



(an exploration stage enterprise)

Consolidated Financial Statements

Years ended December 31, 2018 and 2017

(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF EROS RESOURCES CORP.

Opinion

We have audited the consolidated financial statements of Eros Resources Corp. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditors' report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditors' report is Sukhjit Gill.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 29, 2019

EROS RESOURCES CORP.*(an exploration stage enterprise)***CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(expressed in Canadian dollars)

	Note	December 31, 2018	December 31, 2017
Assets			
Current			
Cash and cash equivalents		\$ 827,405	\$ 3,569,180
Accounts receivable	8, 9	111,674	125,551
Prepaid expenses	8	26,091	68,642
Promissory note receivable	9	-	89,311
		965,170	3,852,684
Marketable securities	4	4,290,514	6,775,976
Reclamation bonds		26,179	26,179
Prepaid authorization for expenditure	8, 10	-	56,014
Exploration and evaluation interests	5	459,994	6,500
Property and equipment	6	8,423	410,529
		\$ 5,750,280	\$ 11,127,882
Liabilities			
Current			
Accounts payable and accrued liabilities		\$ 165,257	\$ 162,635
Decommissioning liability	11	129,789	126,029
Deferred income tax	14	3,113,280	3,136,785
		3,408,326	3,425,449
Shareholders' Equity			
Share capital	7	72,394,552	72,394,552
Contributed surplus	7	962,576	925,839
Accumulated other comprehensive income		-	7,608
Deficit		(71,015,174)	(65,625,566)
		2,341,954	7,702,433
		\$ 5,750,280	\$ 11,127,882

On behalf of the Board:

"Tom MacNeill"

Tom MacNeill, Director

"Ron Netolitzky"

Ron Netolitzky, 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)

	<u>Capital Stock</u>		Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Deficit	Total Shareholders' Equity
	Shares	Amount				
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 income	-	-	-	(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
Impact of adopting IFRS 9	-	-	-	(7,608)	7,608	-
Balance at January 1, 2018	48,446,854	72,394,552	925,839	-	(65,617,958)	7,702,433
Share-based payments	-	-	36,737	-	-	36,737
Net loss for the year	-	-	-	-	(5,397,216)	(5,397,216)
Balance at December 31, 2018	48,446,854	\$ 72,394,552	\$ 962,576	\$ -	\$ (71,015,174)	\$ 2,341,954

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	2018	2017
Revenues			
Oil revenue	8	\$ 293,331	\$ 500,001
Royalties	8	(41,690)	(134,482)
		251,641	365,519
Oil production expenses	8	(237,081)	(218,538)
Depletion expense	6	(53,510)	(338,700)
Gross Profit (Loss)		(38,950)	(191,719)
Expenses			
Consulting fees	8	32,400	59,500
Accretion	11	3,760	1,029
Amortization	5	2,106	2,632
Investor relations		150	21,329
Professional fees		98,788	116,008
Office and administration		57,200	66,033
Property research		79,670	346,940
Share-based payments	7, 8	36,737	72,295
Transfer agent and listing fees		22,869	64,318
Wages	8	324,357	334,346
Travel		3,001	15,319
		(661,038)	(1,099,749)
Other items			
Interest income		48,561	43,116
Gain on sale of marketable securities		206,624	2,317,279
Impairment of exploration and evaluation interests	5	(82,455)	(3,597,462)
Impairment of oil and gas assets	6	(346,490)	(930,286)
Gain on foreign exchange		61,369	30,490
Unrealized loss on marketable securities		(4,523,368)	(83,327)
Write off of promissory note receivable	9	(81,757)	-
Loss on settlement of promissory note receivable	9	(3,217)	-
Loss before income taxes		(5,420,721)	(3,511,658)
Income taxes			
Deferred income tax recovery	14	23,505	880,000
Net loss for the year		(5,397,216)	(2,631,658)
Items of comprehensive income (loss)			
Unrealized gain on marketable securities		-	22,380
Transfer on sale of marketable securities		-	(1,780,229)
Total items of comprehensive loss		-	(1,757,849)
Comprehensive loss for the year		\$ (5,397,216)	\$ (4,389,507)
Basic and diluted loss per share		\$ (0.11)	\$ (0.10)
Weighted average number of common shares outstanding		48,446,854	45,371,176

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)

	2018	2017
Cash from operating activities		
Net loss for the year	\$ (5,397,216)	\$ (2,631,658)
Add back non-cash items:		
Share-based payments	36,737	72,295
Accretion	3,760	1,029
Amortization	2,106	2,632
Depletion	53,510	338,700
Gain on sale of marketable securities	(206,624)	(2,317,279)
Unrealized loss marketable securities	4,523,368	83,327
Deferred income tax recovery	(23,505)	(880,000)
Impairment of exploration and evaluation interests	82,455	3,597,462
Impairment of oil and gas assets	346,490	930,286
Loss (gain) on foreign exchange	53,376	(20,451)
Loss on settlement of promissory note	3,217	-
Write off of promissory note	81,757	-
Net changes in non-cash working capital items:		
Accounts receivable and promissory notes receivable	(3,327)	(112,342)
Prepaid expenses	42,551	19,274
Accounts payable and accrued liabilities	(12,721)	(60,252)
Cash used in operating activities	(414,066)	(976,977)
Investing activities		
Acquisition of marketable securities	(2,316,812)	(1,580,620)
Prepaid authorization for expenditure (repaid)	56,014	(56,014)
Purchase of property and equipment	-	(1,543,986)
Proceeds on sale of marketable securities	514,485	3,279,125
Evaluation and exploration expenditures	(520,606)	(465,499)
Cash used in investing activities	(2,266,919)	(366,994)
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	(2,680,985)	(328,573)
Foreign exchange effect on cash	(60,790)	20,451
Cash and cash equivalents, beginning of the year	3,569,180	3,877,302
Cash and cash equivalents, end of the year	\$ 827,405	\$ 3,569,180
Cash and cash equivalents consist of:		
Cash	\$ 827,405	\$ 2,490,974
Short-term deposits	-	1,078,206
	\$ 827,405	\$ 3,569,180
Supplemental Cash Flow Information		
Interest received	\$ -	\$ 12,527
Taxes paid	\$ -	\$ -
Exploration and evaluation assets included in accounts payable	\$ 50,718	\$ 35,375
Partial settlement of promissory note with shares (Note 9)	\$ 32,172	\$ -

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

EROS RESOURCES CORP.

(an exploration stage enterprise)

Notes to the Consolidated Financial Statements For the years ended December 31, 2018 and 2017 (expressed in Canadian dollars)

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 420, 789 West Pender Street, Vancouver, British Columbia V6C 1H2. 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") and interpretations of the International Financial Reporting Interpretations Committee. The accounting policies adopted in these financial statements are based on IFRS's in effect as at December 31, 2018.

The consolidated financial statements of Eros Resources Corp. for the year ended December 31, 2018 were reviewed by the Audit Committee and approved and authorized for issuance by the Board of Directors on April 29, 2019.

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 certain financial instruments, which are measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The consolidated financial statements are presented in Canadian dollars, which is the Company's and its subsidiaries' functional currency.

Effective January 1, 2018, the Company adopted IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers*. IFRS 9 and 15 were adopted retrospectively with no restatement of comparative periods, as permitted by the transition provisions of each standard.

EROS RESOURCES CORP.

(an exploration stage enterprise)

Notes to the Consolidated Financial Statements For the years ended December 31, 2018 and 2017 (expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of presentation (continued)

As a result of the application of IFRS 9, the Company changed its accounting policies for financial assets and impairment thereon as described in Note 2.

As a result of the application of IFRS 15, the Company changed its accounting policies for the recognition of revenue as described in Note 2.

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:

Recovery of deferred tax assets

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.

Estimated useful lives of equipment

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.

Share-based payments and marketable securities (warrants)

The fair value of share-based payments and warrants held as marketable securities 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.

Decommissioning liability

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.

EROS RESOURCES CORP.

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**Notes to the Consolidated Financial Statements
For the years ended December 31, 2018 and 2017
(expressed in Canadian dollars)**

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:

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.

EROS RESOURCES CORP.

(an exploration stage enterprise)

**Notes to the Consolidated Financial Statements
For the years ended December 31, 2018 and 2017
(expressed in Canadian dollars)**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**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.

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.

EROS RESOURCES CORP.

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Notes to the Consolidated Financial Statements For the years ended December 31, 2018 and 2017 (expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial Assets

The Company recognizes a financial asset when it becomes a party to the contractual provisions of the instrument. The Company classifies financial assets at initial recognition as financial assets: measured at amortized cost, measured at fair value through other comprehensive income or measured at fair value through profit or loss.

Financial assets measured at amortized cost

A financial asset that meets both of the following conditions is classified as a financial asset measured at amortized cost.

- The Company's business model for the such financial assets, is to hold the assets in order to collect contractual cash flows.
- The contractual terms of the financial asset gives rise on specified dates to cash flows that are solely payments of principal and interest on the amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value plus transaction costs directly attributable to the asset. After initial recognition, the carrying amount of the financial asset measured at amortized cost is determined using the effective interest method, net of impairment loss, if necessary.

Financial assets measured at fair value through other comprehensive income ("FVTOCI")

A financial asset measured at fair value through other comprehensive income is recognized initially at fair value plus transaction cost directly attributable to the asset. After initial recognition, the asset is measured at fair value with changes in fair value included as "financial asset at fair value through other comprehensive income" in other comprehensive income.

Financial assets measured at fair value through profit or loss ("FVTPL")

A financial asset measured at fair value through profit or loss is recognized initially at fair value with any associated transaction costs being recognized in profit or loss when incurred. Subsequently, the financial asset is re-measured at fair value, and a gain or loss is recognized in profit or loss in the reporting period in which it arises.

The Company derecognizes a financial asset if the contractual rights to the cash flows from the asset expire, or the Company transfers substantially all the risks and rewards of ownership of the financial asset. Any interests in transferred financial assets that are created or retained by the Company are recognized as a separate asset or liability. Gains and losses on derecognition are generally recognized in the statement of income (loss). However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income (loss).

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Notes to the Consolidated Financial Statements For the years ended December 31, 2018 and 2017 (expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial Liabilities

Financial liabilities are classified as amortized cost, based on the purpose for which the liability was incurred. These liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method. This ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemptions, as well as any interest or coupon payable while the liability is outstanding.

Accounts payables represent liabilities for goods and services provided to the Company prior to the end of the period which are unpaid. Accounts payable amounts are unsecured and are usually paid within forty-five days of recognition.

The Company has made the following designations of its financial instruments:

Cash and cash equivalents	FVTPL
Marketable securities	FVTPL
Accounts receivable	Amortized cost
Promissory note receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost

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.

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.

EROS RESOURCES CORP.

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**Notes to the Consolidated Financial Statements
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(expressed in Canadian dollars)**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**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 7. 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 petroleum is recognized when performance obligations are satisfied. Performance obligations are satisfied at the point in time when products are delivered based on volumes to customers at contractual delivery points, and prices have been agreed with the purchaser and collectability is reasonably assured. Delivery is generally at the time the oil enters the tanks and when the natural gas enters the pipeline. The costs associated with the delivery, including operating and maintenance costs, and production-based royalty expenses, are recognized during the same year in which the related revenue is earned and recorded.

Property and equipment*Impairment*

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.

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.

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Notes to the Consolidated Financial Statements For the years ended December 31, 2018 and 2017 (expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)

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.

EROS RESOURCES CORP.

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Notes to the Consolidated Financial Statements For the years ended December 31, 2018 and 2017 (expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (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.

EROS RESOURCES CORP.

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Notes to the Consolidated Financial Statements For the years ended December 31, 2018 and 2017 (expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of new accounting standards and amendments

The following outlines the new accounting standards and amendments adopted by the Company effective January 1, 2018:

Amendment to IFRS 2 Share-based Payment

IFRS 2 *Share-based Payment* clarifies the effects of vesting conditions on cash-settled share-based payment transactions, the classification of share-based payment transactions with net settlement features for withholding tax obligations and modification to the terms and conditions of a share-based payment that changes the transaction from cash-settled to equity settled. This amendment did not have an impact on the Company's consolidated financial statements.

IFRS 9 Financial Instruments

On January 1, 2018, the Company adopted IFRS 9 *Financial Instruments* ("IFRS 9"), which replaced IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 provides a revised model for classification and measurement of financial assets, including a new expected credit loss ("ECL") impairment model. The revised model for classifying financial assets results in classification according to their contractual cash flow characteristics and the business models under which they are held. IFRS 9 also introduces a reformed approach to hedge accounting. IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities.

As a result of the adoption of IFRS 9, the Company has changed its accounting policy for financial instruments retrospectively. The change did not result in a change in carrying value of any of our financial instruments on transition date. The adoption of the ECL impairment model did not have an impact on the Company's consolidated financial statements. IFRS 9 does not require restatement of comparative periods. Accordingly, the Company has reflected the retrospective impact of the adoption of IFRS 9 due to the change in accounting policy for marketable securities as an adjustment to opening components of equity as at January 1, 2018.

The Company's financial instruments are accounted for as follows under IFRS 9 as compared to the Company's previous policy in accordance with IAS 39:

	January 1, 2018	
	IAS 39	IFRS 9
Financial Asset		
Cash and cash equivalents	FVTPL	FVTPL
Marketable securities	FVTOCI	FVTPL
Accounts receivable	Amortized cost	Amortized cost
Promissory note receivable	Amortized cost	Amortized cost
Financial Liability		
Accounts payable and accrued liabilities	Amortized cost	Amortized cost

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Notes to the Consolidated Financial Statements For the years ended December 31, 2018 and 2017 (expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of new accounting standards and amendments (continued)

As a result of the adoption of IFRS 9, the Company reclassified \$7,608 of unrealized gains/losses recognized in prior years on marketable securities which continue to be held by the Company as at January 1, 2018 from opening accumulated other comprehensive income to opening deficit on January 1, 2018. As a result of adopting IFRS 9, the net change in fair value of the marketable securities, including realized and unrealized gains and losses, if any, is now presented in net income or loss.

IFRS 15 Revenue from Contracts with Customers

On January 1, 2018, the Company adopted IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15"). IFRS 15 specifies how and when revenue should be recognized as well as requiring more informative and relevant disclosures. The standard supersedes IAS 18 *Revenue*, IAS 11 *Construction Contracts*, and a number of revenue-related interpretations. The adoption of IFRS 15 did not have an impact on the Company's consolidated financial statements.

New standards, amendments and interpretations

The Company will be required to adopt the following standard and amendments issued by IASB as described below:

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 is in the process of assessing the impact of the adoption of IFRS 16 will have on its consolidated financial statements.

IFRIC 23 Uncertainty over Income Tax Treatments ("IFRIC 23")

This new Interpretation, issued by the International Accounting Standards Board (IASB) in June 2017, clarifies how to apply the recognition and measurement requirements in IAS 12 *Income Taxes* when there is uncertainty over income tax treatments.

The main features of IFRIC 23 are as follows:

- An entity considers an uncertain tax treatment separately or together with other uncertain tax treatments depending on which approach better predicts the resolution of the uncertainty.
- Taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates are determined based on whether it is probable that a taxation authority will accept an uncertain tax treatment.
- An entity reassesses judgments or estimates relating to uncertain tax treatments when facts and circumstances change.

The interpretation is effective for the Company's annual period beginning January 1, 2019. The adoption of IFRIC 23 will not have a material impact on the Company's consolidated financial statements.

EROS RESOURCES CORP.

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Notes to the Consolidated Financial Statements For the years ended December 31, 2018 and 2017 (expressed in Canadian dollars)

3. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in Levels 1 to 3 based on the degree to which the fair value is observable:

Level 1	Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2	Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
Level 3	Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The marketable securities which consists of common shares are based on quoted prices and are therefore considered to be Level 1. The marketable securities which consist of warrants are based on inputs other than quoted prices and therefore considered to be Level 2. 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 with large financial institutions 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 note 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 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.

EROS RESOURCES CORP.*(an exploration stage enterprise)***Notes to the Consolidated Financial Statements
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(expressed in Canadian dollars)****4. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)****Market risk (continued)***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, 2018 and 2017, the Company is exposed to currency risk through the following financial assets denominated in a currency other than the Canadian dollar:

	December 31, 2018		December 31, 2017	
	US \$	CDN \$	US \$	CDN \$
Cash	380,717	519,215	922,874	1,247,132
Accounts payable	(60,022)	(81,858)	(21,011)	(141,626)

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 \$43,736 (2017 - \$90,186). 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. Changes in market prices of securities in the portfolio have a material effect on net income (loss). A 20% increase in the market prices would have decreased the Company's net loss by \$858,103 (2017 - \$1,156,405). A 20% decrease in the market prices would have increased the Company's net loss by the same amount.

5. MARKETABLE SECURITIES

Company	December 31, 2018			
	Number of common shares	Equity securities	Convertible to equity securities	Total
Canamex Resources Corp.				
convertible debentures	1,875,000	\$ -	\$ 300,000	\$ 300,000
Bullfrog Gold Corp	6,750,000	368,105	-	368,105
Nickel North Exploration Corp.	10,933,707	164,006	-	164,006
GT Gold Corp.	351,634	208,397	-	208,397
Skeena Resources Limited	6,217,582	1,865,275	-	1,865,275
Strongbow Exploration Inc.	1,618,000	177,980	-	177,980
Toachi Mining	1,256,000	119,320	-	119,320
Westcore Energy Ltd.	8,800,000	132,000	-	132,000
Other equities and warrants	-	902,325	53,106	955,431
		\$ 3,937,408	\$ 353,106	\$ 4,290,514

EROS RESOURCES CORP.*(an exploration stage enterprise)***Notes to the Consolidated Financial Statements
For the years ended December 31, 2018 and 2017
(expressed in Canadian dollars)****4. MARKETABLE SECURITIES (continued)**

Company	December 31, 2017			
	Number of common shares	Equity securities	Convertible to equity securities	Total
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

Securities were purchased and sold during the period, resulting in the realization of gains and losses. The fair value of equity securities is determined by reference to closing prices on a stock exchange. The convertible debentures are convertible into shares of Canamex Resources Corp. at any time prior to the maturity date (October 3, 2019) at a conversion price of \$0.16 per share, have an interest rate of 7% per annum payable annually in cash. The Company used a discounted cash flow model with an estimated fair value interest rate of 20% to estimate the fair value of the convertible debenture. The marketable securities portfolio includes warrants where fair values were estimated using the Black Sholes option pricing model using the following ranges of inputs:

	2018	2017
Stock price	Closing prices	Closing prices
Exercise price	\$0.085 to \$1.60	\$0.15 to \$1.40
Expected life	0.37 to 2.89 years	0.4 to 2 years
Annualized volatility	80%	80%
Dividend rate	0%	0%
Risk-free interest rate	1.85% to 1.86%	1.66% to 1.86%

EROS RESOURCES CORP.*(an exploration stage enterprise)***Notes to the Consolidated Financial Statements
For the years ended December 31, 2018 and 2017
(expressed in Canadian dollars)****5. EXPLORATION AND EVALUATION INTERESTS**

The exploration and evaluation assets that have been capitalized for the year ended December 31, 2018 and 2017 are as follows:

	British Columbia	Saskatchewan	Quebec (Chateau Fort)	Nevada	Total	
Commodity	Gold	Uranium	Non- producing Oil and Gas	Gold-Silver		
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
Additions						
Land costs	-	-	55,875	-	54,996	110,871
Staking and maintenance	-	-	-	-	61,241	61,241
Geology/ geophysics	-	4,601	26,580	-	249,225	280,406
Field support	-	-	-	-	57,251	57,251
Environmental and socio-economic	-	-	-	-	26,180	26,180
Total additions for the year:	-	4,601	82,455	-	448,893	535,949
Impairment of exploration and evaluation assets	-	-	(82,455)	-	-	(82,455)
Balance at December 31, 2018	\$ 6,500	\$ 4,601	\$ -	\$ -	\$ 448,893	\$ 459,994

EROS RESOURCES CORP.

(an exploration stage enterprise)

**Notes to the Consolidated Financial Statements
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5. 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.

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Notes to the Consolidated Financial Statements
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5. 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 prepare an environmental impact statement (“EIS”) regarding a proposed expansion of the Fallon Range Training Complex, including a proposed withdrawal and reservation of military use of public lands. The Company’s Bell Mountain Project consists of unpatented mining claims that are located on federal lands within the proposed expansion area. As a result, surface activity on the Bell Mountain site has been prohibited by the Navy during the EIS period.

On July 10, 2018, the Bureau of Land Management (“BLM”) announced that it has submitted an application to withdraw 769,724 acres for land management evaluation purposes for up to four years from all forms of appropriation under public land laws, subject to valid existing rights. The purpose of the withdrawal is to maintain current environmental baseline conditions, relative to mineral exploration and development, subject to valid existing rights, in support of a possible legislative transfer of land to the Department of Navy in furtherance of the Navy’s proposed expansion of the Fallon Range Training Complex.

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 or water rights to be rescinded or otherwise further infringed upon, the Company intends to seek appropriate compensation. However, in a subsequent notice issued in August 2018, containing a specific listings of the lands subject to the moratorium, the properties held by Eros were specifically excluded from the moratorium, allowing the Company to again commence exploration activities.

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 for the years ended December 31, 2018 and 2017. In conjunction with the updated notice from the BLM in August of 2018 which exempts the Bell Mountain project from the moratorium on exploration activities, the Company is once again actively exploring its Nevada properties.

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%.

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 during the year ended December 31, 2017. During the year ended December 31, 2018, the Company spent \$448,893 on the Nevada properties which consists of the Bell Mountain and Eastgate property.

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5. EXPLORATION AND EVALUATION INTERESTS (continued)

b. British Columbia

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.

c. Saskatchewan

Saskatchewan uranium interests

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. Eros holds a 29.89% joint venture interest for Hatchet Lake, and 21.04% for Murphy Lake with further dilution expected.

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.

Saskatchewan non-producing oil and gas interests

In 2018, the Company agreed to lease 415 hectares of land near its Flaxcombe wells for a 2-year period with an option to extend the lease for an additional 2 years. The Company also acquired 2D and 3D seismic data for the region and had it analysed in order to help identify potential targets. During the year ended December 31, 2018, as the Company decided not to continue exploration on the land, the Company impaired its interests in the Saskatchewan non-producing oil and gas interest in accordance with Level 3 of the fair value hierarchy and recorded an impairment loss of \$82,455.

EROS RESOURCES CORP.*(an exploration stage enterprise)***Notes to the Consolidated Financial Statements
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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 NSR. 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% NSR on claims not subject to other underlying agreements, of which 1% can be brought 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.

6. PROPERTY AND EQUIPMENT

Cost	Oil & gas interests and equipment	Mineral exploration field equipment	Total
Balance, December 31, 2016	\$ -	\$ 94,930	\$ 94,930
Additions	1,668,986	-	1,668,986
Impairment	(930,286)	-	(930,286)
Balance, December 31, 2017	738,700	94,930	833,630
Additions	-	-	-
Impairment	(346,490)	-	(346,490)
Balance, December 31, 2018	\$ 392,210	\$ 94,930	\$ 487,140
Accumulated Amortization			
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
Amortization / depletion	53,510	2,106	55,616
Balance, December 31, 2018	\$ 392,210	\$ 86,507	\$ 478,717
Amortization / Depletion			
Carrying Value			
Balance, December 31, 2017	\$ 400,000	\$ 10,529	\$ 410,529
Balance, December 31, 2018	\$ -	\$ 8,423	\$ 8,423

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6. 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. During the year ended December 31, 2018, the amount of \$56,014 advanced as prepaid expenses was repaid to the Company (Note 10). 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.

During the year ended December 31, 2018, the three wells were offline most of the year and remain offline subsequent to year end. As such, indicators 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. The Company recorded an impairment loss of \$346,490.

7. 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.

EROS RESOURCES CORP.*(an exploration stage enterprise)***Notes to the Consolidated Financial Statements
For the years ended December 31, 2018 and 2017
(expressed in Canadian dollars)****7. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)****Shares and warrants issued**

There was no share capital activity during the year ended December 31, 2018.

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 a 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, 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
Expired	(700,000)	\$0.176
Outstanding, December 31, 2018	3,481,250	\$0.174
Number currently exercisable	3,481,250	\$ 0.174

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, 2018, the Company recorded share-based payments expense of \$36,737 (2017 - \$72,295).

At December 31, 2018, 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	450,000	\$ 0.1733	June 5, 2020
August 16, 2016	1,150,000	\$ 0.20	August 16, 2021
August 29, 2017	850,000	\$ 0.165	August 29, 2022
	3,481,250		

The weighted average remaining contractual life of the options is 2.24 years.

EROS RESOURCES CORP.*(an exploration stage enterprise)***Notes to the Consolidated Financial Statements
For the years ended December 31, 2018 and 2017
(expressed in Canadian dollars)****7. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)**

As at December 31, 2017, stock options outstanding were 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		

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:

	2018	2017
Stock price	n/a	\$0.165
Exercise price	n/a	\$0.165
Expected life	n/a	5 years
Annualized volatility	n/a	68.31%
Dividend rate	n/a	0%
Risk-free interest rate	n/a	1.50%

8. 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, 2018 and 2017 was as follows:

	2018	2017
Share-based compensation	\$ 15,785	\$ 53,737
Short-term benefits	¹ \$ 361,169	\$ 392,847

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

Other than the amounts disclosed above, there were no short-term employee benefits or share-based payments paid to key management personnel during the year ended December 31, 2018.

An amount of \$9,064 (2017 – nil) was payable to other related parties at December 31, 2018, and \$8,763 (2017 – \$nil) was paid to other related parties for general and administrative expenses. In addition, an amount of \$35,679 (2017 - \$28,800) 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.

EROS RESOURCES CORP.

(an exploration stage enterprise)

Notes to the Consolidated Financial Statements For the years ended December 31, 2018 and 2017 (expressed in Canadian dollars)

8. RELATED PARTY BALANCES (continued)

See also Note 5 in relation to Chateau Fort, acquired from Tarku. Tarku and Eros had a director in common in the prior year.

On September 21, 2018, Eros acquired 4,400,000 units of Westcore at a price of \$0.02 per unit, in a private placement which closed on September 21, 2018. Each unit consisted of one common share and one common share purchase warrant exercisable at a price of \$0.085 per share for a period of 24 months. Westcore and Eros have a common director.

See also Note 6 in relation to three oil and gas wells drilled with Westcore. As at December 31, 2018, the Company recorded \$nil (2017 - \$56,014) in prepaid expenses and \$67,460 (2017 - \$73,280) in accounts receivable from Westcore. During the year ended December 31, 2018, the Company also received \$293,331 (2017 - \$494,047) in oil revenue, paid \$41,690 (2017 - \$134,482) in royalties and paid \$235,401 (2017 - \$218,538) for direct costs relating to oil production.

9. 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\$71,000. 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 US\$23,667 of the debt. The shares were received in January 2018, valued at \$28,955 and a loss on settlement of \$3,217 was recorded. During the year ended December 31, 2018, the promissory note (\$64,553) and interest accrued (\$17,204) was written off and a loss on write off of \$81,757 was recorded.

10. PREPAID AUTHORIZATION FOR EXPENDITURE ("AFE")

During the year ended December 31, 2017, 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. As these amounts were no longer required for development, these amounts became repayable and were transferred to accounts receivable in the period. The full amount was collected during the year ended December 31, 2018.

EROS RESOURCES CORP.

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Notes to the Consolidated Financial Statements For the years ended December 31, 2018 and 2017 (expressed in Canadian dollars)

11. 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 \$129,789 (2017 – \$126,029) as at December 31, 2018. 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
Accretion	3,760
Balance at December 31, 2018	\$ 129,789

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.

12. SEGMENTED INFORMATION

The Company operates in two business segments with operations and long-term assets in the United States and Canada. The Company's operations are segmented on a district basis due to the geographic locations of the Company's exploration operations. At December 31, 2018, the long-term assets of \$475,072 (2017 - \$26,179) relates to mineral resource properties and reclamation bonds located in the United States with the remaining of \$5,275,208 (2017 - \$11,101,703) located in Canada. During the year ended December 31, 2018, revenue of \$293,331 (2017 - \$500,001) relates to revenues earned in Canada and \$nil (2017 - \$nil) revenue was earned in the United States.

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 continued with the modest change made in 2018 by continuing to deploy more capital into marketable securities. There were no capital restrictions in the year ended December 31, 2018 and the Company had no debt.

EROS RESOURCES CORP.*(an exploration stage enterprise)***Notes to the Consolidated Financial Statements
For the years ended December 31, 2018 and 2017
(expressed in Canadian dollars)****14. INCOME TAXES**

The reconciliation of income tax computed at the statutory tax rate of 27% (2017 - 27%) to income tax (recovery) expense is:

	2018	2017
Loss before income taxes	\$ (5,420,721)	\$ (3,511,658)
Income tax rate	27.00%	26.00%
Expected income tax recovery	(1,463,595)	(913,032)
Non-deductible items	32,033	320,556
Change in timing differences	632,015	(812,485)
Under (over) provided in prior years	206,491	207,971
Effect of changes in tax rates	-	(34,602)
Unrecognized tax benefits	569,551	351,592
Deferred tax recovery	\$ (23,505)	\$ (880,000)

The tax effected items that give rise to significant portions of the deferred income tax liabilities at December 31, 2018 and 2017 are presented below:

	2018	2017
Deferred income tax asset		
Non-capital losses	\$ -	\$ -
Deferred income tax liabilities		
Resource properties	(3,113,280)	(3,136,785)
Net deferred income tax liabilities	\$ (3,113,280)	\$ (3,136,785)

EROS RESOURCES CORP.*(an exploration stage enterprise)***Notes to the Consolidated Financial Statements
For the years ended December 31, 2018 and 2017
(expressed in Canadian dollars)****14. INCOME TAXES (CONTINUED)**

The Company has accumulated losses for Canadian tax purposes of approximately \$9,033,000 that expire in various years as follows:

Available to	Amount
2026	\$ 178,000
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	959,000
2036	659,000
2037	131,000
2038	1,028,000
	\$ 9,033,000

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

	2018	2017
Non-capital losses	\$ 9,033,000	\$ 8,140,000
Equipment	28,658	25,490
Exploration and evaluation assets	5,954,272	5,921,093
Marketable securities	3,204,221	735,542
Capital losses	553,427	532,930
Other	418,770	352,661
Unrecognized deductible temporary differences	\$ 19,192,348	\$ 15,707,716

15. SUBSEQUENT EVENT

Subsequent to December 31, 2018:

- a total of 981,250 stock options expired unexercised;
- The Company entered into a letter agreement with Lincoln Mining Corp. and Lincoln Gold US Corp. ("Lincoln"), whereby the Company has agreed to enter into an Option and Joint Venture Agreement by June 30, 2019 to earn up to 75% interest in the Oro Cruz Properties. In consideration for Lincoln to commit to enter into the Option and Joint Venture Agreement, the Company shall pay Lincoln US\$10,000 (paid) and commit to purchase a minimum of \$35,000 of Lincoln securities in the next private placement conducted by Lincoln Mining Corp.