

# ***Eloro Resources Ltd.***

## ***Management's Discussion and Analysis***

This Management's Discussion and Analysis ("MD&A") provides discussion and analysis of the financial condition and results of operations of Eloro Resources Ltd. (the "Company") for the 6 months ended September 30, 2015 and should be read in conjunction with the condensed interim consolidated financial statements and the accompanying notes. The MD&A is the responsibility of management and is dated as of November 30, 2015.

All dollar amounts are stated in Canadian dollars unless otherwise indicated. Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Forward-Looking Statements**

This MD&A may contain, without limitation, statements concerning possible or assumed future operations, performance or results preceded by, followed by or that include words such as "believes", "expects", "potential", "anticipates", "estimates", "intends", "plans" and words of similar connotation, which would constitute forward-looking statements. Forward-looking statements are not guarantees. The reader should not place undue reliance on forward-looking statements and information because they involve risks and uncertainties that may cause actual operations, performance or results to be materially different from those indicated in these forward-looking statements. The Company is under no obligation to update any forward-looking statements contained herein should material facts change due to new information, future events or other factors. These cautionary statements expressly qualify all forward-looking statements in this MD&A.

### **The Company**

The Company is a Canadian-based gold exploration and development company with a gold-silver property in Peru and base metal properties and royalties in the province of Quebec.

The Company is a reporting issuer in Ontario, Alberta and British Columbia and its common shares are listed for trading on Tier 2 of the TSX Venture Exchange ("TSXV") under the symbol ELO and on the Frankfurt Stock Exchange under the symbol WKN 909833.

### **Overall Performance**

#### ***Private placement of units***

On September 3, 2015, the Company completed a private placement of 1,250,000 units at a price of \$0.12 per unit for gross proceeds of \$150,000. Each unit consisted of one common share and one half of one common share purchase warrant entitling the holder to purchase one common share for \$0.24 until September 3, 2017. Of the private placement, 48,333 units were purchased by a director and officers of the Company. The proceeds of the private placement will be used for working capital purposes and to finance exploration efforts on the Company's optioned La Victoria Property in Peru.

#### ***Shares-for-debt transaction***

On October 5, 2015, the Company issued 2,966,667 common shares (of which, 2,816,667 common shares were issued to insiders of the Company) at a deemed price of \$0.12 per share to settle debts of \$356,000. 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. The shares-for-debt transaction was undertaken by the Company in order to conserve capital and improve the Company's balance sheet while global financial markets remain turbulent and financing junior exploration companies remains difficult.

#### ***La Victoria, Peru***

On July 3, 2014, the Company acquired an option from Tartisan Resources Corp. ("Tartisan"), as amended November 28, 2014, June 4, 2015 and June 24, 2015, to earn a 60% interest in La Victoria, a gold-silver property consisting of 8 claims covering 3,434 hectares in the Huandoval District, Pallasca Province, Ancash Department, in the North-Central Mineral Belt of Peru. The option covers the following concessions: Ccori Orcco 1, Rufina, Rufina No. 2, San Felipe 1, San Felipe 2, San Markito, Santa Ana 1 and Victoria-APB.

In order to earn its interest, the Company must make option payments and incur exploration expenditures, as follows:

	Option payments	Exploration expenditures
	\$	\$
<b>To earn 60% interest</b>		
On closing (paid)	50,000	–
July 3, 2015 (paid in advance on November 28, 2014)	50,000	–
June 5, 2015 (paid)	75,000	–
September 1, 2015 (paid)	45,000	–
January 3, 2016 (extended from July 3, 2015)	–	43,578
January 3, 2017 (extended from July 3, 2016)	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

During the term of the option, if the option holder Tartisan is granted the concession for San Felipe 3 consisting of 600 hectares, it will be added to the option and the Company must make additional exploration expenditures of \$206,422 to earn its interest in La Victoria.

If either party 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 the Company earns its 60% interest, the Company will be deemed to have a 60% interest and the option holder will be deemed to have a 40% participating interest. In the event that the agreement is terminated before Company earns its 60% interest, the Company shall transfer its interest in any additional properties within the area of interest to the option holder.

Upon the Company earning its 60% interest, a joint venture will be deemed to be formed to explore and develop La Victoria and the parties will use their best efforts to enter into a joint venture agreement. If a party does not fund its proportionate share of the approved work plan and budget and the other party funds at least 80%, their interest will be diluted and when their 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 1.5% by making a payment of \$1,000,000. Each party shall have the right of first refusal on the sale of the other party's interest.

On June 4, 2015 the Company amended the terms of the option and joint venture agreement, whereby the Company was granted the right to acquire an additional 10% in the option to earn a 60% interest in La Victoria. The consideration paid for the additional 10% earn-in interest was the payment of \$120,000, paid in two instalments; \$75,000 which was paid upon closing and the balance paid on September 1, 2015.

#### Exploration at La Victoria

On March 2, 2015, the Company announced sample assay results containing up to 4.1 g/t Gold and 427 g/t Silver from grab samples collected from the Rufina and San Markito mineralized zones (complete sample assay results can be viewed in the March 2, 2015 press release available under the Company's filings on [www.sedar.com](http://www.sedar.com)).

An initial site visit to La Victoria was conducted by the Company with the objective of evaluating the geological interpretation of the Rufina and San Markito mineralized zones as a prelude to a drilling, trenching and bulk sampling program. Permits for the proposed exploration program are expected during the third quarter of 2015. A highlight of the site visit was the discovery of a previously unidentified mineralized zone on the south side of the Pica fault, which bisects the Rufina target. The new zone, which was exposed during recent government road-work, includes a layer of oxidized copper mineralization over intense argillic alteration, with disseminated pyrite, chalcopyrite, galena, and sphalerite in the footwall of silicified fine-grained sediments.

On August 12, 2015, the Company announced it had received additional assays taken from the Rufina East, Rufina West, and San Markito mineralized zones of La Victoria. Highlights included: i) measured chip samples from the New Mineralized Zone on Rufina East ranged from 8.4 g/t gold, 39.6 g/t silver, and 1.26% copper to 63.8 g/t gold, 52.7 g/t silver, and 0.77% copper, ii) assays averaging 1.35 g/t gold and 29.80 g/t silver were received from three samples taken from Rufina West; and assays averaging 0.77 g/t gold and 307.30 g/t silver were received from two samples of the Breccia Zone on the San Markito Sector, and iii) in addition, assay values of 3.79 g/t gold and 34.6 g/t silver were obtained from a 45cm chip sample collected from a zone of graphitic sediments some 120m east of the New Mineralized Zone on Rufina East, where no sampling had been done previously.

Samples were taken for: i) geochemical background testing; ii) geometallurgical studies, including the role of arsenopyrite in gold mineralization, and; iii) initial comminution testing of the mineralizing environments at Rufina East (oxide), Rufina West (oxide > sulphide) and San Markito (sulphide > oxide). The samples were collected during Eloro's April 2015 site visit.

On October 8, 2015, the Company announced the results of assays for 86 rock samples taken from the Rufina East and Rufina West mineralized zones. Chip-channel samples from the Rufina West Mineralized Zone ranged from 1.33 g/t gold / 15.0 g/t silver, to 16.6 g/t gold / 157.3 g/t silver / 1.41% copper. The results demonstrate that mineralization continues over approximately 590 m of exposed diorite porphyry host rock. Saw-channels of 0.9 m to 2.0 m, cut at Rufina East, were designed to extend the boundaries of the New Mineralized Zone into hanging wall and footwall argillically altered zones. Results from these channels ranged from 0.03 g/t gold / 26.4 g/t silver / 0.11% copper, to 5.63 g/t gold / 12.1 g/t silver / 0.31% copper.

Complete assay results can be viewed in the August 12, 2015 and October 8, 2015 press releases available under the Company's filings on [www.sedar.com](http://www.sedar.com).

Mechanized trenching, diamond-drilling, and metallurgical testing are planned for 2015/2016 on the La Victoria once the Declaración de Impacto Ambiental project environmental permit has been approved by the Peruvian Ministry of the Environment.

Further exploration programs at La Victoria are contingent upon the Company raising an adequate amount of financing.

#### **Summit Gabbre Gold/Copper/Zinc Property, Quebec**

On August 17, 2015, the Company abandoned the claims for Summit-Gabbre.

#### **Risks and Uncertainties**

The Company is in the exploration stage and has no revenue. During the 6 months ended September 30, 2015, the Company recorded a loss of \$260,121 (2014 - \$167,560) and as at that date, the Company had accumulated deficit of \$24,150,512 (March 31, 2015 - \$23,890,391), a working capital deficit of \$318,835 (March 31, 2015 - working capital of \$67,908) and cash flow from operations of \$12,539 (2014 - \$23,238). 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.

The Company is exposed to the inherent risks associated with mineral exploration and development, including the uncertainty of mineral resources and their development into mineable reserves; the uncertainty as to potential project delays from circumstances beyond the Company's control; and the timing of production; as well as title risks, risks associated with joint venture agreements and the possible failure to obtain mining licenses.

The Company is exposed to commodity price risk. A significant decline in precious and base metal commodity prices may affect the Company's ability to obtain capital for the exploration and development of its mineral resource properties.

#### **Results of Operations**

	3 months ended September 30,		6 months ended September 30,	
	2015	2014	2015	2014
	\$	\$	\$	\$
<b>Expenses</b>				
Professional fees	6,091	6,673	12,128	17,215
Consulting fees	61,500	46,500	123,000	108,000
Investor relations and marketing	16,380	635	69,318	1,142
General and office	20,826	22,352	34,055	30,471
Travel	4,050	—	4,050	—
Loss on sale of marketable securities	12,340	—	13,940	—
Unrealized loss (gain) on marketable securities	(8,237)	2,679	(9,876)	8,254
Writedown of exploration and evaluation	2,890	—	13,505	2,478
	115,840	78,840	260,121	167,560
<b>Loss</b>	(115,840)	(78,840)	(260,121)	(167,560)

### **6 months ended September 30, 2015**

Increase in the loss for the 6 months ended September 30, 2015 compared to the comparative period in the previous year is due primarily to the following:

- a) an increase in consulting fees related to increases granted to management.
- b) an increase in investor relations and marketing including the production of a promotional video.
- c) loss on the sale of marketable securities.
- d) an increase in the writedown of exploration and evaluation for properties that have been previously written off.

### **3 months ended September 30, 2015**

Increase in the loss for the 3 months ended September 30, 2015 compared to the comparative period in the previous year is due primarily to the following:

- a) an increase in consulting fees related to increases granted to management.
- b) an increase in investor relations and marketing including the production of a promotional video.
- c) loss on the sale of marketable securities.

### **Summary of Quarterly Results**

	<b>Q3 2014 \$</b>	<b>Q4 2014 \$</b>	<b>Q1 2015 \$</b>	<b>Q2 2015 \$</b>	<b>Q3 2015 \$</b>	<b>Q4 2015 \$</b>	<b>Q1 2016 \$</b>	<b>Q2 2016 \$</b>
Revenue	–	–	–	–	26,698	3,227	–	–
Income (loss)								
- Total	(78,689)	(10,070,235) <small>(note 1)</small>	(88,271)	(78,840)	(115,687)	(349,289) <small>(note 2)</small>	(144,280)	(115,840)
- Per share	(0.01)	(1.61)	(0.01)	(0.01)	(0.02)	(0.03)	(0.01)	(0.01)

Note 1: Loss included a writedown of the Simkar and Louvicourt properties of \$11,458,292.

Note 2: Loss included stock-based compensation of \$114,000 and a writedown of the Summit-Gabbre property on \$130,547.

### **Liquidity and Capital Resources**

The Company is not in commercial production on any of its mineral resource properties, and accordingly, the Company has no revenues. The Company finances its operations by raising capital in the equity markets.

During the 6 months ended September 30, 2015, the Company recorded a loss of \$260,121 (2014 - \$167,500) and as at that date, the Company had accumulated deficit of \$24,150,512 (March 31, 2015 - \$23,890,391), a working capital deficit of \$318,834 (March 31, 2015 - working capital of \$67,908) and cash flow from operations of \$12,539 (2014 - \$23,238). 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 it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

## Transactions with Related Parties

	6 months ended September 30, 2015 \$	Outstanding as at September 30 2015 \$
<b>Exploration and evaluation</b>		
MRB & Associates, a company controlled by Martin Bourgoïn and John Langton, officers, for geological consulting services	34,828	25,751
John Langton, for his services as President	24,000	27,120
Steel & Associates, a company controlled by Jim Steel, for his services and Senior Vice President, Mining	30,000	33,900
<b>Consulting fees</b>		
847785 Ontario Ltd., a company controlled by Thomas G. Larsen, for his services as Chief Executive Officer	48,000	82,490
Marlborough Management Limited, a company controlled by Miles Nagamatsu, for his services as Chief Financial Officer	30,000	56,500
J. Estepa Consulting Inc., a company controlled by Jorge Estepa, for his services as Vice President and Corporate Secretary	30,000	56,500
A.S. Horvath Engineering Incorporated, a company controlled by Alexander Horvath, a director, for geological consulting services	15,000	36,725

### New standards and interpretations not yet adopted

The following amendment to standards will be effective for annual periods beginning on or after January 1, 2016:

#### *IAS 1, Presentation of Financial Statements*

The amendments are designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements. The amendments make clear 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 following amendment to standards will be effective for periods beginning on or after January 1, 2018:

#### *IFRS 9, Financial Instruments ("IFRS 9")*

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

### Critical Accounting 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:

#### *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.

#### *Stock-based compensation*

The Company uses the Black-Scholes option pricing model in determining stock-based compensation, 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.

#### *Warrants*

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 issued, which requires a number of assumptions to be made, including the risk-free interest rate, expected life, forfeiture rate and expected share price volatility.

#### *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.

### **Financial instruments and risk management**

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.

#### *Warrants and stock options*

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

#### *Classification of fair value of financial instruments*

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

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

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

### **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.

**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 September 30, 2015 had changed by 25%, with all other variables held constant, the loss would have decreased or increased by \$4,977.

**Interest rate risk**

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

**Capital management**

Capital of the Company consists of share capital, warrants, contributed surplus 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.

**Other Information****Additional Disclosure for Venture Corporations without Significant Revenue**

The following table sets forth a breakdown of material components of the general and administration costs, capitalized or expensed exploration and development costs of the Company for the periods indicated.

	<b>6 months ended September 30,</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
<b>General and office expenses</b>		
Rent	10,721	—
Office	227	1,319
Insurance	10,901	12,460
Public company costs	12,206	16,692
	<b>34,055</b>	<b>30,471</b>

## Exploration and evaluation

	March 31, 2015 \$	Acquisition costs \$	Exploration \$	Writedown \$	September 30, 2015 \$
<b>Property</b>					
La Victoria	128,224	120,000	149,320	–	397,544
Other	–	–	13,505	(13,505)	–
	128,224	120,000	162,825	(13,505)	397,544

## Shares Outstanding as at November 30, 2015

### Shares

#### Authorized:

An unlimited number of common shares without par value.

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

#### Outstanding:

17,766,446 common shares

### Warrants

#### Outstanding:

Exercise price	Expiry date	Warrants outstanding
\$10.00	December 8, 2016	308,058
\$0.15	February 19, 2017	1,500,000
\$0.24	September 3, 2015	625,000
		2,433,058

### Stock options

#### Authorized:

1,776,644 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. 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.

#### Outstanding

Exercise price	Expiry date	Options outstanding and exercisable
\$0.10	January 29, 2020	1,150,000
\$0.15	February 27, 2020	200,000
		1,350,000