

Eloro Resources Ltd.

Condensed Interim Consolidated Financial Statements

June 30, 2017

(expressed in Canadian dollars)

(unaudited)

Management's Comments on Unaudited Condensed Interim Consolidated Financial Statements

These unaudited condensed interim consolidated financial statements of Eloro Resources Ltd. (the "Company") have been prepared by management and approved by the Board of Directors of the Company.

These unaudited condensed interim consolidated financial statements have not been reviewed by the Company's external auditors.

Eloro Resources Ltd.

Consolidated Statements of Financial Position

(expressed in Canadian dollars)
(unaudited)

	Notes	As at June 30, 2017 \$	As at March 31, 2017 \$
Assets			
Current			
Cash		29,181	26,096
Receivables	4	123,101	99,208
Marketable securities		230,767	278,292
Prepaid expenses		52,690	53,361
		435,739	456,957
Exploration and evaluation	5	4,281,066	4,136,135
		4,716,805	4,593,091
Liabilities			
Current			
Accounts payable and accrued liabilities	9	713,870	623,170
Due to Tartisan Resources Inc.	5	75,000	75,000
		788,870	698,170
Shareholders' equity			
Share capital	6	25,551,260	25,276,846
Warrants	6	1,441,320	1,386,693
Contributed surplus		2,810,363	2,763,814
Foreign currency reserve		(3,582)	(326)
Deficit		(25,871,425)	(25,532,106)
		3,927,936	3,894,921
		4,716,805	4,593,091
Going concern	2		
Commitments and contingencies	10		
Subsequent events	12		
Approved by the Board:			
	Thomas Larsen Director	Francis Sauve Director	

Eloro Resources Ltd.

Consolidated Statements of Loss and Comprehensive Loss

(expressed in Canadian dollars)

(unaudited)

		3 months ended June 30,	
	Notes	2017	2016
		\$	\$
Expenses			
Professional fees		5,000	9,155
Consulting fees	9	54,000	64,500
Stock-based compensation	6	72,000	-
Investor relations and marketing		60,205	25,929
General and office		44,541	28,485
Travel		23,875	6,076
Unrealized loss (gain) on marketable securities		47,525	(100,487)
Gain on assignment of royalty		-	(82,000)
Impairment of exploration and evaluation	5	32,173	2,559
		<u>339,319</u>	<u>(45,783)</u>
Loss		(339,319)	45,783
Other comprehensive loss to be reclassified to profit or loss in subsequent years (net of tax)			
Currency translation adjustment		(3,256)	-
Comprehensive loss		<u>(342,575)</u>	<u>45,783</u>
Loss per share-basic and diluted		<u>(0.01)</u>	<u>0.00</u>
Weighted average number of shares outstanding - basic and diluted		<u>31,201,766</u>	<u>19,474,456</u>

Eloro Resources Ltd.

Consolidated Statements of Changes in Equity

(expressed in Canadian dollars)

(unaudited)

	Share capital \$ (note 6)	Warrants \$ (note 6)	Contributed surplus \$	Foreign currency reserve \$	Deficit \$	Total \$
Balance, March 31, 2017	25,276,846	1,386,693	2,763,814	(326)	(25,532,106)	3,894,921
Private placement of units	300,000	-	-	-	-	300,000
Fair value of warrants issued	(57,000)	57,000	-	-	-	-
Exercise of warrants	9,270	-	-	-	-	9,270
Fair value of warrants exercised	2,373	(2,373)	-	-	-	-
Stock-based compensation	-	-	72,000	-	-	72,000
Fair value of stock options cancelled	25,451	-	(25,451)	-	-	-
Share issue costs	(5,680)	-	-	-	-	(5,680)
Other comprehensive loss	-	-	-	(3,256)	-	(3,256)
Loss	-	-	-	-	(339,319)	(339,319)
Balance, June 30, 2017	25,551,260	1,441,320	2,810,363	(3,582)	(25,871,425)	3,927,935
Balance, March 31, 2016	22,238,302	309,000	2,050,814	-	(24,361,709)	236,407
Private placement of units	400,000	-	-	-	-	400,000
Fair value of warrants issued	(201,000)	201,000	-	-	-	-
Share issue costs	(16,861)	-	-	-	-	(16,861)
Loss	-	-	-	-	45,783	45,783
Balance, June 30, 2016	22,420,441	510,000	2,050,814	-	(24,315,926)	665,329

Eloro Resources Ltd.

Consolidated Statements of Cash Flows

(expressed in Canadian dollars)

(unaudited)

	Notes	3 months ended June 30,	
		2017	2016
		\$	\$
Cash provided by (used in)			
Operating activities			
Loss		(339,319)	45,783
Items not affecting cash			
Stock-based compensation		72,000	-
Unrealized (gain) loss on marketable securities		47,525	(100,487)
Impairment of exploration and evaluation	5	32,173	2,559
Gain on assignment of royalty		-	(82,000)
Changes in non-cash operating working capital			
Receivables		(23,893)	(7,740)
Prepaid expenses		671	(7,153)
Accounts payable and accrued liabilities		102,992	48,884
		<u>(107,851)</u>	<u>(100,154)</u>
Financing activities			
Private placement of units	6	300,000	400,000
Exercise of warrants	6	9,270	-
Share issue costs	6	(5,680)	(16,861)
		<u>303,590</u>	<u>383,139</u>
Investing activities			
Advance to Cartier		-	(26,535)
Proceeds on assignment of royalty		-	82,000
Exploration and evaluation		(189,396)	(172,690)
		<u>(189,396)</u>	<u>(117,225)</u>
Net increase in cash		6,342	165,760
Cash, beginning of period		26,096	80,743
Currency translation adjustment		(3,256)	-
Cash, end of period		<u>29,182</u>	<u>246,503</u>
Supplementary information			
Interest paid		-	-
Income taxes paid		-	-

Eloro Resources Ltd.

Notes to Condensed Interim Consolidated Financial Statements

June 30, 2017

(expressed in Canadian dollars)
(unaudited)

1. Nature of operations

Eloro Resources Ltd. (the "Company") is a public company engaged in the exploration and development of a gold-silver property in Peru and base metal properties in Québec.

The Company was incorporated under the Business Corporations Act of Ontario on April 11, 1985 and its registered office is located at 20 Adelaide Street East, Suite 200, Toronto, Ontario, M5C 2T6.

2. Going-concern

These condensed interim consolidated financial statements have been prepared on a going concern basis that presumes the realization of assets and discharge of liabilities in the normal course of business.

The Company is in the exploration stage and has no revenue. During the 3 months ended June 30, 2017, the Company recorded a loss of \$339,319 (2016 – income of \$45,783) and as at that date, the Company had accumulated deficit of \$25,871,425 (March 31, 2017 - \$25,532,106), working capital deficit of \$353,130 (March 31, 2017 - \$241,213) and cash flow deficit from operations of \$104,738 (2016 - \$100,154). These factors create material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern.

In order to continue as a going concern and to meet its corporate objectives, the Company will require additional financing primarily through the issuance of equity to finance its on-going and planned exploration activities and to cover administrative costs. There is no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

These condensed interim consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue operations. Such adjustments would be material.

3. Basis of presentation

Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*, using accounting policies consistent with International Financial Reporting Standards and its interpretations adopted by the International Accounting Standards Board.

The accounting policies used in these condensed interim consolidated financial statements are consistent with those disclosed in the Company's audited consolidated financial statements for the year ended March 31, 2017.

These condensed interim consolidated financial statements do not include certain information and disclosures normally included in annual financial statements prepared in accordance with IFRS and should be read in conjunction with the Company's annual financial statements for the year ended March 31, 2017.

These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors on August 29, 2017.

New standards and interpretations not yet adopted

The following amendment to standards will be effective for periods beginning on or after January 1, 2018:

IFRS 9, Financial Instruments ("IFRS 9")

This standard will replace *IAS 39, Financial Instruments: Recognition and Measurement*. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Two measurement categories continue to exist to account for financial liabilities in IFRS 9, fair value through profit or loss ("FVTPL") and amortized cost. Financial liabilities held for trading are measured at FVTPL and all other financial liabilities are measured at amortized cost unless the fair value option is applied. The Company has not determined the extent of the impact of IFRS 9 on its financial statements.

The following new standard will be effective for periods beginning on or after January 1, 2019:

IFRS 16, Leases ("IFRS 16")

This standard will replace *IAS 17, Leases*. IFRS 16 provides an updated definition of a lease contract, including guidance on the combination and separation of contracts. The standard requires lessees to recognize a right-of-use asset and a lease liability for substantially all lease contracts. The accounting for lessors is substantially unchanged from IAS 17. The Company has not determined the extent of the impact of IFRS 16 on its financial statements

4. Receivables

The Company files a Québec Corporation Income Tax Return claiming a refundable tax credit on eligible exploration expenditures incurred in Québec ("Refundable Tax Credit") and a Québec Mining Duties Return claiming a credit on duties refundable for losses ("Credit on Duties").

	Outstanding claims related to years ended March 31,	
	2016	2015
	\$	\$
Claim		
Refundable Tax Credit	—	85
Credit on Duties	2,714	—

It is the Company's policy to record claims for mining tax credits as a receivable and reduction to exploration and evaluation when there is reasonable assurance that the Company has complied with all conditions needed to obtain the credits. The outstanding claims for Credit on Duties are subject to audit by Ressources naturelles et Faune Québec, and as a result, has not been included in receivables.

5. Exploration and evaluation

	March 31, 2017	Acquisition costs	Exploration	Writedown	June 30, 2017
	\$	\$	\$	\$	\$
Property					
La Victoria	4,136,135	—	144,931	—	4,281,067
Other	—	—	32,173	(32,173)	—
	4,136,135	—	177,105	(32,173)	4,281,067

La Victoria, Peru

The Company owns a 100% interest in La Victoria, a gold-silver property covering 8,933 hectares, consisting of 9 concessions covering 3,533 hectares (Ccori Orcco 1, Roberto N°1, Rufina, Rufina N° 2, San Felipe 1, San Felipe 2, San Markito, Santa Ana 1 and Victoria-APB) and 7 claims covering 5,400 hectares (Romina 01, 02, 03, 04, 05, 06 and 07) in the Huandoval District, Pallasca Province, Ancash Department, in the North-Central Mineral Belt of Peru.

On July 1, 2017, the Company made a payment of \$75,000 to Tartisan Resources Corp. ("Tartisan") to complete the acquisition of La Victoria and title to San Markito was transferred to the Company.

La Victoria is subject to a 2% net smelter royalty ("NSR"), of which, the Company has the option to reduce the NSR to 1% by making a payment of \$3,000,000.

Grant of option for a 25% interest in La Victoria

On March 30, 2017, the Company granted an option to EHR Resources Limited ("EHR") to acquire up to a 25% interest in La Victoria. In order to earn its interest, EHR must incur exploration expenditures as follows:

	Exploration expenditures \$
To earn a 10% interest October 31, 2017	2,000,000
To increase to a 25% interest July 31, 2018	3,000,000
	<u>5,000,000</u>

If either the Company or EHR acquires an interest in any property within 5 kilometres of La Victoria, the acquirer must offer the other party the opportunity to participate in the acquisition up to its participating interest. Until EHR earns its 10% interest, the Company will be deemed to have a 100% interest and until EHR earns its 25% interest, the Company will be deemed to have a 90% interest. In the event that the agreement is terminated before the Company earns its 10% or 25% interest, EHR shall transfer its interest in any additional properties within the area of interest to the Company.

Upon EHR earning its 10% or 25% interest, a joint venture, with the Company as operator, will be formed to explore and develop La Victoria.

If the Company or EHR does not fund its proportionate share of expenditures, its respective interest will be diluted and when its interest is diluted to less than 7%, the party's interest shall be reduced to a 2% net smelter royalty on all production. The other party will have the option to reduce the royalty from 2% to 1% by making a payment of \$3,000,000.

In the event the EHR proposes to sell any interest in La Victoria to a third party, the Company has a right of first refusal to match any offer for the proposed sale. In the event that the Company proposes to sell a majority of its interest in La Victoria to a third party, the Company must first consult with EHR about the identity of the third party and the proposed terms of sale and if the Company proceeds with the sale, EHR will be obliged to sell its interest to the third party on a pro rata basis in accordance with the terms of the sale to the third party.

The option agreement was subject to the approval of the shareholders of EHR which was received on June 15, 2017 and the approval of the Australian Securities Exchange which was received on August 4, 2017.

6. Share capital

Authorized

An unlimited number of common shares without par value.

An unlimited number of redeemable, voting, non-participating special shares without par value.

Outstanding

	Number of common shares	Amount \$
Balance, March 31, 2017	31,044,633	25,276,846
Private placement of units	428,571	300,000
Fair value of warrants issued	–	(57,000)
Exercise of warrants	20,600	9,270
Fair value of warrants exercised	–	2,373
Fair value of stock options cancelled	–	25,451
Share issue costs	–	(5,680)
<u>Balance, June 30, 2017</u>	<u>31,493,804</u>	<u>25,551,260</u>

Private placement of units

On May 31, 2017, the Company completed a non-brokered private placement of 428,571 units at a price of \$0.70 per unit for proceeds of \$300,000. Each unit consisted of one common share and one-half of one warrant, with each whole warrant entitling the holder to purchase one common share for \$1.00 until May 31, 2019. Of the private placement, a company controlled by an advisor to the Company acquired 11,285 units.

In connection with the private placement, the Company paid a 7% cash commission of \$3,430.

The fair value of the warrants was calculated using the Black-Scholes option pricing model with the following assumptions:

Warrants issued	214,285
Exercise price	\$1.00
Share price	\$0.80
Risk-free interest rate	0.69%
Expected volatility based on historical volatility	73%
Expected life of warrants	2 years
Expected dividend yield	Nil
Fair value	\$57,000
Fair value per warrant	\$0.27

See note 13, *Subsequent event*

Common shares issued to Tartisan on acquisition of La Victoria

On October 17, 2016, as part of the consideration to acquire La Victoria, the Company issued 6,000,000 common shares to Tartisan which are subject to the following terms:

- a) until April 17, 2018, Tartisan will not sell, transfer, mortgage, hypothecate, grant a security interest in the Common Shares without the prior written consent of the Company, and thereafter, until April 17, 2021, Tartisan will not sell more than 1,000,000 Common Shares during any 6-month period;
- b) Tartisan will provide the Company with 45 days' notice prior to any sale, during which time, the Company will have the right to identify purchasers for the Common Shares and have the right of first refusal to place the Common Shares pursuant to the terms of a mutually agreeable sale;
- c) until October 17, 2018, Tartisan will have the pre-emptive purchase right to participate in financings by the Company ("Subsequent Offering") to acquire a number of common shares which would result in the its proportional interest held immediately prior to such Subsequent Offering being maintained immediately following the closing of such Subsequent Offering, up to a maximum of 19.9%;
- d) until October 17, 2020, Tartisan will not vote, or encourage anyone else to vote:
 - (i) against any shareholder resolution recommended by the Board, except the event of change of control of the Company or failure by the Company to maintain its status as a reporting issuer under securities law in Ontario;
 - (ii) in favour of the election of nominees to the Board not proposed by the then incumbent Board; or
 - (iii) in favour of any shareholder resolution or proposal unless the then incumbent Board recommends voting in favour of such shareholder resolution or proposal.

Stock options

The Company may grant stock options to directors, officers, employees and consultants for up to 10% of the issued and outstanding common shares. At June 30, 2017, the Company may grant up to 3,149,380 stock options (March 31, 2017 - 3,104,463). The exercise price for stock options will not be less than the market price of the common shares on the date of the grant, less any discount permissible under the rules of the TSX Venture Exchange. The maximum term for stock options is 5 years and stock options granted vest immediately.

A summary of the Company's stock options outstanding and exercisable at June 30, 2017 is presented below:

	Weighted- average exercise price \$	Number of stock options outstanding and exercisable
Balance, March 31, 2017	0.34	2,825,000
Granted	0.75	100,000
Cancelled	0.55	(50,000)
Balance, June 30, 2017	0.35	2,875,000

A summary of the Company's stock options outstanding at June 30, 2017 is presented below:

Exercise price	Expiry date	Number of stock options outstanding and exercisable
\$0.10	January 29, 2020	1,150,000
\$0.12	December 7, 2020	200,000
\$0.30	July 6, 2021	100,000
\$0.55	January 27, 2022	1,225,000
\$0.77	February 7, 2022	100,000
\$0.75	April 7, 2022	100,000
		2,875,000

Grant of stock options

On April 7, 2017, the Company granted 100,000 stock options to a consultant entitling the holder to purchase one common share for \$0.75 until April 7, 2022.

The fair value of the stock option was calculated using the Black-Scholes option pricing model with the following assumptions:

Stock options issued	100,000
Exercise price	\$0.75
Share price	\$0.75
Risk-free interest rate	1.11 %
Expected volatility based on historical volatility	177%
Expected life of stock options	5 years
Expected dividend yield	Nil
Fair value	\$72,000
Fair value per stock option	\$0.72

Warrants

A continuity of the Company's warrants outstanding at June 30, 2017 is presented below:

	Weighted-average exercise price	Number of warrants
	\$	
Balance, March 31, 2017	0.38	6,002,059
Issued	1.00	214,285
Exercised	0.45	(20,600)
Balance, June 30, 2017	0.40	6,195,744

A summary of the Company's warrants outstanding at June 30, 2017 is presented below:

Exercise price	Expiry date	Number of warrants
\$0.24	September 3, 2017	625,000
\$0.30	May 3, 2018	812,500
\$0.30	May 10, 2018	147,059
\$0.45	February 25, 2018	885,000
\$0.45	February 25, 2018	11,900
\$0.50	December 29, 2018	464,286
\$0.50	January 6, 2019	35,714
\$0.40	October 17, 2019	3,000,000
\$1.00	May 31, 2019	214,285
		6,195,744

7. Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Accounts payable and accrued liabilities

The fair value of accounts payable and accrued liabilities approximates their carrying value due to their short term to maturity.

Stock options and warrants

The fair value of stock options is measured using a Black-Scholes option pricing model. Measurement inputs include share price on grant date, exercise price, expected volatility (based on historical volatility or historical volatility of securities of comparable companies), weighted average expected life and forfeiture rate (both based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds).

Classification of fair value of financial instruments

The Company classified the fair value of its financial instruments measured at fair value according to the following hierarchy based on the amount of observable inputs used to value the instrument:

- Level 1 - quoted prices in active markets for identical assets and liabilities;
- Level 2 - inputs, other than the quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly;
- Level 3 - inputs for the asset or liability that are not based on observable market data

Cash and marketable securities are measured at fair value at Level 1 of the fair value hierarchy.

8. Financial risk management

The Company's activities expose it to a variety of financial risks that arise as a result of its exploration, development, production and financing activities, including credit risk, liquidity risk and market risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors oversees management's establishment and execution of the Company's risk management framework. Management has implemented and monitors compliance with risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities.

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from the Company's cash balances. The maximum exposure to credit risk is equal to the balance of cash.

The Company's limits its exposure to credit risk on its cash by holding its cash in deposits with high credit quality Canadian chartered banks.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial liabilities that are settled in cash or other financial assets. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities as they come due. The amounts for accounts payable and accrued liabilities are subject to normal trade terms.

The Company has no revenues and relies on financing primarily through the issuance of equity to finance its on-going and planned exploration activities and to cover administrative costs.

Market risk

Market risk is the risk that changes in market prices, such as equity prices, foreign exchange rates, and interest rates will affect the Company's income or the value of its financial instruments. The Company is exposed to equity price risk with respect to marketable securities. The Company's approach to managing equity price risk is to optimize the return from its marketable securities within acceptable parameters for equity price risk. The Company estimates that if the fair value of its marketable securities as at June 30, 2017 had changed by 25%, with all other variables held constant, the unrealized gain (loss) would have decreased or increased by \$57,692.

Interest rate risk

The Company's exposure to interest rate risk is limited due to the short-term nature of its financial instruments and the Company has no interest-bearing debt.

Capital management

Capital of the Company consists of share capital, warrants, contributed surplus, foreign currency reserve and deficit. The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can acquire, explore and develop mineral resource properties for the benefit of its shareholders. The Company manages its capital structure and makes adjustments based on the funds available to the Company in light of changes in economic conditions. The Board of Directors has not established quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain the future development of the Company. In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that consider various factors, including successful capital deployment and general industry conditions. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company's principal source of capital is from the issue of common shares. In order to achieve its objectives, the Company intends to raise additional funds as required.

The Company is not subject to externally imposed capital requirements and there were no changes to the Company's approach to capital management during the year.

9. Related party transactions

	3 months ended June 30,		Outstanding as at	
	2017	2016	June 30, 2017	March 31, 2017
	\$	\$	\$	\$
Exploration and evaluation				
Payable to a company controlled by 2 former officers	–	3,775	46,244	46,244

Compensation of key management personnel

The Company considers its directors and officers to be key management personnel. Transactions with key management personnel are set out as follows:

	3 months ended June 30,		Outstanding as at	
	2017	2016	June 30, 2017	March 31, 2017
	\$	\$	\$	\$
Exploration and evaluation consulting fees for 2 former officers	–	30,500	127,630	127,630
Consulting fees	54,000	69,500	284,125	285,930

See notes 5 for other related party transactions.

10. Commitments and contingencies

Notices of assessment

On July 26, 2017, the Company received notices of assessments from Revenu Québec for the repayment of \$367,360 ("Notices") for the return of refunds of \$280,961, \$25,217 and \$7,766 received by the Company for the refundable tax credit on eligible exploration expenditures incurred in Québec in respect of 2013, 2014 and 2016, respectively and interest thereon of \$53,416.

The process of dealing with the Notices is at an early stage and it is not yet possible for the Company to make any realistic prediction about the outcome of the Notices. Accordingly, no amount has been recorded as a liability in these consolidated financial statements.

11. Segment information

The Company operates in one business segment being mineral exploration in Peru. As the Company is focused on exploration, the Board monitors the Company based on actual versus budgeted exploration expenditure incurred by project. The internal reporting framework is the most relevant to assist the Board with making decisions regarding this Company and its ongoing exploration activities, while also taking into consideration the results of exploration work that has been performed to date.

12. Subsequent event

Private placement of units

On August 16, 2017, the Company completed a non-brokered private placement of 655,000 units at a price of \$0.70 per unit for proceeds of \$458,500. Each unit consisted of one common share and one-half of one warrant, with each whole warrant entitling the holder to purchase one common share for \$1.00 until August 16, 2019. Of the private placement, a director, two companies controlled by advisors to the Company and two directors of Cartier Iron Corporation, which owns 3,043,500 common shares of the Company, acquired 150,000 units.

In connection with the private placement, the Company paid a 3.5% finder's fee of \$613.