EROS
RESOURCES CORP

(an exploration stage enterprise)

Consolidated Financial Statements

Years ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

Smythe CPA

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF EROS RESOURCES CORP.

We have audited the accompanying consolidated financial statements of Eros Resources Corp., which comprise the consolidated statements of financial position as at December 31, 2017 and 2016 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

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

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Eros Resources Corp. as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 27, 2018

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EROS RESOURCES CORP.
(an exploration stage enterprise)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(expressed in Canadian dollars)

	Note		**December 31, 2017**		December 31, 2016
Assets					
Current					
Cash and cash equivalents		**$**	**3,569,180**	$	3,877,302
Accounts receivable	9		**125,551**		16,185
Prepaid expenses			**68,642**		87,916
Promissory notes receivable	10		**89,311**		86,335
			3,852,684		4,067,738
Marketable securities	4		**6,775,976**		7,720,330
Reclamation bonds			**26,179**		26,179
Prepaid authorization for expenditure	9, 11		**56,014**		-
Exploration and evaluation interests	6		**6,500**		3,103,088
Property and equipment	7		**410,529**		13,161
		$	**11,127,882**	$	14,930,496
Liabilities					
Current					
Accounts payable and accrued liabilities		**$**	**162,635**	$	187,514
Decommissioning liability	12		**126,029**		-
Deferred income tax	14		**3,136,785**		3,738,735
			3,425,449		3,926,249
Shareholders' Equity					
Capital stock	8		**72,394,552**		71,370,577
Contributed surplus	8		**925,839**		862,121
Accumulated other comprehensive income			**7,608**		1,765,457
Deficit			**(65,625,566)**		(62,993,908)
			7,702,433		11,004,247
		$	**11,127,882**	$	14,930,496

Note 1: Going Concern

Note 15: Subsequent Event

On behalf of the Board:

"Tom MacNeill"
Tom MacNeill, Director

"Don Siemens"
Don Siemens, Director

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

EROS RESOURCES CORP.
(an exploration stage enterprise)
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(expressed in Canadian dollars)

	Capital Stock					
	Shares	Amount	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Deficit	Total Shareholders' Equity
Balance at December 31, 2015	41,866,354	$ 71,370,577	$ 697,544	$ (86,924)	$ (59,930,137)	$ 12,051,060
Items of comprehensive income	-	-	-	1,852,381	-	1,852,381
Share-based payments	-	-	164,577	-	-	164,577
Net loss for the year	-	-	-	-	(3,063,771)	(3,063,771)
Balance at December 31, 2016	41,866,354	71,370,577	862,121	1,765,457	(62,993,908)	11,004,247
Private placement, net of share issue costs	6,486,750	1,002,898	-	-	-	1,002,898
Exercise of stock options	93,750	21,077	(8,577)	-	-	12,500
Items of comprehensive loss	-	-	-	(1,757,849)	-	(1,757,849)
Share-based payments	-	-	72,295	-	-	72,295
Net loss for the year	-	-	-	-	(2,631,658)	(2,631,658)
Balance at December 31, 2017	48,446,854	$ 72,394,552	$ 925,839	$ 7,608	$ (65,625,566)	$ 7,702,433

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

EROS RESOURCES CORP.
(an exploration stage enterprise)
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
Years ended December 31
(expressed in Canadian dollars)

	Note	2017	2016
Revenues			
Oil revenue	9	**$ 500,001**	$ -
Royalties	9	**(134,482)**	-
		365,519	-
Oil production expenses	9	**(218,538)**	-
Depletion expense	7	**(338,700)**	
Gross Profit (Loss)		**(191,719)**	-
Expenses			
Consulting fees	9	**59,500**	81,888
Amortization		**2,632**	3,290
Investor relations		**21,329**	42,000
Professional fees		**116,008**	98,982
Office and administration		**66,033**	50,252
Property research		**346,940**	111,156
Share-based payments	8	**72,295**	164,577
Transfer agent and listing fees		**64,318**	14,834
Wages	9	**334,346**	222,556
Travel		**15,319**	10,129
		(1,098,720)	(799,664)
Other items			
Interest income		**42,087**	66,488
Gain on sale of marketable securities		**2,317,279**	330,014
Impairment of exploration and evaluation assets	6	**(3,597,462)**	(3,212,757)
Impairment of oil and gas assets	7	**(930,286)**	-
Gain (loss) on foreign exchange		**30,490**	(97,754)
Unrealized gain (loss) on marketable securities, held for trading		**(83,327)**	489,927
Proceeds from settlement of expropriation claim	6	**-**	159,975
Loss before income taxes		**(3,511,658)**	(3,063,771)
Income taxes			
Deferred income tax recovery		**880,000**	-
Net loss for the year		**(2,631,658)**	(3,063,771)
Items of comprehensive income (loss)			
Unrealized gain on marketable securities, available for sale		**22,380**	1,893,393
Transfer on sale of marketable securities		**(1,780,229)**	(41,012)
Total items of comprehensive income (loss)		**(1,757,849)**	1,852,381
Comprehensive loss for the year		**$ (4,389,507)**	$ (1,211,390)
Basic and diluted loss per share		**$ (0.10)**	$ (0.07)
Weighted average number of common shares outstanding		**45,371,176**	41,866,429

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

EROS RESOURCES CORP.
(an exploration stage enterprise)
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended December 31
(expressed in Canadian dollars)

		2017		2016
Cash from operating activities				
Net loss for the year	**$**	**(2,631,658)**	$	(3,063,771)
Add back non-cash items:				
Share-based payments		**72,295**		164,577
Accretion		**1,029**		-
Amortization		**2,632**		3,290
Depletion		**338,700**		
Gain on sale of marketable securities		**(2,317,279)**		(330,014)
Unrealized gain (loss) marketable securities		**83,327**		(489,927)
Deferred income tax recovery		**(880,000)**		-
Impairment of exploration and evaluation assets		**3,597,462**		3,212,757
Impairment of oil and gas assets		**930,286**		-
Loss (gain) on foreign exchange		**(20,451)**		97,754
Net changes in non-cash working capital items:				
Accounts receivable and promissory notes receivable		**(112,342)**		30,942
Prepaid expenses		**19,274**		(11,410)
Accounts payable and accrued liabilities		**(60,252)**		18,502
Cash used in operating activities		**(976,977)**		(367,300)
Investing activities				
Acquisition of marketable securities		**(1,580,620)**		(3,325,169)
Promissory notes		**-**		54,938
Prepaid authorization for expenditure		**(56,014)**		-
Purchase of property and equipment		**(1,543,986)**		-
Proceeds on sale of marketable securities		**3,279,125**		1,222,282
Evaluation and exploration expenditures		**(465,499)**		(1,031,138)
Cash used in investing activities		**(366,994)**		(3,079,087)
Financing activities				
Proceeds from issuance of shares		**1,002,898**		-
Proceeds from exercise of stock options		**12,500**		-
Cash provided by financing activities		**1,015,398**		-
Decrease in cash during the year		**(328,573)**		(3,446,387)
Foreign exchange effect on cash		**20,451**		(97,754)
Cash and cash equivalents, beginning of the year		**3,877,302**		7,421,443
Cash and cash equivalents, end of the year	**$**	**3,569,180**	$	3,877,302
Cash and cash equivalents consist of:				
Cash	**$**	**3,569,180**	$	1,927,302
Short-term deposits		**-**		1,950,000
	$	**3,569,180**	$	3,877,302
Supplemental Cash Flow Information				
Interest received	**$**	**12,527**	$	81,129
Exploration and evaluation assets included in accounts payable	**$**	**35,375**	$	-

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

1. NATURE OF OPERATIONS

Eros Resources Corp.'s ("Eros" or the "Company") principal business activities include the acquisition, exploration and development of mineral and oil and gas resource properties in North America. The Company's corporate office is located at Suite 650, 1021 West Hastings Street, Vancouver, British Columbia V6E 0C3. Eros is a Tier 1 company and is listed on the TSX Venture Exchange ("TSX-V").

These consolidated financial statements have been prepared on a going concern basis in accordance with IFRS under the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

The Company's continuing operations, as intended, are dependent upon its ability to identify, evaluate and negotiate an acquisition of or participation in an interest in properties, assets or businesses.

The business of mining and exploring for minerals and oil and gas reserves involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of exploration and evaluation assets and the Company's ability to continue as a going concern is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations or the ability of the Company to raise alternative financing.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The Company prepares its financial statements in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). The accounting policies adopted in these financial statements are based on IFRS's in effect as at December 31, 2017.

The consolidated financial statements of Eros Resources Corp. for the year ended December 31, 2017 were reviewed by the Audit Committee and approved and authorized for issuance by the Board of Directors on April 27, 2018.

Basis of presentation

These consolidated financial statements include the accounts of Eros and its wholly owned subsidiaries, Anthem Resources Incorporated ("Anthem") and Otish Minerals Ltd., both companies incorporated in British Columbia, and Bell Mountain Exploration Corp. ("Bell Mountain"), a company incorporated in Nevada, USA.

These consolidated financial statements have been prepared on an historical cost basis, except for financial instruments classified as financial instruments at fair value through profit or loss and available-for-sale, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant judgments, estimates and assumptions

The preparation of these consolidated financial statements requires management to make estimates and assumptions regarding the future. These estimates and assumptions may impact the reported amounts of assets and liabilities, income and expenses. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes could differ from these estimates and assumptions, which, by their nature, are uncertain. Revisions to accounting estimates are adjusted for prospectively in the period in which the estimates are revised.

Critical accounting estimates and assumptions

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amounts of assets and liabilities in future accounting periods and include, but are not limited to, the following:

<u>Recovery of deferred tax assets</u>

The Company estimates the expected manner and timing of the realization or settlement of the carrying value of its assets and liabilities and applies the tax rates that are enacted or substantively enacted on the estimated dates of realization or settlement.

<u>Estimated useful lives of equipment</u>

The estimated useful lives of equipment, which is included in the consolidated statements of financial position, will impact the amount and timing of the related amortization included in profit or loss.

<u>Share-based payments</u>

The fair value of share-based payments is subject to the limitations of the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

<u>Decommissioning liability</u>

The cost of remediating sites following their useful lives is subject to significant management estimates, both in terms of the cost to remediate the sites as well as the timing of the costs, which impact the net present value of the decommissioning liability shown on the statement of financial position.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting estimates and judgments (continued)

Recoverable value of asset carrying values

At each reporting date, the Company assesses its petroleum and natural gas properties and exploration and evaluation assets for possible impairment, to determine if there is any indication that the carrying amounts of the assets may not be recoverable. An assessment is also made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. Determination as to whether and how much an asset is impaired, or no longer impaired, involves management estimates on highly uncertain matters, such as future commodity prices, discount rates, production profiles, operating costs, future capital costs and reserves. A material adjustment to the carrying value of the Company's property and equipment and exploration and evaluation assets could arise as a result of changes to these estimates and assumptions.

Oil reserves

Oil resources categorized as reserves are used in the unit-of-production calculation for depreciation, depletion and amortization, and the impairment analysis, which affect net loss. There are numerous uncertainties inherent in estimating oil reserves. Estimating reserves is very complex, requiring many judgments based on geological, geophysical, engineering and economic data. Changes in these judgments could have a material impact on the estimated reserves. These estimates may change, having either a negative or positive effect on profit or loss as further information becomes available and as the economic environment changes.

Depreciation and depletion

Depletion of oil and gas related property and equipment is provided using the unit-of-production method based on production volumes before royalties in relation to total estimated proven and probable reserves, as determined annually by independent engineers and internal reserve evaluations on a quarterly basis. Natural gas reserves and production are converted at the energy equivalent of approximately six thousand cubic feet to one barrel of oil.

Critical accounting judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements include, but are not limited to, the following:

Impairment of marketable securities classified as available-for-sale

Management assesses at each reporting date to determine whether there is any objective evidence that marketable securities classified as available-for-sale are impaired. Marketable securities classified as available-for-sale are considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting estimates and judgments (continued)

Impairment of marketable securities classified as available-for-sale (continued)

Management applies judgment in determining impairment by considering whether the decline in fair value is both significant and prolonged. All impairment losses are recognized in profit or loss.

Identification of cash-generating-units

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. The determination of the Company's CGU is subject to management's judgment.

Classification of exploration and evaluation assets

The application of the Company's accounting policy for exploration and evaluation assets requires management to make certain judgments as to future events and circumstances and as to whether economic quantities of reserves will be found so as to assess if technical feasibility and commercial viability have been achieved.

Exploration and evaluation assets

The Company capitalizes all expenditures on exploration and evaluation activities as mineral property interests once the Company has title to the related underlying property. Such expenditures include, but are not limited to, exploration license expenditures, leasehold property acquisition costs, evaluation costs, including drilling costs directly attributable to a property, and directly attributable general and administrative costs. From time to time the Company may acquire or dispose of a mineral property pursuant to the terms of an option agreement. As the option payments are made at the discretion of the optionee, the amounts payable or receivable are not recorded as liabilities or receivables. Option payments are recorded as property costs or recoveries when the payments are made or received. After costs are recovered, the balance of any payments received is recorded as a gain on option or disposition of mineral property. Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development asset.

Joint interest operations

Some of the Company's exploration activities are conducted jointly with other entities, and accordingly, the consolidated financial statements reflect only the Company's proportionate interest in such entities.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

The functional currency of the Company and its subsidiaries is the Canadian dollar. Amounts denominated in foreign currencies are translated into the functional currency as follows:

(i) Monetary assets and liabilities, at the rate of exchange in effect as at the consolidated statement of financial position date;
(ii) Non-monetary assets and liabilities, at the exchange rates prevailing at the time of the acquisition of the assets or assumption of the liabilities; and
(iii) Revenues and expenses (excluding amortization, which is translated at the same rate as the related asset), at the rate of exchange on the transaction date.

Gains and losses arising from the translation of foreign currency are included in the determination of net income (loss) for the year.

Cash and cash equivalents

The Company considers cash and cash equivalents to be cash and highly liquid investments that can be readily converted into known amounts of cash, and which have an original term to maturity of less than three months.

Financial instruments

Financial assets

The Company classifies its financial assets in the following categories: held-to-maturity, fair value through profit or loss (“FVTPL”), loans and receivables, and available for sale ("AFS"). The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

<u>Fair value through profit or loss</u>

Financial assets are classified as FVTPL when the financial asset is held-for-trading or it is designated as FVTPL. A financial asset is classified as FVTPL when it has been acquired principally for the purpose of selling in the near future; it is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit-taking or if it is a derivative that is not designated and effective as a hedging instrument. Upon initial recognition, attributable transaction costs are recognized in profit or loss when incurred. Financial instruments at FVTPL are measured at fair value, and changes therein are recognized in profit or loss. Cash and cash equivalents and held-for-trading securities included within marketable securities are included in this category of financial assets.

<u>Loans and receivables</u>

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are initially recognized at fair value and subsequently carried at amortized cost less impairment losses. The impairment loss on receivables is based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified. Interest income is recognized by applying the effective interest method. Promissory notes receivable and accounts receivable are included in this category of financial assets.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Held-to-maturity

Held-to-maturity financial assets are recognized on a trade-date basis and are initially measured at fair value using the effective interest method. The Company has no assets classified as held-to-maturity.

Available-for-sale

AFS financial assets are non-derivatives that are either designated as AFS or not classified in any of the other financial assets categories. Changes in the fair value of AFS financial assets other than impairment losses are recognized as other comprehensive income and classified as a component of equity. The Company has marketable securities classified as AFS financial assets.

Financial liabilities

The Company classifies its financial liabilities in the following category:

Other financial liabilities

Other financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs incurred, and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in the consolidated statement of loss and comprehensive loss over the period to maturity using the effective interest method.

Other financial liabilities are classified as current or non-current based on their maturity date. Other financial liabilities include accounts payable and accrued liabilities.

Fair value hierarchy

Financial instrument fair values are classified within a hierarchy that prioritizes the inputs to fair value measurements. The three levels of the fair value hierarchy are:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 - Inputs for assets or liabilities that are not based on observable market data.

Income taxes

Income tax expense consisting of current and deferred tax expense is recognized in the consolidated statement of loss and comprehensive loss. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year-end, adjusted for amendments to tax payable with regard to previous years.

Deferred tax assets and liabilities and the related deferred income tax expense or recovery are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes (continued)

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is not recognized. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off tax assets against tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its tax assets and liabilities on a net basis.

Earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing the net loss for the period by the weighted average number of common shares outstanding during the year. The Company follows the treasury stock method for calculating diluted earnings (loss) per share. The treasury stock method is a method of recognizing the use of proceeds that could be obtained upon exercise of options and warrants in computing diluted earnings per share. It assumes that the proceeds of such exercise would be used to purchase common shares at the average market price during the year. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

Shares held in escrow, other than where their release is subject to the passage of time, are not included in the calculation of the weighted average number of common shares outstanding.

Share-based payments

The Company has a stock option plan that is described in Note 8. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest. The offset to the recorded cost is to contributed surplus. Consideration received on the exercise of stock options is recorded as capital stock and the related contributed surplus is transferred to capital stock.

Revenue recognition

Revenue from the sale of oil is recognized when the significant risks and rewards of ownership are transferred to the buyer, when legal title passes to the buyer which usually occurs when the product has been delivered. Revenue is based on volumes delivered to customers at contractual delivery points and rates. The costs associated with the delivery, including operating and maintenance costs, and production-based royalty expenses, are recognized during the same period in which the related revenue is earned.

Property and equipment

Equipment assets are assessed for impairment if facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

The carrying amount of equipment assets are reviewed at each reporting date to determine whether there is any indication of impairment. An impairment test is completed if any such indication exists.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the CGU). The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs to sell.

Fair value less costs to sell is determined to be the amount for which the asset could be sold in an arm's length transaction. Fair value less costs to sell can be determined by using an observable market or by using discounted future net cash flows of proved and probable reserves using forecasted prices and costs. Value in use is determined by estimating the present value of the future net cash flows expected to be derived from the continued use of the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of goodwill, if any, allocated to the units and then to reduce carrying amounts of other assets in the unit (group of units) on a pro rata basis.

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation or amortization, if no impairment loss had been recognized.

Depletion and depreciation

Depletion of oil and gas properties is determined using the unit-of-production method based on production volumes in relation to total estimated proved and probable reserves, as determined annually by independent engineers and determined in accordance with NI 51-101. Natural gas reserves and production are converted at the energy equivalent of six thousand cubic feet to one barrel of oil.

Proven and probable reserves are estimated using independent reserve engineer reports and represent the estimated quantities of crude oil, natural gas and natural gas liquids, which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially viable. There should be a minimum 90% statistical probability that the actual quantity of recoverable reserves will be more than the amount estimated as proven and a maximum 10% statistical probability that it will be less. Such reserves may be considered commercially viable if management has the intention of developing and producing them and such intention is based upon:

- a reasonable assessment of the future economics of such production;
- a reasonable expectation that there is a market for all or substantially all the expected oil and natural gas production; and
- evidence that the necessary production, transmission and transportation facilities are available or can be made available.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Depletion and depreciation (continued)

Reserves may only be considered proven if future economic feasibility is supported by either actual production or conclusive formation testing. The area of reservoir considered proven includes (a) that portion delineated by drilling and defined by gas-oil and/or oil-water contacts, if any, or both, and (b) the immediately adjoining portions not yet drilled, but which can be reasonably judged as economically productive on the basis of available geophysical, geological and engineering data. In the absence of information on fluid contacts, the lowest known structural occurrence of oil and natural gas controls the lower proved limit of the reservoir.

Depreciation of other equipment is provided for on a 20% straight-line basis. Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are determined by discounting the expected cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability if the risks have not been incorporated into the estimate of cash flows. The increase in the provision due to the passage of time is recognized within finance expense.

1. Decommissioning liabilities

   The Company's activities give rise to dismantling, decommissioning and site disturbance remediation activities. A provision is made for the estimated cost of site restoration and capitalized in the relevant asset category. Decommissioning liabilities are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. Changes in the present value of the estimated expenditure are reflected as an adjustment to the provision and the relevant asset. The unwinding of the discount on the decommissioning provision is recognized as accretion expense. Actual costs incurred upon settlement of the decommissioning liabilities are charged against the provision to the extent the provision was recognized.

2. Environmental liabilities

   The Company records liabilities on a discounted basis for environmental remediation efforts that are likely to occur and where the cost can be reasonably estimated. The estimates, including associated legal costs, are based on available information using existing technology and enacted laws and regulations. The estimates are subject to revision in future periods based on actual costs incurred or new circumstances. Any amounts expected to be recovered from other parties, including insurers, are recorded as an asset separate from the associated liability.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

New standards, amendments and interpretations

Accounting standards issued and effective January 1, 2017

The following new standards, and amendments to standards and interpretations, were first effective for the year ended December 31, 2017, and have not had a material impact on these financial statements:

IAS 7 *Statement of Cash Flows* – Disclosure Initiative

The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

IAS 12 *Income Taxes*- Recognition of Deferred Tax Assets for Unrealized Losses

The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value.

Accounting standards issued and effective January 1, 2018

The following new standards, and amendments to standards and interpretations, were not yet effective for the year ended December 31, 2017, and have not been applied in preparing these consolidated financial statements.

IFRS 9 *Financial Instruments*

IFRS 9 will replace IAS 39 *Financial Instruments: Recognition and Measurement* and IFRIC 9 *Reassessment of Embedded Derivatives*. The final version of this new standard supersedes the requirements of earlier versions of IFRS 9. The main features introduced by this new standard compared with predecessor IFRS are as follows:

- Classification and measurement of financial assets:

  Debt instruments are classified and measured on the basis of the entity's business model for managing the asset and its contractual cash flow characteristics as either: “amortized cost”, “fair value through other comprehensive income”, or “fair value through profit or loss” (default). Equity instruments are classified and measured as “fair value through profit or loss” unless upon initial recognition elected to be classified as “fair value through other comprehensive income”.

- Classification and measurement of financial liabilities:

  When an entity elects to measure a financial liability at fair value, gains or losses due to changes in the entity’s own credit risk is recognized in other comprehensive income (as opposed to previously profit or loss). This change may be adopted early in isolation of the remainder of IFRS 9.

- Impairment of financial assets:

  An expected credit loss impairment model replaced the incurred loss model and is applied to financial assets at “amortized cost” or “fair value through other comprehensive income”, lease receivables, contract assets or loan commitments and financial guarantee contracts. An entity recognizes twelve-month expected credit losses if the credit risk of a financial instrument has not increased significantly since initial recognition and lifetime expected credit losses otherwise.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

New standards, amendments and interpretations not yet effective (continued)

Accounting standards issued and effective January 1, 2018 (continued)

IFRS 9 *Financial Instruments* (continued)

- Hedge accounting:

  Hedge accounting remains a choice, however, is now available for a broader range of hedging strategies. Voluntary termination of a hedging relationship is no longer permitted. Effectiveness testing now needs to be performed prospectively only. Entities may elect to continue applying IAS 39 hedge accounting on adoption of IFRS 9 (until the IASB has completed its separate project on the accounting for open portfolios and macro hedging).

IFRS 15 Revenue from Contracts with Customers

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts-
- Recognize revenue when (or as) the entity satisfies a performance obligation.

Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.

Accounting standards issued and effective January 1, 2019

IFRS 16 Leases

A finalized version of IFRS 16 *Leases* replaces IAS 17 *Leases*. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. This standard is effective for annual reporting periods beginning on or after January 1, 2019.

The Company has not early-adopted these standards and is currently assessing the impact that the standards will have on the consolidated financial statements.

(expressed in Canadian dollars)

3. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Company has classified its financial assets as follows:

	December 31, 2017			December 31, 2016		
Financial assets	Loans and receivables	FVTPL	Available-for-sale	Loans and receivables	FVTPL	Available-for-sale
Cash and cash equivalents	$ -	$ 3,569,180	$ -	$ -	$ 3,877,302	$ -
Marketable securities	-	789,545	5,986,431	-	872,871	6,847,459
Accounts receivable	73,280	-	-	16,185	-	-
Promissory notes receivable	89,311	-	-	86,335	-	-
	$ 162,591	$ 4,358,725	$5,986,431	$ 102,520	$ 4,750,173	$6,847,459

FVTPL and AFS assets are carried at fair value and loans and receivables are carried at amortized cost as at December 31, 2017 and 2016. The Company classifies its only financial liability, accounts payable and accrued liabilities, as other financial liabilities and carries it at amortized cost. The fair value of accounts receivable, promissory notes receivable and accounts payable and accrued liabilities approximate their fair value due to their short-term nature.

December 31, 2017	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets				
Marketable securities	$ 6,323,931	$ 452,045	$ -	$ 6,775,976

December 31, 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets				
Marketable securities	$ 7,147,459	$ 572,871	$ -	$ 7,720,330

The Company's risk exposures are summarized below:

Credit risk

Credit risk is the risk that the Company will incur an unexpected loss as a result of the counterparty to a financial asset failing to meet their contractual obligations. The Company's financial assets that are exposed to credit risk are cash and cash equivalents, accounts receivable, and promissory notes receivable. The Company holds cash at a major Canadian financial institution in accordance with the Company's investment policy. Management considers credit risk on cash to be low, as the counterparties are highly rated Canadian banks. The Company is exposed to some credit risk on accounts receivable and promissory notes receivable, apart from sales tax refunds receivable.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company's approach to managing liquidity risk is to provide reasonable assurance that it has sufficient capital to meet short-term financial obligations after taking into account its exploration obligations

(expressed in Canadian dollars)

3. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

Liquidity risk (continued)

and cash on hand. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

Market risk

Market risk consists of interest rate risk, foreign currency risk and other price risk. Market risk to which the Company is exposed is as follows:

Interest rate risk

Interest rate risk consists of two components:

(i) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.
(ii) To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

The Company is not exposed to significant interest rate risk.

Foreign currency risk

The Company is exposed to financial risk related to the fluctuation of foreign exchange rates. A significant change in the exchange rate between the Canadian dollar relative to the US dollar could have an effect on the Company's future results of operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations. As at December 31, 2017 and 2016, the Company is exposed to currency risk through the following financial assets denominated in a currency other than the Canadian dollar:

	December 31, 2017		December 31, 2016	
	US $	CDN $	US $	CDN $
Cash	922,874	1,247,132	839,199	2,750,499
Accounts payable	(21,011)	(141,626)	(36,649)	(138,305)

Based on the above, assuming all other variables remain constant, a 10% strengthening of the Canadian dollar against the US dollar would have increased the Company's comprehensive loss by $90,186 (2016 - $80,255). A weakening of the Canadian dollar would have had the opposite effect.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company's marketable securities are carried at market value, and are therefore directly affected by fluctuations in the market value of the underlying securities. The Company's sensitivity analysis suggests that changes in market prices of the portfolio do have a material effect on comprehensive income (loss). A 20% increase in the market prices of the Company's available-for-sale marketable securities would have decreased the Company's comprehensive loss by $1,197,286 (2016 - $1,369,492). A 20% decrease in the market prices of those securities would have increased the Company's comprehensive loss by the same amount.

(expressed in Canadian dollars)

4. MARKETABLE SECURITIES

	December 31, 2017			
Company	Number of common shares	Available-for-sale securities	Other	Available-for-sale securities and other
Canamex Resources Corp. convertible debentures	1,875,000	$ -	$ 337,500	$ 337,500
Bullfrog Gold Corp	6,750,000	762,449	-	762,449
Nickel North Exploration Corp.	10,933,707	218,674	-	218,674
Skeena Resources Limited	4,789,011	3,352,308	-	3,352,308
Strongbow Exploration Inc.	1,600,000	248,000	-	248,000
Toachi Mining	1,250,000	325,000	-	325,000
Westcore Energy Ltd.	4,400,000	506,000	-	506,000
Other equities and warrants	-	574,000	452,045	1,026,045
		$ 5,986,431	$ 789,545	$ 6,775,976

	December 31, 2016			
Company	Number of common shares	Available-for-sale securities	Other	Available-for-sale securities and other
Canamex Resources Corp. convertible debentures	1,875,000	$ -	$ 300,000	$ 300,000
Harte Gold Corp.	2,118,500	635,550	-	635,550
Nickel North Exploration Corp.	10,933,707	656,022	-	656,022
Skeena Resources Limited	4,869,011	3,408,308	-	3,408,308
Solgold PLC	2,475,000	979,079	-	979,079
Toachi Mining	1,000,000	355,000	-	355,000
Other equities and warrants	-	813,500	572,871	1,386,371
		$ 6,847,459	$ 872,871	$ 7,720,330

Various securities in the portfolio were purchased and sold during the year, resulting in the realization of gains and losses.

(expressed in Canadian dollars)

4. MARKETABLE SECURITIES (continued)

The fair value of shares is determined by reference to closing prices on a stock exchange. The fair value of warrants is estimated using the Black-Scholes option pricing model. The marketable securities portfolio includes warrants, which are classified as fair value through profit or loss. The warrants' fair values were estimated using the Black Scholes option pricing model using the following ranges of inputs:

	2017	**2016**
Stock price	Closing prices	Closing prices
Exercise price	$0.15 to $1.40	$0.035 to $0.35
Expected life	0.4 to 2.0 years	0.2 to 3.0 years
Annualized volatility	80%	80%
Dividend rate	0%	0%
Risk-free interest rate	1.66% to 1.86%	0.73% to 0.84%

5. EXPLORATION ADVANCE TO SKEENA RESOURCES LIMITED

In April 2015, the Company entered into an arrangement with Skeena to earn an interest in Skeena's Spectrum-GJ property by spending $1,500,000 on exploration. The arrangement contained exclusivity terms and a conversion option. The funds were to be used exclusively for exploration activities that qualify as eligible Canadian Exploration Expenditures ("CEE"). Upon completion of the earn-in the parties had 30 days to negotiate a joint venture agreement, whereby Skeena would continue to be the operator and the Company would contribute its proportionate share of funding to maintain its 8.7% interest in the property. Under the terms of the agreement, since the Company and Skeena were unable to negotiate a joint venture, the 8.7% interest was converted to 25,000,000 common shares of Skeena in April 2016.

(expressed in Canadian dollars)

6. EXPLORATION AND EVALUATION INTERESTS

The exploration and evaluation assets paid to December 31, 2017 have been capitalized as follows:

	British Columbia	Saskatchewan	Quebec (Chateau Fort)	Labrador/ Newfoundland	Nevada	**Total**
Commodity	gold	uranium (2016)	gold	uranium	gold-silver	
Balance at December 31, 2015	$ -	$ 3,212,756	$ 24,565	$ 1	$ 2,025,912	$ 5,263,234
Additions						
Acquisition costs	6,500	-	-	-	259,500	266,000
Staking and maintenance	-	-	-	-	61,295	61,295
Royalties	-	-	-	-	20,000	20,000
Geology/ geophysics	-	-	-	-	303,973	303,973
Analyses and assays	-	-	-	-	68,690	68,690
Field support	-	-	-	-	105,675	105,675
Environmental and socio-economic	-	-	-	-	226,978	226,978
Total additions for the year:	6,500	-	-	-	1,046,111	1,052,611
Impairment of exploration and evaluation assets	-	(3,212,756)	-	(1)	-	(3,212,757)
Balance at December 31, 2016	6,500	-	24,565	-	3,072,023	3,103,088
Additions						
Staking and maintenance	-	-	-	-	55,726	55,726
Geology/ geophysics	-	-	-	-	292,724	292,724
Analyses	-	-	-	-	6,408	6,408
Field support	-	-	-	-	61,151	61,151
Environmental and socio-economic	-	-	-	-	84,865	84,865
Total additions for the year:		-	-	-	500,874	500,874
Impairment of exploration and evaluation assets	-	-	(24,565)	-	(3,572,897)	(3,597,462)
Balance at December 31, 2017	$ 6,500	$ -	$ -	$ -	$ -	$ 6,500

Note that in 2017, the Company invested in drilling three oil and gas wells. As these wells are now producing, the costs incurred are shown as part of Property and Equipment, Note 7.

6. EXPLORATION AND EVALUATION INTERESTS (continued)

Realization of exploration and evaluation assets

The investment in and expenditures on exploration and evaluation assets comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent upon the establishment and maintenance of legal ownership, the attainment of successful production from the properties or from the proceeds of their disposal.

Mineral exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of ore. There can be no assurance that compensation will be received for properties that have been or may be expropriated. The amounts shown for acquisition costs and deferred exploration expenditures represent costs incurred to date and do not necessarily reflect present or future values. These costs will be depleted over the useful lives of the properties upon commencement of commercial production or written off if the properties are abandoned or if the claims are allowed to lapse.

Title to exploration and evaluation interests

Title to exploration and evaluation assets involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance history of many mineral properties. The Company has investigated title to its mineral property interests in accordance with industry standards for the current stage of exploration of such properties, and, to the best of its knowledge, title to its properties are in good standing; however, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

Environmental

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest.

The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of exploration and development on the mineral properties, the potential for production on the properties may be diminished or negated.

6. EXPLORATION AND EVALUATION INTERESTS (continued)

a. Nevada

In August 2016, the Department of the Navy of the United States Department of Defense (the "Navy") issued a notice of its intent to conduct an environmental impact statement ("EIS") regarding a proposed expansion of the Fallon Range Training Complex. The Company's Bell Mountain Project consists of unpatented mining claims that are located on federal lands within the proposed EIS area. The Company is presently evaluating the notice and is conferring with various parties regarding the purpose of the notice and the potential effect on current users of the public lands. Preliminary analysis indicates that, while the Eastgate property is not captured by the planned expansion, it is anticipated that the potential loss of synergies with Bell Mountain will make the development of the Eastgate property alone more challenging. While not assured, the Company has a history of successfully obtaining compensation from governments when exploration rights are infringed upon. Should the expansion of the Fallon Range Training Complex cause the Company's exploration rights to be rescinded or otherwise infringed upon, the Company intends to seek appropriate compensation.

Bell Mountain Property

The Company has earned 100% ownership of the Bell Mountain gold-silver property. An Advance Royalty Payment of $20,000 is due annually on June 15 until such time as there is production from the property (paid during the year ended December 31, 2016). Due to the Navy's proposed EIS regarding the expansion of the Fallon Range Training Complex, exploration activities at Bell Mountain are on hold, and payment of the advance royalty has been deferred by the royalty-holder.

Eastgate Property

On May 25, 2015, the Company acquired a 30% interest in the Eastgate property in two transactions totalling US$450,000. During the year ended December 31, 2016, the Company made a second payment of US$200,000 to increase its property interest to 45%. The property is in close proximity to Bell Mountain, therefore exploration activities at Eastgate are also on hold as anticipated synergies may be lost as a result of the Navy's proposed EIS.

As a result of the Navy's proposed EIS, the Company impaired its interests in Nevada properties in accordance with Level 3 of the fair value hierarchy and recorded an impairment loss of $3,572,897 for the year ended December 31, 2017.

b. British Columbia

KET and REN claims

The Company held a 100% interest in the Ket and Ren claims in southern British Columbia. Acquired for their uranium potential, these claims were inactive following the British Columbia Government's announcement in April 2008 and the March 2009 Order in Council regarding a ban on uranium and thorium exploration and development. In 2016, the Company was successful in obtaining compensation from the British Columbia Government for the loss of its right to develop these properties, and recorded a recovery of $159,975 during the year ended December 31, 2016 from the British Columbia Government in relation to this matter.

6. EXPLORATION AND EVALUATION INTERESTS (continued)

b. British Columbia (continued)

Golden Triangle

The Company purchased a 5% minor investment interest in certain properties in the Golden Triangle area of northwest BC during the year ended December 31, 2016. The purchase of these rights included a minor share position in SnipGold corp.

c. Saskatchewan

Saskatchewan uranium interests

Due to the dilution of the Company's interests coupled with continued challenges in the uranium exploration markets, Saskatchewan uranium-exploration and evaluation costs of $3,212,756 were no longer estimated to be recoverable and accordingly were impaired during the year ended December 31, 2016 in accordance with Level 3 of the fair value hierarchy.

Hatchet Lake and Murphy Lake Joint Ventures

The Company has an interest in two joint venture properties with Denison Mines Corp. ("Denison") as operator, located on the Wollaston Trend at the northeast margin of the Athabasca Basin. The Company elected not to contribute to either program for 2015 or 2016. Program expenditures for 2016 have brought Eros to a 29.89% joint venture interest for Hatchet Lake, and 21.04% for Murphy Lake with further dilution expected for 2017.

Wollaston Trend

The Company has a 2% net smelter return royalty ("NSR") interest on 44 claims of uranium exploration lands along the Wollaston Trend underlying the southeast margin of the Athabasca Formation. Denison retains the right to purchase one-half of the NSR at any time for $1,000,000.

Athabasca Basin – Uranium

The Company has a 100% interest in six claim groups in the Athabasca Northern Basin of Saskatchewan. Some of the claims are subject to a non-participating, non-voting, carried 0.5% NSR.

d. Quebec

Otish Mountains

The Company holds a 100% interest in the Otish Mountains uranium property. With the moratorium on uranium development in Quebec, the Company has impaired their investment in the property down to nil, in accordance with Level 3 of the fair value hierarchy in a prior period; however, the Company continues to evaluate the changing circumstances in this area in order to identify opportunities to obtain a return on its investment in the region.

(expressed in Canadian dollars)

6. EXPLORATION AND EVALUATION INTERESTS (continued)

Chateau Fort Gold

The Chateau Fort gold property is 18,867 hectares in size and is located in central Quebec. On March 24, 2015, the Company announced that it had optioned the property to Tarku Resources Ltd. ("Tarku"). Under the terms of the agreement, Tarku can earn a 100% interest in the Property, subject to certain underlying diamond rights and Net Smelter Return Royalties. In return Tarku shall pay $100,000 in cash ($15,000 paid) and 8 million Tarku shares (2,000,000 paid) in staged payments over four years. During 2016, Tarku repaid a promissory note owed, and renegotiated the terms of the option on Chateau Fort Gold, dropping the requirement for further payments in cash or shares.

Eros retains a 2% Net Smelter Return Royalty on claims not subject to other underlying agreements, of which 1% can be bought down for payment of $2 million. In addition, Eros retains the right to maintain its pro rata percentage ownership of Tarku via future financings, and retains a right of first refusal on third party offers to purchase the Property.

During the year ended December 31, 2017, the Company's claims on the Quebec properties expired. The Company impaired its interests in its remaining Quebec properties in accordance with Level 3 of the fair value hierarchy, and recorded an impairment loss of $24,565.

7. PROPERTY AND EQUIPMENT

Cost	Oil & gas interests and equipment	Mineral exploration field equipment	Total
Balance, December 31, 2015	$ -	$ 94,930	$ 94,930
Additions / disposals	-	-	-
Balance, December 31, 2016	-	94,930	94,930
Additions / disposals	1,668,986	-	1,668,986
Impairment	(930,286)	-	(930,286)
Balance, December 31, 2017	**$ 738,700**	**$ 94,930**	**$ 833,630**
Accumulated Amortization			
Balance, December 31, 2015	$ -	$ 78,479	$ 78,479
Amortization / Depletion	-	3,290	3,290
Balance, December 31, 2016	-	81,769	81,769
Amortization / Depletion	338,700	2,632	341,332
Balance, December 31, 2017	**$ 338,700**	**$ 84,401**	**$ 423,101**
Carrying Value			
Balance, December 31, 2016	$ -	$ 13,161	$ 13,161
Balance, December 31, 2017	**$ 400,000**	**$ 10,529**	**$ 410,529**

(expressed in Canadian dollars)

7. PROPERTY AND EQUIPMENT (continued)

Flaxcombe – heavy oil

On February 6, 2017, Eros agreed to fund the drilling of three vertical wells into the Flaxcombe heavy oil field, owned by Westcore Energy Ltd. ("Westcore") at an estimated cost of $1.6 million. This amount has been fully advanced, drilling is complete, and the unspent portion of the funds advanced is shown as part of prepaid expenses. According to the terms of the agreement with Westcore, Eros will hold a 90% working interest in the wells until its investment is recovered, and will hold a 50% interest thereafter. In addition, Eros retains a right of first refusal to participate on the same terms on two subsequent drill programs on the Flaxcombe field. Westcore is a related party by virtue of having a director in common with the Company.

During the year ended December 31, 2017, due primarily to the Company's market capitalization, an indicator of impairment existed leading to a test of recoverable amount of the oil and gas assets. The Company estimated the recoverable amount based on fair value less cost of disposal using a discounted cash flow model categorized in Level 3 of the fair value hierarchy. Key assumptions in the determination of cash flows from reserves include crude oil prices, future capital and operating expenditures and discount rates specific to the underlying composition of assets residing in the cash-generating unit, applied to the reserves included in the year-end reserves report. The post-tax discount rate used was 16.5%. The Company recorded an impairment loss of $930,286.

The following tables show the future crude oil price estimates used by the Company's independent reserves evaluator at December 31, 2017:

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	Thereafter
WCS (C$/bbl)	53.32	56.79	61.27	63.00	65.90	69.42	72.91	76.45	79.93	83.47	+2%/year

8. SHARE CAPITAL AND CONTRIBUTED SURPLUS

Authorized

Unlimited number of common shares without par value

Stock options

The Company has a stock option plan under which it is authorized to grant options to executive officers, directors, employees and consultants. Pursuant to the policies of the TSX-V, the Company is authorized to grant options to acquire up to 10% of its issued and outstanding common shares. The exercise price of each option granted under the plan is greater than or equal to the closing market price of the Company's shares on the date of each grant. The maximum term of each option is five years.

(expressed in Canadian dollars)

8. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

Shares and warrants issued

On June 19, 2017, Eros closed a non-brokered private placement financing via the issuance of 6,486,750 units at a price of $0.16 per unit. Each unit consists of one common share and one half of one share purchase warrant, with each full warrant entitling the holder to acquire one additional common share at an exercise price of $0.25 until June 19, 2019, and at $0.30 for an additional year, until June 19, 2020. 3,243,375 warrants have the remaining life of 2.5 years at December 31, 2017. Legal costs of $10,982 were paid and finders fees of $24,088 were paid to certain finders in conjunction with this placement.

Share-based payments

Stock option transactions are summarized as follows:

	Stock Options	
	Number	Weighted Average Exercise Price
Outstanding, December 31, 2015	2,362,500	$ 0.157
Granted	1,325,000	$ 0.20
Outstanding, December 31, 2016	3,687,500	$ 0.173
Granted	1,150,000	$ 0.165
Exercised	(93,750)	$ 0.133
Cancelled	(562,500)	$ 0.149
Outstanding, December 31, 2017	4,181,250	$ 0.175
Number currently exercisable	3,606,250	$ 0.173

On August 16, 2016, the Company granted 1,325,000 incentive stock options to directors and officers of the Company which will expire on August 16, 2021 with an exercise price of $0.20. All the options vested immediately.

On August 29, 2017, the Company granted 1,150,000 incentive stock options to directors and officers of the Company which will expire on August 29, 2022 with an exercise price of $0.165. 50% of the options vested immediately, with the balance vesting on August 29, 2018. During the year ended December 31, 2017, the Company recorded share-based payments expense of $72,295 (2016 - $164,577).

At December 31, 2017, stock options were outstanding as follows:

Grant date	Number of Shares	Exercise Price	Expiry Date
March 10, 2014	431,250	$ 0.133	March 10, 2019
May 22, 2014	225,000	$ 0.160	May 22, 2019
June 3, 2015	375,000	$ 0.1733	June 3, 2020
June 5, 2015	675,000	$ 0.1733	June 5, 2020
August 16, 2016	1,325,000	$ 0.20	August 16, 2021
August 29, 2017	1,150,000	$ 0.165	August 29, 2022
	4,181,250		

The weighted average remaining contractual life of the options is 3.24 years

(expressed in Canadian dollars)

8. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

As at December 31, 2016, stock options outstanding were as follows:

Grant date	Number of Shares	Exercise Price	Expiry Date
March 10, 2014	862,500	$ 0.133	March 10, 2019
May 22, 2014	225,000	$ 0.160	May 22, 2019
June 3, 2015	375,000	$ 0.1733	June 3, 2020
June 5, 2015	900,000	$ 0.1733	June 5, 2020
August 16, 2016	1,325,000	$ 0.20	August 16, 2021
	3,687,500		

Stock option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate. The following weighted average assumptions were used in the calculation of fair value of granted options:

	2017	**2016**
Stock price	$0.165	$0.20
Exercise price	$0.165	$0.20
Expected life	5 years	5 years
Annualized volatility	68.31%	77.67%
Dividend rate	0%	0%
Risk-free interest rate	1.50%	0.65%

9. RELATED PARTY BALANCES

Key management compensation

Key management personnel at the Company are the directors and officers of the Company. The remuneration of key management personnel during the years ended December 31, 2017 and 2016 was as follows:

	2017	**2016**
Share-based compensation	**$ 53,737**	$ 133,525
Short-term benefits [1]	**$ 392,847**	$ 328,056

[1] Short-term benefits consist exclusively of salaries, bonuses, health benefits and consulting fees for key management personnel.

In addition, an amount of $28,800 (2016 - $30,600) was paid to Skeena in exchange for office rent and certain administrative and accounting services provided to the Company. Also, the Company subscribed for 1,428,571 shares of Skeena at a price of $0.70 per share, in a private placement which closed on March 29, 2018 (Note 15) and for 1,875,000 units of Skeena at a price of $0.80 per unit, in a private placement which closed on July 22, 2016.

(expressed in Canadian dollars)

9. RELATED PARTY BALANCES (continued)

Each unit consisted of one common share and one half of one share purchase warrant. Each whole warrant is exercisable for a period of three years at $1.20 in the first year, $1.40 in the second year, and $1.60 in the third year. See also Note 4 relating to ownership of Skeena. Skeena and Eros have a director in common. See also Note 5 relating to transactions with Skeena.

See also Note 6 in relation to Chateau Fort, acquired from Tarku, and Note 10 in relation to a promissory note receivable from Tarku. Tarku and Eros have a director in common.

See also Note 7 in relation to three oil and gas wells drilled with Westcore. Eros and Westcore have a director in common. During the year ended December 31, 2017, the Company recorded $56,014 (2016 - $nil) in prepaid expenses and $73,280 (2016 - $nil) in accounts receivable from Westcore. The Company also received $494,047 (2016 - $nil) in oil revenue, paid $134,482 (2016 - $nil) in royalties and paid $218,538 (2016 - $nil) for direct costs relating to oil production.

10. PROMISSORY NOTES RECEIVABLE

On August 21, 2015, as amended June 2016, the Company signed a promissory note agreement with Lincoln Mining Corporation (“Lincoln”) and advanced Lincoln a total of US$66,000. The promissory note bore interest at the rate of 6% per annum until June 30, 2016, and 9% thereafter, and was due for repayment on September 15, 2017. Lincoln and the Company renegotiated the promissory note in 2017, and the Company agreed to accept 643,441 common shares of Lincoln as repayment for $32,000 of the debt. The shares were received in January 2018. The balance of the debt remains outstanding.

The Company issued a promissory note totalling $54,938 to Tarku, a company related by a common director. The note bore interest of 10% per annum and was repaid in July 2016.

11. PREPAID AUTHORIZATION FOR EXPENDITURE (“AFE”)

The Company has made payments on AFEs to the operator of its oil and gas interest for unbilled ongoing development in the amount of $56,014 (2016 - $nil). As the expenditures are incurred, the amounts will be reclassified to property and equipment.

12. DECOMMISSIONING LIABILITY

The Company has estimated the total discounted amount of future cash flows to settle decommissioning liabilities relating to its oil and gas interests to be $126,029 (2016 – nil) as at December 31, 2017. The total amount is expected to be incurred in the next 10 years and was discounted using an interest rate of 3%.

		Flaxcombe
Creation of liability	$	125,000
Accretion		1,029
Balance at December 31, 2017	$	126,029

12. DECOMMISSIONING LIABILITY (continued)

Conversely, at its active mineral-exploration sites, the Company fulfils its site restoration obligations on an ongoing basis when a drill site is no longer required, and accordingly no liability is accrued for in relation to the Company's mineral properties. Management will continue to assess the provision for decommissioning as future exploration and development activity is undertaken.

13. CAPITAL DISCLOSURES

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration of mineral properties, oil and gas exploration and development, and other strategic investments. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital as shareholders' equity. The Company is not exposed to any capital requirements.

The Company has historically relied on the equity markets to fund its activities. The Company will continue to assess new properties and seek to acquire an interest in properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. In addition, the Company evaluates investment opportunities, as well as existing investments, for suitability and potential on an ongoing basis. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company's capital risk management approach changed modestly during the year ended December 31, 2017 as the Company deployed additional funds into marketable securities. There were no capital restrictions in the year ended December 31, 2017 and the Company had no debt.

(expressed in Canadian dollars)

14. INCOME TAXES

The reconciliation of income tax computed at the statutory tax rate of 26% (2016 - 26%) to income tax (recovery) expense is:

	2017	2016
Loss before income taxes	$ (3,511,658)	$ (3,063,771)
Income tax rate	26.00%	26.00%
Expected income tax recovery	(913,032)	(796,580)
Non-deductible items	320,556	(27,503)
Change in timing differences	(812,485)	716,284
Under (over) provided in prior years	207,971	(141,152)
Effect of changes in tax rates	(34,602)	-
Unrecognized tax benefits	351,592	248,951
Deferred tax recovery	$ (880,000)	$ -

The tax effected items that give rise to significant portions of the deferred income tax liabilities at December 31, 2017 and 2016 are presented below:

	2017	2016
Deferred income tax asset		
Non-capital losses	$ -	$ -
Deferred income tax liabilities		
Resource properties	(3,136,785)	(3,738,735)
Net deferred income tax liabilities	$ (3,136,785)	$ (3,738,735)

(expressed in Canadian dollars)

14. INCOME TAXES (continued)

The Company has accumulated losses for Canadian tax purposes of approximately $8,140,000 that expire in various years as follows:

Available to	Amount
2026	$ 198,000
2027	300,000
2028	104,000
2029	1,385,000
2030	936,000
2031	1,046,000
2032	1,493,000
2033	774,000
2034	40,000
2035	1,205,000
2036	659,000
2037	-
	$ 8,140,000

The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax assets are recognized consist of the following amounts:

	2017	2016
Non-capital losses	$ 8,140,000	$ 7,109,477
Equipment	25,490	22,858
Exploration and evaluation assets	5,921,093	3,649,506
Investments	735,542	735,542
Capital losses	532,930	424,461
Other	325,661	-
Unrecognized deductible temporary differences	$ 15,680,716	$ 11,941,844

15. SUBSEQUENT EVENT

Subsequent to December 31, 2017, the Company subscribed for 1,428,571 shares of Skeena at a price of $0.70 per share, in a private placement which closed on March 29, 2018. Skeena is a related party (Notes 4 & 9).