EROS
RESOURCES CORP

(an exploration stage enterprise)

Consolidated Financial Statements

Years ended December 31, 2016 and 2015

(Expressed in Canadian Dollars)

Smythe CPA

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF EROS RESOURCES CORP.

We have audited the accompanying consolidated financial statements of Eros Resources Corp., which comprise the consolidated statements of financial position as at December 31, 2016 and 2015 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Eros Resources Corp. as at December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 20, 2017

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

	Note	**December 31, 2016**	December 31, 2015
Assets			
Current			
Cash and cash equivalents	4	**$ 3,877,302**	$ 7,421,443
Accounts receivable		**16,185**	47,127
Prepaid expenses		**87,916**	76,506
Promissory notes receivable	10	**86,335**	141,273
		4,067,738	7,686,349
Marketable securities	5	**7,720,330**	1,445,121
Exploration advance to Skeena Resources Limited	6	**-**	1,500,000
Reclamation bonds		**26,179**	26,179
Exploration and evaluation interests	7	**3,103,088**	5,263,234
Equipment		**13,161**	16,451
		$ 14,930,496	$ 15,937,334
Liabilities			
Current			
Accounts payable and accrued liabilities		**$ 187,514**	$ 147,539
Deferred income tax	12	**3,738,735**	3,738,735
		3,926,249	3,886,274
Shareholders' Equity			
Capital stock	8	**71,370,577**	71,370,577
Contributed surplus	8	**862,121**	697,544
Accumulated other comprehensive income (loss)		**1,765,457**	(86,924)
Deficit		**(62,993,908)**	(59,930,137)
		11,004,247	12,051,060
		$ 14,930,496	$ 15,937,334

Note 1: Going Concern

Note 13: Subsequent Events

On behalf of the Board:

"Tom MacNeill"
Tom MacNeill, Director

"Don Siemens"
Don Siemens, Director

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

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

	Capital Stock					
	Shares	**Amount**	**Accumulated Other Comprehensive Income (Loss)**	**Contributed Surplus**	**Deficit**	**Total Shareholders' Equity**
Balance at December 31, 2014	26,564,723	$ 69,669,375	$ 68,733	$ 1,656,936	$ (60,642,752)	$ 10,752,292
Items of comprehensive loss	-	-	(155,657)	-	-	(155,657)
Expiry of warrants	-	-	-	(1,151,634)	1,151,634	-
Exercise of options	525,000	70,000	-	-	-	70,000
Share-based payments	-	-	-	528,777	-	528,777
Cancellation of share-based payments	-	-	-	(336,535)	336,535	-
Issuance of shares on reverse takeover (Note 3)	14,776,631	2,111,744	-	-	499,270	2,611,014
Share issuance costs	-	(480,542)		-	-	(480,542)
Net loss for the year	-	-	-	-	(1,274,824)	(1,274,824)
Balance at December 31, 2015	41,866,354	71,370,577	(86,924)	697,544	(59,930,137)	12,051,060
Items of comprehensive income	-	-	1,852,381	-	-	1,852,381
Share-based payments	-	-	-	164,577	-	164,577
Net loss for the year	-	-	-	-	(3,063,771)	(3,063,771)
Balance at December 31, 2016	41,866,354	$ 71,370,577	$ 1,765,457	$ 862,121	$ (62,993,908)	$ 11,004,247

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	2016	2015
Expenses			
Consulting fees	9	$ **81,888**	$ 204,883
Amortization		**3,290**	4,959
Investor relations		**42,000**	58,800
Professional fees		**98,982**	110,758
Office and administration		**50,252**	122,779
Property research		**111,156**	136
Share-based payments	8, 9	**164,577**	528,777
Transfer agent and listing fees		**14,834**	39,698
Wages	9	**222,556**	56,508
Travel		**10,129**	19,240
		(799,664)	(1,146,538)
Interest income		**66,488**	68,196
Gain (loss) on sale of marketable securities		**330,014**	(11,000)
Recovery of exploration and evaluation assets, net of write-off	7	**-**	126,340
Write-off of exploration and evaluation assets	7	**(3,212,757)**	(293,702)
Loss on disposal of equipment		**-**	(5,908)
Gain (loss) on foreign exchange		**(97,754)**	144,249
Unrealized gain on marketable securities, held for trading		**489,927**	35,064
Proceeds from settlement of expropriation claim	7	**159,975**	-
Loss on divisive reorganization	3	**-**	(894,305)
Loss before income taxes		**(3,063,771)**	(1,977,604)
Income taxes			
Deferred income tax recovery		**-**	702,780
Net loss for the year		**(3,063,771)**	(1,274,824)
Items of comprehensive income (loss)			
Unrealized gain (loss) on marketable securities, available for sale		**1,893,393**	(155,657)
Transfer on sale of marketable securities		**(41,012)**	**-**
Total items of comprehensive income (loss)		**1,852,381**	(155,657)
Comprehensive loss for the year		$ **(1,211,390)**	$ (1,430,481)
Basic and diluted loss per share		$ **(0.07)**	$ (0.03)
Weighted average number of common shares outstanding		**41,866,429**	38,410,712

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)

		2016		2015
Cash from operating activities				
Net loss	**$**	**(3,063,771)**	$	(1,274,824)
Add back non-cash items:				
Share-based payments		**164,577**		528,777
Amortization		**3,290**		4,959
Loss (gain) on sale of marketable securities		**(330,014)**		11,000
Unrealized gain on sale of marketable securities		**(489,927)**		(35,064)
Loss on divisive reorganization		**-**		894,305
Deferred tax recovery		**-**		(702,780)
Write-off of exploration assets		**3,212,757**		293,702
Loss (gain) on foreign exchange		**97,754**		(144,249)
Loss on disposal of equipment		**-**		5,908
Net changes in non-cash working capital items:				
Accounts receivable		**30,942**		(40,954)
Prepaid expenses		**(11,410)**		(62,225)
Accounts payable and accrued liabilities		**18,502**		(155,655)
Cash used in operating activities		**(367,300)**		(677,100)
Investing activities				
Exploration advance to Skeena Resources Limited		**-**		(1,500,000)
Acquisition of marketable securities		**(3,325,169)**		(1,262,984)
Reclamation bond		**-**		(26,179)
Promissory notes		**54,938**		(141,273)
Net proceeds from reverse takeover transactions		**-**		13,258,307
Proceeds on sale of marketable securities		**1,222,282**		-
Evaluation and exploration expenditures		**(1,031,138)**		(2,538,693)
Cash (used in) provided by investing activities		**(3,079,087)**		7,789,178
Financing activities				
Proceeds from issuance of shares		**-**		70,000
Proceeds on option of property		**-**		15,000
Cash provided by financing activities		**-**		85,000
Decrease (increase) in cash during the year		**(3,446,387)**		7,197,078
Foreign exchange effect on cash		**(97,754)**		144,249
Cash and cash equivalents, beginning of the year		**7,421,443**		80,116
Cash and cash equivalents, end of the year	**$**	**3,877,302**	$	7,421,443
Cash and cash equivalents consist of:				
Cash, Canadian equivalent (includes US$839,199 in 2016 and US$1,533,990 in 2015)	**$**	**1,927,302**	$	2,221,443
Short-term deposits		**1,950,000**		5,200,000
	$	**3,877,302**	$	7,421,443
Supplemental Cash Flow Information				
Interest received	**$**	**81,129**	$	7,767

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

1. NATURE OF OPERATIONS

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

On July 19, 2015, Boss Power Corp. ("Boss") and Anthem Resources Incorporated ("Anthem") obtained shareholder approval of a transaction pursuant to which Boss acquired all of the issued and outstanding common shares of Anthem at a share exchange ratio of 0.75 of a common share of Boss for each common share of Anthem. Upon completion of the transaction, Boss changed its name to Eros Resources Corp.

This transaction was accounted for as a reverse takeover, as the control of the Company was acquired by the former shareholders of Anthem. Although legally, Eros Resources Corp. is regarded as the legal parent, Anthem, whose shareholders now hold more than 50% of the voting shares of the Company, is treated as the acquirer under International Financial Reporting Standards ("IFRS"). Anthem, prior to this transaction, owned 64.8% of Eros, and as a result of the transaction, Anthem's share capital has been restructured.

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 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 IFRS, as issued by the International Accounting Standards Board ("IASB"), and they are consistent with interpretations by the International Financial Reporting Interpretations Committee ("IFRIC"). The accounting policies adopted in these consolidated financial statements are based on IFRSs in effect as at December 31, 2016.

The consolidated financial statements of Eros Resources Corp. for the year ended December 31, 2016 were reviewed by the Audit Committee and approved and authorized for issuance by the Board of Directors on April 20, 2017.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of presentation

These consolidated financial statements include the accounts of the Eros and its wholly owned subsidiaries, Blizzard Uranium Corp. ("Blizzard Uranium"), a company incorporated in British Columbia, Anthem, a company incorporated in British Columbia, and Bell Mountain Exploration Corp. ("Bell Mountain"), a company incorporated in Nevada, USA.

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

Significant judgments, estimates and assumptions

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

Critical accounting estimates and assumptions

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

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

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

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

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

<u>Share-based payments</u>

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting estimates and judgments (continued)

Recoverable value of interests in exploration and evaluation assets

The carrying value of exploration and evaluation assets and the likelihood of future economic recoverability of these carrying values is subject to significant management estimates. The application of the Company's accounting policy for the determination of the recoverability of capitalized assets is based on assumptions about future events or circumstances. New information may change estimates and assumptions made. If information becomes available indicating that recovery of expenditures is unlikely, the amounts capitalized are impaired and recognized as a loss in the period that the new information becomes available. A change in estimate could result in the carrying amount of capitalized assets being materially different from their presented carrying costs.

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:

Carrying value and recoverability of exploration and evaluation assets

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 exploration and evaluation assets.

Impairment of marketable securities classified as available-for-sale

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

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

Going concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay its ongoing operating expenditures, meet its liabilities for the ensuing year, and to fund planned and contractual exploration programs involves significant judgment based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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.

Financial instruments

Financial assets

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Fair value through profit or loss

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

Loans and receivables

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

Held-to-maturity

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

Available-for-sale

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

Financial liabilities

The Company classifies its financial liabilities in the following category:

Other financial liabilities

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Fair value hierarchy

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

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

Income taxes

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

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

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

Earnings (loss) per share

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments

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

New standards, amendments and interpretations not yet effective

The following new standards, and amendments to standards and interpretations, were not yet effective for the year ended December 31, 2016, and have not been applied in preparing these consolidated financial statements.

Accounting standards issued and effective January 1, 2017

IAS 7 *Statement of Cash Flows* – Disclosure Initiative

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

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

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

Accounting standards issued and effective January 1, 2018

IFRS 9 *Financial Instruments*

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

- Classification and measurement of financial assets:

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

IFRS 9 *Financial Instruments* (continued)

- Classification and measurement of financial liabilities:

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

- Impairment of financial assets:

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

- Hedge accounting:

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

3. INVESTMENT AND REVERSE TAKEOVER

As at December 31, 2014, Anthem held 27,250,000 (34.74%) common shares of Boss, and accounted for the investment using the equity method. The primary asset of Boss was the Blizzard Uranium Project, comprised of the Blizzard claim and certain surrounding mineral claims.

Due to the April 24, 2008 British Columbia government moratorium on uranium exploration and development, which constructively halted the development of the Blizzard Uranium Project, Boss wrote-down the investment.

On January 19, 2015, Boss shareholders voted in favour of a divisive reorganization by way of statutory arrangement pursuant to sections 288 to 299 of the *Business Corporations Act* (British Columbia). Final court approval was obtained on January 22, 2015, which resulted in Anthem holding 64.8% (2014 - 34.74%) of Boss common shares.

(expressed in Canadian dollars)

3. INVESTMENT AND REVERSE TAKEOVER (continued)

As a result of the divisive reorganization, Anthem became a majority shareholder of Boss with 64.8% of the issued and outstanding voting common shares. Both net assets of Boss and Anthem's percentage interest in those assets changed.

	Percentage of Ownership		Amount
Carrying value prior to divisive reorganization	34.74%	$	6,904,660
Fair value after divisive reorganization	64.80%		7,072,949
Gain on re-measurement of equity investment			**168,289**
Anthem's portion of net assets of Boss, as at January 23, 2015			7,072,949
Amount owned by Anthem after cash paid on divisive reorganization			6,010,355
Loss on divisive reorganization			**1,062,594**
Net loss on divisive reorganization		$	**894,305**

As a result of the change in ownership, Anthem recognized its investment in Boss as a subsidiary, together with a non-controlling interest, representing the percentage of Boss owned by others. For the initial recognition as a subsidiary, Anthem measured carrying values as follows:

Fair value of interest prior to gaining control	$	6,010,355
Fair value of non-controlling interest		3,264,878
Net assets of Boss		(9,275,233)
	$	-

The net assets and liabilities of Boss acquired by Anthem were as follows.

Cash	$	13,984,386
Accounts receivable		37,841
Prepaid expenses		13,118
Accounts payable and accrued liabilities		(318,595)
Deferred income tax		(4,441,517)
Net assets acquired	$	9,275,233

(expressed in Canadian dollars)

3. INVESTMENT AND REVERSE TAKEOVER (continued)

On July 19, 2015, shareholders voted in favour of acquiring all of Anthem's common shares at a share exchange ratio of 0.75 Boss common shares for one Anthem share. The 27,250,000 common shares of Boss held by Anthem were cancelled as a result of the transaction. In accordance with the terms and conditions of the arrangement, 3,725,000 outstanding Boss options were surrendered and cancelled. Anthem's outstanding options were converted at the 0.75 exchange ratio. Because the transaction resulted in a change of control of the Company, the transaction was considered a purchase of Boss' operations by Anthem and was accounted for as a reverse takeover. As Anthem was deemed to be the acquirer for accounting purposes, its assets and liabilities and operations since incorporation are included in the consolidated financial statements at their historical carrying value. Accordingly, the Company's historical results of operations are ignored and the Company's current results of operations are included in the consolidated financial statements of the Company from the date of the reverse takeover onwards.

Upon completion of the reverse takeover, Boss changed its name to Eros Resources Corp.

For the purposes of accounting for the reverse takeover, the percentage of ownership of Boss in the combined company upon completion of the reverse takeover was determined to be 35.3% (which represented 14,776,631 common shares out of the total 41,866,354 outstanding upon closing).

All figures as to the numbers of common shares, as well as loss per share in these consolidated financial statements have been retroactively restated to reflect the legal capital of Boss at an exchange ratio of 1 Anthem ordinary share to 0.75 common shares of Boss.

The acquisition of Boss by Anthem was accounted for as a share-based payment. The fair value of the shares issued was $2,111,744 based on the estimated fair value of the shares. The excess of the fair value of net assets acquired over the purchase price was recognized in accumulated deficit.

4. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Company has classified its financial assets as follows:

	December 31, 2016			December 31, 2015		
Financial assets	Loans and receivables	FVTPL	Available-for-sale	Loans and receivables	FVTPL	Available-for-sale
Cash and cash equivalents	$ -	$ 3,877,302	$ -	$ -	$7,421,443	$ -
Accounts receivable	16,185	-	-	47,127	-	-
Promissory notes receivable	86,335	-	-	141,273	-	-
Marketable securities	-	872,871	6,847,459	-	332,945	1,112,176
Exploration advance to Skeena Resources Ltd.	-	-	-	1,500,000	-	-
	$ 102,520	$ 4,750,173	$6,847,459	$1,688,400	$7,754,388	$1,112,176

(expressed in Canadian dollars)

4. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

FVTPL and AFS assets are carried at fair value and loans and receivables are carried at amortized cost as at December 31, 2016 and 2015. The Company classifies its only financial liability, accounts payable and accrued liabilities, as other financial liabilities and carries it at amortized cost. The fair value of accounts receivable, promissory notes receivable and accounts payable approximate their fair value.

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

December 31, 2015	Level 1	Level 2	Level 3	Total
Financial assets				
Marketable securities	$ 1,112,176	$ 332,945	$ -	$ 1,445,121

The Company’s risk exposure and the impact on the Company’s financial instruments 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, exploration advance to Skeena Resources Ltd. and promissory notes receivable. The Company holds cash at a major Canadian financial institution in accordance with the Company’s investment policy. Management considers credit risk on cash to be low, as the counterparties are highly rated Canadian banks.

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.

(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, 2016 and 2015, the Company is exposed to currency risk through the following financial assets denominated in a currency other than the Canadian dollar:

	December 31, 2016		December 31, 2015	
	US $	CDN $	US $	CDN $
Cash	839,199	2,750,499	1,533,990	5,298,400
Accounts payable	(36,649)	(138,305)	(51,361)	(96,178)

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 $80,255 (2015 - $158,535). A weakening of the Canadian dollar would have the opposite effect on the comprehensive loss.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company's marketable securities are carried at market value, and are therefore directly affected by fluctuations in the market value of the underlying securities. The Company's sensitivity analysis suggests that changes in market prices of the portfolio do have a material effect on comprehensive income (loss). A 20% increase in the market prices of the Company's AFS marketable securities would have decreased the Company's comprehensive loss by $1,369,492 (2015 - $222,435). A 20% decrease in the market prices of those securities would have increased the Company's comprehensive loss by the same amount.

5. MARKETABLE SECURITIES

	December 31, 2016			
Company	Number of common shares	Available-for-sale securities	Other	Available-for-sale securities and other
Canamex Resources Corp. convertible debentures	1,875,000	$ -	$ 300,000	$ 300,000
Harte Gold Corp.	2,118,500	635,550	-	635,550
Nickel North Exploration Corp.	10,933,707	656,022	-	656,022
Skeena Resources Limited	48,690,111	3,408,308	-	3,408,308
Solgold PLC	2,475,000	979,079	-	979,079
Toachi Mining	1,000,000	355,000	-	355,000
Other equities and warrants	-	813,500	572,871	1,386,371
		$ 6,847,459	$ 872,871	$ 7,720,330

(expressed in Canadian dollars)

5. MARKETABLE SECURITIES (continued)

	December 31, 2015			
Company	Number of common shares	Available-for-sale securities	Other	Available-for-sale securities and other
Canamex Resources Corp. convertible debentures	5,000,000	$ -	$ 250,000	$ 250,000
Skeena Resources Limited	7,055,111	423,307	-	423,307
Westcore Energy Corp.	10,000,000	200,000	-	200,000
Harte Gold Corp.	4,150,000	373,500	-	373,500
Other equities and warrants	-	115,369	82,945	198,314
		$ 1,112,176	$ 332,945	$ 1,445,121

	December 31, 2016	December 31, 2015
AFS securities at fair value	$ 6,847,459	$ 1,112,176
Held-for-trading securities at fair value	872,871	332,945
	$ 7,720,330	$ 1,445,121

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

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

	2016	2015
Stock price	Closing prices	$0.02
Exercise price	$0.035 to $0.35	$.03
Expected life	0.2 to 3.0 years	2.0 years
Annualized volatility	80%	98%
Dividend rate	0%	0%
Risk-free interest rate	0.73% to 0.84%	0.5%

6. EXPLORATION ADVANCE TO SKEENA RESOURCES LIMITED

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

(expressed in Canadian dollars)

7. EXPLORATION AND EVALUATION INTERESTS

The exploration and evaluation assets paid to December 31, 2016 have been capitalized as follows:

	British Columbia	Saskatchewan	Quebec	Labrador/ Newfoundland	Nevada	**Total**
Balance at December 31, 2014	-	$ 3,505,658	$ 30,681	$ 1	$ -	$ 3,536,340
Additions						
Acquisition costs	-	-	-	-	1,185,765	1,185,765
Geology/ geophysics	-	100	9,455	-	363,013	372,568
Field support	-	-	(65)	-	98,963	98,898
Drilling/trenching	-	-	-	-	111,954	111,954
Analyses and assays	-	-	-	-	157,048	157,048
Environmental and socio-economic	-	-	5,361	-	49,298	54,659
Staking and maintenance	-	700	7,793	-	59,871	68,364
Expense recovery	-	-	(28,660)	-	-	(28,660)
Total additions for the year:	-	800	(6,116)	-	2,025,912	2,020,596
Write-off of exploration and evaluation assets	-	(293,702)	-	-	-	(293,702)
Balance at December 31, 2015	-	3,212,756	24,565	1	2,025,912	5,263,234
Additions						
Acquisition costs	6,500	-	-	-	259,500	266,000
Staking and maintenance	-	-	-	-	61,295	61,295
Expense recovery royalties	-	-	-	-	20,000	20,000
Geology/ geophysics	-	-	-	-	303,973	303,973
Analyses and assays	-	-	-	-	68,690	68,690
Field support	-	-	-	-	105,675	105,675
Environmental and socio-economic	-	-	-	-	226,978	226,978
Total additions for the year:	6,500	-	-	-	1,046,111	1,052,611
Write-off of exploration and evaluation assets	-	(3,212,756)	-	(1)	-	(3,212,757)
Balance at December 31, 2016	$ 6,500	$ -	$ 24,565	$ -	$ 3,072,023	$ 3,103,088

7. 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.

7. EXPLORATION AND EVALUATION INTERESTS (continued)

Nevada

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

Bell Mountain Property

On April 24, 2015, the Company completed a transaction to acquire an option to earn the title and interest to the Bell Mountain property for $650,000 cash. On June 15, 2015, Eros met the conditions of the underlying option agreement with Globex Mining Enterprises Inc. (“Globex”) to earn a 100% title to the Bell Mountain property. An Advance Royalty Payment of $20,000 is due annually beginning June 15, 2016 until such time as there is production from the property (paid during the year ended December 31, 2016). Due to the Department of the Navy’s proposed EIS regarding the expansion of the Fallon Range Training Complex, exploration activities at Bell Mountain are on hold.

Eastgate Property

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

British Columbia

KET and REN claims

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

Golden Triangle

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

7. EXPLORATION AND EVALUATION INTERESTS (continued)

Saskatchewan

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

Hatchet Lake and Murphy Lake Joint Ventures

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

Wollaston Trend

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

Athabasca Basin – Uranium

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

Webb River – Uranium

The Company held a 100% interest in the Webb River property on the southeast margin of the basin. The claims were allowed to lapse during the year ended December 31, 2015, and exploration and evaluation costs of $293,702 were written off in accordance with Level 3 of the fair value hierarchy.

Quebec

Otish Mountains

Pursuant to a plan of arrangement in September 2012, the Otish Mountains property was exchanged for a promissory note for $3,900,000 secured by the shares of Otish Minerals Ltd. ("Otish"), which owns the claims in the Otish Mountains. With the moratorium on uranium development in Quebec, the purchaser of the Otish property wrote it down to $nil. As a result, the Company impaired the promissory note for the full amount, including accrued interest. In January 2015, the Otish property was returned to Eros in good standing for cancellation of the promissory note.

Chateau Fort Gold

The Chateau Fort property is 18,867 hectares 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 royalties. In return, Tarku shall pay $100,000 in cash ($15,000 paid) and 8,000,000 Tarku shares (2,000,000 paid) in staged payments over four years.

(expressed in Canadian dollars)

7. EXPLORATION AND EVALUATION INTERESTS (continued)

Chateau Fort Gold (continued)

Eros retains a 2% NSR on claims not subject to other underlying agreements, of which 1% can be bought down for payment of $2,000,000. In addition, Eros retains the right to maintain its pro rata percentage ownership of Tarku via future financings, and right of first refusal on third party offers to purchase the Property. After option payments of $15,000 cash and 2,000,000 Tarku shares, the net amount of $126,340 in exploration and evaluation assets was transferred to recovery of exploration and evaluation assets. This amount included a write-off of the remaining balance of $28,660 in 2015. 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.

8. SHARE CAPITAL AND CONTRIBUTED SURPLUS

Authorized

Unlimited number of common shares without par value

Stock options

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

Share-based payments

Stock option transactions are summarized as follows:

	Stock Options	
	Number	Weighted Average Exercise Price
Outstanding, December 31, 2014	2,500,001	$ 1.0133
Exercised	(525,000)	($ 0.1333)
Granted	1,275,000	$ 0.1733
Forfeited	(887,501)	($ 0.88)
Outstanding, December 31, 2015	2,362,500	$ 0.157
Granted	1,325,000	$ 0.20
Outstanding, December 31, 2016	3,687,500	$ 0.173
Number currently exercisable	3,687,500	$ 0.173

On August 16, 2016, the Company granted 1,325,000 incentive stock options to directors and officers of the Company, which will expire on August 16, 2021, with an exercise price is $0.20. All the options vested immediately. On July 19, 2015, all legacy Boss incentive stock options were cancelled and all of the 3.15 million legacy Anthem incentive stock options were converted at a ratio of 0.75 to one Eros option, resulting in the issuance of 2,362,500 fully vested Eros options.

(expressed in Canadian dollars)

8. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

At December 31, 2016, stock options were outstanding as follows:

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

As at December 31, 2015, stock options outstanding were as follows:

Grant date	Number of Shares	Exercise Price	Expiry Date
March 10, 2014	862,500	$ 0.133	March 10, 2019
May 22, 2014	225,000	$ 0.160	May 22, 2019
June 3, 2015	375,000	$ 0.1733	June 3, 2020
June 5, 2015	900,000	$ 0.1733	June 5, 2020
	2,362,500		

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

	2016	**2015**
Stock price	$0.20	$0.13
Exercise price	$0.20	$0.13
Expected life	5 years	5 years
Annualized volatility	77.67%	137%
Dividend rate	0%	0%
Risk-free interest rate	0.65%	1.02%

The Company has no warrants outstanding.

(expressed in Canadian dollars)

9. RELATED PARTY TRANSACTIONS AND 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, 2016 and 2015 was as follows:

		2016	**2015**
Share-based compensation		**$ 133,525**	$ 528,777
Short-term benefits	[1]	**$ 328,056**	$ 204,883

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

In addition, the amount of $30,600 was paid to Skeena in exchange for office rent and certain administrative and accounting services provided to the Company. Also, the Company subscribed for 18,750,000 units of Skeena at a price of $0.08 per unit, in a private placement, which closed on July 22, 2016. Each unit consisted of one common share and one-half of one share purchase warrant. Each whole warrant is exercisable for a period of three years at $0.12 in the first year, $0.14 in the second year and $0.16 in the third year. See also Note 6, as Skeena and Eros have a director in common.

See also Note 7 in relation to Chateau Fort, acquired from Tarku, and Note 10 in relation to a promissory note receivable from Tarku. Tarku and Eros have a director in common.

10. PROMISSORY NOTES RECEIVABLE

On August 21, 2015, the Company signed a promissory note agreement with Lincoln Mining Corporation (“Lincoln”) and advanced Lincoln a total of US$66,000. The promissory note was updated in June 2016, bore interest at the rate of 6% per annum until June 30, 2016, and 9% thereafter, and is due for repayment on September 15, 2017. On September 8, 2015, the Company issued a promissory note totalling $54,938 to Tarku, a company related by a common director. The note bore interest of 10% per annum and was repaid in July 2016.

(expressed in Canadian dollars)

11. 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 and other strategic investments. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital as shareholders' equity. The Company is not exposed to any capital requirements.

The Company has historically relied on the equity markets to fund its activities. The Company will continue to assess new properties and seek to acquire an interest in properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. In addition, the Company evaluates investment opportunities, as well as existing investments, for suitability and potential on an ongoing basis. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company's capital risk management approach changed moderately during the year ended December 31, 2016, as the Company deployed additional funds into marketable securities. There were no capital restrictions in the year ended December 31, 2016 and the Company had no debt.

12. INCOME TAXES

The reconciliation of income tax computed at the statutory tax rate of 26% (2015 - 26%) to income tax (recovery) expense is:

		2016		2015
Loss before income taxes	$	(3,063,771)	$	(1,274,824)
Income tax rate		26.00%		26.00%
Expected income tax recovery		(796,580)		(331,454)
Non-deductible items		(27,503)		137,781
Change in timing differences		716,284		(201,796)
Under (over) provided in prior years		(141,152)		(567,542)
Unrecognized (recognized) tax benefits		248,951		260,231
Deferred tax recovery	$	-	$	(702,780)

The tax effected items that give rise to significant portions of the deferred income tax assets and deferred income tax liabilities at December 31, 2016 and 2015 are presented below:

		2016		2015
Deferred income tax asset				
Non-capital losses	$	392,240	$	135,237
Deferred income tax liabilities				
Resource properties		(3,483,972)		(3,873,972)
Investments		(647,003)		-
Net deferred income tax liabilities	$	(3,738,735)	$	(3,738,735)

(expressed in Canadian dollars)

12. INCOME TAXES (continued)

The Company has accumulated losses for Canadian tax purposes of approximately $8,620,000 that expire in various years as follows:

Available to	Amount
2026	$ 316,000
2027	300,000
2028	104,000
2029	1,385,000
2030	936,000
2031	1,046,000
2032	1,493,000
2033	774,000
2034	40,000
2035	1,519,000
2036	707,000
	$ 8,620,000

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

	2016	2015
Non-capital losses	$ 7,109,477	$ 7,052,015
Equipment	22,858	198,203
Exploration and evaluation assets	5,649,506	-
Marketable securities	-	3,466,884
Investments	735,542	735,542
Capital losses	424,461	424,461
Other	-	-
Unrecognized deductible temporary differences	$ 13,941,844	$ 11,877,105

13. SUBSEQUENT EVENTS

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. (TSX.V: WTR) ("Westcore") at an estimated cost of $1.6 million. 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.

On February 8, 2017, Eros exercised 2,000,000 warrants in Westcore at an exercise price of $0.15 per unit. Prior to the transaction, Eros owned 2,000,000 common shares of Westcore and 2,000,000 warrants, exercisable at $0.15 for common shares of Westcore. This represented a 6.85% undiluted, or 12.82% partially diluted ownership percentage of Westcore. Through the exercise of these warrants, Eros's ownership of Westcore increased to 4,000,000 common shares, representing 12.82% of the 31,193,689 outstanding shares of Westcore. The Company has no remaining Westcore warrants.

Subsequent to December 31, 2016, 562,500 stock options were cancelled, comprised of 225,000 exercisable at $0.1733 until June 2020, and 337,500 exercisable at $0.1333 until March 2019.