

ALORO MINING CORP.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020

(Expressed in Canadian dollars)

(Unaudited)

NOTE TO READER

Under National Instrument 51-102, if an auditor has not performed a review of the interim financial statements, they must be accompanied by a note indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited consolidated interim financial statements for Aloro Mining Corp. (the “Company”) have been prepared by management in accordance with International Financial Reporting Standards (“IFRS”). These condensed consolidated interim financial statements, which are the responsibility of management, are unaudited and have not been reviewed by the Company’s auditors. The Company’s Audit Committee and Board of Directors have reviewed and approved these condensed consolidated interim financial statements. In accordance with the disclosure requirements of National Instrument 51-102 released by the Canadian Securities Administrators, the Company’s independent auditors have not performed a review of these condensed consolidated interim financial statements.

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

| | Notes | September 30, 2020 | December 31, 2019 |
|---|-------|-----------------------|----------------------|
| ASSETS | | | |
| CURRENT | | | |
| Cash | | \$ 1,345 | \$ 12,924 |
| Prepaid expenses | | 1,643 | 1,072 |
| Other receivables | 5, 11 | 20,180 | 13,499 |
| | | 23,168 | 27,495 |
| NON-CURRENT | | | |
| Right-of-use asset | 6 | - | 86,248 |
| Exploration and evaluation asset | 8 | 1,761,393 | 1,566,538 |
| TOTAL ASSETS | | \$ 1,784,561 | \$ 1,680,281 |
| LIABILITIES | | | |
| CURRENT | | | |
| Accounts payable and accrued liabilities | 11 | \$ 858,994 | \$ 631,204 |
| Current portion of lease liability | 7 | - | 41,786 |
| Related party loan | 11 | 200,480 | 85,000 |
| | | 1,059,474 | 757,990 |
| NON-CURRENT | | | |
| Lease liability | 7 | - | 51,310 |
| TOTAL LIABILITIES | | 1,059,474 | 809,300 |
| SHAREHOLDERS' EQUITY | | | |
| Share capital | 9 | 17,074,827 | 17,034,827 |
| Reserves | 10 | 2,058,344 | 2,103,992 |
| Accumulated deficit | | (18,408,084) | (18,267,838) |
| TOTAL SHAREHOLDERS' EQUITY | | 725,087 | 870,981 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | \$ 1,784,561 | \$ 1,680,281 |

Nature of operations (Note 1)
Going concern (Note 2)
Subsequent event (Note 14)

Approved on behalf of the Board:

"Thomas Doyle"
Thomas Doyle

"Logan Anderson"
Logan Anderson

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

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

| | Note | Three months ended September 30, | | Nine months ended September 30, | |
|---|------|-------------------------------------|-----------------|------------------------------------|---------------------|
| | | 2020 | 2019 | 2020 | 2019 |
| OPERATING EXPENSES | | | | | |
| Depreciation | 6 | \$ 8,922 | \$ 8,922 | \$ 26,766 | \$ 25,708 |
| Investor relations | | - | 940 | - | 11,306 |
| Management and director fees | 11 | 22,500 | 15,000 | 67,500 | 45,000 |
| Office and general | | 11,415 | 27,888 | 41,347 | 51,862 |
| Professional fees | | 15,777 | 19,587 | 44,886 | 111,137 |
| Share-based payments | 10 | - | - | - | 14,791 |
| | | (58,614) | (72,337) | (180,499) | (259,804) |
| OTHER ITEMS | | | | | |
| Other income | | - | 17,780 | 7,200 | 17,780 |
| Interest expense | | (7,343) | (3,014) | (19,727) | (7,845) |
| Foreign exchange loss | | (21) | (853) | (3,902) | (9,062) |
| Gain on lease termination | 7 | 11,034 | - | 11,034 | - |
| NET LOSS AND COMPREHENSIVE LOSS | | \$ (54,944) | (58,424) | \$ (185,894) | \$ (258,931) |
| LOSS PER SHARE – BASIC AND DILUTED | | \$ (0.00) | (0.00) | \$ (0.00) | \$ (0.01) |
| WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING | | | | | |
| | | 49,988,129 | 48,988,129 | 49,841,609 | 48,442,201 |

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

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

(Expressed in Canadian dollars)

(Unaudited)

| | <u>Share Capital</u> | | <u>Reserves</u> | <u>Accumulated Deficit</u> | <u>Total</u> |
|--------------------------------------|----------------------|---------------|-----------------|--------------------------------|--------------|
| | <u>Number</u> | <u>Amount</u> | | | |
| Balance at January 1, 2019 | 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 issuance 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 for the period | - | - | - | (258,931) | (258,931) |
| Balance at September 30, 2019 | 48,988,129 | \$ 17,034,827 | \$ 2,118,783 | \$ (18,200,431) | \$ 953,179 |
| Balance at January 1, 2020 | 48,988,129 | \$ 17,034,827 | \$ 2,103,992 | \$ (18,267,838) | \$ 870,981 |
| Shares issued for property | 1,000,000 | 40,000 | - | - | 40,000 |
| Option forfeiture | - | - | (45,648) | 45,648 | - |
| Net loss for the period | - | - | - | (185,894) | (185,894) |
| Balance at September 30, 2020 | 49,988,129 | \$ 17,074,827 | \$ 2,058,344 | \$ (18,408,084) | \$ 725,087 |

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

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

| | Nine months ended September 30, | |
|---|--|------------------|
| | 2020 | 2019 |
| OPERATING ACTIVITIES | | |
| Net loss | \$ (185,894) | \$ (258,931) |
| Items not involving cash: | | |
| Depreciation | 26,766 | 25,708 |
| Share-based payments | - | 14,791 |
| Consulting services paid in shares | - | 28,000 |
| Gain on lease termination | 11,034 | - |
| Change in non-cash working capital items: | | |
| Prepaid expenses | 11,856 | (619) |
| Other receivables | (31,911) | 29,439 |
| Accounts payable and accrued liabilities | 227,790 | 109,217 |
| Net cash provided (used in) operating activities | 59,641 | (52,395) |
| INVESTING ACTIVITY | | |
| Expenditures on exploration and evaluation assets | (154,855) | (470,526) |
| Net cash used in investing activity | (154,855) | (470,526) |
| FINANCING ACTIVITIES | | |
| Proceeds from warrants exercise | - | 125,000 |
| Principal elements of lease payments | (31,845) | (17,881) |
| Proceeds from related party loan | 115,480 | 20,000 |
| Net cash provided by financing activities | 83,635 | 127,119 |
| CHANGE IN CASH | (11,579) | (395,802) |
| CASH, BEGINNING OF PERIOD | 12,924 | 404,647 |
| CASH, END OF PERIOD | \$ 1,345 | \$ 8,845 |
| SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS | | |
| Initial recognition of lease assets and liabilities | \$ - | \$ 118,963 |
| Shares issued for exploration and evaluation assets | \$ 40,000 | \$ 55,000 |
| Shares issued for settlement of debt | \$ - | \$ 102,750 |
| Cash paid for interest | \$ 6,154 | \$ 7,489 |

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

ALORO MINING CORP.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the nine months ended September 30, 2020 and 2019

(Expressed in Canadian dollars)

(Unaudited)

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, 2019, 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 PO Box 72011 Sasamat RPO, Vancouver, BC, V6R 4P2.

NOTE 2. BASIS OF PREPARATION AND GOING CONCERN

a) Statement of compliance

These condensed consolidated interim 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 condensed consolidated interim financial statements were authorized for issue by the Board of Directors on November 27, 2020

b) Basis of presentation

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

The condensed consolidated interim 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 condensed consolidated interim 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 condensed consolidated interim financial statements have been prepared assuming the Company will continue on a going-concern basis. At September 30, 2020, 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 casts 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 condensed consolidated interim financial statements.

ALORO MINING CORP.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the nine months ended September 30, 2020 and 2019

(Expressed in Canadian dollars)

(Unaudited)

NOTE 2. BASIS OF PREPARATION AND GOING CONCERN (Continued)

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.

NOTE 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies followed by the Company are set out in Note 3 to the audited consolidated financial statements for the year ended December 31, 2019 and have been consistently followed in the preparation of these consolidated condensed interim financial statements.

The Company used the same accounting policies and methods of computation as in the audited annual consolidated financial statements for the year ended December 31, 2019.

Accounting standards issued but not yet effective

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any new standards and determined that there are no standards that are relevant to the Company.

NOTE 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Company's condensed consolidated interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the condensed consolidated interim financial statements and reported amounts of income and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

There have been no material revisions to the nature and amount of changes in estimates of amounts reported in the audited annual consolidated financial statements at December 31, 2019.

NOTE 5. OTHER RECEIVABLES

| | September 30, 2020 | | December 31, 2019 | |
|----------------------|---------------------------|---------------|--------------------------|---------------|
| Sales tax receivable | \$ | 2,180 | \$ | 1,499 |
| Rent receivable | | 18,000 | | 12,000 |
| Total | \$ | 20,180 | \$ | 13,499 |

As at September 30, 2020, included in other receivables is rent receivable from a director of the Company for \$18,000 (December 31, 2019 - \$12,000) (Note 11).

ALORO MINING CORP.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the nine months ended September 30, 2020 and 2019

(Expressed in Canadian dollars)

(Unaudited)

NOTE 6. RIGHT-OF-USE ASSET

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

| | | Property |
|---|-----------|-----------------|
| At January 1, 2019 | | - |
| Additions | | 118,963 |
| Depreciation | | (32,715) |
| At December 31, 2019 | \$ | 86,248 |
| Depreciation | | (26,766) |
| Write-off (Note 7) | | (59,482) |
| Balance as at September 30, 2020 | \$ | - |
| Net carrying value: | | |
| At December 31, 2020 | \$ | 86,248 |
| At September 30, 2020 | \$ | - |

On September 24, 2020, the Company ended its office lease (Note 7) and wrote off its right-of-use asset as of September 30, 2020.

NOTE 7. LEASE LIABILITY

On February 20, 2020, 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 in the Company's audited consolidated financial statements, 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.

On September 24, 2020, the Company signed a mutual release ending its office lease in exchange for a cash payment of \$18,917 and the forfeiture of a previously paid deposit to the landlord of \$10,198. As a result, the Company wrote off its right-of-use asset (Note 6) and recognized a gain on the termination of the lease of \$11,035.

| Lease liability | September 30, 2020 | December 31, 2019 |
|------------------------------|---------------------------|--------------------------|
| Current portion | \$ - | \$ 41,786 |
| Long-term portion | - | 51,310 |
| Total lease liability | \$ - | \$ 93,096 |

| Amounts recognized in profit or loss | September 30, 2020 | September 30, 2019 |
|---|---------------------------|---------------------------|
| Interest on lease liability | \$ 6,154 | \$ 7,489 |
| Recoveries from sub-lease arrangements** | 6,000 | 17,780 |
| Lease expenses – variable payments | 25,756 | 23,470 |

**During the year ended December 31, 2019, the Company entered into a month-to-month sublease over 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. The Company vacated the premises on June 30, 2020 and had cancelled its sublease with the director as of that date.

ALORO MINING CORP.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the nine months ended September 30, 2020 and 2019

(Expressed in Canadian dollars)

(Unaudited)

NOTE 7. LEASE LIABILITY (Continued)

| Amounts recognized in the statement of cash flows | September 30, 2020 | September 30, 2019 |
|--|-------------------------------|-------------------------------|
| Interest paid | \$ 6,154 | \$ 7,489 |
| Principal payments on lease liabilities | 31,845 | 17,881 |
| Lease expenses – variable payments | 25,756 | 23,470 |
| Total cash outflows for leases | \$ 63,755 | \$ 48,840 |

NOTE 8. EXPLORATION AND EVALUATION ASSET

| | Los Venados |
|--|---------------------|
| Acquisition cost: | |
| Balance, December 31, 2018 | \$ 111,379 |
| Land purchase option | 55,000 |
| Access to property | 23,312 |
| Balance, December 31, 2019 | 189,691 |
| Land purchase option | 40,000 |
| Balance, September 30, 2020 | \$ 229,691 |
| Exploration and evaluation costs: | |
| 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 |
| Consulting fees | 122,717 |
| Drilling | 5,621 |
| Environmental permits and mining rights | 20,082 |
| Exploration costs | 6,209 |
| Sampling | 226 |
| Balance, September 30, 2020 | \$ 1,531,702 |
| Balance, December 31, 2019 | \$ 1,566,538 |
| Balance, September 30, 2020 | \$ 1,761,393 |

ALORO MINING CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the nine months ended September 30, 2020 and 2019

(Expressed in Canadian dollars)

(Unaudited)

NOTE 8. EXPLORATION AND EVALUATION ASSET (Continued)

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 10, 2020, Note 9); 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 (completed as of March 31, 2020 - incurred USD\$605,000 in the drilling program and completed the 1,000 meters required).

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 (paid by Minas de Oro Nacional, S.A de C.V.A., see below); 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.

On October 19, 2020, the Company entered into an option agreement (the “Alamos Option Agreement”) whereby Alamos Gold Inc. (“Alamos”) may acquire 70% interest of the Los Venados Project (title numbers 244241 and 246230) from the Company by incurring an aggregate of USD \$5,000,000 in exploration expenditures and making certain cash payments over three years.

ALORO MINING CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the nine months ended September 30, 2020 and 2019

(Expressed in Canadian dollars)

(Unaudited)

NOTE 8. EXPLORATION AND EVALUATION ASSET (Continued)

On October 19, 2020, concurrent with the Alamos Option Agreement, another option agreement (“the Mexican Agreement”) was entered into between Minas de Oro Nacional, S.A de C.V.A. (“MON”), a wholly-owned subsidiary of Alamos, and Exploraciones Aloro, S.A. de C.V. (“Exploraciones”), which requires MON to make certain exploration expenditures on behalf of Exploraciones prior to acquiring the 70% interest.

Pursuant to the terms of the Mexican Agreement, MON has the option to acquire 70% of the Los Vendos Project by incurring an aggregate of USD \$5,000,000 in exploration expenditures as set out below:

- i) USD \$500,000 mandatory expenditures prior to the 1st anniversary of the Mexican Agreement;
- ii) USD \$1,500,000 optional expenditures prior to the 2nd anniversary of the Mexican Agreement; and
- iii) USD \$3,000,000 optional expenditures prior to the 3rd anniversary of the Mexican Agreement.

Provided the Mexican Agreement remains in good standing on the applicable anniversary date, Alamos will, in accordance with the Alamos Option Agreement, make the following cash payments to the Company:

- i) USD \$50,000 upon entry into the Mexican Agreement (received subsequent to September 30, 2020, Note 14);
- ii) USD \$125,000 on or before 1st anniversary of the Mexican Agreement; and
- iii) USD \$150,000 on or before 2nd anniversary of the Mexican Agreement.

In addition, Alamos will make the required cash payments to the Underlying Optionor to match the Company’s commitments under the Option Agreement as such payments become due provided the Mexican Agreement is in good standing on the following dates:

- i) CAD \$20,000 plus VAT upon entry into the Mexican Agreement; and
- ii) CAD \$60,000 plus VAT on or before Oct 6, 2021.

MON will be responsible for the payment of semi-annual mineral taxes on both concessions, provided the Mexican Agreement is good standing.

Once MON has acquired 70% of the Los Vendoas Project, MON and Exploraciones have agreed to share additional exploration and development costs pro rata based on their interests in the project. Should either party decide not to contribute, their interest will be diluted pro rata using a formula based on total expenditures.

Upon completion of making the necessary payments and incurring the Expenditures, MON may exercise the option and, upon doing so, will have earned a 70% interest in the Los Vendos Project, and the Los Venados 1 mineral concession (title number 246230) will be subject to a 2% net smelter return royalty in favor of the Company, of which 1% can be repurchased by MON for USD \$1,500,000.

NOTE 9. SHARE CAPITAL

During the nine months ended September 30, 2020:

On February 10, 2020, the Company issued 1,000,000 common shares with a fair value of \$40,000 pursuant to the Los Venados option agreement (Note 8).

ALORO MINING CORP.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the nine months ended September 30, 2020 and 2019

(Expressed in Canadian dollars)

(Unaudited)

NOTE 9. SHARE CAPITAL (Continued)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 10. RESERVESShare 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, 2019 | 6,300,000 | \$ 0.11 |
| Expired | (1,000,000) | 0.13 |
| Exercised | (3,800,000) | 0.13 |
| Outstanding, December 31, 2019 | 1,500,000 | 0.09 |
| Expired | (1,500,000) | 0.09 |
| Outstanding, September 30, 2020 | - | \$ - |

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, 2019 | 900,000 | 0.10 |
| Granted | 200,000 | 0.10 |
| Forfeited | (200,000) | 0.10 |
| Outstanding, December 31, 2019 | 900,000 | 0.10 |
| Forfeited | (400,000) | 0.10 |
| Outstanding and exercisable, September 30, 2020 | 500,000 | \$ 0.10 |

NOTE 10. RESERVES (Continued)

During the nine months ended September 30, 2020:

During the nine months ended September 30, 2020, 400,000 stock options were forfeited. As the stock options were fully vested, \$45,648, the amount previously recognized in reserves was transferred to deficit.

During the year ended December 31, 2019:

On March 21, 2019, the Company granted 500,000 stock options to a consultant that were later forfeited.

On April 2, 2019, 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, 2019, 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, 2019, 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, 2019, 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, 2020, 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 and \$14,791 was transferred from reserves to deficit.

ALORO MINING CORP.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the nine months ended September 30, 2020 and 2019

(Expressed in Canadian dollars)

(Unaudited)

NOTE 10. RESERVES (Continued)

As at September 30, 2020, 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 |
| 500,000 | | |

As at September 30, 2020, the weighted average remaining contractual life of the options outstanding is 2.68 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 is summarized as follows:

| For the nine months ended September 30, | 2020 | 2019 |
|---|-------------------|-------------------|
| Management fees | \$ 162,000 | \$ 162,000 |
| Directors' fees | 27,000 | 18,000 |
| Total | \$ 189,000 | \$ 180,000 |

During the nine months ended September 30, 2020, management fees paid to the Chief Executive Officer were \$135,000 (2019 - 135,000). \$121,500 (2019 - \$135,000) of the fees has been capitalized to exploration and evaluation assets and the remaining \$13,500 (2019 - \$nil) was expensed as management fees in the income statement.

Related party balances

At September 30, 2020, \$712,152 (December 31, 2019 - \$507,257) 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 September 30, 2020, \$18,000 (December 31, 2019 - \$12,000) was due from a related party and is included in other receivables (Note 5).

At September 30, 2020, the Company had outstanding loans due to the Chief Executive Officer and Chief Financial Officer of the Company for \$182,730 and \$17,750, respectively (December 31, 2019 - \$85,000 and \$nil). The loans bear interest at 10% per annum, are unsecured and are due on demand. At September 30, 2020, accrued interest related to the outstanding loans was \$15,189 (December 31, 2019 - \$2,182).

Related party transactions

During the nine months ended September 30, 2020, the Company recorded income from the sublease of its office space of \$6,000 (2019 - \$nil) from a director of the Company.

ALORO MINING CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the nine months ended September 30, 2020 and 2019

(Expressed in Canadian dollars)

(Unaudited)

NOTE 12. FINANCIAL INSTRUMENTS

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 cash, 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.

NOTE 13. 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 14. SUBSEQUENT EVENT

On October 19, 2020, the Company entered into an option agreement whereby Alamos may acquire 70% interest of the Los Venados Project from the Company by incurring an aggregate of US\$5,000,000 in exploration expenditures and making certain cash payments over three years. On October 19, 2020, the Company received US\$50,000 from Alamos in accordance with the Option Agreement (Note 8). Both the Alamos Option Agreement and the Mexican Agreement can be found on www.sedar.com.