

ALORO MINING CORP.

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019

(Expressed in Canadian dollars)



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Aloro Mining Corp.

Opinion

We have audited the consolidated financial statements of Aloro Mining Corp. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its 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 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 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 to the financial statements, which indicates that the Company has not yet achieved profitable operations and expects to incur further losses in the development of its business. As stated in Note 2, a material uncertainty exists that may cast significant doubt on the Company'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 Management's Discussion and Analysis.

Our opinion on the 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 financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the 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 Financial Statements

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

In preparing the 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 financial statements, including the disclosures, and whether the 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 David Goertz.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

May 6, 2020

ALORO MINING CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

	Notes	December 31, 2019	December 31, 2018
ASSETS			
CURRENT			
Cash		\$ 12,924	\$ 404,647
Prepaid expenses		1,072	-
Other receivables	5, 11	13,499	31,468
		27,495	436,115
NON-CURRENT			
Property		-	1,916
Right of use asset	6	86,248	-
Exploration and evaluation asset	8	1,566,538	981,366
		1,652,786	983,282
TOTAL ASSETS		\$ 1,680,281	\$ 1,419,397
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities	11	\$ 631,204	\$ 532,828
Current portion of lease liability	7	41,786	-
Related party loan	11	85,000	-
		757,990	532,828
NON-CURRENT			
Lease liability	7	51,310	-
TOTAL LIABILITIES		809,300	532,828
SHAREHOLDERS' EQUITY			
Share capital	9	17,034,827	16,724,077
Reserves	10	2,103,992	2,103,992
Accumulated deficit		(18,267,838)	(17,941,500)
TOTAL SHAREHOLDERS' EQUITY		870,981	886,569
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 1,680,281	\$ 1,419,397

Nature of operations (Note 1)
Going concern (Note 2)
Subsequent events (Notes 8 & 15)

Approved on behalf of the Board:

"Thomas Doyle"
Thomas Doyle

"Logan Anderson"
Logan Anderson

The accompanying notes are an integral part of these consolidated financial statements

ALORO MINING CORP.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian dollars)

		Year ended December 31,	
	Notes	2019	2018
OPERATING EXPENSES			
Depreciation	\$	34,630	\$ 3,852
Investor relations		12,373	41,039
Management and director fees	11	87,000	80,477
Office and general		37,998	88,147
Professional fees		132,356	76,341
Share-based compensation	10,11	14,791	89,355
		(319,148)	(379,210)
OTHER ITEMS			
Foreign exchange gain or (loss)		(9,824)	15,205
Interest expense		(12,157)	-
NET LOSS AND COMPREHENSIVE LOSS	\$	(341,129)	\$ (364,066)
LOSS PER SHARE – BASIC AND DILUTED	\$	(0.01)	\$ (0.01)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING		48,580,183	39,486,453

The accompanying notes are an integral part of these consolidated financial statements

ALORO MINING CORP.**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

(Expressed in Canadian dollars)

	Share Capital		Reserves	Accumulated Deficit	Total
	Number	Amount			
Balance at December 31, 2017	37,710,629	\$ 15,877,013	\$ 2,014,637	\$ (17,577,494)	\$ 314,156
Shares issued for property	250,000	32,500	-	-	32,500
Shares issuance for cash	8,000,000	800,000	-	-	800,000
Share issuance costs	-	(15,436)	-	-	(15,436)
Warrants exercised	300,000	30,000	-	-	30,000
Share-based payments	-	-	89,355	-	89,355
Net loss	-	-	-	(364,006)	(364,006)
Balance at December 31, 2018	46,260,629	16,724,077	2,103,992	(17,941,500)	886,569
Shares issued for property	500,000	55,000	-	-	55,000
Shares issued for services	200,000	28,000	-	-	28,000
Debt settlement	1,027,500	102,750	-	-	102,750
Warrants exercised	1,000,000	125,000	-	-	125,000
Share-based payments	-	-	-	14,791	14,791
Net loss	-	-	-	(341,129)	(341,129)
Balance at December 31, 2019	48,988,129	\$ 17,034,827	\$ 2,103,992	\$ (18,267,838)	\$ 870,981

The accompanying notes are an integral part of these consolidated financial statements

ALORO MINING CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)

	Year ended December 31,	
	2019	2018
OPERATING ACTIVITIES		
Net loss	\$ (341,129)	\$ (379,210)
Items not involving cash:		
Depreciation	34,630	3,852
Share-based compensation	14,791	89,355
Share-based payments	28,000	-
Change in non-cash working capital items:		
Prepaid expenses	(1,072)	-
Other receivables	17,969	(17,500)
Accounts payable and accrued liabilities	201,126	230,716
Net cash used in operating activities	(45,685)	(57,582)
INVESTING ACTIVITIES		
Expenditures on exploration and evaluation assets	(530,171)	(721,352)
Net cash used in investing activities	(530,171)	(721,352)
FINANCING ACTIVITIES		
Proceeds from share issuances	125,000	814,565
Principal elements of lease payments	(25,867)	-
Proceeds from related party loan	85,000	-
Net cash provided by financing activities	184,133	814,565
CHANGE IN CASH	(391,723)	35,630
CASH, BEGINNING OF YEAR	404,647	369,017
CASH, END OF YEAR	\$ 12,924	\$ 404,647
SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS		
Shares issued for exploration and evaluation assets	\$ 55,000	\$ 32,500
Shares issued for settlement of debt	\$ 102,750	\$ -

The accompanying notes are an integral part of these consolidated financial statements

NOTE 1. NATURE OF OPERATIONS

Aloro Mining Corp. (the “Company”) was incorporated on June 7, 2004 in British Columbia, and its business is the acquisition, exploration and development of its mineral interest in Mexico. On February 8, 2018, the Company changed its name from Wolverine Minerals Corp. to Aloro Mining Corp. The Company is listed on the TSX Venture Exchange (the “TSX-V”) under the symbol AORO.V. The address of the Company’s corporate office and principal place of business is Suite 1085, Bentall Two, 555 Burrard Street, Vancouver, British Columbia, Canada V7X 1M8.

NOTE 2. BASIS OF PREPARATION AND GOING CONCERN

a) Statement of compliance

These consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

The consolidated financial statements were authorized for issue by the Board of Directors on May 6, 2020.

b) Basis of presentation

The consolidated financial statements have been prepared on a historical cost basis, modified where applicable. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The consolidated financial statements are presented in Canadian dollars which is the functional currency of the Company and its subsidiary. The functional currency of each entity is determined using the currency of the primary economic environment in which the entity operates.

c) Basis of consolidation

The subsidiary is consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.

The consolidated financial statements include the accounts and results of operations of the Company and its wholly owned subsidiary:

Name of Subsidiary	Principal Activity	Place of Incorporation	Ownership Interest
Exploraciones Aloro S.A. de C.V.	Mineral exploration	Mexico	100%

All intercompany balances and transactions were eliminated on consolidation.

d) Going concern

These consolidated financial statements have been prepared assuming the Company will continue on a going-concern basis. At December 31, 2019, the Company had not yet achieved profitable operations and expects to incur further losses in the development of its business. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Company’s ability to continue as a going concern. The continuing operations of the Company are dependent upon economic and market factors which involve uncertainties including the Company’s ability to raise adequate equity financing for continuing operations. Realization values may be substantially different from carrying values as shown and accordingly these financial statements do not give effect to adjustments, if any that would be necessary should the Company be unable to continue as a going concern. If the going concern assumption was not used, then the adjustments required to report the Company’s assets and liabilities on a liquidation basis could be material to these consolidated financial statements.

NOTE 3. SIGNIFICANT ACCOUNTING POLICIES

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

a) Foreign Currency Translation

The individual financial statements of each entity of the Company are prepared in the currency of the primary economic environment in which the entity operates. In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing at the dates of transactions. At each reporting date, monetary items denominated in foreign currencies are reinstated at rate prevailing at the reporting date. Nonmonetary items that are measured in terms of historical cost in a foreign currency are not reinstated. Exchange difference are recognized in profit or loss in the period in which they arise.

c) Exploration and Evaluation Asset

Once the legal right to explore has been acquired, costs directly related to exploration and evaluation expenditures are recognized and capitalized, in addition to acquisition costs. These direct expenditures include such costs as materials used, staking costs, drilling costs and payments made to contractors. Costs not directly attributable to exploration and evaluation expenditures, including general administration and overhead costs are expensed in the period in which they occur.

When a project is deemed to no longer have commercially viable prospects for the Company, the exploration and evaluation expenditures, along with the acquisition costs, are deemed to be impaired and written off.

The Company assesses exploration and evaluation assets for impairment when the facts and circumstances suggest that the carrying amount of these assets may exceed their recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as 'Mines under construction'.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

Mineral exploration and evaluation expenditures are classified as intangible assets.

d) Impairment of Non-Financial Assets

Non-financial assets, including exploration and evaluation assets, are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly. Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets.

An impairment loss is charged to profit or loss, except to the extent it reverses gains previously recognized in other comprehensive loss/income.

NOTE 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Financial Instruments

Financial instruments are accounted for in accordance with IFRS 9, “Financial Instruments: Classification and Measurement”. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss (“FVTPL”), at fair value through other comprehensive income (loss) (“FVTOCI”) or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company’s business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The following table shows the classification under IFRS 9:

Financial assets/liabilities	Classification
Cash	FVTPL
Other receivables	Amortized cost
Accounts payable	Amortized cost
Related party loan	Amortized cost

Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of loss and comprehensive loss in the period in which they arise.

Debt investments at FVTOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss

Equity investments at FVTOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

NOTE 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of loss and comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

f) Provisions

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the period in which the obligation is incurred. The nature of the rehabilitation activities includes restoration, reclamation and re-vegetation of the affected exploration sites.

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks.

Additional environment disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the period in which they occur.

As of December 31, 2019, and 2018, the Company did not have any known rehabilitation obligations.

NOTE 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Income tax

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

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using the tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted and are expected to apply by the end of the reporting period. Deferred tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets.

i) Basic and diluted loss per share

Basic loss per share is computed by dividing the net loss applicable to common shares of the Company by the weighted average number of common shares outstanding during the period. The Company uses the treasury stock method to calculate diluted loss per share. Diluted loss per share reflects the potential dilution that could occur if potentially dilutive securities were exercised to common shares. The dilutive effect of options and warrants and their equivalent is computed by application of the treasury stock method and the effect of convertible securities by the "if-converted" method. Diluted amounts are not presented when the effects of the computation are anti-dilutive.

j) Share-based payments

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes or provides services similar to those performed by an employee. The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to share capital. When vested options are forfeited or are not exercised at the expiry date the amount previously recognized in share-based compensation is transferred to deficit.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

Upon exercise, equity instruments reflected in reserves is reallocated to share capital, adjusted for any consideration paid.

Where options are cancelled during the period when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period.

NOTE 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Accounting standards adopted effective January 1, 2019

IFRS 16 'Leases' ("IFRS 16")

Effective January 1, 2019, the Company adopted IFRS 16 which supersedes IAS 17 Leases ("IAS 17"). The Company has applied the new standard using the modified retrospective approach with no restatement of comparative periods. There were no adjustments to retained earnings as a result of adoption.

The Company has elected not to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, for contracts entered into before the transition date the Company relied on its previous assessment made under IAS 17 and IFRIC 4 Determining whether an arrangement contains a lease. The definition of a lease under IFRS 16 was applied only to contracts entered into or modified on or after January 1, 2019.

On adoption of IFRS 16, the Company recognized lease liabilities in relation to leases which would have previously been classified as operating leases under IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Company applied the exemption not to recognize right-of-use assets and liabilities for leases where the lease term ends within 12 months of the date of initial application when adopting IFRS 16 and did not recognize any lease assets or liabilities on transition.

NOTE 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

Significant judgements

The most significant judgments in applying the Company's accounting policies in these consolidated financial statements are:

a) Determination of functional currency

The Company determines the functional currency through its analysis of several indicators such as expenses and cash flow, financing activities, and frequency of transactions with the reporting entity.

b) Going concern

Other significant judgments in applying the Company's accounting policies relate to the assessment of the Company's ability to continue as a going concern (Note 2) and the classification of its financial instruments.

c) Carrying value and the recoverability of exploration and evaluation assets

Management has determined that exploration, evaluation and related costs incurred which have been capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geologic and other technical information and existing permits.

NOTE 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Significant estimates

Estimates and assumptions where there are significant risk of material adjustments to assets and liabilities in future accounting periods include:

a) Recoverability and measurement of deferred tax assets

In assessing the probability of realizing deferred tax assets, management makes estimates related to the expectation of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that the tax position taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

NOTE 5. OTHER RECEIVABLES

	December 31, 2019	December 31, 2018
Sales tax receivable	\$ 1,499	\$ 21,468
Subscription receivable	-	10,000
Rent receivable	12,000	-
Total	\$ 13,499	\$ 31,468

As at December 31, 2019, included in other receivables is a rent receivable from a director of the Company for \$12,000 (2018 - \$nil) (Note 11).

NOTE 6. RIGHT OF USE ASSET

The right of use asset consists of a lease for office space (Note 7).

	December 31, 2019	December 31, 2018
Opening balance	\$ -	\$ -
Additions	118,963	-
Depreciation	(32,715)	-
Ending balance	\$ 86,248	\$ -

NOTE 7. LEASE LIABILITY

On February 20, 2019, the Company signed a lease extension agreement for its Vancouver office premise for three years expiring on June 30, 2022. As of January 1, 2019, as indicated in Note 3, the Company adopted IFRS 16 and recorded a right of use asset (Note 6) and the corresponding lease liability on the lease extension date. The lease liability was measured at the present value of the remaining lease payments and discounted using the Company's estimated incremental borrowing rate of 10% per annum.

Lease liability	December 31, 2019	December 31, 2018
Opening balance	\$ -	\$ -
Addition	118,963	-
Interest expenses	9,950	-
Lease payments	(35,817)	-
Ending balance	\$ 93,096	\$ -
Current portion	\$ 41,786	-
Long-term portion	51,310	-
Total lease liability	\$ 93,096	\$ -

ALORO MINING CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended December 31, 2019
(Expressed in Canadian dollars)

NOTE 7. LEASE LIABILITY (continued)

At December 31, 2019, the Company is committed to minimum undiscounted lease payments as follows:

	December 31, 2019
Less than one year	\$ 41,786
One to five years	63,908
	\$ 105,694

The following expenses and recoveries are recorded pertaining to the lease arrangement:

	December 31, 2019	December 31, 2018
Interest on lease liability	\$ 9,950	\$ -
Recoveries from sub-lease arrangements**	(20,200)	-
Lease expenses – variable payments	31,880	-
Total	\$ 21,630	\$ -

**During the year ended December 31, 2019, the Company subleased the office space to tenants including a director of the Company (Note 11). The sublease arrangements are renewed on a month-to-month basis and cancellable anytime.

During the year ended December 31, 2019, total cash outflows for the lease are \$67,696, including variable lease payments of \$31,880.

NOTE 8. EXPLORATION AND EVALUATION ASSET

	Los Venados
Acquisition cost:	
Balance, December 31, 2017	\$ 52,500
Land purchase option	52,641
Access to property	6,238
Balance, December 31, 2018	111,379
Land purchase option	55,000
Access to property	23,312
Balance, December 31, 2019	\$ 189,691

ALORO MINING CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended December 31, 2019
(Expressed in Canadian dollars)

NOTE 8. EXPLORATION AND EVALUATION ASSET (Continued)

	Los Venados
Exploration and evaluation costs:	
Balance, December 31, 2017	\$ 175,014
Consulting fees	328,178
Drilling	203,459
Environmental permits and mining rights	34,066
Exploration costs	104,764
Sampling	24,506
Balance, December 31, 2018	869,987
Consulting fees	245,728
Drilling	154,413
Environmental permits and mining rights	47,945
Mapping	3,599
Exploration costs	15,523
Sampling	39,652
Balance, December 31, 2019	\$ 1,376,847
Balance, December 31, 2018	\$ 981,366
Balance, December 31, 2019	\$ 1,566,538

Los Venados, Sonora Mexico

The Company entered into an agreement on November 28, 2016 (the “Option Agreement”) with Minera Gavilan, S.A. de C.V. (the “Optionor”) and Almadex Minerals Limited (“Almadex”), pursuant to which the Optionor has agreed to grant the Company an option (the “Option”) to acquire up to 100% of the Optionor’s 100% right and title interest in and to an option agreement between the Optionor, Almadex and Compania Minera La Pitahaya, S.A. de C.V. (the “Underlying Optionor”) dated October 6, 2015, whereby the Optionor has the option to acquire a 100% interest in the Los Venados 1 mineral concession (the “Property”) located in Sonora State, Mexico (the “Transaction”);

To exercise its Option, the Company shall:

- i) assume all obligations of Almadex to the underlying optionor of the Los Venados property (the “Underlying Optionor”) with the exception of the issuance of Almadex shares which remains an obligation of Almadex;
- ii) pay \$30,000 on execution of the Option Agreement for expenditures on the property (paid);
- iii) issue 250,000 common shares within 10 days of receipt of approval of the TSX-V (the “Approval Date”); (Issued February 8, 2017);
- iv) issue 250,000 common shares on or before the first anniversary of the Approval Date (Issued February 8, 2018);
- v) issue 500,000 common shares on or before the second anniversary of the Approval Date (Issued February 11, 2019); and
- vi) issue 1,000,000 common shares on or before the third anniversary of the Approval Date (Issued February 2, 2020); and
- vii) drill a minimum of 1,000 meters by the second anniversary, as part of the total required project expenditures of a minimum of US\$500,000 (the “Expenditures”), which must be incurred on or before the third anniversary (December 31, 2019 - incurred USD\$605,000 in the drilling program and completed the 1,000 meters required).

NOTE 8. EXPLORATION AND EVALUATION ASSET (Continued)

On August 13, 2019, the Company entered into an agreement to amend the cash payment terms of the original option agreement. The Company shall:

- i) pay \$20,000 on or before October 6, 2019 to extend its Option to October 6, 2020 (paid);
- ii) pay \$20,000 on or before October 6, 2020 to extend its Option to October 6, 2021; and
- iii) pay \$60,000 on or before October 6, 2021 to exercise its Option.

Upon exercise of the Option, the Company will grant to Almadex a 2% net smelter returns royalty (the “NSR Royalty”) with respect to production of all precious metals. The NSR Royalty will be payable following commencement of commercial production. The property is also subject to an underlying 2% NSR royalty to the Underlying Optionor which may be purchased for \$1,000,000.

If the Option is exercised, the Company will be responsible for making a \$500,000 bonus payment to the Underlying Optionor when a National Instrument 43-101 compliant resource greater than 500,000 ounces of gold has been identified.

NOTE 9. SHARE CAPITAL

During the year ended December 31, 2019:

On January 24, 2019, the Company issued 200,000 common shares at a value of \$28,000 for advisory services.

On February 4, 2019, the Company issued 1,000,000 common shares for proceeds of \$125,000 on the exercise of warrants.

On February 11, 2019, the Company issued 500,000 common shares pursuant to the Los Venados option agreement at a value of \$55,000 (Note 8).

On March 29, 2019, the Company issued 1,027,500 common shares at a value of \$102,750 in settlement of \$102,750 in accrued management and director fees (Note 11).

During the year ended December 31, 2018:

On February 8, 2018, the Company issued 250,000 shares pursuant to the Los Venados option agreement at a market price of \$0.13 per share for a total of \$32,500 (Note 8).

On February 20, 2018 the Company issued 100,000 common shares through the exercise of warrants for proceeds of \$10,000.

On October 26, 2018, the Company issued 8,000,000 shares for gross proceeds of \$800,000. The Company incurred \$15,436 in cash share issuance costs. As part of this transaction, \$10,000 has been included in other receivables as these proceeds are expected to be received after year end.

On December 3, 2018, the company issued 200,000 common shares through the exercise of warrants for proceeds of \$20,000.

NOTE 10. RESERVES

Share purchase warrants

The following table summarizes the changes in warrants outstanding during the periods presented:

	Number of warrants	Weighted average exercise price
Outstanding, January 1, 2018	17,500,000	\$ 0.08
Expired	(10,900,000)	0.10
Exercised	(300,000)	0.10
Outstanding, December 31, 2018	6,300,000	0.11
Exercised	(1,000,000)	0.13
Expired	(3,800,000)	0.13
Outstanding, December 31, 2019	1,500,000	\$ 0.09

As at December 31, 2019, the following share purchase warrants were outstanding:

Numbers of warrants	Exercise price	Expiry Date
1,500,000	\$ 0.085	January 31, 2020

As at December 31, 2019, the weighted average remaining contractual life of warrants outstanding is 0.09 years.

Stock options

On November 20, 2006, the Company's Board of Directors approved the adoption of a "rolling" stock incentive plan (the "Plan") in accordance with the policies of the TSX-V. The Board of Directors is authorized to grant options under the Plan to directors, officers, consultants or employees to acquire up to a maximum of 10% of the issued and outstanding common shares at the time an option is granted. The exercise prices of options granted shall not be less than the Discounted Market Price, as defined in Exchange Policy 2.4, and the exercise period shall not exceed 5 years from the date the option is granted. The maximum number of options that may be granted to any one person must not exceed 5% of the common shares outstanding at the time of the grant or 2% if the recipient is a consultant or employed in an investor relations capacity.

The following table summarizes the changes in stock options:

	Number of options	Weighted average exercise price
Outstanding, January 1, 2018	-	\$ -
Granted	1,400,000	0.11
Forfeited	(500,000)	0.13
Outstanding, December 31, 2018	900,000	0.10
Granted	200,000	0.10
Forfeited	(200,000)	0.10
Outstanding and exercisable, December 31, 2019	900,000	\$ 0.10

NOTE 10. RESERVES (continued)

On March 21, 2018, the Company granted 500,000 stock options to a consultant that were later forfeited.

On April 2, 2018, the Company granted 200,000 options to a director. The estimated fair value associated with the stock options granted is \$17,138 and it was determined using the Black-Scholes Option Pricing Model with the following assumptions: stock price at grant \$0.10; an annualized volatility of 251.91%; an expected life of 2.5 years; a dividend yield of 0%; a forfeiture rate of 0%; and a risk-free rate of 1.76%. The options, which vested immediately, may be exercised at a price of \$0.10 per common share for a period of 5 years from the date of the agreement.

On June 13, 2018, the Company granted 200,000 options to an officer. The estimated fair value associated with the stock options granted is \$17,121 and it was determined using the Black-Scholes Option Pricing Model with the following assumptions: stock price at grant \$0.10; an annualized volatility of 250.73%; an expected life of 2.5 years; a dividend yield of 0%; a forfeiture rate of 0%; and a risk-free rate of 1.93%. The options, which vested immediately, may be exercised at a price of \$0.10 per common share for a period of 5 years from the date of the agreement.

On October 1, 2018, the Company granted 100,000 stock options to a consultant. The estimated fair value associated with the stock options granted is \$9,448 and it was determined using the Black-Scholes Option Pricing Model with the following assumptions: stock price at grant \$0.10; an annualized volatility of 240.98%; an expected life of 2.5 years; a dividend yield of 0%; a forfeiture rate of 0%; and a risk-free rate of 2.25%. The options, which vested immediately, may be exercised at a price of \$0.10 per common share for a period of five years from the date of the agreement.

On October 10, 2018, the Company granted 400,000 stock options to a consultant. The estimated fair value associated with the stock options granted is \$45,648 and it was determined using the Black-Scholes Option Pricing Model with the following assumptions: stock price at grant \$0.10; an annualized volatility of 242.42%; an expected life of 2.5 years; a dividend yield of 0%; a forfeiture rate of 0%; and a risk-free rate of 2.27%. The options, which vested immediately, may be exercised at a price of \$0.10 per common share for a period of five years from the date of the agreement.

On February 11, 2019, the Company granted 200,000 stock options to a consultant. The fair value of the stock options is \$14,791 determined using the Black-Scholes Option Pricing Model with the following assumptions: stock price at grant \$0.11; an annualized volatility of 117.75%; an expected life of 2.5 years; a dividend yield of 0%; a forfeiture rate of 0%; and a risk-free rate of 1.79%. The options, which vested immediately, may be exercised at a price of \$0.10 per common share for a period of 5 years from the date of the agreement.

As at December 31, 2019, 200,000 stock options were forfeited. As the stock options were fully vested, \$14,791 the amount previously recognized in reserves was transferred to deficit.

As at December 31, 2019, the following stock options were outstanding and exercisable:

Numbers of options – Outstanding and Exercisable	Exercise price	Expiry Date
200,000 \$	0.10	April 2, 2023
200,000	0.10	June 13, 2023
100,000	0.10	October 2, 2023
400,000	0.10	October 10, 2023
900,000		

As at December 31, 2019, the weighted average remaining contractual life of the options outstanding is 3.59 years.

NOTE 11. RELATED PARTY TRANSACTIONS

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of members of the Company's Board of Directors and corporate officers.

Key management compensation

Key management compensation is summarized as follows:

For the year ended December 31,		2019		2018
Management fees	\$	216,000	\$	225,000
Directors' fees		36,000		19,500
Share-based payments		-		17,138
Total	\$	252,000	\$	261,638

During the year ended December 31, 2019, remuneration of the Company's key management, excluding directors, consisted of management fees in the amount of \$216,000 (2018 - \$225,000); \$165,000 of the Chief Executive Officer (2018 - \$165,000) was allocated to exploration and evaluation assets and \$15,000 (2018- \$15,000) was expensed as management fees in the income statement.

Related party balances

At December 31, 2019, \$507,257 (2018 - \$438,300) was due to related parties and is included in accounts payable and accrued liabilities. The amounts are non-interest bearing, unsecured and due on demand.

As at December 31, 2019, \$12,000 (2018 - \$nil) was due from a related party and is included in the other receivables balance.

At December 31, 2019, the Company had an outstanding loan due to the Chief Executive Officer of the Company for \$85,000 (2018 - \$nil). The loan bears interest at 10% per annum, is unsecured and due on demand. At December 31, 2019, accrued interest related to the outstanding loan was \$2,207 (2018 - \$nil).

Related party transactions

During the year ended December 31, 2019, the Company recorded income from the sublease of its office space of \$12,000 (2018 - \$nil) from a director of the Company.

On March 29, 2019, the Company issued 1,027,500 common shares to key management personnel to settle \$102,750 in accrued management and director fees.

ALORO MINING CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended December 31, 2019
(Expressed in Canadian dollars)

NOTE 11. INCOME TAXES

A reconciliation of income recovery at statutory rates with the reported recovery is as follows:

	2019	2018
Loss before income taxes	\$ (341,129)	\$ (364,006)
Tax recovery based on statutory rate of 27%	(93,836)	(100,507)
Impact of different foreign statutory tax rates on earnings of subsidiaries	7,573	9,736
Permanent differences	12,367	-
Adjustment to prior years provision versus statutory tax returns	-	(23,011)
Change in unrecognized deferred income tax assets	47,370	113,782
Other	26,526	-
Income tax recovery	\$ -	\$ -
	2019	2018
Non-capital losses	\$ 1,240,406	\$ 1,168,572
Share issuance costs	1,667	4,401
Property	8,774	7,216
Unrecognized deferred tax assets	(1,250,847)	(1,180,189)
Net deferred income tax assets	\$ -	\$ -

As at December 31, 2019, the Company has estimated non-capital losses for Canadian tax purposes of \$4,594,096 that may be carried forward to reduce taxable income derived in future years. These losses expire in the years 2026 – 2039.

NOTE 12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company is exposed to various financial instrument risk and assessed the impact and likelihood of this exposure. These risks include market risk, credit risk and liquidity risk. Where material, these risks are reviewed and monitored by the Board of Directors.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices and is comprised of interest rate risk, foreign currency risk and commodity price risk.

a) Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. As at December 31, 2019, the Company is not exposed to any significant interest rate risk.

b) Foreign currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to currency risk as it has operations in Mexico and it incurs certain expenditures that are denominated in Mexican pesos while its functional currency is the Canadian dollar. The Company does not hedge its exposure to fluctuations in foreign exchange rates.

The Company has net financial liabilities of approximately \$2,831 (2018 - net financial assets \$197,091) that are denominated in Mexican pesos.

If the Mexican peso had changed against the Canadian dollar by 10% at year end, the Company's net loss and comprehensive loss after taxes would change by approximately \$280 (2018 - \$19,709), resulting from the translation of the Mexican peso denominated financial instruments.

NOTE 12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

c) Price Risk

The Company is exposed to price risk with respect to commodity and equity prices. The ability of the Company to explore its mineral properties and future profitability of the Company are directly related to the market price of gold and other precious metals. The Company monitors commodity prices to determine appropriate actions to be undertaken.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash and receivables are exposed to credit risk. The Company reduces its credit risk on cash by placing these instruments with institutions of high credit worthiness. As at December 31, 2019, the Company is not exposed to any significant credit risk.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company ensures that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash. The Company's cash is invested in business accounts and is available on demand. As at December 31, 2019, the Company has not yet generated revenue to cover operating expenditures. The Company also has a significant amount of current liabilities. The Company will require additional financing to fund its on-going operations and currently has no resources from which to repay its outstanding obligations. There can be no certainty of the Company's ability to raise additional financing in a timely manner. Consequently, the Company is significantly exposed to liquidity risk.

As at December 31, 2019, the Company had cash of \$12,924 to settle current liabilities of \$757,990, thus will require additional financing to meet its short-term financial obligations.

The table below summarizes the maturity profile of the Company's liabilities:

As at December 31, 2019	On demand	Less than 1 year	1 -2 years	Later than 2 years	Total
Trade payables	\$ 90,511	\$ -	\$ -	\$ -	\$ 90,511
Accrued liabilities – related party	507,257	-	-	-	507,257
Accrued liabilities	33,436	-	-	-	33,436
Loan from related party	85,000	-	-	-	85,000
Lease liabilities	-	41,786	41,786	9,524	93,096
Total liabilities	\$ 716,204	\$ 41,786	\$ 41,786	\$ 9,524	\$ 809,300

Fair value

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

The Company determined that the carrying value of other receivables, accounts payable and related party loans approximate their fair value because of the relatively short periods to maturity of these instruments and their low credit risk.

The carry value of the lease liability is measured at the present value of the discounted future cash flows.

The Company's cash is measured at fair value using level 1 inputs.

NOTE 14. CAPITAL DISCLOSURE

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders. The Company considers the items included in shareholders' deficiency as capital, cash, receivables and financial liabilities.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares through private placements, sell assets to reduce debt or return capital to shareholders. The Company is not subject to externally imposed capital requirements.

NOTE 15. SUBSEQUENT EVENTS

On January 31, 2020, 1,500,000 warrants exercisable at a price of \$0.085 expired unexercised.

On February 2, 2020, the Company issued 1,000,000 common shares pursuant to the Los Venados option agreement dated November 28, 2016 at a market price of \$0.04 per share for a total of \$40,000 (Note 8).

Subsequent to the year ended December 31, 2020, the Chief Executive Officer of the Company provided additional loans totaling \$75,000 to the Company. The balance of the loan bears interest at 10% per annum, is unsecured and due on demand.

The recent outbreak of the coronavirus, also known as "COVID-19", has spread across the globe and is impacting worldwide economic activity. Conditions surrounding the coronavirus continue to rapidly evolve and government authorities have implemented emergency measures to mitigate the spread of the virus. In response to COVID-19, the Mexican government has deemed mining non-essential and closed all mining-related activities for an indeterminate period of time. The outbreak and the related mitigation measures may have an adverse impact on global economic conditions as well as on the Company's business activities. The extent to which the coronavirus may impact the Company's business activities will depend on future developments, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions, business disruptions, and the effectiveness of actions taken in Canada and other countries to contain and treat the disease. These events are highly uncertain and as such, the Company cannot determine their financial impact at this time.