



(an exploration stage enterprise)

Consolidated Financial Statements

Years ended December 31, 2022 and 2021

(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. and its subsidiaries (the "Company"), which comprise:

- ◆ the consolidated statements of financial position as at December 31, 2022 and 2021;
- ◆ the consolidated statements of changes in shareholders' equity for the years then ended;
- ◆ the consolidated statements of income and comprehensive income for the years then ended;
- ◆ the consolidated statements of cash flows for the years then ended; and
- ◆ the 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, 2022 and 2021, and its consolidated financial performance and 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 audits 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that there are no key audit matters to communicate in our auditors' report.

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.

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In connection with our audits 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.

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- ◆ 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Kevin Yokichi Nishi.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 28, 2023

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

As at December 31

(expressed in Canadian dollars)

	Note	2022	2021
Assets			
Current			
Cash		\$ 61,074	\$ 434,258
Income taxes receivable	10	110,807	23,159
Other receivables	12	389,545	46,471
Prepaid expenses		33,827	32,068
		595,253	535,956
Marketable securities	4	11,160,489	20,677,456
Reclamation bonds		26,179	26,179
Exploration and evaluation interests	5, 12	6,219,435	2,470,165
Property and equipment	6	5,596	7,378
Right-of-use assets	7	27,272	982
		\$ 18,034,224	\$ 23,718,116
Liabilities			
Current			
Accounts payables and accrued liabilities		\$ 259,497	\$ 219,988
Margin loan payable	8	1,245,493	-
Due to related parties	12	2,020,748	200,000
Income taxes payable	10	190,938	152,750
Lease liability – short term	7	12,755	1,175
		3,729,431	573,913
Lease liability – long term	7	16,009	-
Decommissioning liability	9	144,011	139,796
Deferred income tax	10	1,882,285	3,096,542
		5,771,736	3,810,251
Shareholders' Equity			
Share capital	11	74,809,125	74,809,125
Contributed surplus	11	1,061,840	1,061,840
Deficit		(63,608,477)	(55,963,100)
		12,262,488	19,907,865
		\$ 18,034,224	\$ 23,718,116

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**

Years ended December 31

(expressed in Canadian dollars)

	<u>Share Capital</u>			Contributed Surplus	Deficit	Total Shareholders' Equity
	Shares	Amount				
Balance at December 31, 2020	97,893,741	\$ 74,809,125	\$ 1,061,840	\$ (57,047,782)	\$ 18,823,183	
Net income for the year	-	-	-	1,084,682	1,084,682	
Balance at December 31, 2021	97,893,741	\$ 74,809,125	\$ 1,061,840	\$ (55,963,100)	\$ 19,907,865	
Net loss for the year	-	-	-	(7,645,377)	(7,645,377)	
Balance at December 31, 2022	97,893,741	\$ 74,809,125	\$ 1,061,840	\$ (63,608,477)	\$ 12,262,488	

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

EROS RESOURCES CORP.*(an exploration stage enterprise)***CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME**

Years ended December 31

(expressed in Canadian dollars)

	Note	2022	2021
Revenues		25	5,960
Cost of Sales			
Oil production		-	-
Gross profit		25	5,960
Expenses			
Consulting fees	12	60,000	60,000
Accretion	9	4,215	4,093
Amortization	6,7	14,764	14,171
Investor relations		26,645	35,575
Professional fees		81,799	75,475
Interest	8	66,273	-
Office and administration		53,487	56,003
Property research		24,000	106,582
Transfer agent and listing fees		27,801	19,927
Wages	12	223,223	154,493
Travel		1,569	-
		(583,776)	(526,319)
Other items			
(Loss) gain on sale of marketable securities	4	(193,158)	729,790
(Loss) gain on foreign exchange		(6,839)	(2,582)
Unrealized (loss) gain on marketable securities	4	(8,145,708)	568,090
Net (loss) income before income taxes		(8,929,456)	774,939
Income taxes			
Current income tax recovery	10	69,822	155,467
Deferred income tax recovery	10	1,214,257	154,276
Total income taxes recovery		1,284,079	309,743
Net (loss) income and comprehensive (loss) income for the year		\$ (7,645,377)	\$ 1,084,682
Basic (loss) earnings per share		\$ (0.08)	\$ 0.01
Diluted (loss) earnings per share		\$ (0.08)	\$ 0.01
Weighted average number of common shares outstanding			
Basic (Note 16)		97,893,741	97,893,741
Diluted (Note 16)		97,893,741	98,443,132

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)

	2022	2021
Cash from operating activities		
Net (loss) income for the year	\$ (7,645,377)	\$ 1,084,682
Add back non-cash items:		
Accretion	4,215	4,093
Amortization	14,764	14,171
Loss (gain) on sale of marketable securities	193,158	(729,790)
Unrealized loss (gain) on marketable securities	8,145,708	(568,090)
Deferred income tax (recovery) expense	(1,214,257)	(154,276)
Loss on foreign exchange	2,672	2,582
Interest on lease liability	3,006	-
Net changes in non-cash working capital items:		
Other receivables	(343,074)	128,628
Prepaid expenses	(1,759)	604
Due to related parties	(179,252)	-
Accounts payable and accrued liabilities	39,509	(19,854)
Income taxes receivable	(87,648)	-
Income taxes payable	38,188	(257,196)
Cash used in operating activities	(1,030,147)	(494,446)
Investing activities		
Acquisition of marketable securities	(509,077)	(3,162,064)
Purchase of property and equipment	-	(3,640)
Proceeds on sale of marketable securities	1,687,178	1,668,343
Exploration and evaluation expenditures	(3,749,270)	(240,082)
Cash (used in) generated from investing activities	(2,571,169)	(1,737,443)
Financing activities		
Repayment (Advancement) of promissory notes receivable	-	968,461
Lease liability payments	(14,689)	(13,281)
Advances from related party	2,000,000	-
Advances from margin loan	1,500,000	-
Margin loan repayment	(321,237)	-
Interest on margin loan	66,273	-
Annual fees and transactions costs – margin loan	457	-
Cash generated from financing activities	3,230,804	955,180
(Decrease) increase in cash during the year	(370,512)	(1,276,709)
Foreign exchange effect on cash	(2,672)	(2,582)
Cash, beginning of the year	434,258	1,713,549
Cash, end of the year	\$ 61,074	\$ 434,258
Supplemental Cash Flow Information		
Taxes paid (recovered)	\$ (20,632)	\$ 124,888
Interest paid	\$ 66,273	\$ 12,381

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, 2022 and 2021 (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 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.

At the time these consolidated financial statements were prepared, the global economy is struggling with high inflation rates and the ongoing war in the Ukraine. While these events have had mixed effects on the economy in general, there has been little to no impact on the operations of Eros.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The Company prepares its consolidated 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 consolidated financial statements are based on IFRS in effect as at December 31, 2022.

The consolidated financial statements of Eros Resources Corp. for the year ended December 31, 2022 were reviewed by the Audit Committee and approved and authorized for issuance by the Board of Directors on April 28, 2023.

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

EROS RESOURCES CORP.

(an exploration stage enterprise)

Notes to the Consolidated Financial Statements For the years ended December 31, 2022 and 2021 (expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of presentation (continued)

The accounting policies set out in Note 2 have been applied consistently by the Company and its subsidiaries to all periods presented.

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

Significant accounting estimates and judgments

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:

Income tax amounts

The entity recognises current and deferred income tax liabilities based on an estimation of the likely taxes due, which requires significant judgment as to the ultimate tax treatment for certain items. Where the actual amount arising from these issues differs from these estimates, such differences will have an impact on income tax and deferred tax amounts in the period when such determination is made. In addition, management judgment is required in determining the amount of current and deferred tax recognised and the extent to which amounts should or can be recognised. A deferred tax asset is recognised if it is probable that the entity will earn sufficient taxable profit in future periods to benefit from a reduction in tax payments. This involves management making assumptions within its overall tax planning activities and periodically reassessing them in order to reflect changed circumstances as well as tax regulations. Moreover, the measurement of a deferred tax asset or liability reflects the manner in which the entity expects to recover the asset's carrying value or settle the liability. As a result, due to their inherent nature, assessments of likelihood are judgmental and not susceptible to precise determination.

The Company estimates the expected manner and timing of the realization or settlement of the carrying value of its assets and liabilities and applies tax rates that are enacted or substantively enacted on the estimated dates of realization or settlement. The deferred tax amounts are disclosed in Note 10.

EROS RESOURCES CORP.

(an exploration stage enterprise)

Notes to the Consolidated Financial Statements
For the years ended December 31, 2022 and 2021
(expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting estimates and judgments (continued)

Critical accounting estimates and assumptions (continued)

Share-based payments and marketable securities (warrants)

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

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 income or 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.

Right-of-use assets and lease liability

The Company uses estimation in determining the incremental borrowing rate used to measure the lease liability, specific to the asset, and underlying currency. Where the rate implicit in the lease is not readily determinable, the discount rate of the lease obligations is estimated using a discount rate similar to the Company's specific borrowing rate. This rate represents the rate that the Company would incur to obtain the funds necessary to purchase the asset of a similar value, with similar payment terms and security in a similar environment.

EROS RESOURCES CORP.

(an exploration stage enterprise)

Notes to the Consolidated Financial Statements For the years ended December 31, 2022 and 2021 (expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting estimates and judgments (continued)

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 property and equipment, mineral properties and petroleum and natural gas properties

Assets or cash-generating units ("CGUs") are evaluated at each reporting date to determine whether there are any indications of impairment. The Company considers both internal and external sources of information when making the assessment of whether there are indications of impairment for the Company's property and equipment, mineral properties, and petroleum and natural gas properties.

In respect of the carrying value of property and equipment recorded on the consolidated statements of financial position, management has determined that it continues to be appropriately recorded as there have been no obsolescence or physical damage of the assets, and there are no indications that the value of the assets have declined more than what is expected from the passage of time or from normal use.

In respect of costs incurred for its mineral properties, management has determined that exploratory drilling, evaluation, development and related costs incurred, which have been capitalized, continue to be appropriately recorded on the consolidated statements of financial position at its carrying value as management has determined there are no indicators of impairment for its mineral properties as at December 31, 2022 and 2021.

In respect of the carrying value of petroleum and natural gas properties, at each reporting date, the Company assesses its properties 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. The Company has determined the petroleum and natural gas properties continue to be impaired and there is no indication that previously recognized impairment losses no longer exist or have decreased.

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.

(an exploration stage enterprise)

**Notes to the Consolidated Financial Statements
For the years ended December 31, 2022 and 2021
(expressed in Canadian dollars)**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**Exploration and evaluation assets**

The Company capitalizes all expenditures for exploration and evaluation activities as exploration and evaluation interest 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.

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:

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.

EROS RESOURCES CORP.

(an exploration stage enterprise)

Notes to the Consolidated Financial Statements For the years ended December 31, 2022 and 2021 (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 such financial assets is to hold the assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give 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 costs 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 profit or loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income (loss).

EROS RESOURCES CORP.

(an exploration stage enterprise)

Notes to the Consolidated Financial Statements For the years ended December 31, 2022 and 2021 (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 consolidated 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.

A financial liability is derecognized when it is extinguished, discharged, cancelled, or expires.

Accounts payable 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	FVTPL
Marketable securities	FVTPL
Other receivables	Amortized cost
Margin loan payable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Due to related parties	Amortized cost
Lease liability	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.

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(an exploration stage enterprise)

**Notes to the Consolidated Financial Statements
For the years ended December 31, 2022 and 2021
(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 11. 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. For those unexercised options that expire, the recorded value is left in contributed surplus.

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.

EROS RESOURCES CORP.

(an exploration stage enterprise)

Notes to the Consolidated Financial Statements For the years ended December 31, 2022 and 2021 (expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment

All property and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses. The cost of an item includes the purchase price and directly attributable costs to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Where an item of equipment comprises major components with different useful lives, the components are accounted for as separate items of equipment. Depreciation is recorded when equipment is put in use over the estimated useful life using the following methods and rates:

Field Equipment	20% declining-balance basis
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Repair and maintenance expenses are taken to profit or loss during the financial year in which they are incurred. The cost of major renovations and restoration is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Company and depreciated over the remaining useful life of the asset.

The residual value, useful life and depreciation method are reviewed at the end of each reporting period, and adjusted prospectively, if appropriate.

Depletion, Depreciation and Amortization of Mineral Resources

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.

(an exploration stage enterprise)

Notes to the Consolidated Financial Statements
For the years ended December 31, 2022 and 2021
(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.

Impairment of non-current assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the CGU (the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflow from other assets or groups of assets). The recoverable amount of the asset (or CGU) is the greater of the asset's (or CGU's) fair value less costs to sell and its value in use to which the assets belong.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognized in profit or loss for the period, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

The Company uses its best efforts to fully understand all of the aforementioned to make an informed decision based upon historical and current facts surrounding the projects. Discounted cash flow techniques often require management to make estimates and assumptions on reserves and expected future production revenues and expenses.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Cash and Cash Equivalents

Cash and cash equivalents include bank and cash balances with a maturity of three months or less. For the consolidated statement of cash flows, the item includes cash and cash equivalents less cash subject to restrictions and bank overdrafts payable on demand that form an integral part of cash management, if any. As at December 31, 2022 and 2021, the Company had no cash equivalents.

EROS RESOURCES CORP.

(an exploration stage enterprise)

Notes to the Consolidated Financial Statements For the years ended December 31, 2022 and 2021 (expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 in profit or loss.

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.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pretax rate that reflects, where appropriate, the risk specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

EROS RESOURCES CORP.

(an exploration stage enterprise)

Notes to the Consolidated Financial Statements For the years ended December 31, 2022 and 2021 (expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 16 Leases

At inception, the Company assesses whether a contract contains an embedded lease. A contract contains a lease when the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. The Company, as lessee, is required to recognize a right-of-use asset ("ROU asset"), representing its right to use the underlying asset, and a lease liability, representing its obligation to make lease payments. The Company may elect to not apply IFRS 16 to leases with a term of less than 12 months or to low value assets, which is made on an asset-by-asset basis.

The Company recognizes a ROU asset and a lease liability at the commencement of the lease. The ROU asset is initially measured based on the present value of lease payments, plus initial direct cost, less any incentives received. It is subsequently measured at cost less accumulated depreciation, impairment losses and adjusted for certain remeasurements of the lease liability. The ROU asset is depreciated from the commencement date over the shorter of the lease term or the useful life of the underlying asset. The ROU asset is subject to testing for impairment if there is an indicator of impairment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate. The incremental borrowing rate is the rate which the operation would have to pay to borrow over a similar term and with similar security, the funds necessary to obtain an asset of similar value to the ROU asset in a similar economic environment.

Lease payments included in the measurement of the lease liability are comprised of:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee;
- The exercise price under a purchase option that the Company is reasonably certain to exercise;
- Lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option; and
- Penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or a rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Company has an office lease for its headquarters in Vancouver, British Columbia and the lease liability was measured at the present value of the lease payments and discounted using an incremental borrowing rate of 10% (Note 7).

EROS RESOURCES CORP.

(an exploration stage enterprise)

Notes to the Consolidated Financial Statements For the years ended December 31, 2022 and 2021 (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 consist 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 are therefore considered to be Level 2. The marketable securities which consist of common shares of private companies are based on unobservable inputs and are therefore considered to be Level 3. 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 other receivables. 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 other receivables, apart from sales tax refunds receivable. The amounts included in other receivables are due from companies with a common director and/or officer with Eros.

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 with the exception of lease liabilities. The Company's lease liability matures based on the terms outlined in the lease agreement. The Company is also exposed to liquidity risk on its margin loan and advances from related parties as the amounts are due on demand.

EROS RESOURCES CORP.

(an exploration stage enterprise)

Notes to the Consolidated Financial Statements For the years ended December 31, 2022 and 2021 (expressed in Canadian dollars)

3. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

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 exposed to interest rate risk through its margin loan. The rate of interest charged on borrowed funds under margin loan is prime plus 3% and is calculated daily and charged monthly (Note 8). Any fluctuation of interest rate as a result of movement in prime rate could lead to an increase or decrease in the amount the Company pays to service the margin loan. The Company manages its interest rate risk by monitoring its debt levels. The Company estimates that a 100-basis point fluctuation in short-term interest rates, with all other variables held constant, would not result in material adjustment to interest expense.

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, 2022 and 2021, the Company is exposed to currency risk through the following financial assets denominated in a currency other than the Canadian dollar:

	December 31, 2022		December 31, 2021	
	US \$	CDN \$	US \$	CDN \$
Cash	6,038	8,178	11,995	15,651
Accounts payable	(76,611)	(103,762)	(21,363)	(26,990)

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 income/loss by \$9,558 (2021 - \$1,100). 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 or fair value based on observable market values 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 increased/decreased the Company's net income/loss by \$2,367,000 (2021 - \$4,133,000).

EROS RESOURCES CORP.*(an exploration stage enterprise)***Notes to the Consolidated Financial Statements
For the years ended December 31, 2022 and 2021
(expressed in Canadian dollars)****4. MARKETABLE SECURITIES**

December 31, 2022		
Company	Number of common shares	Equity securities
Skeena Resources Limited ("Skeena") (Note 8)	819,500	\$ 5,908,595
Southern Empire Resources Corp. ⁽¹⁾	9,402,940	940,294
MAS Gold Corp. ("MAS") ⁽²⁾	19,614,286	784,571
Acquisition Oil & Gas Corp.	500,000	750,000
Nickel North Exploration Corp.	10,346,000	310,380
Eagle Plains Resources Corp.	1,130,000	214,700
Getty Copper Corp.	6,200,000	310,000
Tembo Resources Corp.	435,000	80,475
Cornish Metals Ltd.	150,000	46,500
Atico Mining Corp.	75,000	15,750
Other equities and warrants	-	1,799,224
		\$ 11,160,489

December 31, 2021		
Company	Number of common shares	Equity securities
Skeena Resources Limited	827,500	\$ 10,898,175
MAS Gold Corp. ("MAS") ⁽²⁾	19,614,286	1,961,429
Southern Empire Resources Corp. ⁽¹⁾	9,402,940	1,175,368
Cornish Metals Ltd.	975,000	565,500
Eagle Plains Resources Corp.	3,050,000	503,250
Nickel North Exploration Corp.	10,933,707	382,680
Getty Copper Inc.	6,200,000	372,000
Acquisition Oil & Gas Corp.	300,000	300,000
Metallic Minerals Corp.	333,000	154,845
Atico Mining Corp.	325,000	133,250
Tembo Resources	500,000	125,000
Other equities and warrants	-	4,105,959
		\$ 20,677,456

EROS RESOURCES CORP.*(an exploration stage enterprise)***Notes to the Consolidated Financial Statements
For the years ended December 31, 2022 and 2021
(expressed in Canadian dollars)****4. MARKETABLE SECURITIES (continued)**

(1) Southern Empire Resources Corp. is a company with common management and a common director.

(2) MAS is a company with a common director.

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 investment in private entity is carried at cost as its fair value is indeterminable.

The continuity of the Company's marketable securities during the year ended December 31, 2022 is as follows:

	December 31, 2021	Additions	Proceeds from dispositions	Realized Gains (Loss)	Unrealized Gains (Loss)	December 31, 2022
	\$	\$	\$	\$	\$	\$
Investment in public entities:						
- Shares and shares purchase warrants	20,377,456	209,077	(1,687,178)	(193,158)	(8,295,708)	10,410,489
Investment in private entity:						
- Shares	300,000	300,000	-	-	150,000	750,000
Total	20,677,456	509,077	(1,687,178)	(193,158)	(8,145,708)	11,160,489

The continuity of the Company's marketable securities during the year ended December 31, 2021 is as follows:

	December 31, 2020	Additions	Proceeds from dispositions	Realized Gains	Unrealized Gains	December 31, 2021
	\$	\$	\$	\$	\$	\$
Investment in public entities:						
- Shares and shares purchase warrants	17,885,855	2,862,063	(1,668,342)	729,790	568,090	20,377,456
Investment in private entity:						
- Shares	-	300,000	-	-	-	300,000
Total	17,885,855	3,162,063	(1,668,342)	729,790	568,090	20,677,456

The marketable securities portfolio includes warrants where fair values were estimated using the Black-Sholes option pricing model using the following ranges of inputs:

	2022	2021
Stock price	Closing prices	Closing prices
Exercise price	\$0.05 to \$0.20	\$0.10 to \$0.20
Expected life	0.48 to 2.73 years	0.10 to 4.73 years
Annualized volatility	80%	80%
Dividend rate	0%	0%
Risk free rate	3.82% to 4.07%	0.23% to 0.36%

EROS RESOURCES CORP.*(an exploration stage enterprise)***Notes to the Consolidated Financial Statements
For the years ended December 31, 2022 and 2021
(expressed in Canadian dollars)****5. EXPLORATION AND EVALUATION INTERESTS**

The exploration and evaluation assets that have been capitalized for the years ended December 31, 2022 and December 31, 2021 are as follows:

	Saskatchewan	Saskatchewan	Nevada	Total
Commodity	Gold	Uranium	Gold-Silver	
Balance at December 31, 2020	\$ -	\$ 22,343	\$ 2,207,740	\$ 2,230,083
Additions				
Staking and maintenance	-	-	40,203	40,203
Geology/geophysics	-	-	107,821	107,821
Field support	-	-	13,779	13,779
Environmental and socio-economic	-	-	78,279	78,279
Total additions for the year:	-	-	240,082	240,082
Impairment during the year:	-	-	-	-
Balance at December 31, 2021	-	22,343	2,447,822	2,470,165
Additions				
Staking and maintenance	-	-	41,569	41,569
Royalties	-	-	40,000	40,000
Geology/geophysics	-	-	54,243	54,243
Drilling	3,500,000	-	-	3,500,000
Field support	-	-	14,329	14,329
Environmental and socio-economic	-	-	99,129	99,129
Total additions for the year:	3,500,000	-	249,270	3,749,270
Impairment during the year:	-	-	-	-
Balance at December 31, 2022	\$ 3,500,000	\$ 22,343	\$ 2,697,092	\$ 6,219,435

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.

EROS RESOURCES CORP.

(an exploration stage enterprise)

Notes to the Consolidated Financial Statements
For the years ended December 31, 2022 and 2021
(expressed in Canadian dollars)

5. EXPLORATION AND EVALUATION INTERESTS (continued)

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.

a. Nevada

Bell Mountain Property

The Company has earned a 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, 2022). In conjunction with the updated notice from the Bureau of Land Management 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.

EROS RESOURCES CORP.

(an exploration stage enterprise)

**Notes to the Consolidated Financial Statements
For the years ended December 31, 2022 and 2021
(expressed in Canadian dollars)**

5. EXPLORATION AND EVALUATION INTERESTS (continued)

b. Saskatchewan

Saskatchewan uranium interests

Hatchet Lake

The Company has an interest in a joint venture property 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 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.

La Ronge Gold Belt

On December 20, 2021, MAS Gold Corp. and the Company signed an option agreement granting the Company an option for the exclusive right to earn a 17.5% interest in all of MAS's current properties in the prospective La Ronge Gold Belt of north-eastern Saskatchewan by funding \$3,500,000 in exploration expenditures over a six-month period, starting from January 2022. During the year ended December 31, 2022, Eros completed its funding commitment and has earned its 17.5% interest.

Upon the delivery of a written notice to MAS Gold Corp., a Joint Venture shall be deemed formed between MAS and the Company (“Joint Venture”). The respective participating interest of each party under the Joint Venture Agreement shall be MAS as to 82.5%; and the Company as to 17.5%. As at December 31, 2022, the company has not entered into a Joint Venture Agreement with MAS.

EROS RESOURCES CORP.*(an exploration stage enterprise)***Notes to the Consolidated Financial Statements
For the years ended December 31, 2022 and 2021
(expressed in Canadian dollars)****6. PROPERTY AND EQUIPMENT**

Cost	Oil & gas interests and equipment	Mineral exploration field equipment	Total
Balance, December 31, 2020 and 2021	\$ 392,210	\$ 100,080	\$ 492,290
Additions	-	-	-
Balance, December 31, 2022	\$ 392,210	\$ 100,080	\$ 492,290
Accumulated Amortization			
Balance, December 31, 2020	\$ 392,210	\$ 90,310	\$ 482,520
Amortization/depletion	-	2,392	2,392
Balance, December 31, 2021	\$ 392,210	\$ 92,702	\$ 484,912
Amortization/depletion	-	1,782	1,782
Balance, December 31, 2022	\$ 392,210	\$ 94,484	\$ 486,694
Carrying Value			
Balance, December 31, 2021	\$ -	\$ 7,378	\$ 7,378
Balance, December 31, 2022	\$ -	\$ 5,596	\$ 5,596

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 and drilling is complete. 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 years ended December 31, 2022 and 2021, the three wells remained offline. 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 FVLCD using a discounted cash flow model categorized in Level 3 of the fair value hierarchy. The Company has fully impaired its interest in the wells in prior years and there is no indication that previously recognized impairment losses no longer exist or have decreased.

EROS RESOURCES CORP.*(an exploration stage enterprise)***Notes to the Consolidated Financial Statements
For the years ended December 31, 2022 and 2021
(expressed in Canadian dollars)****7. RIGHT-OF-USE ASSET AND LEASE LIABILITY**

The Company has a lease agreement for the headquarter office space in Vancouver, British Columbia. During the year ended December 31, 2022, the Company committed to extending the lease expiring on January 31, 2022 to January 31, 2025. The Company recognized an additional \$39,272 for a ROU asset and \$39,272 for a lease liability as at February 1, 2022.

The continuity of the ROU asset and lease liability for the years ended December 31, 2022 and December 31, 2021 is as follows:

Right-of-use asset		
Value of right-of-use asset as at December 31, 2020	\$	12,761
Amortization		(11,779)
Value of right-of-use asset as at December 31, 2021	\$	982
Additions		39,272
Amortization		(12,982)
Value of right-of-use asset as at December 31, 2022	\$	27,272
Lease liability		
Lease liability recognized as of December 31, 2020	\$	14,456
Lease payments		(14,182)
Lease interest		901
Lease liability recognized as of December 31, 2021	\$	1,175
Additions		39,272
Lease payments		(14,689)
Lease interest		3,006
Lease liability recognized as of December 31, 2022	\$	28,764
Current portion	\$	12,755
Long-term portion		16,009
	\$	-

8. Margin loan payable

On May 3, 2022, the Company entered into a Margin Account Agreement with Canaccord Genuity Wealth Management ("Canaccord") for a \$1.5 million advance (the "Margin Loan"). The Margin Loan: (i) is subject to an interest rate of prime plus 3%, with interest rate being calculated daily and charged monthly; (ii) is due on demand; (iii) is secured by 813,500 shares of Skeena held with Canaccord; and (iv) is subject to margin requirement percentage of 30% loan value. The Company has no restrictions on trading Skeena shares, but margin calls can be made by Canaccord if or when the account balance drops below the margin requirement.

During the year-ended December 31, 2022, the Company paid \$66,273 in interest expense and \$321,237 for margin calls. The Company has outstanding advances of \$1,245,493 as at December 31, 2022.

EROS RESOURCES CORP.*(an exploration stage enterprise)***Notes to the Consolidated Financial Statements
For the years ended December 31, 2022 and 2021
(expressed in Canadian dollars)****9. 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 \$144,011 (2021 - \$139,796) as at December 31, 2022. The total amount is expected to be incurred in the next 10 years and was discounted using an interest rate of 3%.

		Flaxcombe
Balance at December 31, 2020	\$	135,703
Accretion		4,093
Balance at December 31, 2021	\$	139,796
Accretion		4,215
Balance at December 31, 2022	\$	144,011

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.

10. INCOME TAXES

The reconciliation of income tax computed at the statutory tax rate of 27% (2021 - 27%) to income tax expense is:

	2022	2021
Net income (loss) before income taxes	\$ (8,929,456)	\$ 774,939
Income tax rate	27.00%	27.00%
Expected income tax expense	\$ (2,410,953)	\$ 209,234
Items not deductible for tax purposes	805	5,502
Under (over) provided in prior years	(3,875)	36,561
Unused tax losses and tax offsets not recognized	3,296	(20,187)
Original and reversal of temporary differences	1,196,470	(408,545)
True up of prior year tax provision and prior year tax return	(69,822)	(132,308)
Income Tax (recovery)	(1,284,079)	(309,743)
Current income tax (recovery)	(69,822)	(155,467)
Deferred income tax (recovery)	\$ (1,214,257)	\$ (154,276)

EROS RESOURCES CORP.*(an exploration stage enterprise)***Notes to the Consolidated Financial Statements
For the years ended December 31, 2022 and 2021
(expressed in Canadian dollars)****10. INCOME TAXES (continued)**

The tax effected items that give rise to significant portions of the deferred income tax liabilities at December 31, 2022 and 2021 are presented below:

	2022	2021
Deferred income tax asset		
Non-capital losses	\$ -	\$ -
Other	758,077	96,393
Deferred income tax liabilities		
Resource properties	(2,428,774)	(2,509,585)
Marketable securities	(211,588)	(683,350)
Net deferred income tax liabilities	\$ (1,882,285)	\$ (3,096,542)

The Company's subsidiaries have accumulated losses for Canadian tax purposes of approximately \$7,559,000 that expire in various years as follows:

Available to	Amount
2026	\$ 197,000
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	775,000
2036	277,000
2037	94,000
2038	51,000
2039	50,000
2040	37,000
	\$ 7,559,000

EROS RESOURCES CORP.*(an exploration stage enterprise)***Notes to the Consolidated Financial Statements
For the years ended December 31, 2022 and 2021
(expressed in Canadian dollars)****10. INCOME TAXES (continued)**

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

	2022	2021
Non-capital losses	\$ 7,556,324	\$ 7,560,797
Equipment	32,569	31,706
Exploration and evaluation assets	4,375,640	4,359,824
Capital losses	532,930	532,930
Unrecognized deductible temporary differences	\$ 12,497,463	\$ 12,485,257

11. SHARE CAPITAL AND CONTRIBUTED SURPLUS**Authorized**

Unlimited number of common shares without par value.

Shares

There has been no movement in shares during the years ended December 31, 2022 and 2021.

Warrants

Warrant transactions are summarized as follows:

	Warrants	
	Number	Weighted Average Exercise Price
Outstanding December 31, 2020, 2021 and December 31, 2022.	24,723,444	\$0.15
Number currently exercisable	24,723,444	\$ 0.15

On August 4, 2021, the Company extended the expiry date of 24,723,444 warrants originally set to expire on August 12 and 13, 2021 to August 12 and 13, 2022.

On August 10, 2022, the Company further extended the expiry date of 24,723,444 warrants set to expire on August 12 and 13, 2022 to August 12 and 13, 2025.

At December 31, 2022, warrants were outstanding as follows:

Grant date	Number of Warrants	Exercise Price	Expiry Date
August 12, 2020	24,223,444	\$ 0.15	August 12, 2025
August 13, 2020	500,000	\$ 0.15	August 13, 2025
	24,723,444		

The weighted average remaining contractual life of the warrants is 2.62 (December 31, 2021 - 0.61) years.

EROS RESOURCES CORP.*(an exploration stage enterprise)***Notes to the Consolidated Financial Statements
For the years ended December 31, 2022 and 2021
(expressed in Canadian dollars)****11. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)****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.

Share-based payments

Stock option transactions are summarized as follows:

	Stock Options	
	Number	Weighted Average Exercise Price
Outstanding, December 31, 2020	3,475,000	\$0.113
Expired	(675,000)	(\$0.200)
Outstanding, December 31, 2021	2,800,000	\$0.092
Expired	(400,000)	(\$0.165)
Outstanding, December 31, 2022	2,400,000	\$0.080
Number currently exercisable	2,400,000	\$0.080

At December 31, 2022, stock options were outstanding as follows:

Grant date	Number of Shares	Exercise Price	Expiry Date
July 30, 2019	2,400,000	\$0.080	July 30, 2024

The weighted average remaining contractual life of the options is 1.58 (2021 - 2.31) years.

At December 31, 2021, stock options were outstanding as follows:

Grant date	Number of Shares	Exercise Price	Expiry Date
August 29, 2017	400,000	\$0.165	August 29, 2022
July 30, 2019	2,400,000	\$0.080	July 30, 2024
	2,800,000		

EROS RESOURCES CORP.

(an exploration stage enterprise)

Notes to the Consolidated Financial Statements For the years ended December 31, 2022 and 2021 (expressed in Canadian dollars)

12. RELATED PARTY BALANCES

In addition to the related party information disclosed elsewhere in the consolidated financial statements, the following significant transactions between the Company and its related parties took place during the financial year at terms agreed between the parties concerned:

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 periods ended December 31, 2022 and December 31, 2021 was as follows:

	2022	2021
Short-term benefits	¹ \$ 97,002	\$ 96,926

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 periods ended December 31, 2022 and December 31, 2021.

Included in the consolidated statements of financial position is an amount of \$2,020,748 (2021 - \$200,000) payable to related parties which includes the directors and officers of the Company.

The amounts due to related parties are unsecured, non-interest bearing, repayable on demand and are to be settled in cash. The carrying amounts of the amounts due to related parties approximate their fair values.

During the year ended December 31, 2022, the Company had the following significant transaction with its related parties:

- Funds advanced to MAS Gold Corp. of \$3,500,000 to incur drilling expenditure on behalf of the Company as a part of its earn-in on the La Ronge gold belt projects in Saskatchewan and advanced a further \$370,000 as a loan which is non-interest bearing, unsecured and due on demand. As described in note 5, if the Company enters the Joint Venture with MAS, the \$370,000 advance is to be expensed by MAS Gold Corp. for qualified Mineral Property Expenditure during 2023.

During the year ended December 31, 2021, the Company had the following significant transactions with its related parties:

- Purchased 100,000 units of Southern Empire Resources Corp., a company with common management and a common director, at a price of \$0.10 per unit. Each unit consists of one common share and one common share purchase warrant exercisable into one common share at a price of \$0.15 for a period of 36 months.
- Exercised 7,823,810 common share purchase warrants in MAS, a company with a common director, receiving 7,823,810 common shares and 3,703,571 common share purchase warrants exercisable into one common share at a price of \$0.20 for a period of 24 months.

EROS RESOURCES CORP.

(an exploration stage enterprise)

Notes to the Consolidated Financial Statements For the years ended December 31, 2022 and 2021 (expressed in Canadian dollars)

13. SEGMENTED INFORMATION

The Company operates in two business segments being the exploration and development of mineral resource properties and investing in marketable securities with a focus on commodities, 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, 2022, long-term assets of \$2,723,271 (December 31, 2021 - \$2,474,000) relates to mineral resource properties and reclamation bonds located in the United States with the remaining \$14,715,700 (December 31, 2021 - \$20,708,160) located in Canada.

14. 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 was unchanged in fiscal 2022. There were no capital restrictions in the year ended December 31, 2022 and the Company had no debt aside from trade payables, margin loan payable, due to related parties, income taxes and lease liability.

15. COMMITMENTS

In fiscal 2014, there was an involuntary disposition of the Company's Canadian mineral property for which the Company received \$26,400,000 from the Government of British Columbia. In fiscal 2014, the Company elected to defer \$15,147,419 of the proceeds as income inclusion under s.59.1 election of the Canadian Income Tax Act. The elected amount can be offset by Canadian exploration expenses, Canadian development expenses and/or Canadian oil and gas property expenses (collectively referred to as "Mineral Property Expenses") for Canadian income tax purposes. If the amount cannot be offset in the Company's ten taxation years subsequent to 2014, the Company will have to include the remaining elected amount as income in the 2014 income tax return. During fiscal 2015, the Company had a change of control in ownership and as such two taxation years were utilized in that year. Hence, as at December 31, 2022, the Company has a further \$3,535,000 to spend on qualified Mineral Property Expenses by December 31, 2023 in order to avoid the income inclusion as described above.

EROS RESOURCES CORP.*(an exploration stage enterprise)***Notes to the Consolidated Financial Statements
For the years ended December 31, 2022 and 2021
(expressed in Canadian dollars)****15. COMMITMENTS (continued)**

The Company must pay an advance royalty payment of \$20,000 annually towards the Bell Mountain property in Nevada until such time as there is production from the property (Note 5).

As at December 31, 2022, the Company was committed to pay for office premises leases expiring in January 2022; however, there was an extension agreement entered into during the year to extend the lease until January 31, 2025. The Company's minimum lease payments over the next three years, in aggregate, is as follows:

	\$
2023	15,198
2024	15,706
2025	1,312
Total	32,216

16. EARNINGS PER SHARE

The calculation of basic and diluted earnings (loss) per share for the relevant years is based on the following:

	December 31, 2022	December 31, 2021
Net (loss) income	\$ (7,645,377)	\$ 1,084,682
Basic weighted average number of common shares outstanding	97,893,741	97,893,741
Effect on dilutive securities:		
Options and warrants	-	549,391
Diluted weighted average number of common shares outstanding	97,893,741	98,443,132
Basic income per share	\$ (0.08)	\$ 0.01
Diluted income per share	\$ (0.08)	\$ 0.01