

# **Eloro Resources Ltd.**

## **Condensed Interim Consolidated Financial Statements**

**December 31, 2015**

(expressed in Canadian dollars)

(unaudited)

### **Management's Comments on Unaudited Condensed Interim Consolidated Financial Statements**

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

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

# Eloro Resources Ltd.

## Consolidated Statements of Financial Position

(expressed in Canadian dollars)  
(unaudited)

	Notes	As at December 31, 2015 \$	As at March 31, 2015 \$
<b>Assets</b>			
Current			
Cash		85,229	255,305
Receivables	4	39,086	21,255
Marketable securities		26,300	76,034
Prepaid expenses		36,148	55,007
		186,763	407,601
Exploration and evaluation	5	452,886	128,224
		639,649	535,825
<b>Liabilities</b>			
Current			
Accounts payable and accrued liabilities	11	301,781	339,693
<b>Shareholders' equity</b>			
Share capital	6	22,217,469	21,792,709
Warrants	6	309,000	265,000
Contributed surplus		2,050,814	2,028,814
Deficit		(24,239,415)	(23,890,391)
		337,867	196,132
		639,649	535,825
<b>Going concern</b>	2		
<b>Subsequent event</b>	11		

**Approved by the Board:**

Thomas Larsen  
**Director**

Francis Sauve  
**Director**

# Eloro Resources Ltd.

## Consolidated Statements of Loss and Comprehensive Loss

	Notes	3 months ended December 31,		9 months ended December 31,	
		2015 \$	2014 \$	2015 \$	2014 \$
<b>Revenue</b>					
Other		-	26,698	-	26,698
<b>Expenses</b>					
Professional fees		5,840	7,471	17,968	24,687
Consulting fees		61,500	61,500	184,500	169,500
Stock-based compensation	6	22,000	-	22,000	-
Investor relations and marketing		9,330	11,600	78,648	12,742
General and office		25,772	20,756	59,828	51,226
Travel		-	7,500	4,050	7,500
Loss on sale of marketable securities		-	-	13,940	-
Unrealized loss (gain) on marketable securities		(6,390)	29,932	(16,266)	38,186
Writedown of exploration and evaluation		8,859	3,627	22,364	6,105
Gain on settlement of accounts payable		(38,008)	-	(38,008)	-
		88,903	142,385	349,024	309,946
<b>Loss and comprehensive loss</b>		(88,903)	(115,687)	(349,024)	(283,248)
<b>Loss per share-basic and diluted</b>		-	(0.02)	(0.02)	(0.05)
<b>Weighted average number of shares outstanding- basic and diluted</b>		17,605,214	6,239,779	15,029,234	6,239,779

# Eloro Resources Ltd.

## Consolidated Statements of Changes in Equity

(expressed in Canadian dollars)

(unaudited)

	Share capital \$ (note 6)	Warrants \$ (note 6)	Contributed surplus \$	Deficit \$	Total \$
<b>Balance, March 31, 2015</b>	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	(7,574)	-	-	-	(7,574)
Shares-for-debt transaction	326,333	-	-	-	326,333
Stock-based compensation	-	-	22,000	-	22,000
Loss	-	-	-	(349,024)	(349,024)
<b>Balance, December 31, 2015</b>	<b>22,217,468</b>	<b>309,000</b>	<b>2,050,814</b>	<b>(24,239,415)</b>	<b>337,867</b>
<b>Balance, March 31, 2014</b>	21,342,159	220,000	1,914,814	(23,257,854)	219,119
Loss	-	-	-	(283,248)	(283,248)
<b>Balance, December 31, 2014</b>	<b>21,342,159</b>	<b>220,000</b>	<b>1,914,814</b>	<b>(23,541,102)</b>	<b>(64,129)</b>

# Eloro Resources Ltd.

## Consolidated Statements of Cash Flows

(expressed in Canadian dollars)  
(unaudited)

	Notes	9 months ended December 31,	
		2015 \$	2014 \$
<b>Cash provided by (used in)</b>			
<b>Operating activities</b>			
Loss		(349,024)	(283,248)
Items not affecting cash			
Stock-based compensation		22,000	-
Loss on sale of marketable securities		13,940	-
Unrealized loss (gain) on marketable securities		(16,266)	38,186
Writedown of exploration and evaluation		22,364	6,105
Changes in non-cash operating working capital			
Receivables		(17,831)	370,695
Prepaid expenses		18,859	(5,774)
Accounts payable and accrued liabilities		269,163	178,734
		(36,796)	304,699
<b>Financing activities</b>			
Advances payable		-	52,500
Due to Cartier Iron Corporation		-	10,000
Private placement of units	6	150,000	-
Share issue costs		(7,574)	-
		142,426	62,500
<b>Investing activities</b>			
Proceeds on sale of marketable securities		52,060	-
Exploration and evaluation		(327,767)	(119,541)
		(275,707)	(119,541)
<b>Net increase (decrease) in cash</b>		(170,076)	247,658
<b>Cash, beginning of period</b>		255,305	10,339
<b>Cash, end of period</b>		85,229	257,997
<b>Non-cash transactions</b>			
Receipt of option payment paid in common shares		-	18,000
Shares-for-debt transaction	6	326,333	-
<b>Supplementary information</b>			
Interest paid		-	-
Income taxes paid		-	-

# Eloro Resources Ltd.

## Notes to Condensed Interim Consolidated Financial Statements

### December 31, 2015

(expressed in Canadian dollars)  
(unaudited)

#### 1. Nature of operations

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

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

#### 2. Going-concern

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

The Company is in the exploration stage and has no revenue. During the 9 months ended December 31, 2015, the Company recorded a loss of \$349,024 (2014 - \$283,248) and as at that date, the Company had accumulated deficit of \$24,239,415 (March 31, 2015 - \$23,890,391), a working capital deficit of \$115,018 (March 31, 2015 - working capital of \$67,908) and cash flow deficit from operations of \$36,796 (2014 - cash flow surplus of \$304,699). These factors create material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern.

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

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

#### 3. Basis of presentation

##### Statement of compliance

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

The accounting policies used in these condensed interim consolidated financial statements are consistent with those disclosed in the Company's audited consolidated financial statements for the year ended March 31, 2015.

These condensed interim consolidated financial statements do not include certain information and disclosures normally included in annual financial statements prepared in accordance with IFRS and should be read in conjunction with the Company's annual financial statements for the year ended March 31, 2015.

These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors on February 29, 2016.

##### 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.

**4. Receivables**

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

	<b>Outstanding claims related to years ended March 31,</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Claim</b>			
Refundable Tax Credit	–	–	–
Credit on Duties	–	3,759	49,446

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

**5. Exploration and evaluation**

	<b>March 31, 2015</b>	<b>Acquisition costs</b>	<b>Exploration</b>	<b>Writedown</b>	<b>December 31, 2015</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>		<b>\$</b>
<b>Property</b>					
La Victoria	128,224	120,000	204,662	–	452,886
Other	–	–	22,364	(22,364)	–
	128,224	120,000	227,026	(22,364)	452,886

**La Victoria, Peru**

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 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 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:

	<b>Option payments</b>	<b>Exploration expenditures</b>
	<b>\$</b>	<b>\$</b>
<b>To earn a 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 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 the 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.

### Lemoyne North, Quebec

On December 21, 2015, the Company entered into a services agreement for work to be completed in 2 phases related to the Company's Lemoyne North gold/copper/zinc claims in Québec:

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 (see note 11 for subsequent event)	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

During the year ended March 31, 2012, the Company decided not to commit any further funds and wrote off exploration and evaluation related to Lemoyne North.

### Summit-Gabbre, Quebec

At March 31, 2015, the Company recorded an impairment loss of \$130,457 to write off Summit-Gabbre. On August 17, 2015, the Company abandoned the claims for Summit-Gabbre.

## 6. Share capital

### Authorized

An unlimited number of common shares without par value.

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

### Outstanding

	Number of common shares	Amount \$
Balance, March 31, 2015	13,549,779	21,792,709
Private placement of units	1,250,000	150,000
Fair value of warrants issued	–	(44,000)
Shares-for-debt transaction	2,966,667	326,333
Share issue costs	–	(7,302)
Balance, December 31, 2015	17,766,446	22,217,740

### 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 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
Fair value	\$44,000
Fair value per warrant	\$0.07

#### Shares-for-debt transaction

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. 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.

#### 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 December 31, 2015, the Company may grant up to 1,776,644 stock options (March 31, 2015 - 1,354,977). The exercise price for stock options will not be less than the market price of the common shares on the date of the grant, less any discount permissible under the rules of the TSX Venture Exchange. The maximum term for stock options will be 5 years and stock options granted will vest immediately.

A summary of the Company's stock options outstanding and exercisable at December 31, 2015 is presented below:

	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, December 31, 2015	0.11	1,550,000

Exercise price	Expiry date	Number of stock options outstanding and exercisable
\$0.10	January 29, 2020	1,150,000
\$0.15	February 29, 2020	200,000
\$0.12	December 7, 2020	200,000
		1,550,000

#### Grant of stock options

On December 7, 2015, the Company granted 200,000 stock options to an arm's length consultant entitling the holder to purchase one common share for \$0.12 until December 7, 2020.

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

Date of grant	December 7, 2015
Expiry date	December 7, 2020
Options granted	200,000
Exercise price	\$0.12
Share price	\$0.12
Risk-free interest rate	0.87%
Expected volatility based on historical volatility	153%
Expected life of stock options	5 years
Expected dividend yield	0%
Forfeiture rate	0%
Vesting	On date of grant
Fair value	\$22,000
Fair value per stock option	\$0.11

## Warrants

A summary of the Company's warrants outstanding at December 31, 2015 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, December 31, 2015	1.42	2,433,058

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

## 7. Determination of fair values

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

### *Accounts payable and accrued liabilities*

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

### *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.

## **8. Financial risk management**

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

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

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

### ***Credit risk***

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

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

### ***Liquidity risk***

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

### ***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 December 31, 2015 had changed by 25%, with all other variables held constant, the loss would have decreased or increased by \$6,575.

### ***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.

## 9. Related party transactions

	9 months ended December 31,		Outstanding at	Outstanding at
	2015	2014	December 31,	March 31,
	\$	\$	2015	2015
			\$	\$
<b>Exploration and evaluation</b>				
Paid or payable to a company controlled by 2 officers	34,428	–	25,751	12,096

### 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:

	9 months ended December 31,		Outstanding at	Outstanding at
	2015	2014	December 31,	March 31,
	\$	\$	2015	2015
			\$	\$
Exploration and evaluation consulting fees	81,000	4,136	4,136	–
Consulting fees	189,000	154,500	162,720	232,215

## 10. 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.

## 11. Subsequent event

On January 5, 2016, the Company issued 208,333 common shares with a fair value of \$20,833 in respect of a services agreement for work to be completed in 2 phases related to the Company's Lemoyne North gold/copper/zinc claims in Québec (see note 5).