



*(an exploration stage enterprise)*

**Condensed Interim Consolidated Financial Statements**

**Three months ended March 31, 2018 and 2017**

*(Unaudited - Expressed in Canadian Dollars)*

## **NOTICE OF NO AUDITOR REVIEW**

### **NOTICE TO READERS**

Under National Instrument 51-102, Part 4.3 (3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The condensed interim consolidated financial statements of Eros Resources Corp. (an exploration stage company) are the responsibility of the Company's management. The condensed interim consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles and reflect management's best estimates and judgment based on information currently available.

Management has developed and maintains a system of internal controls to ensure that the Company's assets are safeguarded, transactions are authorized and properly recorded, and financial information is reliable.

The Board of Directors is responsible for ensuring management fulfills its responsibilities for financial reporting and internal controls through an audit committee, which is comprised primarily of non-management directors.

The Company's independent auditors have not performed an audit or review of these condensed interim consolidated financial statements.

**"Ronald K. Netolitzky"**

Ronald K. Netolitzky  
Chief Executive Officer

**"Andrew MacRitchie"**

Andrew MacRitchie  
Chief Financial Officer

Vancouver, British Columbia  
May 28, 2018

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

(unaudited - expressed in Canadian dollars)

|   | Note   | March 31,<br>2018    | December 31,<br>2017 |
|---|--------|----------------------|----------------------|
| <b>Assets</b>                                 |        |                      |                      |
| <b>Current</b>                                |        |                      |                      |
| Cash and cash equivalents                     |        | \$ 1,539,144         | \$ 3,569,180         |
| Accounts receivable                           | 10     | 43,268               | 125,551              |
| Prepaid expenses                              |        | 56,849               | 68,642               |
| Promissory notes receivable                   | 11     | 58,050               | 89,311               |
|   |        | <b>1,697,311</b>     | <b>3,852,684</b>     |
| <b>Marketable securities</b>                  | 5      | <b>7,806,352</b>     | <b>6,775,976</b>     |
| <b>Reclamation bonds</b>                      |        | <b>26,179</b>        | <b>26,179</b>        |
| <b>Prepaid authorization for expenditure</b>  | 10, 12 | <b>43,973</b>        | <b>56,014</b>        |
| <b>Exploration and evaluation interests</b>   | 7      | <b>66,429</b>        | <b>6,500</b>         |
| <b>Property and equipment</b>                 | 8      | <b>384,404</b>       | <b>410,529</b>       |
|   |        | <b>\$ 10,024,648</b> | <b>\$ 11,127,882</b> |
| <b>Liabilities</b>                            |        |                      |                      |
| <b>Current</b>                                |        |                      |                      |
| Accounts payable and accrued liabilities      |        | \$ 82,833            | \$ 162,635           |
| <b>Decommissioning liability</b>              |        | <b>126,969</b>       | <b>126,029</b>       |
| <b>Deferred income tax</b>                    |        | <b>2,724,698</b>     | <b>3,136,785</b>     |
|   |        | <b>2,934,500</b>     | <b>3,425,449</b>     |
| <b>Shareholders' Equity</b>                   |        |                      |                      |
| <b>Capital stock</b>                          | 9      | <b>72,394,552</b>    | <b>72,394,552</b>    |
| <b>Contributed surplus</b>                    | 9      | <b>934,339</b>       | <b>925,839</b>       |
| <b>Accumulated other comprehensive income</b> |        | <b>-</b>             | <b>7,608</b>         |
| <b>Deficit</b>                                |        | <b>(66,238,743)</b>  | <b>(65,625,566)</b>  |
|   |        | <b>7,090,148</b>     | <b>7,702,433</b>     |
|   |        | <b>\$ 10,024,648</b> | <b>\$ 11,127,882</b> |

**Note 1: Going Concern****Note 15: 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 condensed interim consolidated financial statements.*

**EROS RESOURCES CORP.***(an exploration stage enterprise)***CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

(unaudited - expressed in Canadian dollars)

|                                       | <u>Capital Stock</u> |               | Contributed<br>Surplus | Accumulated<br>Other<br>Comprehensive<br>Income (Loss) | Deficit         | Total<br>Shareholders'<br>Equity |
|---------------------------------------|----------------------|---------------|------------------------|--|-----------------|----------------------------------|
|                                       | Shares               | Amount        |                        |  |                 |                                  |
| Balance at December 31, 2016          | 41,866,354           | \$ 71,370,577 | \$ 862,121             | \$ 1,765,457   | \$ (62,993,908) | \$ 11,004,247                    |
| Items of comprehensive income         | -                    | -             | -                      | 538,528  | -               | 538,528                          |
| Net income for the period             | -                    | -             | -                      | -  | 673,064         | 673,064                          |
| Balance at March 31, 2017             | 41,866,354           | 71,370,577    | 862,121                | 2,303,985  | (62,320,844)    | 12,215,839                       |
| Balance at January 1, 2018            | 48,446,854           | 72,394,552    | 925,839                | 7,608  | (65,625,566)    | 7,702,433                        |
| Impact of adopting IFRS 9             | -                    | -             | -                      | (7,608)  | 7,608           | -                                |
| Balance at January 1, 2018 (restated) | 48,446,854           | 72,394,552    | 925,839                | -  | (65,617,958)    | 7,702,433                        |
| Share-based payments                  | -                    | -             | 8,500                  | -  | -               | 8,500                            |
| Net loss for the period               | -                    | -             | -                      | -  | (620,785)       | (620,785)                        |
| Balance at March 31, 2018             | 48,446,854           | \$ 72,394,552 | \$ 934,339             | \$ -   | \$ (66,238,743) | \$ 7,090,148                     |

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

**EROS RESOURCES CORP.***(an exploration stage enterprise)***CONDENSED INTERIM CONSOLIDATED STATEMENTS OF (LOSS) / INCOME AND COMPREHENSIVE (LOSS) / INCOME**  
(unaudited - expressed in Canadian dollars)

|  |             | <b>For the three months ended<br/>March 31</b> |                     |
|--|-------------|--|---------------------|
|  | <b>Note</b> | <b>2018</b>                                    | <b>2017</b>         |
| <b>Revenues</b>  |             |  |                     |
| Oil revenue  | 8           | \$ 116,781                                     | \$ -                |
| Royalties  | 8           | (7,329)  | -                   |
| Net Revenue  |             | 109,452  | -                   |
| Oil production expenses                                      | 8           | (116,753)                                      | -                   |
| Depletion expense  | 8           | (25,599)                                       | -                   |
| <b>Gross profit (loss)</b>                                   |             | <b>(32,900)</b>                                | <b>-</b>            |
| <b>Expenses</b>  |             |  |                     |
| Amortization   | 8           | 526  | 823                 |
| Consulting fees  | 10          | 7,500  | 21,000              |
| Investor relations   |             | -  | 21,000              |
| Office and administration                                    |             | 12,884   | 12,573              |
| Professional fees  |             | 25,316   | 3,371               |
| Property research  |             | 70,556   | 5,108               |
| Share-based payments   |             | 8,500  | -                   |
| Transfer agent and listing fees                              |             | 10,186   | 19,922              |
| Travel   |             | 452  | 7,016               |
| Wages  | 10          | 273,895  | 86,490              |
|  |             | <b>(409,815)</b>                               | <b>(177,303)</b>    |
| <b>Other items</b>   |             |  |                     |
| Interest income  |             | 33,810   | 9,072               |
| Gain on sale of marketable securities                        |             | 8,270  | 853,559             |
| Unrealized (loss) / gain on marketable securities            |             | (652,782)                                      | 818                 |
| Accretion  |             | (940)  | -                   |
| Loss on disposal of equipment                                |             | (3,217)  | -                   |
| Gain (loss) on foreign exchange                              |             | 24,702   | (13,082)            |
| <b>(Loss)/ Income before income taxes</b>                    |             | <b>(1,032,872)</b>                             | <b>673,064</b>      |
| <b>Income taxes</b>  |             |  |                     |
| Deferred income tax recovery                                 |             | 412,087  | -                   |
| <b>Net (loss) / income for the year</b>                      |             | <b>(620,785)</b>                               | <b>673,064</b>      |
| <b>Items of comprehensive income</b>                         |             |  |                     |
| Unrealized gain on marketable securities, available for sale |             | -  | 885,359             |
| Transfer on sale of marketable securities                    |             | -  | (346,831)           |
| <b>Total items of comprehensive income</b>                   |             | <b>-</b>                                       | <b>538,528</b>      |
| <b>Comprehensive income (loss) for the period</b>            |             | <b>\$ (620,785)</b>                            | <b>\$ 1,211,592</b> |
| <b>Basic and diluted income (loss) per share</b>             |             | <b>\$ (0.01)</b>                               | <b>\$ 0.02</b>      |
| <b>Weighted average number of common shares outstanding</b>  |             | <b>48,446,854</b>                              | <b>41,866,354</b>   |

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

**EROS RESOURCES CORP.***(an exploration stage enterprise)***CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**

(unaudited - expressed in Canadian dollars)

|  | For the three months ended<br>March 31 |                     |
|--|--|---------------------|
|  | 2018                                   | 2017                |
| <b>Cash from operating activities</b>  |  |                     |
| Net income (loss)  | \$ (620,785)                           | \$ 673,064          |
| Add back non-cash items:   |  |                     |
| Accretion  | 940                                    | -                   |
| Amortization   | 526                                    | 823                 |
| Depletion  | 25,599                                 | -                   |
| Share-based payments   | 8,500                                  | -                   |
| Gain on sale of marketable securities  | (8,270)                                | (818)               |
| Unrealized loss (gain) on marketable securities                                      | 652,782                                | (853,559)           |
| Deferred tax recovery  | (412,087)                              | -                   |
| Loss (gain) on foreign exchange on cash items  | 22,385                                 | 13,082              |
| Net changes in non-cash working capital items:                                       |  |                     |
| Accounts receivable and promissory notes   | 84,589                                 | (5,767)             |
| Prepaid expenses   | 11,793                                 | (1,576,728)         |
| Accounts payable and accrued liabilities   | (79,802)                               | (58,285)            |
| <b>Cash used in operating activities</b>   | <b>(313,830)</b>                       | <b>(1,808,188)</b>  |
| <b>Investing activities</b>  |  |                     |
| Prepaid authorization for expenditures   | 12,041                                 | -                   |
| Acquisition of marketable securities   | (1,671,250)                            | (605,626)           |
| Proceeds on sale of marketable securities  | 23,000                                 | 1,183,591           |
| Evaluation and exploration expenditures  | (59,929)                               | (146,774)           |
| <b>Cash (used in) / provided by investing activities</b>                             | <b>(1,696,138)</b>                     | <b>431,191</b>      |
| <b>Decrease in cash during the period</b>  | <b>(2,009,968)</b>                     | <b>(1,376,997)</b>  |
| <b>Foreign exchange effect on cash</b>   | <b>(20,068)</b>                        | <b>(13,082)</b>     |
| <b>Cash and cash equivalents, beginning of the period</b>                            | <b>3,569,180</b>                       | <b>3,877,302</b>    |
| <b>Cash and cash equivalents, end of the period</b>                                  | <b>\$ 1,539,144</b>                    | <b>\$ 2,487,223</b> |
| <b>Cash and cash equivalents consist of:</b>   |  |                     |
| Cash, Canadian equivalents<br>(includes US\$843,846 in 2018 and US\$453,151 in 2017) | \$ 1,539,144                           | \$ 2,087,223        |
| Short-term deposits  | -                                      | 400,000             |
|  | <b>\$ 1,539,144</b>                    | <b>\$ 2,487,223</b> |
| <b>Supplemental Cash Flow Information</b>  |  |                     |
| Interest received  | \$ 40,103                              | \$ 11,797           |

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

## **EROS RESOURCES CORP.**

*(an exploration stage enterprise)*

### **Notes to the Condensed Interim Consolidated Financial Statements For the three months ended March 31, 2018 and 2017 (unaudited - expressed in Canadian dollars)**

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#### **1. NATURE OF OPERATIONS AND GOING CONCERN**

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

These condensed interim 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 that will generate positive cash flow.

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

#### **2. SIGNIFICANT ACCOUNTING POLICIES**

##### **Statement of Compliance**

The Company prepares its financial statements in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB"), and they are consistent with interpretations by the International Financial Reporting Interpretations Committee ("IFRIC"). These condensed interim consolidated financial statements are presented in Canadian dollars and have been prepared using the accounting policies as set out in the audited annual financial statements for the year ended December 31, 2017. The disclosures which follow do not include all disclosures required for the annual financial statements. These condensed interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes for the year ended December 31, 2017.

The unaudited condensed interim consolidated financial statements of Eros Resources Corp. for the three months ended March 31, 2018 were reviewed by the Audit Committee and approved and authorized for issuance by the Board of Directors on May 28, 2018.

##### **Basis of presentation**

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

## **EROS RESOURCES CORP.**

*(an exploration stage enterprise)*

### **Notes to the Condensed Interim Consolidated Financial Statements For the three months ended March 31, 2018 and 2017 (unaudited - expressed in Canadian dollars)**

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#### **3. NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS**

The following new standards, and amendments to standards and interpretations, were first adopted in the three month period ended March 31, 2018:

*Accounting standards issued and effective January 1, 2018*

*IFRS 9 Financial Instruments*

IFRS 9 replaces 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". As a result of implementing IFRS 9, all of the Company's portfolio of Marketable Securities was classified as "fair value through profit or loss", which is a significant change from prior periods, where unrealized gains and losses were captured in other comprehensive income until realized upon sale, or permanent write-down.

- **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 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).



## EROS RESOURCES CORP.

(an exploration stage enterprise)

### Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2018 and 2017

(unaudited - expressed in Canadian dollars)

### 3. NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS (continued)

#### *IFRS 15 Revenue from Contracts with Customers*

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

The five steps in the model are as follows:

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

Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. The adoption of this new standard did not have a material impact on the Company's financial statements.

#### *Accounting standards issued and effective January 1, 2019*

#### *IFRS 16 Leases*

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

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

### 4. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Company has classified its financial assets as follows:

|                             | March 31, 2018        |              | December 31, 2017     |               |
|-----------------------------|-----------------------|--------------|-----------------------|---------------|
| Financial assets            | Loans and receivables | FVTPL        | Loans and receivables | FVTPL         |
| Cash and cash equivalents   | \$ -                  | \$ 1,539,144 | \$ -                  | \$ 3,569,180  |
| Marketable securities       | -                     | 7,806,352    | -                     | 6,775,976     |
| Accounts receivable         | 43,268                | -            | 73,280                | -             |
| Promissory notes receivable | 58,050                | -            | 89,311                | -             |
|                             | \$ 101,318            | \$ 9,345,496 | \$ 162,591            | \$ 10,345,156 |

**EROS RESOURCES CORP.***(an exploration stage enterprise)***Notes to the Condensed Interim Consolidated Financial Statements****For the three months ended March 31, 2018 and 2017****(unaudited - expressed in Canadian dollars)****4. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)**

Fair value through profit and loss (“FVTPL”) assets are carried at fair value and loans and receivables are carried at amortized cost. 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.

| <b>March 31, 2018</b>    | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b> |
|--------------------------|----------------|----------------|----------------|--------------|
| <b>Financial assets</b>  |                |                |                |              |
| Marketable securities    | \$ 7,395,983   | \$ 410,369     | \$ -           | \$ 7,806,352 |
| <b>December 31, 2017</b> | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b> |
| <b>Financial assets</b>  |                |                |                |              |
| Marketable securities    | \$ 6,323,931   | \$ 452,045     | \$ -           | \$ 6,775,976 |

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, and promissory notes receivable. The Company holds cash at a major Canadian financial institution in accordance with the Company’s investment policy. Management considers credit risk on cash to be low, as the counterparties are highly rated Canadian banks. The Company is exposed to some credit risk on accounts receivable and promissory notes receivable, apart from sales tax refunds receivable.

**Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company’s approach to managing liquidity risk is to provide reasonable assurance that it has sufficient capital to meet short-term financial obligations after taking into account its exploration obligations and cash on hand. All of the Company’s financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

**Market risk**

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

*Interest rate risk*

Interest rate risk consists of two components:

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

The Company is not exposed to significant interest rate risk.

**EROS RESOURCES CORP.***(an exploration stage enterprise)***Notes to the Condensed Interim Consolidated Financial Statements****For the three months ended March 31, 2018 and 2017****(unaudited - 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 March 31, 2018 and December 31, 2017, the Company is exposed to currency risk through the following financial assets denominated in a currency other than the Canadian dollar:

|                  | March 31, 2018 |          | December 31, 2017 |           |
|------------------|----------------|----------|-------------------|-----------|
|                  | US \$          | CDN \$   | US \$             | CDN \$    |
| Cash             | 843,846        | 451,768  | 922,874           | 1,247,132 |
| Accounts payable | (9,063)        | (12,648) | (21,011)          | (141,626) |

Based on the above, assuming all other variables remain constant, a 10% strengthening of the Canadian dollar against the US dollar would have decreased the Company's comprehensive income by \$83,478 (December 31, 2017 - \$90,186). A weakening of the Canadian dollar would have the opposite effect.

*Other price risk*

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company's marketable securities are carried at market value, and are therefore directly affected by fluctuations in the market value of the underlying securities. Changes in market prices of securities in the portfolio have a material effect on comprehensive income (loss). A 20% increase in the market prices of the Company's available-for-sale marketable securities would have increased the Company's comprehensive income by \$1,419,197 (December 31, 2017 - \$1,197,286). A 20% decrease in the market prices of those securities would have decreased the Company's comprehensive income by the same amount.

**5. MARKETABLE SECURITIES**

| Company   | March 31, 2018          |                   |                                  |              |
|---|-------------------------|-------------------|----------------------------------|--------------|
|   | Number of common shares | Equity securities | Convertible to equity securities | Total        |
| Bullfrog Gold Corp.                               | 6,750,000               | \$ 879,048        | \$ -                             | \$ 879,048   |
| Canamex Resources Corp.<br>convertible debentures | 1,875,000               | -                 | \$ 300,000                       | \$ 300,000   |
| GT Gold Corp.                                     | 540,000                 | 394,200           | -                                | 394,200      |
| Nickel North Exploration Corp.                    | 10,933,707              | 437,348           | -                                | 437,348      |
| Skeena Resources Ltd. (Note 10)                   | 6,217,582               | 3,730,549         | -                                | 3,730,549    |
| Strongbow Exploration Inc.                        | 1,600,000               | 344,000           | -                                | 344,000      |
| Westcore (Note 10)                                | 4,400,000               | 374,000           | -                                | 374,000      |
| Other equities and warrants                       | -                       | 936,838           | 410,369                          | 1,347,207    |
|   |                         | \$ 7,095,983      | \$ 710,369                       | \$ 7,806,352 |

**EROS RESOURCES CORP.***(an exploration stage enterprise)***Notes to the Condensed Interim Consolidated Financial Statements****For the three months ended March 31, 2018 and 2017****(unaudited - expressed in Canadian dollars)****5. MARKETABLE SECURITIES (continued)**

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

Securities were purchased and sold during the period, resulting in the realization of gains and losses. The fair value of 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 fair value of convertible debentures is determined as being the share price, subject to a floor price of the conversion price. The marketable securities portfolio includes warrants, which are classified as fair value through profit or loss. The warrants' fair values were estimated using the Black Scholes option pricing model using the following ranges of inputs:

|                         | 2018              | 2017             |
|-------------------------|-------------------|------------------|
| Stock price             | Closing prices    | Closing prices   |
| Exercise price          | \$0.10 to \$0.140 | \$0.05 to \$0.39 |
| Expected life           | 0.2 to 1.7 years  | 1.2 to 2.7 years |
| Annualized volatility   | 80%               | 80%              |
| Dividend rate           | 0%                | 0%               |
| Risk-free interest rate | 1.76% to 1.77%    | 0.75% to 0.87%   |

**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 2,500,000 common shares of Skeena in April 2016.

**EROS RESOURCES CORP.***(an exploration stage enterprise)***Notes to the Condensed Interim Consolidated Financial Statements  
For the three months ended March 31, 2018 and 2017  
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The investment in exploration and evaluation assets to March 31, 2018 has been capitalized as follows:

|   | British<br>Columbia | Saskatchewan | Quebec<br>(Chateau Fort) | Newfound-<br>land and<br>Labrador | Nevada       | Total        |
|---|---------------------|--------------|--------------------------|-----------------------------------|--------------|--------------|
| Balance at  |                     |              |                          |                                   |              |              |
| December 31, 2016                                     | \$ 6,500            | \$ -         | \$ 24,565                | \$ -                              | \$ 3,072,023 | \$ 3,103,088 |
| Additions   |                     |              |                          |                                   |              |              |
| Staking and<br>maintenance                            | -                   | -            | -                        | -                                 | 55,726       | 55,726       |
| Geology/ geophysics                                   | -                   | -            | -                        | -                                 | 292,724      | 292,724      |
| Analyses  | -                   | -            | -                        | -                                 | 6,408        | 6,408        |
| Field support   | -                   | -            | -                        | -                                 | 61,151       | 61,151       |
| Environmental and<br>socio-economic                   | -                   | -            | -                        | -                                 | 84,865       | 84,865       |
| Total additions for<br>the period:                    | -                   | -            | -                        | -                                 | 500,874      | 500,874      |
| Impairment of<br>exploration and<br>evaluation assets | -                   | -            | (24,565)                 | -                                 | (3,572,897)  | (3,597,462)  |
| Balance at  |                     |              |                          |                                   |              |              |
| December 31, 2017                                     | 6,500               | -            | -                        | -                                 | -            | 6,500        |
| Additions   |                     |              |                          |                                   |              |              |
| Acquisition costs                                     | -                   | 8,879        | -                        | -                                 | -            | 8,879        |
| Staking and<br>maintenance                            | -                   | -            | -                        | -                                 | -            | -            |
| Geology/ geophysics                                   | -                   | 26,580       | -                        | -                                 | 13,825       | 40,405       |
| Field support   | -                   | -            | -                        | -                                 | 10,229       | 10,229       |
| Environmental and<br>socio-economic                   | -                   | -            | -                        | -                                 | 416          | 416          |
| Total additions for<br>the period:                    | -                   | 35,459       | -                        | -                                 | 24,470       | 59,929       |
| Balance at  |                     |              |                          |                                   |              |              |
| March 31, 2018  | \$ 6,500            | \$ 35,459    | \$ -                     | \$ -                              | \$ 24,470    | \$ 66,429    |

Note that in 2017, the Company invested in drilling three oil and gas wells. As these wells are now producing, the costs incurred are shown as part of Property and Equipment, Note 8.

**EROS RESOURCES CORP.**

*(an exploration stage enterprise)*

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**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.

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### **7. EXPLORATION AND EVALUATION INTERESTS (continued)**

#### **a. Nevada**

In August 2016, the Department of the Navy of the United States Department of Defense (the "Navy") issued a notice of its intent to prepare an environmental impact statement ("EIS") regarding a proposed expansion of the Fallon Range Training Complex, including a proposed withdrawal and reservation for military use of public lands. The Company's Bell Mountain Project consists of unpatented mining claims that are located on federal lands within the proposed expansion area. As a result, surface activity on the Bell Mountain site has been prohibited by the Navy during the EIS period. Eros published a Preliminary Economic Assessment on the Bell Mountain project on October 11, 2017 in order

On May 4, 2018, the Bureau of Land Management ("BLM") published two notices in the Federal Register related to the Navy's proposed expansion of the Fallon Range Training Complex. The revised proposal increases the proposed net withdrawal of public lands, but includes the concept that the proposed withdrawal of land will be "subject to valid existing rights." The Company is seeking additional explanation of this new information.

While not assured, the Company has a history of successfully obtaining compensation from governments when exploration rights are infringed upon. Should the expansion of the Fallon Range Training Complex cause the Company's exploration rights or water rights to be rescinded or otherwise further infringed upon, the Company intends to seek appropriate compensation.

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.

#### *Bell Mountain Property*

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

#### *Eastgate Property*

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

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

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### **7. EXPLORATION AND EVALUATION INTERESTS (continued)**

#### **b. British Columbia**

##### *Golden Triangle*

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

#### **c. Saskatchewan**

##### Saskatchewan uranium interests

##### *Hatchet Lake and Murphy Lake Joint Ventures*

The Company has an interest in two joint venture properties with Denison Mines Corp. ("Denison") as operator, located on the Wollaston Trend at the northeast margin of the Athabasca Basin. The Company intends to fully fund the exploration programs for 2018. Eros holds a 29.89% joint venture interest for Hatchet Lake, and 21.04% for Murphy Lake with no further dilution expected at this time.

##### *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*

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

##### Saskatchewan non-producing oil and gas interests

In 2017, the Company agreed to lease 415 hectares of land near its Flaxcombe wells for a 2 year period with an option to extend the lease for an additional 2 years. The Company also acquired 2-d and 3-d seismic data for the region and had it analysed in order to help identify potential drilling targets.



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## 7. EXPLORATION AND EVALUATION INTERESTS (continued)

### d. Quebec

#### Otish Mountains

The Company held a 100% interest in the Otish Mountains uranium property. With the moratorium on uranium development in Quebec, during the year ended December 31, 2017, the Company allowed its claims on the Quebec properties to expire, and recorded an impairment loss of \$24,565. The Company continues to evaluate the changing circumstances in this area in order to identify opportunities to obtain a return on its investment in the region.

#### Chateau Fort Gold

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

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

## 8. PROPERTY AND EQUIPMENT

| Cost                            | Oil & gas interests and equipment | Mineral exploration field equipment | Total             |
|---------------------------------|-----------------------------------|-------------------------------------|-------------------|
| Balance, December 31, 2016      | \$ -                              | \$ 94,930                           | \$ 94,930         |
| Additions / disposals           | 1,668,986                         | -                                   | 1,668,986         |
| Impairment                      | (930,286)                         | -                                   | (930,286)         |
| Balance, December 31, 2017      | 738,700                           | 94,930                              | 833,630           |
| Additions / disposals           | -                                 | -                                   | -                 |
| Impairment                      | -                                 | -                                   | -                 |
| <b>Balance, March 31, 2018</b>  | <b>\$ 738,700</b>                 | <b>\$ 94,930</b>                    | <b>\$ 833,630</b> |
| <b>Accumulated Amortization</b> |                                   |                                     |                   |
| Balance, December 31, 2016      | \$ -                              | \$ 81,769                           | \$ 81,769         |
| Amortization / Depletion        | 338,700                           | 2,632                               | 341,332           |
| Balance, December 31, 2017      | 338,700                           | 84,401                              | 423,101           |
| Amortization / Depletion        | 25,599                            | 526                                 | 26,125            |
| <b>Balance, March 31, 2018</b>  | <b>\$ 364,299</b>                 | <b>\$ 84,927</b>                    | <b>\$ 449,226</b> |
| <b>Carrying Value</b>           |                                   |                                     |                   |
| Balance, December 31, 2017      | \$ 400,000                        | \$ 10,529                           | \$ 410,529        |
| <b>Balance, March 31, 2018</b>  | <b>\$ 374,401</b>                 | <b>\$ 10,003</b>                    | <b>\$ 384,404</b> |

## EROS RESOURCES CORP.

(an exploration stage enterprise)

### Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2018 and 2017

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#### 8. PROPERTY AND EQUIPMENT (continued)

##### Flaxcombe – heavy oil

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

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

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

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

#### 9. SHARE CAPITAL AND CONTRIBUTED SURPLUS

##### **Authorized**

Unlimited number of common shares without par value

##### **Stock options**

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

**EROS RESOURCES CORP.***(an exploration stage enterprise)***Notes to the Condensed Interim Consolidated Financial Statements****For the three months ended March 31, 2018 and 2017****(unaudited - expressed in Canadian dollars)****9. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)****Shares and warrants issued**

On June 19, 2017, Eros closed a non-brokered private placement financing via the issuance of 6,486,750 units at a price of \$0.16 per unit. Each unit consists of one common share and one half of one share purchase warrant, with each full warrant entitling the holder to acquire one additional common share at an exercise price of \$0.25 until June 19, 2019, and at \$0.30 for an additional year, until June 19, 2020. 3,243,375 warrants have a remaining life of 2.25 years at March 31, 2018. Legal costs of \$10,982 were paid and finders fees of \$24,088 were paid to certain finders in conjunction with this placement.

**Share-based payments**

Stock option transactions are summarized as follows:

|                                | <b>Stock Options</b> |                                    |
|--------------------------------|----------------------|------------------------------------|
|                                | Number               | Weighted Average<br>Exercise Price |
| Outstanding, December 31, 2016 | 3,687,500            | \$ 0.173                           |
| Granted                        | 1,150,000            | \$ 0.165                           |
| Exercised                      | (93,750)             | \$ 0.133                           |
| Cancelled                      | (562,500)            | \$ 0.149                           |
| Outstanding, December 31, 2017 | 4,181,250            | \$ 0.175                           |
| Outstanding, March 31, 2018    | 4,181,250            | \$ 0.175                           |
| Number currently exercisable   | 4,181,250            | \$ 0.175                           |

On August 29, 2017, the Company granted 1,150,000 incentive stock options to directors and officers of the Company which will expire on August 29, 2022 with an exercise price of \$0.165. 50% of the options vested immediately, with the balance vesting on August 29, 2018. During the three months ended March 31, 2018, the Company recorded share-based payments expense of \$8,500 (2017 - \$nil)

At March 31, 2018 and December 31, 2017, stock options were outstanding as follows:

| Grant date      | Number<br>of Shares | Exercise<br>Price | Expiry Date     |
|-----------------|---------------------|-------------------|-----------------|
| March 10, 2014  | 431,250             | \$ 0.1333         | March 10, 2019  |
| May 22, 2014    | 225,000             | \$ 0.16           | May 22, 2019    |
| June 3, 2015    | 375,000             | \$ 0.1733         | June 3, 2020    |
| June 5, 2015    | 675,000             | \$ 0.1733         | June 5, 2020    |
| August 16, 2016 | 1,325,000           | \$ 0.20           | August 16, 2021 |
| August 29, 2017 | 1,150,000           | \$ 0.165          | August 29, 2022 |
|                 | 4,181,250           |                   |                 |

**9. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)****Share-based payments (continued)**

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(an exploration stage enterprise)

### Notes to the Condensed Interim Consolidated Financial Statements

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

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

## 10. RELATED PARTY BALANCES

### Key management compensation

Key management personnel at the Company are the directors and officers of the Company. The remuneration of key management personnel during the three months ended March 31, 2018 and 2017 was as follows:

|                                  | Three months<br>ended March 31,<br>2018 | Three months<br>ended March 31,<br>2017 |
|----------------------------------|---|---|
| Share-based compensation         | \$ 6,717                                | \$ -                                    |
| Short-term benefits <sup>1</sup> | \$ 28,010                               | \$ 107,490                              |

<sup>1</sup> Remuneration consists exclusively of salaries, bonuses, health benefits and consulting fees.

In addition, \$6,900 (2017 - \$6,900) was paid to Skeena in exchange for office rent and certain administrative and accounting services provided to the Company. Also, the Company subscribed for 1,428,571 shares of Skeena at a price of \$0.70 per share, in a private placement which closed on March 29, 2018 and for 1,875,000 units of Skeena at a price of \$0.80 per unit, in a private placement which closed on July 22, 2016. Each unit consisted of one common share and one half of one share purchase warrant. Each whole warrant is exercisable for a period of three years at \$1.20 in the first year, \$1.40 in the second year, and \$1.60 in the third year. See also Note 5 relating to ownership of Skeena. Skeena and Eros have a director in common. See also Note 6 relating to a transaction with Skeena.

See also Note 7 in relation to Chateau Fort, acquired from Tarku, and Note 11 in relation to a promissory note receivable from Tarku. Tarku and Eros have a director in common. See also Note 8 in relation to three oil and gas wells drilled with Westcore. Eros and Westcore have a director in common. During the quarter ended March 31, 2018, the Company showed \$43,973 (Dec 31, 2017 - \$56,014) in prepaid expenses and \$nil (Dec 31, 2017 - \$73,280) in accounts receivable from Westcore. The Company also received \$ 116,781 (Mar 31, 2017 - \$nil) in oil revenue, paid \$7,329 (Mar 31, 2017 - \$nil) in royalties and paid \$116,753 (Mar 31, 2017 - \$nil) for direct costs relating to oil production, all through Westcore.

## 11. PROMISSORY NOTES RECEIVABLE

On August 21, 2015, as amended June 2016, the Company signed a promissory note agreement with Lincoln Mining Corporation ("Lincoln") and advanced Lincoln a total of US\$66,000. The promissory note bore interest

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at the rate of 6% per annum until June 30, 2016, and 9% thereafter, and was due for repayment on September 15, 2017. Lincoln and the Company renegotiated the promissory note in 2017, and the Company agreed to accept 643,441 common shares of Lincoln as repayment for \$32,000 of principle and interest. The shares were received in January 2018. The balance of the debt remains outstanding.

#### 12. PREPAID AUTHORIZATION FOR EXPENDITURE ("AFE")

The Company has made payments on AFEs to the operator of its oil and gas interest for unbilled ongoing development in the amount of \$43,973 (December 31, 2017 - \$56,014). As the expenditures are incurred, the amounts will be reclassified to property and equipment.

#### 13. DECOMMISSIONING LIABILITY

The Company has estimated the total discounted amount of future cash flows to settle decommissioning liabilities relating to its oil and gas interests to be \$126,969 (December 31, 2017 – \$126,029) as at. The total amount is expected to be incurred in the next 10 years and was discounted using an interest rate of 3%.

|                                  |           | <b>Flaxcombe</b> |
|----------------------------------|-----------|------------------|
| Creation of liability            | \$        | 125,000          |
| Accretion                        |           | 1,029            |
| Balance at December 31, 2017     | \$        | 126,029          |
| Accretion                        |           | 940              |
| <b>Balance at March 31, 2018</b> | <b>\$</b> | <b>126,969</b>   |

#### 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 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 on-going basis. Management reviews its capital management approach on an on-going 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, 2017 as the Company deployed additional funds into marketable securities, and has remained consistent during the period ended March 31, 2018. There were no capital restrictions in the year ended December 31, 2017, or in the period ended March 31, 2018 and the Company had no debt.

#### 15. SUBSEQUENT EVENTS

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On May 4, 2018, the Bureau of Land Management ("BLM") published two notices in the Federal Register related to the Navy's proposed expansion of the Fallon Range Training Complex, which are further described in Note 7.a.