b>         |       | <b>1,175,217</b>  | <b>1,409,830</b>  | <b>(1,035,766)</b>                                    | <b>662,201</b>  |
| <b>Income (Loss) per Common Share - Basic and Diluted</b>                       |       | <b>0.014</b>  | <b>0.019</b>  | <b>(0.012)</b>  | <b>0.009</b>  |
| <b>Weighted Average Number of Common Shares Outstanding - Basic and Diluted</b> |       | <b>83,476,471</b>                                       | <b>74,979,055</b>                                       | <b>83,472,740</b>                                     | <b>72,189,297</b>                                     |

See accompanying notes to the condensed consolidated interim financial statements

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

|  | Number of shares  | Share capital     | Warrants       | Share-based<br>payment reserve | Expired stock options<br>and warrants reserve | Deficit             | Total equity      |
|--|-------------------|-------------------|----------------|--------------------------------|---|---------------------|-------------------|
|  |                   | \$                | \$             | \$                             | \$  | \$                  | \$                |
| Balance, December 31, 2018                   | 69,383,708        | 34,764,976        | 424,226        | 4,684,116                      | 3,608,483                                     | (18,257,156)        | 25,224,645        |
| Total comprehensive income for June 30, 2019 |                   |                   |                |                                |   | 662,201             | 662,201           |
| Shares issued for private placements         | 6,166,300         | 6,474,615         | 161,853        | -                              | -   | -                   | 6,636,468         |
| Expiry of stock options                      | -                 | -                 | -              | -                              | -   | -                   | -                 |
| Exercise of stock options                    | 15,000            | 7,795             | -              | (3,895)                        | -   | -                   | 3,900             |
| Expiry of finders' warrants                  | -                 | -                 | (424,226)      | -                              | 424,226                                       | -                   | -                 |
| Share-based payments - stock options         | -                 | -                 | -              | 266,172                        | -   | -                   | 266,172           |
| Share issuance costs                         | -                 | (722,669)         | -              | -                              | -   | -                   | (722,669)         |
| <b>Balance, June 30, 2019</b>                | <b>75,565,008</b> | <b>40,524,717</b> | <b>161,853</b> | <b>4,946,393</b>               | <b>4,032,709</b>                              | <b>(17,594,955)</b> | <b>32,070,717</b> |
| Balance, December 31, 2019                   | 83,432,854        | 51,101,747        | 436,758        | 5,879,009                      | 4,032,709                                     | (23,617,648)        | 37,832,575        |
| Total comprehensive loss for June 30, 2020   |                   |                   |                |                                |   | (1,035,766)         | (1,035,766)       |
| Exercise of stock options                    | 40,000            | 74,209            | -              | (30,209)                       | -   | -                   | 44,000            |
| Exercise of finders' warrants                | 3,917             | 7,621             | (2,415)        | -                              | -   | -                   | 5,206             |
| Share-based payments - stock options         | -                 | -                 | -              | 1,240,206                      | -   | -                   | 1,240,206         |
| <b>Balance, June 30, 2020</b>                | <b>83,476,771</b> | <b>51,183,577</b> | <b>434,343</b> | <b>7,089,006</b>               | <b>4,032,709</b>                              | <b>(24,653,414)</b> | <b>38,086,222</b> |

See accompanying notes to the condensed consolidated interim financial statements

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

|   | Note  | For the six<br>months ended<br>June 30,<br>2020<br>\$ | For the six<br>months ended<br>June 30,<br>2019<br>\$ |
|---|-------|---|---|
| <b>OPERATING ACTIVITIES</b>                     |       |   |   |
| Net income (loss) for the period                |       | (1,035,766)   | 662,201   |
| Items not affecting cash:                       |       |   |   |
| Depreciation                                    | 11    | 62,797  | 64,494  |
| Amortization of right-of-use asset              | 9     | 17,313  | -   |
| Interest on lease liabilities                   | 10    | 4,572   | -   |
| Accrued interest income                         |       | (47,339)  | (43,170)  |
| Unrealized gain (loss) on marketable securities | 6     | (1,105,000)   | 3,000   |
| Share-based payments                            | 12,14 | 1,375,358   | 417,242   |
| Write-down of exploration and evaluation assets | 7     | 3,370   | 13,103  |
| Changes in non-cash operating working capital   | 13    | (590,454)   | 394,145   |
|   |       | <b>(1,315,150)</b>                                    | <b>1,511,015</b>                                      |
| <b>INVESTING ACTIVITIES</b>                     |       |   |   |
| Exploration and evaluation expenditures, net    |       | (4,962,760)   | (5,935,826)   |
| Purchase of property and equipment              |       | (12,678)  | (441,315)   |
| Interest income received                        |       | 93,400  | 146,894   |
| Short-term investments                          |       | (128,637)   | 3,900,000   |
|   |       | <b>(5,010,675)</b>                                    | <b>(2,330,247)</b>                                    |
| <b>FINANCING ACTIVITIES</b>                     |       |   |   |
| Proceeds from issuance of share capital - net   | 12    | 49,206  | 5,755,846   |
| Repayment of lease liabilities                  |       | (17,166)  | 19,350  |
| Interest paid on lease liabilities              |       | (4,572)   | -   |
|   |       | <b>27,468</b>   | <b>5,775,196</b>                                      |
| INCREASE (DECREASE) IN CASH                     |       | (6,298,357)   | 4,955,964   |
| CASH, BEGINNING OF PERIOD                       |       | 8,750,837   | 1,475,556   |
| CASH, END OF PERIOD                             |       | 2,452,480   | 6,431,520   |
| SUPPLEMENTAL CASH FLOW INFORMATION              | 13    |   |   |

See accompanying notes to the condensed consolidated interim financial statements

# **AURION RESOURCES LTD.**

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

**For the three and six months ended June 30, 2020 and 2019**

**(Expressed in Canadian Dollars - unaudited)**

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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 was continued into British Columbia on August 10, 2018 under the *Business Corporations Act (British Columbia)*. The Company was listed on the TSX Venture Exchange (the “Exchange”) on October 3, 2008, and also began trading on the OTCQX Market in the United States on July 2, 2020. The Company has its registered head office at 6204 125<sup>th</sup> Street, Surrey, BC, Canada, and its principal office is 120 Torbay Road, Suite W240, St. John’s, Newfoundland and Labrador, Canada. The Company and its wholly-owned subsidiaries are engaged in the evaluation, acquisition and exploration of mineral properties in Canada, Mexico, the United States, Sweden and Finland. 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 condensed consolidated interim financial statements (the “financial statements”) for the three and six months ended June 30, 2020 were authorized for issuance by the Board of Directors of the Company on August 26, 2020.

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

#### *Statement of compliance*

These financial statements have been prepared in accordance with accounting policies consistent with IAS 34, Interim Financial Reporting (“IAS 34”), 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, Aurion Resources Oy and FennoEx 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 June 30, 2020, the Company had an accumulated deficit of \$24,653,414 (December 31, 2019 - \$23,617,648). However, management has assessed that the working capital 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 ability to raise additional funds is dependent on favourable conditions in equity and alternative investment markets, which are volatile and subject to significant uncertainty.



# **AURION RESOURCES LTD.**

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

**For the three and six months ended June 30, 2020 and 2019**

**(Expressed in Canadian Dollars - unaudited)**

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

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 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 should be read in conjunction with the Company's annual consolidated financial statements and accompanying notes for the year ended December 31, 2019. These financial statements have been prepared using the same accounting policies as described in the Company's December 31, 2019 consolidated financial statements.

### **4. 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, 2019. The Company is not subject to externally imposed capital requirements. In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or results of operations at this time.

# AURION RESOURCES LTD.

## Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2020 and 2019

(Expressed in Canadian Dollars - unaudited)

### 5. FINANCIAL INSTRUMENTS

Financial instruments recorded at fair value on the consolidated 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.

| As at June 30, 2020           | Level 1    | Level 2 | Level 3 | Total      |
|-------------------------------|------------|---------|---------|------------|
| <b>Financial assets</b>       | \$         | \$      | \$      | \$         |
| <b>Cash</b>                   | 2,452,480  | -       | -       | 2,452,480  |
| <b>Short-term investments</b> | 3,746,400  | -       | -       | 3,746,400  |
| <b>Marketable securities</b>  | 5,089,167  | -       | -       | 5,089,167  |
| <b>Total financial assets</b> | 11,288,047 | -       | -       | 11,288,047 |

#### *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 June 30, 2020, the Company had cash of \$2,452,480 to settle current liabilities of \$516,170. 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.

# AURION RESOURCES LTD.

## Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2020 and 2019

(Expressed in Canadian Dollars - unaudited)

### 5. FINANCIAL INSTRUMENTS (Continued)

#### *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 June 30, 2020, the Company held deposits in 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 \$17,225. Management believes it has minimal exposure to interest rate risk.

The Company's short-term investments are comprised of GICs held with Canadian financial institutions which accrue interest at an average rate of 2.3%. As at June 30, 2020, the Company held three GICs with a combined principal of \$3,728,638 (December 31, 2019 – six GICs with a combined principal of \$3,600,000). As at June 30, 2020, the carrying value of the Company's short-term investments was \$3,746,400 (December 31, 2019 - \$3,663,824) including \$17,762 of accrued interest (December 31, 2019 – \$63,824).

(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.

The following table shows the net exposures in US dollars, Swedish Kroner and Euro at June 30, 2020.

|                       | <b>US\$</b>   | <b>Euro</b>      | <b>SEK</b>       |
|-----------------------|---------------|------------------|------------------|
| Cash                  | <b>40,599</b> | <b>330,839</b>   | <b>3,303,558</b> |
| Receivables           | -             | <b>358,061</b>   | -                |
| Trade payables        | -             | <b>(164,398)</b> | <b>(7,172)</b>   |
| Net currency exposure | <b>40,599</b> | <b>524,502</b>   | <b>3,296,386</b> |

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:

|  | <b>US\$</b>  | <b>Euro</b>   | <b>SEK</b>     |
|--|--------------|---------------|----------------|
|  | <b>4,060</b> | <b>52,450</b> | <b>329,639</b> |

## AURION RESOURCES LTD.

### Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2020 and 2019

(Expressed in Canadian Dollars - unaudited)

#### 5. FINANCIAL INSTRUMENTS (Continued)

(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 June 30, 2020 value of the marketable securities every 10% increase or decrease in the share prices of these companies would have impacted the loss for the period, up or down, by approximately \$508,917 (December 31, 2019 - \$350,050).

#### 6. MARKETABLE SECURITIES

Marketable securities consist of common shares listed on an active market that have been received pursuant to mineral property option agreements (Note 7). Changes in marketable securities outstanding are as follows:

|                        | <b>Total (\$)</b> |
|------------------------|-------------------|
| <hr/>                  |                   |
| <u>Cost</u>            |                   |
| December 31, 2019      | <b>3,713,000</b>  |
| Additions              | <b>479,168</b>    |
| Disposals              | -                 |
| <hr/>                  |                   |
| June 30, 2020          | <b>4,192,168</b>  |
| <hr/>                  |                   |
| <u>Fair Value</u>      |                   |
| December 31, 2019      | <b>3,505,000</b>  |
| Additions              | <b>479,168</b>    |
| Disposals              | -                 |
| Realized gain (loss)   | -                 |
| Unrealized gain (loss) | <b>1,105,000</b>  |
| <hr/>                  |                   |
| June 30, 2020          | <b>5,089,168</b>  |
| <hr/>                  |                   |
| <u>Cost</u>            |                   |
| December 31, 2018      | <b>999,000</b>    |
| Additions              | <b>1,830,000</b>  |
| Disposals              | -                 |
| <hr/>                  |                   |
| June 30, 2019          | <b>2,829,000</b>  |
| <hr/>                  |                   |
| <u>Fair Value</u>      |                   |
| December 31, 2018      | <b>1,197,000</b>  |
| Additions              | <b>1,830,000</b>  |
| Disposals              | -                 |
| Realized gain (loss)   | -                 |
| Unrealized gain (loss) | <b>(3,000)</b>    |
| <hr/>                  |                   |
| June 30, 2019          | <b>3,024,000</b>  |
| <hr/>                  |                   |

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.

# AURION RESOURCES LTD.

## Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2020 and 2019

(Expressed in Canadian Dollars - unaudited)

### 7. EXPLORATION AND EVALUATION ASSETS

As at June 30, 2020

| Geographical Area | Balance,<br>Beginning of<br>Period | Additions        | Receipts<br>From<br>Partners | Properties<br>Written Down | Balance,<br>End of<br>Period |
|-------------------|------------------------------------|------------------|------------------------------|----------------------------|------------------------------|
|                   | \$                                 | \$               | \$                           | \$                         | \$                           |
| Finland           | 21,411,308                         | 4,994,638        | (514,416)                    | -                          | 25,891,530                   |
| Sweden            | 447,446                            | -                | -                            | -                          | 447,446                      |
| United States     | 19,475                             | -                | -                            | -                          | 19,475                       |
| Mexico            | -                                  | 3,370            | -                            | (3,370)                    | -                            |
|                   | <b>21,878,229</b>                  | <b>4,998,008</b> | <b>(514,416)</b>             | <b>(3,370)</b>             | <b>26,358,451</b>            |

As at December 31, 2019

| Geographical Area | Balance,<br>Beginning of<br>Year | Additions         | Receipts<br>From<br>Partners | Properties<br>Written Down | Balance,<br>End of<br>Year |
|-------------------|----------------------------------|-------------------|------------------------------|----------------------------|----------------------------|
|                   | \$                               | \$                | \$                           | \$                         | \$                         |
| Finland           | 13,608,827                       | 10,809,245        | (1,666,912)                  | (1,339,852)                | 21,411,308                 |
| Sweden            | 337,099                          | 110,347           | -                            | -                          | 447,446                    |
| United States     | 601,018                          | 24,152            | -                            | (605,695)                  | 19,475                     |
| Mexico            | -                                | 6,571             | -                            | (6,571)                    | -                          |
|                   | <b>14,546,944</b>                | <b>10,950,315</b> | <b>(1,666,912)</b>           | <b>(1,952,118)</b>         | <b>21,878,229</b>          |

- (a) On August 13, 2015, the Company signed a binding Letter Agreement with B2Gold Corp. (“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 (“Option Agreement”) with B2Gold consistent with the terms of the binding Letter agreement signed on August 12, 2015.

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 common 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 first-year commitment of \$750,000 in exploration expenditures, including 2,000 meters of drilling and payment of \$50,000 cash and 50,000 B2Gold shares, was guaranteed. Over the period of January 18, 2016 to August 13, 2019, B2Gold fulfilled the terms of the Option Agreement and the Company received a total of \$50,000 in cash and 550,000 B2Gold common shares (Note 6).

# **AURION RESOURCES LTD.**

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

**For the three and six months ended June 30, 2020 and 2019**

**(Expressed in Canadian Dollars - unaudited)**

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### **7. EXPLORATION AND EVALUATION ASSETS (Continued)**

On August 1, 2019, the Company received the final 200,000 B2Gold common shares as per the Option Agreement at a value of \$884,000 (Note 6). The carrying value of the properties under the Option Agreement was reduced to Nil and the remaining amount of \$459,442 was recorded as a gain on property transactions in income.

On August 13, 2019, the Company received a Notice of Exercise of Option from B2Gold confirming that B2Gold had fulfilled its obligations under the Option Agreement dated January 18, 2016, and that as of August 14, 2019, the Option was deemed to be exercised.

On August 14, 2019, the Company entered into a Shareholders Agreement (“Shareholders Agreement”) with B2Gold for the management and operation of a new company to be incorporated upon exercise of the Option on August 13, 2019. Fingold Ventures Ltd. (“Fingold”) was incorporated on August 14, 2019 (Note 9). The Kutuvuoma, Ahvenjarvi, Sore-Eksy, Tepsa and Sinermanpalo properties were transferred into Fingold and as per the terms of the Shareholders Agreement, B2Gold holds 51% and the Company holds 49% of Fingold share capital. B2Gold has the right to earn up to 75% in Fingold. B2Gold can earn an additional 19% by spending \$10,000,000 within two years and earn a further 5% by funding all programs and budgets until the completion of a Feasibility Study.

- (b) On January 6, 2011, the Company signed an Option Agreement with Genesis Gold Corp (“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 2016. 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 would be waived and the lease payments for the years 2018 through 2027 would remain at US\$125,000 per year.

On December 1, 2017, the Company entered into a Restated Mineral Lease and Option to Purchase Agreement to replace the original agreement entered into with Genesis on January 6, 2011 for the Bull Property. Under the terms of the restated agreement, the annual lease payments would resume on December 1, 2018 at US\$10,000 and increase annually to US\$95,000 by 2028. Lease payments for the years 2029 through 2031 would be at US\$100,000 per year.

On September 30, 2019, the Company determined that the Bull project no longer held merit for future development. The agreement with Genesis was terminated and all related costs were written down.

# AURION RESOURCES LTD.

## Notes to the Condensed Consolidated Interim Financial Statements

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### 7. EXPLORATION AND EVALUATION ASSETS (Continued)

- (c) On January 31, 2018, the Company signed a non-binding Letter of Intent (“LOI”) with Kinross Gold Corporation (“Kinross”), granting Kinross the right to earn up to an undivided 70% interest in the Outa project, an area covering approximately 15,000 ha in Northern Finland. Under the terms of the LOI, Kinross must spend US\$5,000,000 over 5 years to earn a 70% interest in the project and Kinross has agreed to expend US\$1,000,000 on exploration of the project within the first 2 years.

On August 17, 2018, the Company entered into an Option Agreement with Kinross pursuant to the terms of the LOI signed on January 31, 2018.

- (d) On April 24, 2019, the Company entered into an option agreement with Strategic Resources Inc. (“Strategic”) granting Strategic the option to earn a 100% interest in the Company’s wholly owned Silasselka Vanadium Project in northern Finland. Under the terms of the option agreement, Strategic may acquire up to a 100% interest in the project by paying \$500,000 cash, issuing 8,000,000 Strategic shares and incurring \$3,000,000 in exploration expenditures, through a two stage earn-in over a period of three years. At June 30, 2019, the Company had received \$500,000 cash and 3,000,000 Strategic shares at a fair value of \$1,830,000 (Note 6). The carrying value of the Silasselka Property was reduced to Nil and the remaining amount of \$1,973,695 was recorded as a gain on property transactions in income. On June 10, 2020, the Company received an additional 1,916,667 Strategic shares at a fair value of \$479,167 for a total of 4,916,667 Strategic shares received to June 30, 2020. (Note 6).

On June 16, 2020, the Company signed an agreement to amend the terms of the option agreement entered into with Strategic on April 24, 2019. Under the terms of the amending agreement, Strategic was granted a single option to acquire 100% interest in the Silasselka property by paying \$500,000 and granting 8,000,000 common shares of Strategic over three years and, with the exception of expenditures required to keep the property in good standing, the requirement to incur a minimum of \$3,000,000 in expenditures was waived.

- (e) During the year ended December 31, 2019, the Company recorded a write down of the full carrying value of the Ruoppa, Kiekeroma and Lapio projects in Finland. The Company decided to impair these properties due to recent and projected inactivity along with the anticipated difficulty in transacting the properties to a third party for the foreseeable future due to the uncertainty surrounding the COVID-19 pandemic.

# AURION RESOURCES LTD.

## Notes to the Condensed Consolidated Interim Financial Statements

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### 8. INVESTMENT IN ASSOCIATE

The Company has a 49% equity interest (4,900 common shares) in Fingold which was incorporated on August 14, 2019 subsequent to B2Gold exercising its Option on August 13, 2019 (See Note 7) pursuant to the Option Agreement entered into on January 18, 2016. Effective August 13, 2019, the Company accounts for this investment by the equity method. As at June 30, 2020, the associates' assets, liabilities and net loss are as follows:

|                                    | June 30, 2020 | December 31, 2019 |
|------------------------------------|---------------|-------------------|
|                                    | \$            | \$                |
| Current assets                     | 602,892       | 48,290            |
| Non-current assets                 | 9,761,238     | 8,462,747         |
| Non-current liabilities            | (1,913,586)   | (245,793)         |
| Loss for the period                | (506,656)     | (173,239)         |
| The Company's percent of ownership | 49%           | 49%               |

### 9. RIGHT-OF-USE ASSETS

Upon transition to IFRS 16 at January 1, 2019, the Company identified one lease contract for its corporate office space in St. John's, NL. The continuity of ROU assets is as follows:

|                                  | June 30,<br>2020 | December 31,<br>2019 |
|----------------------------------|------------------|----------------------|
| ROU assets, opening balance      | \$ 98,102        | \$ 132,726           |
| Less, depreciation of ROU assets | (17,312)         | (34,624)             |
| ROU assets, ending balance       | \$ 80,790        | \$ 98,102            |

### 10. LEASE LIABILITES

Upon transition to IFRS 16 at January 1, 2019, the Company identified one lease contract for its corporate office space in St. John's, NL that is reconciled to lease liabilities as follows:

|   |            |
|---|------------|
| Operating lease obligations as at December 31, 2018                                 | \$ 161,179 |
| Effect from discounting at the incremental borrowing rate as at January 1, 2019 (1) | (28,453)   |
| Lease liabilities due to intial application of IFRS 16 at January 1, 2019           | \$ 132,726 |

(1) The lease liabilities were discounted using an incremental borrowing rate at January 1, 2019 of 10% per annum.



## AURION RESOURCES LTD.

### Notes to the Condensed Consolidated Interim Financial Statements

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(Expressed in Canadian Dollars - unaudited)

#### 10. LEASE LIABILITES (Continued)

The continuity for the lease liabilities is as follows:

|  | June 30,<br>2020 | December 31,<br>2019 |
|--|------------------|----------------------|
| Lease liabilities, opening balance         | \$ 106,885       | \$ 132,726           |
| Less, lease payments                       | (21,738)         | (37,995)             |
| Interest expense                           | 4,572            | 12,154               |
| Lease liabilities, ending balance          | \$ 89,719        | \$ 106,885           |
| Less, current portion of lease liabilities | (34,332)         | (34,332)             |
| Non-current portion of lease liabilities   | \$ 55,387        | \$ 72,553            |

#### 11. PROPERTY AND EQUIPMENT

|                        | Computers | Furniture and<br>Equipment | Total   |
|------------------------|-----------|----------------------------|---------|
|                        | \$        | \$                         | \$      |
| <b>Cost:</b>           |           |                            |         |
| At December 31, 2019   | 247,136   | 308,150                    | 555,286 |
| Additions              | -         | 12,677                     | 12,677  |
| Disposals              | -         | -                          | -       |
| At June 30, 2020       | 247,136   | 320,827                    | 567,963 |
| <b>Depreciation:</b>   |           |                            |         |
| At December 31, 2019   | 156,354   | 76,816                     | 233,170 |
| Additions              | 30,865    | 31,932                     | 62,798  |
| Disposals              | -         | -                          | -       |
| At June 30, 2020       | 187,219   | 108,748                    | 295,968 |
| <b>Carrying value:</b> |           |                            |         |
| At December 31, 2019   | 90,782    | 231,334                    | 322,116 |
| At June 30, 2020       | 59,917    | 212,079                    | 271,996 |

## AURION RESOURCES LTD.

### Notes to the Condensed Consolidated Interim Financial Statements

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#### 11. PROPERTY AND EQUIPMENT (Continued)

|                             | Leasehold<br>Improvements | Computers     | Furniture and<br>Equipment | Total          |
|-----------------------------|---------------------------|---------------|----------------------------|----------------|
|                             | \$                        | \$            | \$                         | \$             |
| <b>Cost:</b>                |                           |               |                            |                |
| At December 31, 2018        | 28,700                    | 169,256       | 186,501                    | 384,457        |
| Additions                   | -                         | 108,652       | 136,512                    | 245,164        |
| Disposals                   | -                         | (30,772)      | (14,864)                   | (45,636)       |
| At December 31, 2019        | 28,700                    | 247,136       | 308,149                    | 583,985        |
| <b>Depreciation:</b>        |                           |               |                            |                |
| At December 31, 2018        | 16,400                    | 115,347       | 42,279                     | 174,026        |
| Additions                   | 12,300                    | 71,779        | 43,431                     | 127,510        |
| Disposals                   | -                         | (30,772)      | (8,894)                    | (39,666)       |
| At December 31, 2019        | 28,700                    | 156,354       | 76,816                     | 261,870        |
| <b>Carrying value:</b>      |                           |               |                            |                |
| At December 31, 2018        | 12,300                    | 53,909        | 144,222                    | 210,431        |
| <b>At December 31, 2019</b> | <b>-</b>                  | <b>90,782</b> | <b>231,333</b>             | <b>322,115</b> |

#### 12. 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 January 16, 2020, the Company issued 40,000 common shares pursuant to the exercise of stock options for gross proceeds of \$44,000 (\$1.10 per share). The Company also recorded a fair value transfer between share-based payment reserve and share capital of \$30,209 in connection with the exercise.

On January 17, 2020 and February 11, 2020, the Company issued 1,487 common shares pursuant to the exercise of warrants for gross proceeds of \$1,561 (\$1.05 per warrant). The Company also recorded a fair value transfer between warrants reserve and share capital of \$732 in connection with the exercise.

On January 17, 2020 and February 11, 2020, the Company issued 2,430 common shares pursuant to the exercise of warrants for gross proceeds of \$3,645 (\$1.50 per warrant). The Company also recorded a fair value transfer between warrants reserve and share capital of \$1,683 in connection with the exercise.

## AURION RESOURCES LTD.

### Notes to the Condensed Consolidated Interim Financial Statements

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#### 12. SHAREHOLDERS' EQUITY (Continued)

##### Issued during the year ended December 31, 2019:

On March 1, 2019, the Company issued 15,000 common shares pursuant to the exercise of stock options for gross proceeds of \$3,900 (\$0.26 per share). The Company also recorded a fair value transfer between share-based payment reserve and share capital of \$3,895 in connection with the exercise.

On April 10, 2019, the Company announced the completion of a brokered and a non-brokered private placement for an aggregate of 6,166,300 common shares issued at a price of \$1.05 for gross proceeds of \$6,474,615.

Under the brokered financing, a total of 5,476,300 common shares were issued at a price of \$1.05 for gross proceeds of \$5,750,115. The brokered financing was led by Haywood Securities Inc. on behalf of a group of underwriters (the "underwriters") which included Canaccord Genuity Corp., Medalist Capital Ltd., Sprott Capital Partners LP and PI Financial Corp. In consideration for their services, the underwriters received a cash commission of \$345,007, equal to 6.0% of the gross proceeds of the brokered private placement and 328,578 broker warrants, equal to 6.0% of the common shares issued under the brokered private placement. The broker warrants can be exercised to purchase common shares at \$1.05 for a period of two years. The fair value of the broker warrants granted was estimated at \$161,853 (\$0.49 per warrant) based on the Black-Scholes pricing model, with the following assumptions: risk-free interest rate of 1.46%, volatility of 87%, dividend yield of 0%, forfeiture rate of 0% and an expected life of 2 years. The Company incurred other costs of \$215,809 in cash for total share issuance costs in connection with the brokered and non-brokered private placement of \$722,669.

Under the non-brokered financing, a total of 690,000 common shares were issued for gross proceeds of \$724,500. The non-brokered financing was fully subscribed by Kinross who exercised their pro rata right granted pursuant to a prior financing to maintain a 9.98% interest in the issued and outstanding shares of the Company.

On July 31, 2019, the Company announced the completion of a brokered and a non-brokered private placement for an aggregate of 7,403,666 common shares issued at a price of \$1.50 for gross proceeds of \$11,105,499.

Under the brokered private placement, a total of 6,666,666 common shares were issued at a price of \$1.50 for gross proceeds of \$9,999,999. The brokered private placement was led by Cormark Securities Inc. on behalf of a group of underwriters (the "underwriters") which included Canaccord Genuity Corp., Medalist Capital Ltd., Sprott Capital Partners LP and PI Financial Corp. In consideration for their services, the underwriters received a cash commission of \$600,000, equal to 6.0% of the gross proceeds of the brokered financing and 400,000 broker warrants, equal to 6.0% of the common shares issued under the brokered financing. The broker warrants can be exercised to purchase common shares at \$1.50 for a period of two years.

The fair value of the broker warrants granted was estimated at \$276,964 (\$0.69 per warrant) based on the Black-Scholes pricing model, with the following assumptions: risk-free interest rate of 1.55%, volatility of 85%, dividend yield of 0%, forfeiture rate of 0% and an expected life of 2 years. The Company

## **AURION RESOURCES LTD.**

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#### **12. SHAREHOLDERS' EQUITY (Continued)**

incurred other costs of \$179,311 in cash for total share issuance costs in connection with the brokered and non-brokered private placement of \$1,056,275.

Under the non-brokered financing, a total of 737,000 common shares were issued for gross proceeds of \$1,105,500. The non-brokered financing was fully subscribed by Kinross who exercised their pro rata right granted pursuant to a prior financing to maintain a 9.98% interest in the issued and outstanding shares of the Company.

On August 7, 2019, the Company issued 200,000 common shares pursuant to the exercise of stock options for gross proceeds of \$20,000 (\$0.10 per share). The Company also recorded a fair value transfer between share-based payment reserve and share capital of \$19,000 in connection with the exercise.

On August 14, 2019, the Company issued 2,530 common shares pursuant to the exercise of warrants for gross proceeds of \$2,657 (\$1.05 per warrant). The Company also recorded a fair value transfer between warrants reserve and share capital of \$1,246 in connection with the exercise.

On September 12, 2019, the Company issued 50,000 common shares pursuant to the exercise of stock options for gross proceeds of \$55,000 (\$1.10 per share). The Company also recorded a fair value transfer between share-based payment reserve and share capital of \$37,761 in connection with the exercise.

On September 23, 2019, the Company issued 50,000 common shares pursuant to the exercise of stock options for gross proceeds of \$55,000 (\$1.10 per share). The Company also recorded a fair value transfer between share-based payment reserve and share capital of \$37,761 in connection with the exercise.

On October 8, 2019, the Company issued 60,000 common shares pursuant to the exercise of stock options for gross proceeds of \$66,000 (\$1.10 per share). The Company also recorded a fair value transfer between share-based payment reserve and share capital of \$45,315 in connection with the exercise.

On October 10, 2019, the Company issued 25,000 common shares pursuant to the exercise of stock options for gross proceeds of \$27,500 (\$1.10 per share). The Company also recorded a fair value transfer between share-based payment reserve and share capital of \$18,877 in connection with the exercise.

On October 17, 2019, the Company issued 1,650 common shares pursuant to the exercise of warrants for gross proceeds of \$1,733 (\$1.05 per warrant). The Company also recorded a fair value transfer between warrants reserve and share capital of \$813 in connection with the exercise.

On November 23, 2019, the Company issued 75,000 common shares pursuant to the exercise of stock options for gross proceeds of \$82,500 (\$1.10 per share). The Company also recorded a fair value transfer between share-based payment reserve and share capital of \$56,644 in connection with the exercise.

# AURION RESOURCES LTD.

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### 12. SHAREHOLDERS' EQUITY (Continued)

#### *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 June 30, 2020.

#### *Deferred Share Units*

The Company has a Deferred Share Unit Plan ("DSU Plan") under which Deferred Share Units may be granted to directors, officers and employees of the Company. The purpose of the Company's DSU Plan is to advance the interests of the Company by: (i) aligning the interests of directors, officers and employees with the interests of the shareholders; (ii) encouraging directors, officers and employees to remain associated with the Company; and (iii) furnishing directors, officers and employees with an additional incentive in their efforts on behalf of the Company. DSUs are redeemable upon departure from the Company, at the holder's option, and will be settled in cash from the general assets of the Company. The fair value of DSUs granted will be recorded as a bookkeeping entry on the books of the Company, the value of which on any particular date being equal to the market value of the Company shares.

Changes in DSU's outstanding are as follows:

|                               | <b>June 30, 2020</b> |                |
|-------------------------------|----------------------|----------------|
|                               | <b>Granted</b>       | <b>Vested</b>  |
| Balance, December 31, 2019    | <b>716,786</b>       | <b>78,034</b>  |
| Granted                       | <b>218,970</b>       | -              |
| Vested                        | -                    | <b>57,128</b>  |
| <b>Balance, June 30, 2020</b> | <b>935,756</b>       | <b>135,162</b> |

|                                   | <b>December 31, 2019</b> |               |
|-----------------------------------|--------------------------|---------------|
|                                   | <b>Granted</b>           | <b>Vested</b> |
| Balance, December 31, 2018        | <b>234,101</b>           | -             |
| Granted                           | <b>482,685</b>           | -             |
| Vested                            | -                        | <b>78,034</b> |
| <b>Balance, December 31, 2019</b> | <b>716,786</b>           | <b>78,034</b> |

The fair value of DSU liability was marked to market at June 30, 2020 and as a result, the total DSU liability was \$621,047 (December 31, 2019 - \$485,896).

During the six months ended June 30, 2020 the Company recognized \$135,151 in share-based payment expense relating to DSUs outstanding with the offset recorded as a deferred share unit liability.

## AURION RESOURCES LTD.

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#### 12. SHAREHOLDERS' EQUITY (Continued)

The following is a summary of DSUs granted to officers, directors and employees for the six months ended June 30, 2020:

| <b>Grant date</b> | <b># DSUs granted</b> | <b>Market value*</b> | <b>Vesting details</b>  |
|-------------------|-----------------------|----------------------|---|
| 31-Mar-20         | 140,845               | \$ 0.71              | 1/3 on each of first, second and third anniversaries of grant |
| 30-Jun-20         | 78,125                | \$ 1.28              | 1/3 on each of first, second and third anniversaries of grant |
|                   | 218,970               |                      |   |

\* Volume weighted average trading price for 5 days prior to grant date

During the year ended December 31, 2019 the Company recognized \$463,419 in share-based payment expense relating to DSUs outstanding with the offset recorded as a deferred share unit liability.

The following is a summary of DSUs granted to officers, directors and employees for the year ended December 31, 2019:

| <b>Grant date</b> | <b># DSUs granted</b> | <b>Market value*</b> | <b>Vesting details</b>  |
|-------------------|-----------------------|----------------------|---|
| 26-Apr-19         | 75,000                | \$ 1.00              | 1/3 on each of first, second and third anniversaries of grant |
| 14-May-19         | 41,237                | \$ 0.97              | 1/3 on each of first, second and third anniversaries of grant |
| 30-Jun-19         | 55,147                | \$ 1.36              | 1/3 on each of first, second and third anniversaries of grant |
| 5-Sep-19          | 104,396               | \$ 1.82              | 1/3 on each of first, second and third anniversaries of grant |
| 30-Sep-19         | 45,181                | \$ 1.66              | 1/3 on each of first, second and third anniversaries of grant |
| 2-Dec-19          | 124,224               | \$ 1.61              | 1/3 on each of first, second and third anniversaries of grant |
| 31-Dec-19         | 37,500                | \$ 2.00              | 1/3 on each of first, second and third anniversaries of grant |
|                   | 482,685               |                      |   |

\* Volume weighted average trading price for 5 days prior to grant date

#### *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.

# AURION RESOURCES LTD.

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### 12. SHAREHOLDERS' EQUITY (Continued)

Changes in stock options outstanding are as follows:

|                               | <u>June 30, 2020</u> |   |
|-------------------------------|----------------------|---|
|                               | <u>Number</u>        | <u>Weighted-Average Exercise Price (\$)</u> |
| Balance, December 31, 2019    | 7,685,000            | 1.17  |
| Granted                       | -                    | -   |
| Exercised                     | (40,000)             | (1.10)                                      |
| Expired                       | -                    | -   |
| <b>Balance, June 30, 2020</b> | <b>7,645,000</b>     | <b>1.17</b>                                 |

|                                   | <u>December 31, 2019</u> |   |
|-----------------------------------|--------------------------|---|
|                                   | <u>Number</u>            | <u>Weighted-Average Exercise Price (\$)</u> |
| Balance, December 31, 2018        | 6,250,000                | 0.95  |
| Granted                           | 1,910,000                | 1.76  |
| Exercised                         | (475,000)                | (0.65)                                      |
| Expired                           | -                        | -   |
| <b>Balance, December 31, 2019</b> | <b>7,685,000</b>         | <b>1.17</b>                                 |

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

| Exercise Price (\$) | <u>Total Outstanding Options</u> |                            |                                      | <u>Total Exercisable Options</u> |                            |                                      |
|---------------------|----------------------------------|----------------------------|--------------------------------------|----------------------------------|----------------------------|--------------------------------------|
|                     | Number of Outstanding Options    | Remaining Contractual Life | Weighted-Average Exercise Price (\$) | Number of Exercisable Options    | Remaining Contractual Life | Weighted-Average Exercise Price (\$) |
| 0.10                | 1,800,000                        | 0.56                       | 0.10                                 | 1,800,000                        | 0.56                       | 0.10                                 |
| 0.26                | 175,000                          | 1.00                       | 0.26                                 | 175,000                          | 1.00                       | 0.26                                 |
| 1.00                | 400,000                          | 2.57                       | 1.00                                 | 400,000                          | 2.57                       | 1.00                                 |
| 1.05                | 275,000                          | 3.47                       | 1.05                                 | 275,000                          | 3.47                       | 1.05                                 |
| 1.10                | 1,110,000                        | 2.68                       | 1.10                                 | 1,110,000                        | 2.68                       | 1.10                                 |
| 1.67                | 300,000                          | 4.40                       | 1.67                                 | 100,000                          | 4.40                       | 1.67                                 |
| 1.75                | 1,975,000                        | 1.78                       | 1.75                                 | 1,975,000                        | 1.78                       | 1.75                                 |
| 1.78                | 1,510,000                        | 4.19                       | 1.78                                 | 755,000                          | 4.19                       | 1.78                                 |
| 1.79                | 100,000                          | 4.43                       | 1.79                                 | 50,000                           | 4.43                       | 1.79                                 |
|                     | <b>7,645,000</b>                 | <b>2.32</b>                | <b>1.17</b>                          | <b>6,640,000</b>                 | <b>2.03</b>                | <b>1.08</b>                          |

## **AURION RESOURCES LTD.**

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

**For the three and six months ended June 30, 2020 and 2019**

**(Expressed in Canadian Dollars - unaudited)**

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#### **12. SHAREHOLDERS' EQUITY (Continued)**

##### *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 six months ended June 30, 2020, the Company recorded share-based payment expense of \$1,240,206 which represents the fair value of stock options vested, granted and accrued with offsetting amount credited to reserves.

During the year ended December 31, 2019, the Company recorded share-based payment expense of \$1,414,146 which represents the fair value of stock options vested, granted and accrued with offsetting amount credited to reserves.

On September 5, 2019, the Company granted 1,510,000 stock options to directors, officers, employees and consultants, exercisable at a price of \$1.78 per share until September 5, 2024. The fair value of the stock options granted was estimated at \$1.41 per option based on the Black-Scholes option pricing model, with the following assumptions: risk-free interest rate of 1.49%, volatility of 124.67%, dividend yield of 0%, forfeiture rate of 0%, and an expected life of 5 years. The stock options will vest in two tranches, 50% on March 5, 2020 and 50% on September 5, 2020.

On November 21, 2019, the Company granted 300,000 stock options to an employee, exercisable at a price of \$1.67 per share until November 21, 2024. The fair value of the stock options granted was estimated at \$1.31 per option based on the Black-Scholes option pricing model, with the following assumptions: risk-free interest rate of 1.46%, volatility of 123.78%, dividend yield of 0%, forfeiture rate of 0%, and an expected life of 5 years. The stock options will vest in two tranches, 50% on May 21, 2020 and 50% on November 21, 2020.

On December 2, 2019, the Company granted 100,000 stock options to a director, exercisable at a price of \$1.79 per share until December 2, 2024. The fair value of the stock options granted was estimated at \$1.40 per option based on the Black-Scholes option pricing model, with the following assumptions: risk-free interest rate of 1.46%, volatility of 1.22.62%, dividend yield of 0%, forfeiture rate of 0%, and an expected life of 5 years. The stock options will vest in two tranches, 50% on June 2, 2020 and 50% on December 2, 2020.

##### *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 Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2020 and 2019

(Expressed in Canadian Dollars - unaudited)

### 12. SHAREHOLDERS' EQUITY (Continued)

#### *Warrants*

Changes in warrants outstanding are as follows:

|                               | Number         | Weighted-Average<br>Exercise<br>Price (\$) |
|-------------------------------|----------------|--|
| Balance, December 31, 2019    | 724,398        | 1.30                                       |
| Issued                        | -              | -  |
| Exercised                     | (3,917)        | 1.05                                       |
| Expired                       | -              | -  |
| <b>Balance, June 30, 2020</b> | <b>720,481</b> | <b>1.30</b>                                |

|                                   | Number         | Weighted-Average<br>Exercise<br>Price (\$) |
|-----------------------------------|----------------|--|
| Balance, December 31, 2018        | 321,291        | 1.32                                       |
| Issued                            | 728,578        | 1.30                                       |
| Exercised                         | (4,180)        | 1.05                                       |
| Expired                           | (321,291)      | (1.32)                                     |
| <b>Balance, December 31, 2019</b> | <b>724,398</b> | <b>1.30</b>                                |

### 13. SUPPLEMENTAL CASH FLOW INFORMATION

|   | <b>For the six<br/>months ended<br/>June 30, 2020</b> | For the six<br>months ended<br>June 30, 2019 |
|---|---|--|
| <i>Non-cash investing and financing activities</i>                                      | <b>\$</b>   | <b>\$</b>                                    |
| Exploration and evaluation costs remaining in trade<br>payables and accrued liabilities | <b>270,843</b>  | 828,578                                      |
| Exploration and evaluation costs remaining in receivables                               | <b>526,345</b>  | 712,517                                      |
| <i>Changes in non-cash operating working capital</i>                                    |   |  |
| Change in receivables   | <b>220,025</b>  | 298,067                                      |
| Change in prepaid expenses  | <b>(33,645)</b>                                       | 292,786                                      |
| Change in trade payables and accrued liabilities  | <b>(776,834)</b>                                      | (196,707)                                    |
|   | <b>(590,454)</b>                                      | 394,146                                      |

## AURION RESOURCES LTD.

### Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2020 and 2019

(Expressed in Canadian Dollars - unaudited)

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#### 14. RELATED PARTY TRANSACTIONS

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

|  | For the three months ended |         | For the six months ended |         |
|--|----------------------------|---------|--------------------------|---------|
|  | June 30,                   |         | June 30,                 |         |
|  | 2020                       | 2019    | 2020                     | 2019    |
|  | \$                         | \$      | \$                       | \$      |
| Michael Basha, President                               | <b>242,285</b>             | 104,296 | <b>292,285</b>           | 195,308 |
| Mark Serdan, CFO                                       | <b>141,540</b>             | 70,869  | <b>179,040</b>           | 131,075 |
| Mark Santarossa, VP Corporate Development              | <b>116,356</b>             | -       | <b>147,606</b>           | -       |
| Other Directors  | <b>127,588</b>             | -       | <b>147,587</b>           | 13,968  |
|  | <b>627,769</b>             | 175,165 | <b>766,518</b>           | 340,351 |
| Amounts expensed as:                                   |                            |         |                          |         |
| Salary and other short-term benefits for the President | <b>50,000</b>              | 50,000  | <b>100,000</b>           | 100,000 |
| Salary and other short-term benefits for the CFO       | <b>37,500</b>              | 37,500  | <b>75,000</b>            | 75,000  |
| Salary and other short-term benefits, VP Corp Dev      | <b>31,250</b>              | -       | <b>62,500</b>            | -       |
| Directors' Fees  | <b>20,000</b>              | -       | <b>40,000</b>            | -       |
| Share-based compensation                               | <b>489,019</b>             | 87,665  | <b>489,018</b>           | 165,351 |
|  | <b>627,769</b>             | 175,165 | <b>766,518</b>           | 340,351 |

#### 15. SUBSEQUENT EVENT

On July 28, 2020, the Company announced the appointment of Matti Talikka to the position of CEO to become effective upon Mr. Talikka obtaining required permits and completing any outside contractual obligations. In connection with this appointment, Mr. Talikka was granted 100,000 stock options at an exercise price of \$1.38 and 162,602 DSUs at a price of \$1.23.