OCEANUS

RESOURCES CORPORATION

Interim Unaudited Condensed Consolidated
Financial Statements
September 30, 2014

December 1, 2014

Management's Report

The accompanying interim unaudited condensed consolidated financial statements ("financial statements") of **Oceanus Resources Corporation** (the "Company") are the responsibility of management and have been approved by the Board of Directors. The financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS"). The financial statements include certain amounts and assumptions that are based on management's best estimates and have been derived with careful judgment.

In fulfilling its responsibilities, management has developed and maintains a system of internal accounting controls. These controls are designed to provide reasonable assurance that the financial records are reliable for preparation of the financial statements. The Audit Committee of the Board of Directors reviewed and approved the Company's financial statements, and recommended their approval by the Board of Directors.

These financial statements have not been reviewed by the external auditors of the Company.

(signed) "*Glenn Jessome*"
President and Chief Executive Officer
Halifax, Nova Scotia

(signed) "*Glenn Holmes*"
Chief Financial Officer
Halifax, Nova Scotia

OCEANUS RESOURCES CORPORATION

Unaudited Consolidated Statements of Financial Position

As at September 30 and March 31, 2014

	September 30, 2014 $	March 31, 2014 $
Assets		
Current assets		
Cash and cash equivalents	1,769,449	1,178,522
Sales tax recoverable	288,671	243,691
Prepaid expenses	132,856	3,684
	2,190,976	1,425,897
Resource properties (note 6)	5,946,518	4,389,630
	8,137,494	5,815,527
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 7)	149,930	176,260
Equity (note 11)	7,987,564	5,639,267
	8,137,494	5,815,527

Nature of operations and going concern (note 1)

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

Approved on behalf of the Board of Directors

(signed) *"Richard B. Gordon",* Director

(signed) *"Glenn A. Holmes",* Director

OCEANUS RESOURCES CORPORATION

Unaudited Consolidated Statements of Changes in Equity

For the periods ended September 30, 2014 and 2013

	Share capital $	Contributed surplus and other $	Warrants $	Deficit $	Total $
Balance – March 31, 2013	6,747,293	160,577	26,000	(1,355,070)	5,578,800
Net loss and comprehensive loss for the period	-	-	-	(483,134)	(483,134)
Shares issued for cash, net of issue costs	81,036	-	-	-	81,036
Stock based compensation	-	231,000	-	-	231,000
Balance – September 30, 2013	6,828,329	391,577	26,000	(1,838,204)	5,407,702
Net loss and comprehensive loss for the period	-	-	-	(1,427,073)	(1,427,073)
Shares issued for cash, net of issue costs	1,233,000	-	-	-	1,233,000
Share issued in connection with settlement of debt obligations, net of issue costs	245,638	-	-	-	245,638
Expiration of warrants, net of tax	-	26,000	(26,000)	-	-
Warrants issued as finders' fees	(4,000)	-	4,000	-	-
Stock based compensation	-	180,000	-	-	180,000
Balance – March 31, 2014	8,302,967	597,577	4,000	(3,265,277)	5,639,267
Net loss and comprehensive loss for the period	-	-	-	(795,746)	(795,746)
Share issued in connection with settlement of debt obligations, net of issue costs	238,300	-	-	-	238,300
Shares issued for cash, net of issue costs	2,625,843				2,625,843
Shares issued for cash, exercise of warrants	1,260		(360)	-	900
Warrants issued as finders' fees	(7,000)		7,000		-
Stock based compensation	-	279,000	-	-	279,000
Balance – September 30, 2014	11,161,370	876,577	10,640	(4,061,023)	7,987,564

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

OCEANUS RESOURCES CORPORATION

Unaudited Consolidated Statements of Loss and Comprehensive Loss

For the periods ended September 30, 2014 and 2013

	Three months ended		Six months ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
	$	$	$	$
Operating expenses				
Professional fees	138,073	31,746	238,949	55,037
Consulting fees	82,300	-	82,300	-
Dues and fees	5,159	5,150	13,897	11,610
Insurance	10,143	12,527	20,868	23,015
Office	8,423	7,020	15,855	15,889
Shareholder communication	14,023	21,499	25,766	56,916
Travel	4,705	10,263	13,524	24,721
Stock-based compensation	–	–	189,000	181,000
Wages and benefits	74,568	62,894	215,681	117,022
Foreign exchange loss (gain)	(309)	(11,553)	(14,790)	7,040
	(337,085)	(139,546)	(801,050)	(492,250)
Other income				
Interest income	3,752	4,841	5,304	9,116
Net loss and comprehensive loss for the period	(333,333)	(134,705)	(795,746)	(483,134)
Loss per share – basic and diluted	(0.01)	(0.004)	(0.02)	(0.01)
Weighted average outstanding common shares – basic and diluted	49,700,861	35,709,603	46,548,822	35,669,533

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

OCEANUS RESOURCES CORPORATION

Unaudited Consolidated Statements of Cash Flows

For the periods ended September 30, 2014 and 2013

	Six months ended Sep 30, 2014 $	Six months ended Sep 30, 2013 $
Cash provided by (used in)		
Operating activities		
Net loss for the period	(795,746)	(483,134)
Charges to income not affecting cash		
Stock-based compensation	189,000	181,000
	(606,746)	(302,134)
Net changes in non-cash working capital balances related to operations		
Decrease (increase) in sales tax recoverable	(44,980)	(125,458)
Increase (decrease) in prepaid expenses	(129,172)	(12,936)
Increase (decrease) in accounts payable and accrued liabilities	(46,619)	(168,565)
	(827,517)	(609,093)
Investing activities		
Purchase of and expenditures on resource properties	(1,446,599)	(947,909)
Financing activities		
Proceeds from issuance of common shares	3,040,900	81,036
Share issue costs paid	(175,857)	-
	2,865,043	81,036
Net change in cash and cash equivalents for the period	590,927	(1,475,966)
Cash and cash equivalents – Beginning of period	1,178,522	1,955,207
Cash and cash equivalents – End of period	1,769,449	479,241
Cash and cash equivalents is comprised of:		
Cash	516,849	23,241
Short-term investments	1,252,600	456,000
	1,769,449	479,241

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

1 Nature of operations and going concern

Nature of operations

Oceanus Resources Corporation (the "Company") was incorporated under the Canada Business Corporations Act on June 14, 2010 and its common shares are listed on the TSX Venture Exchange (the "Exchange") under the trading symbol OCN. The Company's registered office is located at Suite 2108, 1969 Upper Water Street, Halifax, Nova Scotia. The Company has one reportable and one geographic segment, is a mineral exploration company engaged in locating and acquiring high quality projects and exploring for gold and base metals and has not yet determined whether its exploration property interests contain mineral reserves that are economically recoverable.

Going concern

These consolidated financial statements have been prepared using generally accepted accounting principles applicable to a going concern, which assumes the realization of assets and settlement of liabilities in the normal course of business as they come due. For the six months ended September 30, 2014, the Company incurred a loss of $795,746. The Company has no income or cash flow from operations. In addition to its working capital requirements, the Company must secure sufficient funding to maintain legal title to its resource properties, to fund its exploration and development activities and to fund its general and administrative costs. Such circumstances may cast significant doubt as to the ability of the Company to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern. Management is evaluating alternatives to secure additional financing so that the Company can continue to operate as a going concern. Nevertheless, there is no assurance that these initiatives will be successful or sufficient.

The Company's ability to continue as a going concern is dependent upon its ability to fund its working capital and exploration requirements and eventually to generate positive cash flows, either from operations or sale of properties. These consolidated financial statements do not reflect the adjustments to the carrying value of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption inappropriate and these adjustments could be material.

2 Basis of presentation

a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of financial statements as set out in the Chartered Professional Accountants of Canada Handbook – Accounting – Part 1 ("CPA Canada Handbook").

These financial statements are in compliance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). Accordingly, certain information normally included in annual financial statements prepared in accordance with IFRS, as issued by the IASB, have been omitted or condensed. The preparation of financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements have been set out in note 2 of the Company's financial statements for the year ended March 31, 2014. These financial statements should be read in conjunction with the Company financial statements for the year ended March 31, 2014.

2 Basis of presentation (continued)

a) Statement of compliance (continued)

These financial statements include all adjustments, composed of normal recurring adjustments, considered necessary by management to fairly state the Company's results of operations, financial position and cash flows. The operating results for interim periods are not necessarily indicative of results that may be expected for any other interim period or for the full year.

The Board of Directors approved the consolidated financial statements for issue on December 1, 2014.

b) Basis of measurement

These consolidated financial statements have been prepared under a historical cost basis.

c) Use of estimates and judgments

The preparation of the consolidated financial statements requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of expenses during the reporting period. The determination of estimates requires the exercise of judgment based on various assumptions and other factors such as historical experience and current and expected economic conditions. Actual results may differ from these estimates. The more significant areas requiring the use of management estimates and assumptions are discussed below.

Resource property

The resource properties asset includes a non-cash acquisition cost component that was settled with the issuance of 11,000,000 common shares of the Company in fiscal 2013.

The shares issued in fiscal 2013 were valued at $0.26 per share for accounting purposes, this being the last price transacted on the Exchange prior to the shares being halted on October 24, 2012, the date the Lunar Gold Acquisition Transaction was announced. The shares remained halted until the Acquisition Transaction was completed and resumed trading on March 15, 2013. A $0.01 difference in the value of the common shares issued pursuant to the resource property acquisition would impact the resource property asset by $110,000.

Recoverability of resource properties

At the end of each reporting period, the Company assesses each of its mineral resource properties to determine whether any indication of impairment exists. Judgment is required in determining whether indicators of impairment exist, including factors such as the period for which the Company has the right to explore, expected renewals of exploration rights, whether substantive expenditures on further exploration and evaluation of resource properties are budgeted and results of exploration and evaluation activities on the exploration and evaluation assets.

Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. The impairment analysis

2 Basis of presentation (continued)

c) Use of estimates and judgments (continued)

requires the use of estimates and assumptions, such as long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance. Fair value of mineral assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account.

Recoverability of resource properties (continued)

Cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. If the Company does not have sufficient information about a particular mineral resource property to meaningfully estimate future cash flows, the fair value is estimated by management through the use of, where available, comparison to similar market assets and, where available, industry benchmarks. Actual results may differ materially from these estimates.

Share-based payments

The Company issued equity-settled share-based payments to certain employees and third parties outside the Company. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of grant. Fair value is measured using the Black-Scholes pricing model and requires the exercise of judgment in relation to variables such as expected volatilities and dividend yields which are based on information available at the time the fair value is measured.

3 Significant accounting policies

The consolidated financial statements have been prepared in accordance with IFRS. The consolidated financial statements have been prepared within the framework of the accounting policies summarized below:

a) Consolidation

The financial statements of the Company consolidate the accounts of the Company and the following subsidiaries:

Company	Activity	Country of incorporation
Lunar Gold	Holding company	Canada
LGHI Holdings Incorporated	Holding company	Canada
Minera Pueblo de Oro, S.A. de C.V.	Mineral exploration company	Mexico

All subsidiaries are 100% owned.

All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation. There are no non-controlling interests, therefore, all loss and comprehensive loss is attributable to the shareholders of the Company.

b) Cash and cash equivalents

Cash and cash equivalents include cash on hand and short-term investments readily convertible into known amounts of cash and can be redeemed at any time without penalties.

c) Financial instruments

Financial instruments are classified as follows:

Cash is classified as "Loans and Receivables". After its initial fair value measurement, it is measured at amortized cost using the effective interest method, less a provision for impairment.

Accounts payable and accrued liabilities are classified as "Other Financial Liabilities". Other Financial Liabilities are initially recognized at fair value less transaction costs. Subsequent to initial recognition, Other Financial Liabilities are measured at amortized cost using the effective interest method.

d) Impairment of financial assets

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Company recognizes an impairment loss.

Financial assets carried at amortized cost: the loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

e) Resource properties

Once the Company has obtained the legal right to explore, initial acquisition costs and exploration costs related to resource properties are deferred until such time as the properties are put into commercial production, sold or abandoned or management determines that the resource properties are not economically viable, at which time the resource properties are written down to their recoverable amount. Under this method, all amounts shown as resource properties represent costs incurred to date, less amounts amortized, received from exploration partners and/or written down, and do not necessarily represent present or future values.

If any properties are put into commercial production, the carrying values of the properties will be depleted following the unit of production method. If any properties are sold or abandoned, or considered to be impaired in value, the carrying value of the properties will be charged to operations.

The carrying values of resource properties, on a property-by-property basis, will be reviewed by management at least annually to determine if they have become impaired. If impairment is deemed to exist, the resource properties will be written down to their recoverable amount. The ultimate recoverability of the amounts capitalized for the resource properties is dependent upon obtaining the necessary financing to complete their development and realize profitable production or proceeds from the disposition thereof.

3 Significant accounting policies (continued)

e) Resource properties (continued)

Management's estimate of recoverability of the Company's resource property has been based on current conditions. However, it is reasonably possible that changes could occur in the near term which could adversely affect management's estimates and may result in future write-downs of the resource property.

f) Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indications exist, the assets recoverable amount is estimated.

g) Income taxes

The Company uses the liability method for accounting for income taxes.

Current tax assets and liabilities for the current and prior periods are measured at the amounts expected to be paid or recovered, using tax rates and laws that have been enacted or substantively enacted by the end of the year.

Deferred tax assets and liabilities are recognized for all future tax consequences attributable to the differences between the consolidated financial statement carrying amounts of assets and liabilities and their respective tax bases, except for the initial recognition of goodwill and the initial recognition of an asset or liability, which at the time of the transaction, affects neither accounting profit nor taxable profit or loss. Deferred tax assets are also recognized for unused tax losses and unused tax credits. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against the deductible temporary differences, unused tax losses and unused tax credits can be utilized. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates and tax laws expected to apply when the carrying amount of the assets or liabilities are recovered or settled or the unused losses are expected to be utilized.

Current and deferred income tax expense is recognized in the statements of loss for the period, except to the extent that the income taxes related to a transaction or event which is recognized, in the same or different period, either in other comprehensive loss or directly in equity.

h) Stock-based compensation

The Company accounts for stock options using the fair value method. The estimated fair value of all stock options granted is recorded in the statements of loss over their vesting periods.

The Company grants stock options to certain officers and directors. Stock options vest in accordance with the individual option granting contracts and expire after ten years or as determined by the Board when granted. Each tranche is considered a separate award with its own vesting period and grant date fair value. Fair value of each tranche is measured at the date of grant using Black-Scholes option pricing model. Compensation expense is recognized over the tranche's vesting period by increasing contributed surplus based on the number of awards expected to vest. The number of awards expected to vest is reviewed at

3 Significant accounting policies (continued)

h) Stock-based compensation (continued)

least annually, with any impact being recognized immediately. Consideration paid by the directors and officers upon exercise of the stock options and the amount previously recognized in contributed surplus are recorded as share capital.

i) Flow-through shares

The Company has financed a portion of its exploration activities through the issue of flow-through shares. As permitted under the Income Tax Act (Canada), the tax attributes of eligible expenditures incurred with the proceeds of flow-through share issuances are renounced to the flow-through shareholders.

At the time of share issuance, the proceeds are allocated between share capital and the obligation to deliver the tax deduction. The allocation is based on the difference between the quoted price of the Company's non-flow-through shares and the amount the investor pays for the flow-through shares (given no other differences between the securities).

In accordance with IFRS, deferred income taxes related to the temporary differences created by the renouncement of flow-through share tax benefits to subscribers are recorded on a pro-rata basis when the qualified expenditures are incurred. When the qualified expenditures are incurred, the tax value of the renunciation is recorded on a pro-rata basis as a deferred income tax liability with a corresponding charge to income tax expense in the statements of loss and comprehensive loss. Additionally, as qualified expenditures are incurred, the Company recognizes a pro-rata reduction of the flow-through premium liability as a recovery of deferred income taxes in the statements of loss and comprehensive loss.

j) Share issuance costs

Costs directly attributable to the raising of capital are charged against the related share capital. Costs related to shares not yet issued are recorded as deferred share issuance costs. These costs are deferred until the issuance of the shares to which the costs relate, at which time the costs are charged against the related share capital or charged to operations if the shares are not issued.

k) Loss per share

Loss per share is calculated based on the weighted average number of shares outstanding during the year. Outstanding shares that are subject to cancellation under the escrow agreement are not treated as outstanding and are excluded from the calculation of loss per share until the date the shares are no longer subject to cancellation. The Company follows the treasury method of calculating diluted earnings per share. This method assumes that any proceeds from the exercise of stock options and other dilutive instruments would be used to purchase common shares at the average market price during the year. Diluted loss per share for the periods presented is the same as basic loss per share, as the Company has incurred losses and the exercise of options and warrants would be anti-dilutive.

l) Functional and presentation currency and foreign currency translation

Items included in the consolidated financial statements are measured using the currency of the primary economic environment, in which the entity operates and the consolidated financial statements are presented in Canadian dollars.

3 **Significant accounting policies** (continued)

l) **Functional and presentation currency and foreign currency translation** (continued)

The functional currency of all subsidiaries and the parent company is Canadian dollars. Foreign currency transactions are recorded at the foreign exchange rate in effect on the date of the transaction and gains and losses resulting from the settlement of such transactions are recorded in the statements of loss and comprehensive loss.

4 Capital management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company. The Company considers capital to be total equity, which at September 30, 2014 totaled $7,987,564. 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 is not subject to externally imposed capital requirements.

5 Acquisition of Lunar Gold Holdings Incorporated

On March 13, 2013, the Company completed the acquisition of all of the issued and outstanding securities of Lunar Gold Holdings Incorporated ("LGH"), a Canadian company, by way of security exchange. LGH and LGH's wholly owned Canadian subsidiary, LGHI Holdings Incorporated ("LGHI"), together own 100% of Minera Pueblo de Oro S.A. de C.V., a Mexican company, ("MPO"). MPO is a party to three option agreements under which it can earn a 100% interest in a total of 12 mining concession titles, collectively known as the La Lajita Property covering approximately 3,200 hectares in Durango State, Mexico.

Ten of the mining concessions are subject to an option agreement dated October 4, 2012, as amended August 26, 2013, that provides for annual cash option payments aggregating US$2,000,000. The remaining cash options payments are as follows:

On or before October 4, 2014 US$200,000
On or before October 4, 2015 US$300,000
On or before October 4, 2016 US$300,000
On or before October 4, 2017 US$500,000
On or before October 4, 2018 US$500,000

The payment of US$200,000 due on or before October 4, 2014 was paid subsequent to September 30, 2014.

The option agreement also provides for minimum optional exploration expenditures of US$150,000 in each of the first four years of the agreement. To the extent that MPO incurs exploration expenditures greater than US$150,000 in a given year, the excess amount may be carried forward and applied against the required expenditure amount of the following year.

In the event MPO establishes mineral production on any of the ten concessions it is obligated to pay the Optionors a 2% net smelter return if gold is valued at or less than $1,000 per ounce or a 2.5% net smelter return if gold is valued at greater than $1,000 per ounce at the time of production. MPO has the option to purchase 50% of the net smelter return for a cash payment of US$1,500,000.

5 Acquisition of Lunar Gold Holdings Incorporated (continued)

One of the mining concessions is subject to an option agreement dated October 4, 2012, as amended May 9, 2013 and December 19, 2013, that provides for aggregate cash option payments of US$150,000. As at September 30, 2014 total option payments of US$150,000 had been paid.

In the event MPO establishes mineral production on this mining concession it is obligated to pay the Optionors a 2% net smelter return if gold is valued at or less than $1,000 per ounce or a 2.5% net smelter return if gold is valued at greater than $1,000 per ounce at the time of production. MPO has the option to purchase 50% of the net smelter return for a cash payment of US$200,000.

One of the mining concessions is subject to an option agreement dated October 15, 2012, that is for a term of 10 years and provides for monthly cash option payments of Mexican Pesos 15,000. In the event MPO establishes mineral production on this mining concession, the monthly cash option payment increases to Mexican Pesos 20,000.

Prior to being acquired by the Company MPO did not carry on any business, other than being a party to the MPO Agreements, which entitled it to earn 100 % interest in the Claims.

In accounting for the LGH Transaction, LGH was not considered a business for accounting purposes and therefore, the transaction was considered to be an asset purchase.

On March 13, 2013, the Company issued 11,000,000 shares to the shareholders of LGH for which it included an amount of $2,860,000 in share capital and acquisition cost for the La Lajita Property.

The following table summarizes the acquisition cost for the La Lajita Property:

	$
Share issuance	2,860,000
Transaction costs	62,750
Net working capital acquired	1,065
Resource property acquisition cost recorded	2,923,815

6 Resource properties

	Lac Mégantic $	La Lajita $	Total $
Balance at March 31, 2013	916,201	2,923,815	3,840,016
Exploration costs incurred	1,815	1,137,475	1,139,290
Acquisition costs incurred	–	328,340	328,340
Write-downs	(918,016)	–	(918,016)
Balance at March 31, 2014	–	4,389,630	4,389,630
Exploration costs incurred	–	1,526,088	1,526,088
Acquisition costs incurred	–	30,800	30,800
Period ended September 30, 2014	–	5,946,518	5,946,518

6 Resource properties (continued)

On October 24, 2011, the Company completed the acquisition of the Lac Mégantic Property, located in the Province of Quebec, in consideration for the issuance of 1,000,000 common shares of the Company, a cash payment of $162,500 and the granting of a 2% Net Smelter Royalty ("NSR"). The Company also issued 125,000 common shares pursuant to a finder's fee in connection with the acquisition of the Lac Mégantic Property.

During the year ended March 31, 2014, the Company's exploration focus shifted wholly to the La Lajita Property. Given the Company has no intentions of incurring further exploration expenditures on the Lac Megantic Property, the carring value of the property was written down to $nil.

7 Accounts payable and accrued liabilities

	Sept 30, 2014 $	March 31, 2014 $
Accounts payable	84,547	53,276
Accrued liabilities	65,383	122,984
	149,930	176,260

As at September 30, 2014, $33,609 (March 31, 2014 - $107,177) of accounts payable and accrued liabilities is due to officers and a non-executive director.

8 Related party transactions

All transactions with related parties are in the normal course of business.

Legal services were provided during the six month period ended September 30, 2014 period by a firm of which an officer of the Company is the sole lawyer practitioner. The cost of these legal services during the period was $370,377 of which $230,780 was recorded to professional fees expense and $139,597 to deferred share issue costs. The cost of these legal services during the six month period ended September 30, 2013 was $49,595 which was recorded to professional fees expense.

A non-executive director of the Company provided geological consulting services aggregating $36,000 during the six month period ended September 30, 2014 and $54,000 during the six month period ended September 30, 2013. These costs were charged to resource properties.

The Company incurred office rent expenses of $1,800 during each the six month period ended September 30, 2014 and the six month period ended September 30, 2013 relating to the rental of an office from a non-executive director of the Company.

During the six month period ended September 30, 2014, the Company settled $140,000 of accounts payable that were due to the former Chief Executive Officer, Chief Financial Officer, a company owned by the Chief Executive Officer and a company owned by a non-executive director through the issuance of 424,241 common shares.

9 Income taxes

a) Losses

The Company has non-capital tax losses, which include certain deductions for share issue costs, of approximately $2,379,000 available for carry-forward to reduce future years' taxable income. These non-capital tax losses expire as follows:

	$
Year ending March 31, 2031	88,000
2032	648,000
2033	764,000
2034	879,000

b) At March 31, 2014, the Company's effective income tax rate differs from the amount that would be computed from applying the federal and provincial statutory rate of 31% (2013 – 31%) to the pre-tax net loss for the period. The reasons for the difference are as follows:

	March 31, 2014 $	**March 31, 2013 $**
Loss before income taxes	1,910,207	640,882
Income tax recovery based on statutory rates	592,000	199,000
Non-deductible stock option expense	(96,000)	(27,000)
Unutilized losses	(496,000)	(99,000)
Resource properly expenditures renounced	–	(73,000)
Pro-rata reduction of flow-through premium liability	–	41,000
Recovery of income taxes	–	41,000

c) The following reflects deferred tax assets and liabilities at June 30, 2014 and 2013:

	March 31, 2014 $	**March 31, 2013 $**
Deferred tax assets		
Non-capital losses	737,000	465,000
Deductible share issuance costs	87,000	62,000
Tax value in excess of accounting value of resource properties	67,000	–
	891,000	527,000
Portion of deferred tax assets unrecognized	(891,000)	(337,000)
	–	190,000
Deferred tax liabilities		
Accounting value in excess of tax value of resource properties	–	(190,000)
	–	–

10 Compensation of key management

Key management includes the Company's Directors, President and Chief Executive Officer and Chief Financial Officer. Compensation awarded to key management is summarized as follows:

	6 months Sept 30, 2014 $	6 months Sept 30, 2013 $
Cash and accrued compensation and other benefits	221,963	159,001
Stock-based compensation	211,000	164,000
	432,963	323,001

Cash compensation and other benefits are included in wages and benefits on the statement of loss.

11 Shareholders' equity

i) Capital stock

Authorized

Unlimited number of common shares, without nominal or par value

	Number of shares	Amount $
Balance – March 31, 2013	35,397,927	6,747,293
Shares issued for cash, net of issue costs	311,676	81,036
Balance – September 30, 2013	35,709,603	6,828,329
Shares issued for cash, net of issue costs	6,065,160	1,233,000
Warrants issued as finders fees	–	(4,000)
Shares issued in settlement of liabilities, net of issue costs	1,371,599	245,638
Balance – March 31, 2014	43,146,362	8,302,967
Shares issued for cash, net of issue costs	8,000,000	2,625,843
Shares issued for cash, exercise of warrants	3,000	1,260
Warrants issued as finders fees	-	(7,000)
Shares issued in settlement of liabilities, net of issue costs	727,271	238,300
Balance – September 30, 2014	51,876,633	11,161,370

As at September 30, 2014 there are 1,050,000 shares subject to an escrow agreement.

11 Shareholders' equity (continued)

i) Capital stock (continued)

a) Private placements

During the year ended March 31, 2014, the Company received subscription proceeds of $97,036 and 373,214 common shares were released from trust.

During the year ended March 31, 2014, the Company issued 6,003,622 common shares at $0.22 per share for gross proceeds of $1,320,797. The capital stock value of the 6,003,622 shares issued is net of share issue costs of $107,574.

During the six months ended September 30, 2014, the Company issued 8,000,000 common shares at $0.35 per for gross proceeds of $2,800,000. The capital stock value of the 8,000,000 shares issued is net of share issue costs of $174,157.

ii) Stock options and other

The Company has a common share purchase option plan (the "Plan") for directors, officers, employees and consultants. The total number of options issued and outstanding at any time cannot exceed 10% of the issued and outstanding common shares of the Company unless shareholder and regulatory approvals are obtained. Options granted under the Plan have a ten-year term. Options are granted at a price no lower than the market price of the common shares less any discounts allowed by the Exchange at the time of the grant. In determining the stock-based compensation expense, the fair value of options issued is estimated using the Black-Scholes option pricing model. Expected volatility is based on actual volatility of similar companies.

The following weighted average assumptions were used in the Black-Scholes option pricing model for the periods ended September 30, 2014 and September 30, 2013:

Risk-free interest rate	1.5%
Expected volatility	150%
Expected dividend yield	–
Expected life	5 years

11 Shareholders' equity (continued)

ii) Stock options and other (continued)

The following table summarizes the changes in the Company's stock options and agent options during the years ended June 30, 2014 and 2013:

	Weighted average exercise price $	Number of Options	Weighted average remaining life (years)	Expiry date
Balance – March 31, 2013	0.14	1,420,000	6.6	
Granted during the year	0.20	1,270,000	8.6	May 16, 2023
Granted during the year	0.25	795,000	9.0	October 7, 2023
Balance – March 31, 2014	0.18	3,485,000		
Granted during the period	0.43	700,000	9.7	May 30, 2024
Granted during the period	0.44	50,000	4.7	June 9, 2019
Balance – September 30, 2014	0.23	4,235,000	8.2	

As at September 30, 2014, 952,663 options remained available for future grants under the Plan. Options vested and exercisable at September 30, 2014 totaled 4,235,000 with an average exercise price of $0.23 per share. The weighted average grant-date fair value per option was $0.23 for the stock options. For the six month period ended September 30, 2014 the Company capitalized $90,000 non-cash share-based compensation expense to resource properties with the balance of $189,000 charged to operations.

Subsequent to September 30, 2014, 75,000 stock options having an exercise price of $0.20 per share were exercised.

iii) Contributed surplus and other

	$
Balance – March 31, 2013	160,577
Expiration of warrants	26,000
Stock-based compensation	411,000
Balance – March 31, 2014	597,577
Stock-based compensation	279,000
Balance – September 30, 2014	876,577

11 Shareholders' equity (continued)

iv) Warrants

The following table summarizes the changes in the Company's warrants:

	Expiry date	Exercise price $	Number	Ascribed value $
Balance – March 31, 2013	March 11, 2014	0.30	176,245	26,000
Expired during the year		0.30	(176,245)	(26,000)
Issued pursuant to private placement financing	March 7,2015	0.30	33,370	4,000
Balance – March 31, 2014			33,370	4,000
Exercised during the period		0.30	(3,000)	(360)
Issued pursuant to private placement financing	July 25, 2016	0.40	42,861	7,000
Balance – September 30, 2014		0.36	73,231	10,640

The fair value of warrants recognized has been estimated at the grant date using the Black-Scholes option pricing model. The weighted average assumptions used in the pricing model for warrants issued are as follows:

Risk-free interest rate	1.5%
Expected volatility	150%
Expected dividend yield	$nil
Expected life	1 year

12 Financial instruments and other

Credit risk

The Company manages credit risk by holding its cash with high quality financial institutions in Canada, where management believes the risk of loss to be low. The Company also has $224,228 of Mexican VAT receivable at September 30, 2014. While collections have been sporadic and unpredictable with respect to timing, management does not anticipate issues with collecting these amounts.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. The Company does not have sufficient working capital to carry out all budgeted programs in fiscal 2015 and must obtain financing during fiscal 2015 to avoid disruption in planned expenditures (see note 1).

12 Financial instruments and other (continued)

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

a) Interest rate risk

The Company has no interest-bearing debt and is not exposed to any significant interest rate risk.

b) Foreign currency risk

The Company operates in Mexico, giving rise to foreign currency risk. To limit the Company's exposure to this risk, cash is primarily held with high quality financial institutions in Canada. In the future, based on the timing of the Company's exploration programs, foreign currencies may be purchased in advance of expenditures to lock in exchange rates in line with the Company's budgets, otherwise the Company does not use any form of hedging against fluctuations in foreign exchange.

As at September 30, 2014, the Company held the following financial instruments and Mexican VAT recoverable in foreign currencies:

	US$	Pesos
Cash	249,237	2,007,736
Accounts payable and accrued liabilities	5,000	12,350
Sales tax recoverable	–	2,076,569

c) Price risk

The Company is not exposed to any direct price risk other than that associated with commodities and how fluctuations impact companies in the mineral exploration and mining industries as the Company has no significant revenues.