

Eloro Resources Ltd.

Consolidated Financial Statements

March 31, 2019 and 2018

(expressed in Canadian dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Eloro Resources Ltd.

Opinion

We have audited the consolidated financial statements of Eloro Resources Ltd., (the Company), and its subsidiaries, which comprise the consolidated statements of financial position as at March 31, 2019 and March 31, 2018 and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at March 31, 2019 and March 31, 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

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. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Management's discussion and analysis, but does not include the financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Mark Jakovcic.

RSM Canada LLP

Chartered Professional Accountants
Licensed Public Accountants
July 29, 2019
Toronto, Ontario

Eloro Resources Ltd.

Consolidated Statements of Financial Position

(expressed in Canadian dollars)

	Notes	As at March 31,	
		2019	2018
		\$	\$
Assets			
Current			
Cash		31,328	435,379
Receivables		14,739	76,509
Marketable securities		158,900	198,055
Due from Cartier Iron Corporation	5	258,690	87,375
Prepaid expenses		57,303	46,504
		520,960	843,822
Exploration and evaluation	6	4,761,752	4,365,186
		5,282,712	5,209,008
Liabilities			
Current			
Accounts payable and accrued liabilities	11	358,528	807,390
Shareholders' equity			
Share capital	7	28,005,717	26,801,156
Warrants	7	1,164,937	1,326,836
Contributed surplus		3,065,885	2,926,885
Foreign currency reserve		111,267	5,701
Deficit		(27,423,622)	(26,658,960)
		4,924,184	4,401,618
		5,282,712	5,209,008
Going concern	2		
Commitments and contingencies	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)

	Notes	Years ended March 31,	
		2019	2018
		\$	\$
Expenses			
Professional fees		26,435	33,980
Consulting fees	11	226,000	216,000
Stock-based compensation	7	154,000	196,000
Investor relations and marketing		195,974	305,256
General and office		229,543	226,881
Travel		68,445	110,243
Refundable tax credit notices of assessment	8	24,000	-
Foreign exchange loss		6,363	-
Loss on sale of marketable securities		103,127	-
Unrealized loss (gain) on marketable securities		(161,745)	80,237
Impairment of exploration and evaluation	6	3,028	100,729
Gain on write-off of accounts payable		(111,714)	-
Recovery of expenses		-	(142,472)
Other		1,206	-
		<u>764,662</u>	<u>1,126,854</u>
Loss		(764,662)	(1,126,854)
Other comprehensive loss to be reclassified to profit or loss in subsequent years (net of tax)			
Currency translation adjustment		105,566	6,027
Comprehensive loss		<u>(659,096)</u>	<u>(1,120,827)</u>
Loss per share-basic and diluted		(0.02)	(0.03)
Weighted average number of shares outstanding - basic and diluted		<u>35,348,753</u>	<u>32,230,959</u>

Eloro Resources Ltd.

Consolidated Statements of Changes in Equity

(expressed in Canadian dollars)

	Share capital \$ (note 6)	Warrants \$ (note 6)	Contributed surplus \$	Foreign currency reserve \$	Deficit \$	Total \$
Balance, March 31, 2018	26,801,156	1,326,836	2,926,885	5,701	(26,658,960)	4,401,618
Private placement of units	300,000	-	-	-	-	300,000
Fair value of warrants issued	(26,000)	26,000	-	-	-	-
Settlement of accounts payable	481,000	-	-	-	-	481,000
Exercise of stock options	25,000	-	-	-	-	25,000
Fair value of stock options exercised	15,000	-	(15,000)	-	-	-
Exercise of warrants	230,118	-	-	-	-	230,118
Fair value of warrants exercised	112,007	(112,007)	-	-	-	-
Fair value of expired warrants	75,892	(75,892)	-	-	-	-
Stock-based compensation	-	-	154,000	-	-	154,000
Share issue costs	(8,456)	-	-	-	-	(8,456)
Other comprehensive loss	-	-	-	105,566	-	105,566
Loss	-	-	-	-	(764,662)	(764,662)
Balance, March 31, 2019	28,005,717	1,164,937	3,065,885	111,267	(27,423,622)	4,924,184
Balance, March 31, 2017	25,276,846	1,386,693	2,763,814	(326)	(25,532,106)	3,894,921
Private placement of units	758,500	-	-	-	-	758,500
Fair value of warrants issued	(145,000)	145,000	-	-	-	-
Exercise of warrants	695,625	-	-	-	-	695,625
Fair value of warrants exercised	204,857	(204,857)	-	-	-	-
Stock-based compensation	-	-	196,000	-	-	196,000
Exercise of stock options	10,000	-	-	-	-	10,000
Fair value of stock options exercised	7,478	-	(7,478)	-	-	-
Fair value of stock options cancelled	25,451	-	(25,451)	-	-	-
Share issue costs	(32,601)	-	-	-	-	(32,601)
Other comprehensive loss	-	-	-	6,027	-	6,027
Loss	-	-	-	-	(1,126,854)	(1,126,854)
Balance, March 31, 2018	26,801,156	1,326,836	2,926,885	5,701	(26,658,960)	4,401,618

Eloro Resources Ltd.

Consolidated Statements of Cash Flows

(expressed in Canadian dollars)

	Notes	Years ended March 31,	
		2019	2018
		\$	\$
Cash provided by (used in)			
Operating activities			
Loss		(764,662)	(1,126,854)
Items not affecting cash			
Stock-based compensation	7	154,000	196,000
Loss on sale of marketable securities		103,127	-
Unrealized (gain) loss on marketable securities		(161,745)	80,237
Impairment of exploration and evaluation	6	3,028	100,729
Changes in non-cash operating working capital			
Receivables		61,770	22,698
Prepaid expenses		(10,799)	6,857
Accounts payable and accrued liabilities		(67,412)	81,294
		<u>(682,694)</u>	<u>(639,040)</u>
Financing activities			
Due to Tartisan Resources Inc.		-	(75,000)
Private placement of units		300,000	758,500
Exercise of stock options	7	25,000	10,000
Exercise of warrants	7	230,118	695,625
Share issue costs		(8,456)	(32,601)
		<u>546,662</u>	<u>1,356,524</u>
Investing activities			
Due from Cartier Iron Corporation	5	(171,315)	(84,000)
Proceeds on sale of marketable securities		97,773	-
Exploration and evaluation		(300,043)	(230,229)
		<u>(373,585)</u>	<u>(314,229)</u>
Net increase (decrease) in cash		(509,617)	403,256
Cash, beginning of year		435,379	26,096
Currency translation adjustment		105,566	6,027
Cash, end of year		<u>31,328</u>	<u>435,379</u>

Eloro Resources Ltd.

Notes to Consolidated Financial Statements

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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, 2019, the Company incurred a loss of \$764,662 (2018 - \$1,126,854) and as at that date, the Company had an accumulated deficit of \$27,423,622 (2018 - \$26,658,960) and working capital of \$162,432 (2018 - \$36,432). 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, 2019.

These consolidated financial statements were approved and authorized for issue by the Board of Directors on July 29, 2019.

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 and judgments

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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Going concern

The Company applied judgment in assessing its ability to continue as a going concern for at least 12 months. See note 2.

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 note 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.

Refundable tax credit notices of assessments

The Company applied judgment in deciding that no amount has been recorded as a liability for the refundable tax credit notices of assessments in these consolidated financial statements. 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.

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.

All intercompany transactions and balances are eliminated on consolidation.

Eloro Resources Ltd.

Notes to Consolidated Financial Statements

March 31, 2019 and 2018

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Financial instruments

Financial assets are required to be initially measured at fair value and subsequently classified at amortized cost or fair value on the basis of the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The Company's financial assets includes cash, marketable securities and due from Cartier Iron Corporation. Cash and due from Cartier Iron Corporation are classified at amortized cost because the Company's business model is to hold these financial instruments to maturity to collect contractual cash flows consisting solely of payments of principal and interest on the principal amount outstanding. Marketable securities are classified at fair value through profit and loss ("FVTPL").

Financial liabilities include accounts payable and accrued liabilities which are initially measured at fair value and subsequently classified at amortized cost.

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.

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, net of any recoveries. 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, 2019 and March 31, 2018, the Company had no property, plant and equipment.

Eloro Resources Ltd.

Notes to Consolidated Financial Statements

March 31, 2019 and 2018

(expressed in Canadian dollars)

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.

Decommissioning liabilities

The Company's activities may 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, 2019 and March 31, 2018, 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. The proceeds from the issuance of units are first allocated to the warrants and the residual amount, being the difference between the proceeds from issuance and the fair value of the warrants, is allocated to common shares.

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.

Eloro Resources Ltd.

Notes to Consolidated Financial Statements

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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. No provisions were recorded as at March 31, 2019 and 2018.

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.

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, 2019 and March 31, 2018, outstanding stock options and warrants are anti-dilutive.

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Change in accounting standards

IFRS 9, Financial Instruments ("IFRS 9")

This standard replaced *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.

On April 1, 2018, the Company adopted IFRS 9 using a modified retrospective basis. The financial statements on that date, with any reclassifications from March 31, 2018, were as follows:

Financial instrument	Classification category		Measurement category		Carrying amount April 1, 2018		
	Original IAS 39	New IFRS 9	Original IAS 39	New IFRS 9	Original IAS 39 \$	New IFRS 9 \$	Difference \$
Assets							
Cash	FVTPL	Amortized cost	FVTPL	Amortized cost	435,379	435,379	–
Marketable securities	FVTPL	FVTPL	FVTPL	FVTPL	76,509	76,509	–
Due from Cartier Iron Corporation	Amortized cost	Amortized cost	Amortized cost	Amortized cost	87,375	87,375	
Liabilities							
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost	Amortized cost	Amortized cost	807,390	807,390	–

New standards and interpretations not yet adopted

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. Due from Cartier Iron Corporation

The amount due from Cartier Iron Corporation is unsecured, non-interest bearing and due on demand. Three directors of the Company are directors of Cartier.

Eloro Resources Ltd.
Notes to Consolidated Financial Statements
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(expressed in Canadian dollars)

6. Exploration and evaluation

	March 31, 2018 \$	Exploration \$	Reimbursement \$	Impairment \$	March 31, 2019 \$
Property					
La Victoria	4,365,186	571,424	(174,858)		4,761,752
Other	–	3,028	–	(3,028)	–
	4,365,186	574,452	(174,858)	(3,028)	4,761,752

	March 31, 2017 \$	Exploration \$	Reimbursement \$	Impairment \$	March 31, 2018 \$
Property					
La Victoria	4,136,135	229,051	–	–	4,365,186
Other	–	100,729	–	(100,729)	–
	4,136,135	329,780	–	(100,729)	4,365,186

La Victoria, Peru

The Company owns a 90% interest in La Victoria (March 31, 2018 – 90%), 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.

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 29, 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
	5,000,000

On December 19, 2017, EHR earned a 10% interest in La Victoria and on February 28, 2018, the option agreement was terminated and the Company granted an option to EHR to acquire an additional 15% interest in La Victoria. In order to increase its interest, EHR must incur exploration expenditures as follows:

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	Exploration expenditures \$
To increase to an 18% interest (“Stage 2A”) June 30, 2018, subject to extension if permits are delayed (extended to December 20, 2018)	1,600,000
To increase to a 25% interest (Stage 2B”) December 31, 2018, subject to extension if permits are delayed	1,400,000
	<hr/> 5,000,000 <hr/>

On December 20, 2018, EHR increased its interest in La Victoria to 18%.

Upon the earlier of EHR deciding to maintain an 18% interest in La Victoria or earning a 25% interest in La Victoria, 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 10%, 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.

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.

In the event the Company or EHR proposes to sell any interest in La Victoria to a third party, the other party has a right of first refusal to match the terms and conditions of 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.

During the year ended March 31, 2019, the Company received \$nil (2018 - \$142,472) from EHR to offset operating expenses incurred by the Company.

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, 2017	31,044,633	25,276,846
Private placement of units (a)	428,571	300,000
Private placement of units (b)	655,000	458,500
Fair value of warrants issued (a) and (b)	—	(145,000)
Exercise of warrants	1,884,999	695,625
Fair value of warrants exercised	—	204,857
Exercise of stock options	100,000	10,000
Fair value of stock options exercised	—	7,478
Fair value of stock options cancelled	—	25,451
Share issue costs	—	(32,601)
Balance, March 31, 2018	34,113,203	26,801,156
Private placement of units (c)	750,000	300,000
Fair value of warrants issued	—	(26,000)
Settlement of accounts payable to related parties	962,000	481,000
Exercise of warrants	767,059	230,118
Fair value of warrants exercised	—	112,007
Fair value of expired warrants	—	75,892
Exercise of stock options	50,000	25,000
Fair value of stock options exercised	—	15,000
Share issue costs	—	(8,456)
Balance, March 31, 2019	36,642,262	28,005,717

Issue of common shares and units

(a) 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

(b) 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, 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.

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In connection with the private placement, the Company paid a 3.5% cash commission of \$613.

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

Warrants issued	327,500
Exercise price	\$1.00
Share price	\$0.81
Risk-free interest rate	1.23%
Expected volatility based on historical volatility	72%
Expected life of warrants	2 years
Expected dividend yield	Nil
Fair value	\$88,000
Fair value per warrant	\$0.27

(c) Private placement of units

On January 30, 2019, the Company completed a private placement of 750,000 units at a price of \$0.40 per unit for gross proceeds of \$300,000. Each unit consisted of one common share and one-half warrant, with each whole warrant entitling the holder to purchase one common share for \$0.60 until July 30, 2021. Of the private placement, directors and officers purchased 252,500 units. In connection with the private placement, the Company paid a cash commission of \$2,100.

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

Warrants issued	375,000
Exercise price	\$0.60
Share price	\$0.39
Risk-free interest rate	1.82%
Expected volatility based on historical volatility	65%
Expected life of warrants	1.5 years
Expected dividend yield	Nil
Fair value	\$26,000
Fair value per warrant	\$0.07

Settlement of accounts payable to related parties

On October 15, 2018, after receiving shareholder and regulatory approval, the Company settled unpaid management fees of \$481,000 owed to companies controlled by officers and a director as at June 30, 2018 through the issue of 962,000 common shares at a deemed price of \$0.50 per common share.

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 Nickel Corp. ("Tartisan") which are subject to the following terms:

- effective April 17, 2018 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 had 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

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(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 March 31, 2019, the Company may grant up to 36,642,262 stock options (2018 - 3,411,320). 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, 2019 is presented below:

	Weighted- average exercise price \$	Number of stock options outstanding and exercisable
Balance, March 31, 2017	0.34	2,825,000
Granted	0.83	300,000
Exercised	0.10	(100,000)
Cancelled	0.55	(50,000)
Balance, March 31, 2018	0.39	2,975,000
Granted	0.68	400,000
Exercised	0.50	(50,000)
Balance, March 31, 2019	0.42	3,325,000

The common share price when the stock options were exercised was \$0.50 (2018 - \$0.99).

A summary of the Company's stock options outstanding at March 31, 2019 is presented below:

Exercise price	Expiry date	Number of stock options outstanding and exercisable
\$0.10	January 29, 2020	1,050,000
\$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
\$0.87	November 30, 2022	200,000
\$0.70	June 12, 2023	350,000
		3,325,000

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:

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Date of grant	April 7, 2017	November 30, 2017	June 12, 2018	July 30, 2018
Expiry date	April 7, 2022	November 30, 2022	June 12, 2023	July 30, 2023
Stock options granted	100,000	200,000	350,000	50,000
Exercise price	\$0.75	\$0.87	\$0.70	\$0.50
Share price	\$0.75	\$0.87	\$0.65	\$0.50
Risk-free interest rate	1.11 %	1.63%	2.14%	2.19
Expected volatility based on historical volatility	177%	111%	76%	73%
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	\$72,000	\$124,000	\$139,000	\$15,000
Fair value per stock option	\$0.72	\$0.62	\$0.40	\$0.30

Warrants

A summary of the Company's common share warrants outstanding at March 31, 2019 is presented below:

	Weighted-average exercise price \$	Number of warrants
Balance, March 31, 2017	0.38	6,002,059
Issued	1.00	541,785
Exercised	0.37	(1,884,999)
Balance, March 31, 2018	0.46	4,658,845
Issued	0.60	375,000
Exercised	0.30	(767,059)
Expired	0.50	(350,000)
Balance, March 31, 2019	0.50	3,916,785

A summary of the Company's common share warrants outstanding at March 31, 2019 is presented below:

Exercise price	Expiry date	Number of warrants
\$0.40	October 17, 2019	3,000,000
\$1.00	May 31, 2019	214,285
\$1.00	August 16, 2019	327,500
\$0.60	July 30, 2020	375,000
		3,916,785

Restricted share units

The Company may grant 3,200,000 restricted share units and in combination with all share compensation arrangements, including the Company's stock option plan, will not exceed 20% of the issued and outstanding common shares in the capital of the Company. No restricted share units have been issued.

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% (20187 - 26.5%) to the pre-tax net loss for the year. The reasons for the difference are as follows:

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	As at March 31,	
	2019	2018
	\$	\$
Income tax recovery based on statutory rate	(202,635)	(298,616)
Change in deferred income tax assets not recognized	157,257	243,630
Stock-based compensation	40,810	51,940
Other	9,568	3,046
	—	—

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% (2018 - 26.5%), which is the effective rate when they are expected to be realized and are as follows:

	As at March 31,	
	2019	2018
	\$	\$
Asset		
Exploration and evaluation	580,605	596,365
Non-capital loss and capital loss carryforward and share issue costs	2,138,040	1,924,709
Unrealized capital losses on investments	146,605	191,919
	2,865,250	2,712,993
Deferred tax assets not recognized	(2,865,250)	(2,712,993)
	—	—

Losses carried forward

At March 31, 2019, the Company had non-capital loss carryforwards which expire as follows:

	\$
2027	373,000
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	772,000
2038	765,000
2039	671,000
	7,857,000

Resource deductions

At March 31, 2019, the Company has cumulative Canadian exploration expenses of \$1,714,000 (2018 - \$1,315,000), cumulative Canadian development expenses of \$526,000 (2018 - \$608,000), cumulative foreign resource expenses of \$4,306,000 (2018- \$4,287,000) and cumulative Canadian oil and gas property expenditures of \$406,000 (2018 - \$406,000) which may be carried forward indefinitely to reduce taxable income in future years.

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Refundable tax credit notices of assessment

On July 26, 2017, the Company received refundable tax credit 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 Company has filed notices of objection with respect to the Notices 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.

Pending resolution of the Notices, the Company is making payments of \$2,000 per month to Revenu Québec. As at March 31, 2019, the Company had made payments of \$24,000 which has been recorded in the consolidated statement of loss and comprehensive loss.

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.

Due from Cartier and accounts payable and accrued liabilities

The fair value of due from Cartier and 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 the Black-Scholes option pricing model. Measurement inputs include share price on grant date, exercise price, expected volatility based on historical volatility, 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

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.

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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 and due from Cartier.

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, 2019 had changed by 25%, with all other variables held constant, the unrealized gain (loss) would have decreased or increased by \$39,725.

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.

11. Related party transactions

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:

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	Years ended March 31,		Outstanding at March 31,	
	2019	2018	2019	2018
	\$	\$	\$	\$
Exploration and evaluation consulting fees	27,896	—	20,393	—
Consulting fees	216,000	238,755	90,000	417,675

For the year ended March 31, 2019, no stock options were issued to directors and officers.

See note 5 for other related party transactions.

12. Commitments and contingencies

Lease

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

	\$
Less than 1 year	92,653
1-5 years	185,301
More than 5 years	—
	<u>277,958</u>

Value-added tax

In Peru, the Company has paid a value added tax, *Impuesto General a las Ventas* ("IGV"), on the purchase of goods and services which may be recovered against IGV collected on sales by the Company. The Company has paid IGV of \$489,048 (2018 - \$301,474), of which, the Company is obligated to pay \$477,591 (2018 - \$236,958) to EHR upon recovery. The remaining IGV of \$11,457 (2018 - \$64,516) has been included in exploration and evaluation.

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.