

Eloro Resources Ltd.

Consolidated Financial Statements

March 31, 2017 and 2016

(expressed in Canadian dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Eloro Resources Ltd.

We have audited the accompanying consolidated financial statements of Eloro Resources Ltd., and its subsidiaries, which comprise the consolidated statements of financial position as at March 31, 2017 and 2016 and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Eloro Resources Ltd., and its subsidiaries, as at March 31, 2017 and 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 in the consolidated financial statements which describes material uncertainties that cast significant doubt about Eloro Resources Ltd.'s ability to continue as a going concern.

Collins Barrow Toronto LLP

Chartered Professional Accountants
Licensed Public Accountants
July 31, 2017
Toronto, Ontario

Eloro Resources Ltd.

Consolidated Statements of Financial Position

(expressed in Canadian dollars)

	Notes	As at March 31,	
		2017	2016
		\$	\$
Assets			
Current			
Cash		26,096	80,743
Receivables	5	99,208	21,887
Marketable securities		278,292	7,690
Prepaid expenses		53,361	26,301
		456,957	136,621
Exploration and evaluation	6	4,136,135	488,471
		4,593,091	625,092
Liabilities			
Current			
Accounts payable and accrued liabilities	11	623,170	388,686
Due to Tartisan Resources Inc.	6 and 14	75,000	-
		698,170	388,686
Shareholders' equity			
Share capital	7	25,276,846	22,238,302
Warrants	7	1,386,693	309,000
Contributed surplus		2,763,814	2,050,814
Foreign currency reserve		(326)	-
Deficit		(25,532,106)	(24,361,710)
		3,894,921	236,406
		4,593,091	625,092
Going concern	2		
Commitments and contingencies	12		
Subsequent events	14		
Approved by the Board:			
	Thomas Larsen	Francis Sauve	
	Director	Director	

Eloro Resources Ltd.

Consolidated Statements of Loss and Comprehensive Loss

(expressed in Canadian dollars)

(unaudited)

	Notes	Years ended March 31,	
		2017	2016
		\$	\$
Expenses			
Professional fees		43,388	23,025
Consulting fees	11	270,915	246,000
Stock-based compensation	7 and 11	741,000	22,000
Investor relations and marketing		165,563	96,128
General and office		197,581	68,710
Travel		97,740	4,050
Loss on sale of marketable securities		-	13,140
Unrealized loss (gain) on marketable securities		(270,602)	2,344
Gain on assignment of royalty	6	(82,000)	-
Impairment of exploration and evaluation	6	5,769	33,930
Gain on settlement of accounts payable		-	(38,008)
Foreign exchange loss		1,042	-
		<u>1,170,396</u>	<u>471,319</u>
Loss		(1,170,396)	(471,319)
Other comprehensive loss to be reclassified to profit or loss in subsequent years (net of tax)			
Currency translation adjustment		(326)	-
Comprehensive loss		<u>(1,170,722)</u>	<u>(471,319)</u>
Loss per share-basic and diluted		(0.05)	(0.03)
Weighted average number of shares outstanding - basic and diluted		24,664,383	15,758,750

Eloro Resources Ltd.

Consolidated Statements of Changes in Equity

(expressed in Canadian dollars)

	Share capital \$ (note 7)	Warrants \$ (note 7)	Contributed surplus \$	Foreign currency reserve \$	Deficit \$	Total \$
Balance, March 31, 2016	22,238,302	309,000	2,050,814	-	(24,361,710)	236,406
Acquisition of exploration and evaluation						
Issue of common shares	1,476,000	-	-	-	-	1,476,000
Fair value of warrants issued	-	1,075,000	-	-	-	1,075,000
Private placement of units	1,290,200	-	-	-	-	1,290,200
Fair value of warrants issued	(439,200)	439,200	-	-	-	-
Fair value of broker warrants issued	(3,100)	3,100	-	-	-	-
Exercise of warrants	290,074	-	-	-	-	290,074
Fair value of warrants exercised	76,607	(76,607)	-	-	-	-
Fair value of expired warrants	363,000	(363,000)	-	-	-	-
Stock-based compensation	-	-	741,000	-	-	741,000
Exercise of stock options	30,000	-	-	-	-	30,000
Fair value of stock options exercised	28,000	-	(28,000)	-	-	-
Share issue costs	(73,037)	-	-	-	-	(73,037)
Other comprehensive loss	-	-	-	(326)	-	(326)
Loss	-	-	-	-	(1,170,396)	(1,170,396)
Balance, March 31, 2017	25,276,846	1,386,693	2,763,814	(326)	(25,532,106)	3,894,921
Balance, March 31, 2015	21,792,709	265,000	2,028,814	-	(23,890,391)	196,132
Private placement of units	150,000	-	-	-	-	150,000
Fair value of warrants issued	(44,000)	44,000	-	-	-	-
Share issue costs	(7,573)	-	-	-	-	(7,573)
Issued for exploration and evaluation	20,833	-	-	-	-	20,833
Shares-for-debt transaction	326,333	-	-	-	-	326,333
Stock-based compensation	-	-	22,000	-	-	22,000
Loss	-	-	-	-	(471,319)	(471,319)
Balance, March 31, 2016	22,238,302	309,000	2,050,814	-	(24,361,710)	236,406

Eloro Resources Ltd.

Consolidated Statements of Cash Flows

(expressed in Canadian dollars)

	Notes	Years ended March 31,	
		2017	2016
		\$	\$
Cash provided by (used in)			
Operating activities			
Loss		(1,170,396)	(471,319)
Items not affecting cash			
Stock-based compensation		741,000	22,000
Loss on sale of marketable securities		-	13,140
Unrealized (gain) loss on marketable securities		(270,602)	2,344
Impairment of exploration and evaluation	6	5,769	33,930
Gain on assignment of royalty	6	(82,000)	-
Gain on settlement of accounts payable		-	(38,008)
Changes in non-cash operating working capital			
Receivables		(77,321)	(632)
Prepaid expenses		(27,060)	28,706
Accounts payable and accrued liabilities		246,777	310,049
		<u>(633,833)</u>	<u>(99,790)</u>
Financing activities			
Private placement of units	7	1,290,200	150,000
Exercise of warrants	7	290,074	-
Exercise of stock options	7	30,000	-
Share issue costs	7	(73,037)	(7,574)
		<u>1,537,237</u>	<u>142,426</u>
Investing activities			
Proceeds on sale of marketable securities		-	74,460
Proceeds on assignment of royalty	6	82,000	-
Exploration and evaluation		(1,039,725)	(291,658)
		<u>(957,725)</u>	<u>(217,198)</u>
Net decrease in cash		(54,321)	(174,562)
Cash, beginning of year		80,743	255,305
Currency translation adjustment		(326)	-
Cash, end of year		<u>26,096</u>	<u>80,743</u>
Non-cash transactions			
Receipt of option payment paid in common shares		-	21,600
Issue of common shares to settle accounts payable		-	326,333
Acquisition of exploration and evaluation			
Due to Tartisan Resources Inc.	6	75,000	-
Issue of common shares	6	1,476,000	20,833
Fair value of warrants issued	6	1,075,000	-
Supplementary information			
Interest paid		-	-
Income taxes paid		-	-

Eloro Resources Ltd.

Notes to Consolidated Financial Statements

March 31, 2017 and 2016

(expressed in Canadian dollars)

1. Nature of operations

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

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 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 year ended March 31, 2017, the Company incurred a loss of \$1,170,722 (2016 - \$471,319) and as at that date, the Company had an accumulated deficit of \$25,532,106 (2016 - \$24,361,710) and a working capital deficit of \$241,213 (2016 - \$252,065). 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 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 could be material.

3. Basis of presentation

Statement of compliance

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and interpretations of the IFRS Interpretations Committee. The accounting policies applied in these consolidated financial statements are based on IFRS issued and outstanding as of March 31, 2017.

These consolidated financial statements were approved and authorized for issue by the Board of Directors on July 31, 2017.

Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis, except for cash and marketable securities, which have been classified as financial instruments at fair value through profit and loss and stated at fair value.

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiaries, except Compañía Minera Eloro Peru SAC which has US dollars as its functional currency.

Use of estimates

The preparation of financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are as follows:

Eloro Resources Ltd.

Notes to Consolidated Financial Statements

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(expressed in Canadian dollars)

Impairment of exploration and evaluation

Expenditures on exploration and evaluation are initially capitalized with the intent to establish commercially viable reserves. The Company makes estimates and applies judgment about future events and circumstances in determining whether the carrying amount of exploration and evaluation exceeds its recoverable amount, including the ability to renegotiate option agreements.

Common shares issued for acquisition and settlement of account payable

The Company applies judgment in determining the common share price used in accounting for the La Victoria acquisition and the settlement of accounts payable in common shares. Factors considered in making those judgments include, but are not limited to, the discount to apply to the common shares to reflect the 18-month hold period, the date of the settlement agreement, the date of regulatory approvals of the settlement, the relative fair value of the common shares during these periods and the fair value of the accounts payable settled. See notes 6 and 7.

Stock-based compensation and fair value of warrants

The Company uses the Black-Scholes option pricing model in determining stock-based compensation and the fair value of warrants, which requires a number of assumptions to be made, including the risk-free interest rate, expected life, forfeiture rate and expected share price volatility. Consequently, the actual stock-based compensation may vary from the amount estimated. See note 7.

Deferred income taxes

Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates at the reporting date in effect for the period in which the temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized as part of the provision for income taxes in the period that includes the enactment date. The recognition of deferred income tax assets is based on the assumption that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. See note 8.

4. Significant accounting policies and future accounting changes

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements.

Basis of consolidation

Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Compañía Minera Eloro Peru SAC, 2529907 Ontario Limited and 6949541 Canada Inc. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if and only if the Company has all the following:

- (a) power over the investee;
- (b) exposure, or rights, to variable returns from its involvement with the investee; and
- (c) the ability to use its power over the investee to affect the amount of the investor's returns.

Transactions eliminated on consolidation

All intercompany transactions and balances are eliminated on consolidation.

Eloro Resources Ltd.

Notes to Consolidated Financial Statements

March 31, 2017 and 2016

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Financial instruments

Non-derivative financial assets

The Company initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

The Company has classified cash and marketable securities as fair value through profit or loss.

Held-to-maturity financial assets

If the Company has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses.

The Company has not classified any financial asset as held-to-maturity.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

The Company has not classified any financial asset as loans and receivables.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the above categories of financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale assets, are recognized in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss.

The Company has not classified any financial asset as available-for-sale.

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Notes to Consolidated Financial Statements

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(expressed in Canadian dollars)

Non-derivative financial liabilities

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

The Company has classified accounts payable and accrued liabilities and due to Tartisan Resources Inc. as other financial liabilities.

Derivative financial liabilities

Derivative financial liabilities are recorded at "fair value through profit or loss" and accordingly recorded on the balance sheet date at fair value. Unrealized gains and losses on derivatives held for trading are recorded as part of other gains or losses in earnings. Fair values for derivative instruments are determined using valuation techniques, using assumptions based on market conditions existing at the balance sheet date.

The Company has not classified any liability as a derivative liability.

Impairment of non-derivative financial assets

A financial asset is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Financial assets carried at amortized cost

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the financial asset is reduced by the amount of the impairment loss and the impairment loss is recognized in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Joint arrangements

Joint arrangements are classified as either joint operations or joint ventures. The determination of whether an arrangement is a joint operation or joint venture is based on the rights and obligations arising from the contractual obligations between the parties to the arrangement. Joint arrangements that provide a company with the rights to the individual assets and obligations arising from the arrangement are classified as joint operations and joint arrangements that provide an entity with rights to the net assets of the arrangement are classified as joint ventures.

The interests in joint arrangements that are classified as joint operations are accounted for by the Company recording its pro rata share of the assets, liabilities, revenues, costs and cash flows.

The interests in joint arrangements that are classified as joint ventures are accounted for using the equity method and presented as an investment in the consolidated statement of financial position.

Eloro Resources Ltd.

Notes to Consolidated Financial Statements

March 31, 2017 and 2016

(expressed in Canadian dollars)

Exploration and evaluation

Recognition and measurement

Once the legal rights to explore an area have been acquired, exploration and evaluation expenditures, including the costs of acquiring licenses and directly attributable general and administrative costs, initially are capitalized as exploration and evaluation. The costs are accumulated by property pending the determination of technical feasibility and commercial viability. Pre-license costs are expensed when incurred. Pre-exploration costs are expensed unless it is considered probable that they will generate future economic benefits.

Non-repayable mining tax credits earned in respect of costs incurred in Quebec are recorded as a reduction to exploration and evaluation when there is reasonable assurance that the Company has complied with, and will continue to comply with, all conditions needed to obtain the credits.

The recoverability of amounts shown for exploration and evaluation expenditures is dependent upon the ability of the Company to obtain financing to complete the exploration and development of its mineral resource properties, the existence of economically recoverable reserves and future profitable production, or alternatively, upon the Company's ability to recover its costs through a disposition of its mineral resource properties. The amounts shown for exploration and evaluation do not necessarily represent present or future value. Changes in future conditions could require a material change in the amount recorded for exploration and evaluation.

The technical feasibility and commercial viability of extracting a mineral resource from a property is considered to be determinable when proved and/or probable reserves are determined to exist and the necessary permits have been received to commence production and the Company has sufficient financing to begin production. A review of each property is carried out, at least annually. Upon determination of technical feasibility and commercial viability, exploration and evaluation is first tested for impairment and then reclassified to property, plant and equipment or intangible asset or if impaired, expensed to the statement of loss and comprehensive loss. At March 31, 2017 and March 31, 2016, the Company had no property, plant and equipment.

Impairment

Exploration and evaluation is assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

An impairment loss is recognized in the statement of loss and comprehensive loss if the carrying amount of a property exceeds its estimated recoverable amount. The recoverable amount of property used in the assessment of impairment of exploration and evaluation is the greater of its value in use ("VIU") and its fair value less costs of disposal. VIU is determined by estimating the present value of the future net cash flows at a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the property. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. For a property that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the property belongs. Impairment losses previously recognized are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount only to the extent that the property's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognized.

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Notes to Consolidated Financial Statements

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(expressed in Canadian dollars)

Decommissioning liabilities

The Company's activities give rise to dismantling, decommissioning and site disturbance remediation activities. Provision is made for the estimated cost of site restoration. Decommissioning obligations are measured at the present value of management's best estimate of expenditures required to settle the present obligation at the balance sheet date. The fair value of the estimated obligation is recorded as a liability with a corresponding increase in the carrying amount of the related asset. The obligation is subsequently adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as accretion costs whereas increases or decreases due to changes in the estimated future cash flows or changes in the discount rate are capitalized. Actual costs incurred upon settlement of the decommissioning obligations are charged against the provision to the extent the provision was established. At March 31, 2017 and March 31, 2016, the Company had no decommissioning liabilities.

Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

Unit private placements

For private placements of units consisting of common shares and warrants, the Company uses the Black-Scholes option pricing model in determining the fair value of warrants.

Share-based payments

The Company offers a stock option plan for its officers, directors, employees and consultants. The fair value of stock options for each vesting period is determined using the Black-Scholes option pricing model and is recorded over the vesting period as an increase to stock-based compensation and contributed surplus. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest. Upon the exercise of stock options, the proceeds received by the Company and the related contributed surplus are recorded as an increase to share capital. In the event that vested stock options expire, previously recognized share-based compensation is not reversed. In the event that stock options are forfeited, previously recognized share-based compensation associated with the unvested portion of the stock options forfeited is reversed.

The fair value of share-based payment transactions to non-employees and other share-based payments including shares issued to acquire exploration and evaluation are based on the fair value of the goods and services received. If the fair value cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the Company receives the goods or services. The fair value of broker warrants is measured at the date that the Company receives the services.

Leases

Operating lease payments are recognized as an operating expense in the statements of loss and comprehensive loss on a straight-line basis over the term of the lease.

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as a finance cost.

Income tax

Income tax expense comprises current and deferred taxes. Current and deferred taxes are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

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Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

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

Loss per share

The Company presents basic and diluted loss per share data for its common shares. Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders of the Company by the weighted average number of common shares outstanding during the period, adjusted for own shares held. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise outstanding warrants and stock options. For the years ended March 31, 2017 and March 31, 2016, outstanding stock options and warrants are anti-dilutive.

New standards and interpretations

Effective April 1, 2016, the Company adopted the following amendment to standards:

IAS 1, Presentation of Financial Statements

Amendments are designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements. The amendments clarify that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgement in determining where and in what order information is presented in the financial disclosures. The adoption of this amendment had no effect on the Company's financial statements.

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

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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

5. 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").

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. During the year ended March 31, 2017, the Company received the 2014 Credit on Duties of \$3,759 and 2016 Refundable Tax Credit of \$7,766. During the year ended March 31, 2016, the Company received the 2013 Credit on Duties of \$5,893 which was credited to exploration and evaluation. 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.

Outstanding claims related to years ended March 31,

	2016	2015
	\$	\$
Claim		
Refundable Tax Credit	–	85
Credit on Duties	2,714	–

6. Exploration and evaluation

	March 31, 2016	Acquisition costs	Exploration	Option payment	Mining tax credits	Writedown	March 31, 2017
	\$	\$	\$		\$	\$	\$
Property							
La Victoria	488,471	2,938,985	708,679	–	–	–	4,136,135
Other	–	–	17,294	–	(11,526)	(5,769)	–
	488,471	2,938,985	725,973	–	(11,526)	(5,769)	4,136,135

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(expressed in Canadian dollars)

	March 31, 2015 \$	Acquisition costs \$	Exploration \$	Option payment	Mining tax credits \$	Writedown \$	March 31, 2016 \$
Property							
La Victoria	128,224	120,000	240,247	–	–	–	488,471
Other	–	–	61,423	(21,600)	(5,893)	(33,930)	–
	128,224	120,000	301,670	(21,600)	(5,893)	(33,930)	488,471

La Victoria

On July 3, 2014, the Company acquired an option, as amended on November 28, 2014, June 4, 2015 and June 24, 2015, to earn a 60% interest in La Victoria, a copper-gold-silver property consisting of 8 concessions covering 3,433 hectares in the Huandoval District, Pallasca Province, Ancash Department, in the North-Central Mineral Belt of Peru. The option covered the following concessions: Ccori Orcco 1, Rufina, Rufina No. 2, San Felipe 1, San Felipe 2, San Markito, Santa Ana 1 and Victoria-APB.

Prior to October 17, 2016, in order to earn its interest, the Company was to make option payments and incur exploration expenditures, as follows:

	Option payments \$	Exploration expenditures \$
To earn 60% interest		
On closing (paid)	50,000	–
July 3, 2015 (paid)	50,000	–
June 5, 2015 (paid)	75,000	–
September 1, 2015 (paid)	45,000	–
January 3, 2016 (extended from July 3, 2015)(incurred)	–	43,578
January 3, 2017 (extended from July 3, 2016)(issued and incurred)	50,000	350,000
January 3, 2018 (extended from July 3, 2017)	–	400,000
January 3, 2019 (extended from July 3, 2018)	–	500,000
	270,000	1,293,578

On October 17, 2016, the Company acquired a 100% interest in La Victoria and terminated the option to acquire a 60% interest in La Victoria. As consideration for the acquisition, the Company:

- will pay \$350,000, of which, \$275,000 has been paid and \$75,000 has been recorded as an amount due to Tartisan to be paid by July 17, 2017 (see note 14 for subsequent event);
- issued 6,000,000 common shares (“Common Shares”) with a fair value of \$1,476,000 based on the market price less a 40% discount for the 18-month hold period placed on the Common Shares (note 7);
- granted 3,000,000 warrants entitling the holder to purchase one common share for \$0.40 until October 17, 2019, provided that, after April 17, 2018, if the average closing price of the Company’s common shares is at least \$1.00 per share for 20 consecutive trading days, the Company may accelerate the expiry date of the warrants on 45 days’ notice.
- granted a 2% net smelter royalty with an option to reduce the NSR to 1% for consideration of \$3,000,000.

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

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Warrants issued	3,000,000
Exercise price	\$0.40
Share price	\$0.41
Risk-free interest rate	0.61%
Expected volatility based on historical volatility	175%
Expected life of warrants	3 years
Expected dividend yield	Nil
Forfeiture rate	Nil
Fair value	\$1,075,000
Fair value per warrant	\$0.36

Title to the San Markito concession will not be transferred to the Company until the final payment of \$75,000 is made. See note 14, *Subsequent events*.

The Common Shares issued to Tartisan are subject to the following terms:

- 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;
- 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;
- 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%;
- until October 17, 2020, Tartisan will not vote, or encourage anyone else to vote:
 - 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;
 - in favour of the election of nominees to the Board not proposed by the then incumbent Board; or
 - in favour of any shareholder resolution or proposal unless the then incumbent Board recommends voting in favour of such shareholder resolution or proposal.

On January 17, 2017, the Company registered four additional mining claims totaling 3,400 hectares on the southern boundary of La Victoria, increasing its interest 8,042 hectares in 8 concessions and 8 claims.

Grant of option for a 25% interest in La Victoria

On March 30, 2017, the Company granted an option to EHR Resources Limited (formerly Cott Oil and Gas Limited)("EHR") 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
	<hr/> 5,000,000

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.

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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 is subject to the approval of the shareholders of EHR which was received on June 15, 2017 and the approval of the Australian Securities Exchange.

Simkar and Louvicourt

On June 4, 2014, the Company sold its remaining interests in Simkar and Louvicourt in consideration of a 1.5% net smelter royalty on Simkar and 0.5% royalty on Louvicourt ("Royalties") and wrote off the carrying values of Simkar and Louvicourt.

On May 20, 2016, the Company assigned the Royalties in consideration for a payment of \$82,000.

Lemoyne North, Quebec

During the year ended March 31, 2012, the Company decided not to commit any further funds to Company's Lemoyne North gold/copper/zinc claims in Québec and wrote off Lemoyne North.

On December 21, 2015, the Company entered into a services agreement for work to be completed in 2 phases related to Lemoyne North:

Phase	Services	Consideration	\$
1	Collection and compilation of a database of historical exploration data	208,333 common shares at a deemed price of \$0.12 per share	25,000
2	Use of a proprietary software tool to analyze the database to identify new targets	Cash payment within 30 days of the Company completing a financing for a minimum amount of \$200,000	25,000
			50,000

On January 5, 2016, the Company issued 208,333 common shares with a fair value of \$20,833 in respect of Phase 1 of the services agreement.

On June 6, 2016, the services agreement was terminated.

7. 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.

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Outstanding

	Number of common shares	Amount \$
Balance, March 31, 2015	13,549,779	21,792,709
Private placement of units (a)	1,250,000	150,000
Fair value of warrants issued (a)	–	(44,000)
Issue of common shares to settle accounts payable (b)	2,966,667	326,333
Issued for exploration and evaluation (note 6)	208,333	20,833
Share issue costs	–	(7,573)
Balance, March 31, 2016	17,974,779	22,238,302
Acquisition of exploration and evaluation (note 6)	6,000,000	1,476,000
Private placement of units (c), (d), (e) and (f)	5,152,942	1,290,200
Fair value of warrants issued (c), (d), (e) and (f)	–	(439,200)
Fair value of broker warrants issued (d)	–	(3,100)
Exercise of warrants	1,716,912	290,074
Fair value of warrants exercised	–	76,607
Fair value of expired warrants	–	363,000
Exercise of stock options	200,000	30,000
Fair value of stock options exercised	–	28,000
Share issue costs	–	(73,037)
Balance, March 31, 2017	31,044,633	25,276,846

Issue of common shares and units

(a) Private placement of units

On September 3, 2015, the Company completed a non-brokered private placement of 1,250,000 units at a price of \$0.12 per unit for proceeds of \$150,000. Each unit consisted of one common share and one-half warrant, with each whole warrant entitling the holder to purchase one common share at a price of \$0.24 per share until September 3, 2017. Of the private placement, directors and officers acquired 48,333 units.

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

Warrants issued	625,000
Exercise price	\$0.24
Share price	\$0.11
Risk-free interest rate	0.43%
Expected volatility based on historical volatility	161%
Expected life of warrants	2 years
Expected dividend yield	Nil
Relative fair value	\$44,000
Fair value per warrant	\$0.07

Of the proceeds of \$150,000, \$106,000 was allocated to the common shares and \$44,000 allocated to the warrants.

(b) Settlement of accounts payable

On October 5, 2015, the Company issued 2,966,667 common shares with a fair value of \$326,333 to settle debts of \$356,000, resulting in a gain on debt settlement of \$29,667, which is included in the gain on settlement of debt in the consolidated statement of loss and comprehensive loss. Of the common shares issued, 2,816,667 common shares were issued to insiders of the Company and this transaction was approved by a majority of the disinterested shareholders of the Company at the annual and special shareholders' meeting held on September 30, 2015.

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(c) Private placement of units

On May 3, 2016 and May 10, 2016, the Company completed a non-brokered private placement of 2,352,942 units at a price of \$0.17 per unit for proceeds of \$400,000. Each unit consisted of one common share and one-half warrant, with 1,029,412 warrants and 147,059 warrants entitling the holder to purchase one common share for \$0.30 until May 3, 2018 and May 10, 2018 respectively. Of the private placement, directors, officers and persons related to them and a director of Cartier Iron Corporation, which owns 3,043,500 common shares of the Company, acquired 716,174 units.

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

Warrants issued	1,029,412	147,059
Exercise price	\$0.30	\$0.30
Share price	\$0.21	\$0.22
Risk-free interest rate	0.64%	0.52%
Expected volatility based on historical volatility	160%	160%
Expected life of warrants	2 years	2 years
Expected dividend yield	0%	0%
Fair value	\$150,000	\$23,000
Fair value per warrant	\$0.15	\$0.15

(d) Private placement of units

On August 25, 2016, the Company completed a non-brokered private placement of 1,800,000 units at a price of \$0.30 per unit for proceeds of \$540,000. 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 \$0.45 until February 25, 2018. Of the private placement, a director acquired 500,000 units.

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

Warrants issued	900,000
Exercise price	\$0.45
Share price	\$0.38
Risk-free interest rate	0.58%
Expected volatility based on historical volatility	110%
Expected life of warrants	1.5 years
Expected dividend yield	0%
Fair value	\$158,000
Fair value per warrant	\$0.18

In connection with the private placement, the Company paid a 7% cash commission of \$5,250 and issued 17,500 broker warrants entitling the holder to purchase one common share for \$0.45 until February 25, 2018.

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

Warrants issued	17,500
Exercise price	\$0.45
Share price	\$0.38
Risk-free interest rate	0.58%
Expected volatility based on historical volatility	110%
Expected life of warrants	1.5 years
Expected dividend yield	0%
Fair value	\$3,100
Fair value per warrant	\$0.18

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(e) Private placement of units

On December 29, 2016, the Company completed a non-brokered private placement of 928,571 units at a price of \$0.35 per unit for proceeds of \$325,000. Each unit consisted of one common share and one-half of one warrant, with each of whole warrant entitling the holder to purchase one common share for \$0.50 until December 29, 2018. Of the private placement, an officer of the Company acquired 4,264 units.

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

Warrants issued	464,286
Exercise price	\$0.50
Share price	\$0.39
Risk-free interest rate	0.76%
Expected volatility based on historical volatility	118%
Expected life of warrants	2 years
Expected dividend yield	0%
Fair value	\$100,000
Fair value per warrant	\$0.21

In connection with the private placement, the Company paid a 7% cash commission of \$2,572.

(f) Private placement of units

On January 6, 2017, the Company completed a non-brokered private placement of 71,429 units at a price of \$0.35 per unit for proceeds of \$25,000. 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 \$0.50 until January 6, 2019.

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

Warrants issued	35,715
Exercise price	\$0.50
Share price	\$0.41
Risk-free interest rate	0.76%
Expected volatility based on historical volatility	118%
Expected life of warrants	2 years
Expected dividend yield	Nil
Fair value	\$8,200
Fair value per warrant	\$0.23

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 March 31, 2017, the Company may grant up to 3,104,463 stock options (2016 - 1,797,477). 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 TSXV. The maximum term for stock options will be 5 years and stock options granted will vest immediately.

A summary of the Company's stock options outstanding and exercisable at March 31, 2017 is presented below:

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	Weighted- average exercise price \$	Number of stock options outstanding and exercisable
Balance, March 31, 2015	0.11	1,350,000
Granted	0.12	200,000
Balance, March 31, 2016	0.11	1,550,000
Granted	0.55	1,475,000
Exercised	0.15	(200,000)
Balance, March 31, 2017	0.34	2,825,000

A summary of the Company's stock options outstanding at March 31, 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	1,275,000
\$0.77	February 7, 2022	100,000
		2,825,000

Grant of stock options

A summary of the stock options granted and the assumptions for the calculation of the fair value of those stock options using the Black-Scholes option pricing model is presented below:

Date of grant	December 7, 2015	July 6, 2016	January 27, 2017	February 7, 2017
Expiry date	December 7, 2020	July 6, 2021	January 27, 2022	February 7, 2022
Options granted	200,000	100,000	1,275,000	100,000
Exercise price	\$0.12	\$0.30	\$0.55	\$0.77
Share price	\$0.12	\$0.28	\$0.55	0.79
Risk-free interest rate	0.87%	0.53%	1.11%	1.01%
Expected volatility based on historical volatility	153%	117%	158%	135%
Expected life of stock options	5 years	5 years	5 years	5 years
Expected dividend yield	0%	0%	0%	0%
Forfeiture rate	0%	0%	0%	0%
Vesting	On date of grant			
Fair value	\$22,000	\$23,000	\$649,000	\$69,000
Fair value per stock option	\$0.11	\$0.23	\$0.51	\$0.69

On July 6, 2016, the Company granted 100,000 stock options to a consultant entitling the holder to purchase one common share for \$0.30 until July 6, 2021.

On January 27, 2017, the Company granted 1,275,000 stock options to directors, officers, employees and consultants entitling the holder to purchase one common share for \$0.55 until January 27, 2022.

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On February 7, 2017, the Company granted 100,000 stock options to an advisor entitling the holder to purchase one common share for \$0.77 until February 7, 2022.

Warrants

A summary of the Company's common share warrants outstanding at March 31, 2017 is presented below:

	Weighted-average exercise price \$	Number of warrants
Balance, March 31, 2015	1.83	1,808,058
Issued	0.24	625,000
Balance, March 31, 2016	1.42	2,433,058
Issued		
Private placements	0.39	2,593,971
Acquisition of exploration and evaluation (note 6)	0.40	3,000,000
Expired	10.00	(308,058)
Exercised	0.17	(1,716,912)
Balance, March 31, 2017	0.38	6,002,059

A summary of the Company's common share warrants outstanding at March 31, 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	900,000
\$0.45	February 25, 2018	17,500
\$0.50	December 29, 2018	464,286
\$0.50	January 6, 2019	35,714
\$0.40	October 17, 2019	3,000,000
		6,002,059

8. Income taxes

The Company's effective income tax rate differs from the amount that would be computed by applying the federal and provincial statutory rate of 26.5% (2016 - 26.5%) to the pre-tax net loss for the year. The reasons for the difference are as follows:

	As at March 31,	
	2017	2016
	\$	\$
Income tax recovery based on statutory rate	(310,241)	(124,900)
Change in deferred income tax assets not recognized	155,366	114,793
Stock-based compensation	196,365	5,830
Other	(41,490)	4,277
	-	-

Deferred income tax assets and liabilities

The Company's deferred income tax assets and liabilities are valued using the future income tax rate of 26.5% (2016 - 26.5%), which is the effective rate when they are expected to be realized and are as follows:

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	As at March 31,	
	2017	2016
	\$	\$
Asset		
Exploration and evaluation	590,300	588,877
Non-capital loss and capital loss carryforward and share issue costs	1,706,234	1,504,759
Unrealized capital losses on investments	181,288	217,142
	<u>2,477,822</u>	<u>2,310,778</u>
Deferred tax assets not recognized	(2,477,822)	(2,310,778)
	<u>—</u>	<u>—</u>

Losses carried forward

At March 31, 2017, the Company had non-capital loss carryforwards which expire as follows:

	\$
2027	347,000
2028	740,000
2029	958,000
2030	815,000
2031	556,000
2032	642,000
2033	359,000
2034	249,000
2035	496,000
2036	461,000
2037	712,000
	<u>6,335,000</u>

Resource deductions

At March 31, 2017, the Company has cumulative Canadian exploration expenses of \$1,214,000 (2016 - \$1,208,000), cumulative Canadian development expenses of \$608,000 (2016 - \$608,000), cumulative foreign resource expenses of \$5,049,000 (2016- \$488,000) and cumulative Canadian oil and gas property expenditures of \$406,000 (2016 - \$406,000) which may be carried forward indefinitely to reduce taxable income in future years.

9. 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:

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- 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.

10. 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 March 31, 2017 had changed by 25%, with all other variables held constant, the unrealized gain (loss) would have decreased or increased by \$69,573.

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.

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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.

11. Related party transactions

	Year ended March 31,		Outstanding as at March 31,	
	2017	2016	2017	2016
	\$	\$	\$	\$
Exploration and evaluation				
Paid or payable to companies controlled by a director and an officer	15,194	58,613	46,244	50,963

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:

	Years ended March 31,		Outstanding at March 31,	
	2017	2016	2017	2016
	\$	\$	\$	\$
Exploration and evaluation consulting fees	82,000	108,000	127,630	77,040
Consulting fees	284,700	250,500	285,930	183,260

For the year ended March 31, 2017, stock options issued to directors and officers had a fair value of \$420,000 (2016 - \$22,000).

See notes 7 and 12 for other related party transactions.

12. Commitments and contingencies

Lease commitment

The Company has a joint and several commitment with Cartier Iron Corporation for annual premises rent, as follows:

	\$
Less than 1 year	89,608
1-5 years	344,290
	<u>433,898</u>

Eloro Resources Ltd.

Notes to Consolidated Financial Statements

March 31, 2017 and 2016

(expressed in Canadian dollars)

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.

Having just received the Notices, 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. See note 14, *Subsequent events*.

13. 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.

14. Subsequent events

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.

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.

Payment to Tartisan

On July 1, 2017, the Company made a payment of \$75,000 to Tartisan and title to the San Markito concession has been transferred to the Company.

Notices of assessment

On July 26, 2017, the Company received notices of assessment from Revenu Québec for the repayment of \$367,360 for the return of refunds received by the Company for the refundable tax credit on eligible exploration expenditures incurred in Québec. See note 12, *Commitments and contingencies*.