

Eloro Resources Ltd.

Condensed Interim Consolidated Financial Statements

June 30, 2019

(expressed in Canadian dollars)

(unaudited)

Management's Comments on Unaudited Condensed Interim Consolidated Financial Statements

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

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

Eloro Resources Ltd.

Consolidated Statements of Financial Position

(expressed in Canadian dollars)

(unaudited)

	Notes	As at June 30, 2019 \$	As at March 31, 2019 \$
Assets			
Current			
Cash		24,754	31,328
Receivables		10,130	14,739
Marketable securities		81,350	158,900
Due from Cartier Iron Corporation	4	79,624	258,690
Prepaid expenses		57,297	57,303
		253,155	520,960
Right-of-use asset	3	106,589	-
Exploration and evaluation	5	4,853,566	4,761,752
		5,213,310	5,282,712
Liabilities			
Current			
Accounts payable and accrued liabilities	10	416,702	358,528
Current portion of lease liabilities	3	41,030	-
		457,732	358,528
Lease liabilities	3	66,338	-
		524,070	358,528
Shareholders' equity			
Share capital	6	28,142,145	28,005,717
Warrants	6	1,107,937	1,164,937
Contributed surplus		2,986,457	3,065,885
Foreign currency reserve		119,878	111,267
Deficit		(27,667,177)	(27,423,622)
		4,689,240	4,924,184
		5,213,310	5,282,712
Going concern	2		
Commitments and contingencies	11		

Approved by the Board:

Thomas Larsen
Director

Francis Sauve
Director

Eloro Resources Ltd.

Consolidated Statements of Loss and Comprehensive Loss

(expressed in Canadian dollars)

(unaudited)

	Notes	3 months ended June 30, 2019 \$	2018 \$
Expenses			
Professional fees		6,250	6,400
Consulting fees	10	70,370	54,000
Stock-based compensation		-	139,000
Investor relations and marketing		23,344	88,794
General and office		31,533	40,265
Travel		17,462	13,964
Depreciation	3	10,659	-
Interest	3	1,709	-
Foreign exchange loss		11,733	-
Gain (loss) on sale of marketable securities		(9,410)	189,468
Unrealized loss (gain) on marketable securities		75,550	(157,545)
Impairment of exploration and evaluation	5	4,395	2,225
Refundable tax credit notices of assessment	7	6,000	-
Other		(6,039)	(6,880)
		<u>243,555</u>	<u>369,693</u>
Loss		(243,555)	(369,693)
Other comprehensive loss to be reclassified to profit or loss in subsequent years (net of tax)			
Currency translation adjustment		8,611	1,624
Comprehensive loss		<u>(234,944)</u>	<u>(368,069)</u>
Loss per share-basic and diluted		(0.01)	(0.01)
Weighted average number of shares outstanding - basic and diluted		<u>36,642,262</u>	<u>34,633,966</u>

Eloro Resources Ltd.

Consolidated Statements of Changes in Equity

(expressed in Canadian dollars)

(unaudited)

	Share capital \$ (note 6)	Warrants \$ (note 6)	Contributed surplus \$	Foreign currency reserve \$	Deficit \$	Total \$
Balance, March 31, 2019	28,005,717	1,164,937	3,065,885	111,267	(27,423,622)	4,924,184
Fair value of expired warrants	57,000	(57,000)	-	-	-	-
Fair value of cancelled stock options	79,428	-	(79,428)	-	-	-
Other comprehensive loss	-	-	-	8,611	-	8,611
Loss	-	-	-	-	(243,555)	(243,555)
Balance, June 30, 2019	28,142,145	1,107,937	2,986,457	119,878	(27,667,177)	4,689,240
Balance, March 31, 2018	26,801,156	1,326,836	2,926,885	5,701	(26,658,960)	4,401,618
Exercise of warrants	230,118	-	-	-	-	230,118
Fair value of warrants exercised	112,007	(112,007)	-	-	-	-
Stock-based compensation	-	-	139,000	-	-	139,000
Other comprehensive loss	-	-	-	1,624	-	1,624
Loss	-	-	-	-	(369,693)	(369,693)
Balance, June 30, 2018	27,143,281	1,214,829	3,065,885	7,325	(27,028,653)	4,402,667

Eloro Resources Ltd.

Consolidated Statements of Cash Flows

(expressed in Canadian dollars)

(unaudited)

	Notes	3 months ended June 30, 2019 \$	2018 \$
Cash provided by (used in)			
Operating activities			
Loss		(243,555)	(369,693)
Items not affecting cash			
Depreciation		10,659	-
Interest		1,709	-
Stock-based compensation		-	139,000
Loss on sale of marketable securities		(9,410)	189,468
Unrealized (gain) loss on marketable securities		75,550	(157,545)
Impairment of exploration and evaluation	5	4,395	2,225
Changes in non-cash operating working capital			
Receivables		4,609	41,467
Prepaid expenses		6	(5,606)
Accounts payable and accrued liabilities		99,896	(117,150)
		(56,141)	(277,832)
Financing activities			
Exercise of warrants		-	230,118
Interest paid		(1,709)	-
Repayment of lease liabilities		(9,880)	-
		(11,589)	230,118
Investing activities			
Due from Cartier Iron Corporation	4	179,066	(134,501)
Proceeds on sale of marketable securities		11,410	3,031
Exploration and evaluation		(137,931)	224,048
		52,544	92,578
Net increase (decrease) in cash		(15,185)	44,863
Cash, beginning of period		31,328	435,379
Currency translation adjustment		8,611	1,624
Cash, end of period		24,754	481,866

Eloro Resources Ltd.

Notes to Condensed Interim Consolidated Financial Statements

June 30, 2019

(expressed in Canadian dollars)
(unaudited)

1. Nature of operations

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

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

2. Going-concern

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

The Company is in the exploration stage and has no revenue. During the 3 months ended June 30, 2019, the Company recorded a loss of \$234,555 (2018 - \$369,693) and as at that date, the Company had accumulated deficit of \$27,667,177 (March 31, 2019 - \$27,423,622), working capital deficit of \$163,548 (March 31, 2019 - \$162,432) and cash flow deficit from operations of \$197,414 (2018 - \$277,832). 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, 2019.

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, 2019.

These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors on August 27, 2019.

Changes in accounting standards

On April 1, 2019, the Company adopted *IFRS 16, Leases* ("IFRS 16"). According to IFRS 16, a contract is, or contains a lease when the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. With exceptions for certain short-term leases and leases of low-value assets, IFRS 16 requires a lessee to recognize lease contracts as a right-of-use asset representing its right to use an identified asset for a period of time and a lease liability representing its obligation to make lease payments.

The Company has applied IFRS 16 using the modified retrospective approach, with the cumulative effect of initially applying the standard as an adjustment to retained earnings and no restatement of comparative information which continues to be reported under *IAS 17, Leases*.

The right-of-use asset is initially measured at cost, which comprises the amount of the initial measurement of the lease liability and any lease payments made at or before the commencement date. Right-of-use assets are subsequently depreciated from the commencement date of the lease to the earlier of the end of the lease term or the end of the useful life of the asset. The right-of-use asset is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability.

The lease liability is initially recognized as the present value of future lease payments discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's applicable incremental borrowing rate. The incremental borrowing rate is the rate which the Company would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset. The lease liability is subsequently measured by reducing the carrying amount to reflect lease payments made and to reflect any reassessments or modifications.

The Company is a party to a lease for offices premises until December 31, 2021. At April 1, 2019, the Company used its incremental borrowing rate of 6% to measure its lease liabilities.

	\$
Lease commitments at March 31, 2019	127,479
Discount using the incremental borrowing rate of 6%	(10,231)
Lease liabilities recognized at April 1, 2019	117,428

At April 1, 2019, the impact of adopting IFRS 16 on the Company's statement of financial position was as follows:

	\$
Assets	
Right-of-use asset	117,428
Liabilities	
Current	
Current portion of lease liabilities	40,421
Lease liabilities	70,007
	117,428

4. 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.

5. Exploration and evaluation

	March 31, 2019 \$	Expenditures \$	Writedown \$	June 30, 2019 \$
Property				
La Victoria	4,761,752	91,815	—	4,853,566
Other	—	4,395	(4,395)	—
	4,761,752	96,210	(4,395)	4,853,566

La Victoria, Peru

The Company owns an 82% interest in La Victoria (March 31, 2019 - 82%), 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

EHR Resources Limited ("EHR") owns an 18% interest in La Victoria and the Company has granted an option to EHR to increase its interest to 25%. The option agreement provides that EHR will have 45 days from the date that the Company receives all permits required to commence drilling at San Markito to provide written notice of its intention to proceed to increase its interest to 25%, failing which, the option will expire. In order to increase its interest, EHR must incur exploration expenditures of \$1,400,000 during the 6 months from 45 days from the date that the Company receives all permits required to commence drilling at San Markito.

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.

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, 2019	36,642,262	28,005,717
Fair value of expired warrants	—	57,000
Fair value of cancelled stock options	—	79,428
Balance, June 30, 2019	36,642,262	28,142,145

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"). At June 30, 2019, Tartisan holds 5,000,000 common shares which are subject to the following terms:

- a) until April 17, 2021, Tartisan will not sell more than 1,000,000 common shares during any 6-month period;
- b) Tartisan will provide the Company with 45 days' notice prior to any sale, during which time, the Company will have the right to identify purchasers for the common shares and have the right of first refusal to place the common shares pursuant to the terms of a mutually agreeable sale;
- c) until October 17, 2020, Tartisan will not vote, or encourage anyone else to vote:
 - (i) against any shareholder resolution recommended by the Board, except the event of change of control of the Company or failure by the Company to maintain its status as a reporting issuer under securities law in Ontario;
 - (ii) in favour of the election of nominees to the Board not proposed by the then incumbent Board; or
 - (iii) in favour of any shareholder resolution or proposal unless the then incumbent Board recommends voting in favour of such shareholder resolution or proposal.

Stock options

The Company may grant stock options to directors, officers, employees and consultants for up to 10% of the issued and outstanding common shares. At June 30, 2019, the Company may grant up to 3,664,226 stock options (March 31, 2019 - 3,664,226). The exercise price for stock options will not be less than the market price of the common shares on the date of the grant, less any discount permissible under the rules of the TSX Venture Exchange. The maximum term for stock options is 5 years and stock options granted vest immediately.

A summary of the Company's stock options outstanding and exercisable at June 30, 2019 is presented below:

	Weighted-average exercise price \$	Number of stock options outstanding and exercisable
Balance, March 31, 2019	0.42	3,325,000
Cancelled	0.70	(200,000)
Balance, June 30, 2019	0.40	3,125,000

A summary of the Company's stock options outstanding at June 30, 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	150,000
		3,125,000

Warrants

A continuity of the Company's warrants outstanding at June 30, 2019 is presented below:

	Weighted-average exercise price \$	Number of warrants
Balance, March 31, 2019	0.50	3,916,785
Expired	1.00	(214,285)
Balance, June 30, 2019	0.47	3,702,500

A summary of the Company's warrants outstanding at June 30, 2019 is presented below:

Exercise price	Expiry date	Number of warrants
\$1.00	August 16, 2019	327,500
\$0.40	October 17, 2019	3,000,000
\$0.60	July 30, 2020	375,000
		3,702,500

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.

7. Income taxes

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. At June 30, 2019, the Company has made payments of \$30,000 and for the 3 months ended June 30, 2019, the Company made payments of \$6,000 which has been recorded in the consolidated statement of loss and comprehensive loss.

8. 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.

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.

9. 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 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 June 30, 2019 had changed by 10%, with all other variables held constant, the unrealized gain (loss) would have decreased or increased by \$8,135.

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.

10. 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:

	3 months ended June 30,		Outstanding as at	
	2019	2018	June 30, 2019	March 31, 2019
	\$	\$	\$	\$
Consulting fees	54,000	54,000	128,145	90,000

See note 4 for other related party transactions.

11. Commitments and contingencies**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 US\$370,191, of which, the Company is obligated to pay US\$350,807 to EHR upon recovery. The remaining IGV of US\$19,384 has been included in exploration and evaluation.

12. 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.