OCEANUS RESOURCES CORPORATION

Consolidated Financial Statements
March 31, 2018 and 2017

July 30, 2018

Management's Report

The accompanying consolidated financial statements of **Oceanus Resources Corporation** (the "Company") are the responsibility of management and have been approved by the Board of Directors. The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS"). The consolidated 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 consolidated financial statements. The Audit Committee of the Board of Directors reviewed and approved the Company's consolidated financial statements and recommended their approval by the Board of Directors.

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

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

July 30, 2018

Independent Auditor's Report

To the Shareholders of
Oceanus Resources Corporation

We have audited the accompanying consolidated financial statements of **Oceanus Resources Corporation** and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at March 31, 2018 and March 31, 2017 and the consolidated statements of changes in equity, loss and comprehensive loss and cash flows for the years then ended and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

Opinion

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

PricewaterhouseCoopers LLP
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Emphasis of matter
Without qualifying our opinion, we draw attention to note 1 in the consolidated financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

(signed) *"PricewaterhouseCoopers LLP"*

Chartered Professional Accountants, Licensed Public Accountants

OCEANUS RESOURCES CORPORATION

Consolidated Statements of Financial Position

As at March 31, 2018 and March 31, 2017

	2018 $	2017 $
Assets		
Current assets		
Cash and cash equivalents	17,844	1,277,527
Sales tax recoverable (note 2 (c))	37,603	104,365
Prepaid expenses	44,118	37,526
	99,565	1,419,418
Resource properties (note 5)	16,731,855	13,965,854
	16,831,420	15,385,272
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 6)	1,470,610	1,892,771
Long-term amounts payable (note 6)	–	77,385
	1,470,610	1,970,156
Equity (note 11)	15,360,810	13,415,116
	16,831,420	15,385,272

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) *"Keith Abriel"*, Director

(signed) "Wade Anderson", Director

OCEANUS
RESOURCES CORPORATION

Consolidated Statements of Changes in Equity

For the years ended March 31, 2018 and March 31, 2017

	Share capital $	Contributed surplus $	Warrants $	Deficit $	Total $
Balance – March 31, 2016	21,080,428	1,697,617	31,000	(6,471,400)	16,337,645
Net loss and comprehensive loss for the year	–	–	–	(10,166,843)	(10,166,843)
Shares issued for cash, net of issue costs	6,547,114	–	–	–	6,547,114
Warrants issued for cash, net of issue costs	–	–	110,000	–	110,000
Broker warrants issued pursuant to financing	(247,000)	–	247,000	–	–
Expiration of warrants, net of tax	–	2,000	(2,000)	–	–
Shares issued for cash, exercise of finder's warrants	27,600		(6,600)	–	21,000
Shares issued for cash, exercise of stock options	17,800	(7,600)			10,200
Stock based compensation	–	556,000	–	–	556,000
Balance – March 31, 2017	27,425,942	2,248,017	379,400	(16,638,243)	13,415,116
Net loss and comprehensive loss for the year	–	–	–	(1,306,731)	(1,306,731)
Shares issued for cash, net of issue costs	2,981,002	–	–	–	2,981,002
Shares issued for cash, exercise of broker warrants	164,783	–	(68,900)	–	95,973
Shares issued for cash, exercise of warrants	102,000	–	–	–	102,000
Shares issued for cash, exercise of finder's warrants	61,200	–	(14,700)	–	46,500
Expiration of warrants, net of tax	–	7,700	(7,700)	–	–
Shares issued for cash, exercise of stock options	25,250	(10,800)	–	–	14,450
Stock-based compensation	–	12,500	–	–	12,500
Balance – March 31, 2018	30,760,267	2,257,417	288,100	(17,944,974)	15,360,810

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

OCEANUS RESOURCES CORPORATION

Consolidated Statements of Loss and Comprehensive Loss

For the years ended March 31, 2018 and March 31, 2017

	2018 $	2017 $
Operating expenses		
Professional fees	77,686	118,919
Consulting fees (note 8)	564,095	444,843
Dues and fees	47,517	102,579
Foreign exchange (gain) loss	30,809	21,524
Insurance	48,605	20,575
Interest expense (note 7)	–	77,395
Office and other	115,222	142,301
Shareholder communication	172,852	129,128
Other fees and penalties	–	65,600
Travel	104,157	104,063
Stock-based compensation	12,500	454,300
Wages and benefits	145,716	59,458
Resource property expenditures (note 5)	–	314,855
Write-down of mineral properties	–	8,131,183
	(1,319,159)	(10,186,723)
Other income		
Interest income	12,428	19,880
Net loss and comprehensive loss for the years	(1,306,731)	(10,166,843)
Loss per share – basic and diluted	(0.01)	(0.09)
Weighted average outstanding common shares – basic and diluted	132,296,472	116,208,746

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

Consolidated Statements of Cash Flows
For the years ended March 31, 2018 and March 31, 2017

	2018 $	2017 $
Cash provided by (used in)		
Operating activities		
Net loss for the years	(1,306,731)	(10,166,843)
Charges to income not affecting cash		
Write-down of resource properties	–	8,131,183
Stock-based compensation	12,500	454,300
Interest on loans payable (note 7)	–	76,567
	(1,294,231)	(1,504,793)
Net changes in non-cash working capital balances related to operations		
Decrease (increase) in sales tax recoverable	66,762	(342,623)
Decrease (increase) in prepaid expenses	(6,592)	(19,857)
Increase (decrease) in accounts payable and accrued liabilities	(382,630)	252,303
Cash generated from operations	(1,616,691)	(1,614,970)
Interest paid (note 7)	–	(123,453)
Net cash provided by operating activities	(1,616,691)	(1,738,423)
Investing activities		
Purchase of and expenditures on resource properties	(2,882,917)	(3,230,556)
Financing activities		
Proceeds from issuance of common shares	3,000,000	1,750,000
Proceeds from issuance of units	–	5,750,000
Proceeds from exercise of stock options and warrants	258,923	31,200
Share issue costs paid	(18,998)	(842,886)
Repayment of loans	–	(1,317,921)
	3,239,925	5,370,393
Net change in cash and cash equivalents for the years	(1,259,683)	401,414
Cash and cash equivalents – Beginning of years	1,277,527	876,113
Cash and cash equivalents – End of years	17,844	1,277,527
Cash and cash equivalents is comprised of:		
Cash	17,844	277,527
Short-term investments	–	1,000,000
	17,844	1,277,527

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 year ended March 31, 2018, the Company incurred a loss of $1,306,731 (2017 - $10,166,843). 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, including the exercise of warrants for cash proceeds subsequent to year end in the amount of $398,000 as described in Note 15, 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").

The Board of Directors approved the consolidated financial statements for issue on July 30, 2018.

2 Basis of presentation (continued)

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.

Recoverability of resource properties

At the end of each reporting period, the Company assesses 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 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. 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.

2 Basis of presentation (continued)

c) Use of estimates and judgments (continued)

Recoverability of sales tax

Management's assumptions regarding the recoverability of Value Added Tax ("VAT") receivable in Mexico, at the end of each reporting period, is made using all relevant facts available, including past collectability, the development of VAT policies and the general economic environment of the country to determine if a write-down of the VAT is required. Collection of the amount receivable depends on processing and payment of the claims by the government in Mexico. In the current year, the Company has recorded VAT to resource properties and in the prior year reclassified its VAT receivable in the amount of $568,239 related to the El Tigre Property to resource properties. While the Company is still pursuing collection, with the delay in processing and collection, management determined that it was appropriate to reclassify this amount to the resource property to which the VAT paid related. The timing and amount of the VAT ultimately collectible could be materially different from the amount recorded in the consolidated financial statements.

Share-based payments

The Company issues 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 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**
El Tigre Silver Corp.	Holding company	Canada
Lunar Gold	Holding company	Canada
LGHI Holdings Incorporated	Holding company	Canada
Pacemaker Silver Mining S.A. de C.V.	Mineral exploration company	Mexico
Compãnia Minera Talaman SA de CV	Holding company	Mexico
0874346 B.C. Ltd	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.

3 Significant accounting policies (continued)

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 and cash equivalents 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, received from exploration partners and/or written down.

If any properties are put into commercial production, the carrying values of the properties will be depleted following the unit of production method.

The carrying values of resource properties, on a property-by-property basis, will be reviewed by management at least annually to determine if there are indicators of impairment. If impairment is deemed to exist, the resource properties will be written down to their recoverable amount through a charge to operations. 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.

All borrowing costs including interest charges associated with resource property expenditures have been capitalized.

f) 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.

g) Stock-based compensation

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 grant is considered a separate award with its own vesting period and grant date fair value. Fair value of each grant is measured at the date of grant using Black-Scholes option pricing model. Compensation expense is recognized over the grant'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 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.

3 Significant accounting policies (continued)

h) 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.

i) Loss per share

Loss per share is calculated based on the weighted average number of shares outstanding during the year. 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.

j) 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.

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.

k) Accounting Standards issued but not yet applied

The following new standards and amendments to the standard are not yet effective and have not been applied in preparing these consolidated financial statements. Accordingly, the Company expects to adopt these standards as set forth below:

3 Significant accounting policies (continued)

k) Accounting Standards issued but not yet applied (continued)

i) IFRS 9, *Financial Instruments*

IFRS 9, "Financial instruments" introduces new requirements for the classification and measurement of financial assets. IFRS 9 requires all recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be measured at amortized cost or fair value in subsequent accounting periods following initial recognition. Specifically, financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods.

Requirements for classification and measurement of financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, Financial Instruments – Recognition and Measurement, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income (loss).

IFRS 9 was amended in November 2013 to: (i) include guidance on hedge accounting; (ii) allow entities to early adopt the requirement to recognize changes in fair value attributable to changes in an entity's own credit risk, from financial liabilities designated under the fair value option, in other comprehensive loss, without having to adopt the remainder of IFRS 9; and (iii) remove the previous mandatory effective date for adoption of January 1, 2015, although the standard is available for early adoption.

The final version of IFRS 9 was issued in July 2014 and includes: (i) a third measurement category for financial assets – fair value through other comprehensive income; (ii) a single, forward-looking expected loss impairment model; and (iii) a mandatory effective date for IFRS 9 of annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company currently plans to apply IFRS 9 on April 1, 2018. The adoption of IFRS 9 is not expected to have a material impact on the Company's consolidated financial statements.

ii) IFRS 16, Leases

IFRS 16, "Leases" ("IFRS 16") a new standard on lease accounting, was issued on January 13, 2016 and replaces the current guidance in IAS 17. The new standard results in substantially all lessee leases being recorded on the statement of financial position. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. The Company is currently evaluating the impact of this new standard on the Company's consolidated financial statement measurements and disclosures. The Company does not anticipate early adoption of this standard and is currently evaluating the impact of the new standard on its consolidated financial statements.

iii) IFRS 15, Revenue from Contracts and Customers

The IASB issued IFRS 15 "Revenue from Contacts and Customers" ("IFRS 15") effective for annual periods beginning on or after January 1, 2018, although the standard is available for early adoption. IFRS 15 replaces IAS 18, "Revenue" and IAS 11, "Construction Contracts", and some revenue related interpretations. The underlying principle is that an entity will recognize revenue to depict the transfer of goods and services to customers at an amount the entity expects to be entitled to in exchange for those goods and services. As the Company does not generate revenue there is no impact expected on adoption.

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 March 31, 2018 totaled $15,360,810 (2016 - $13,415,116). 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 Resource properties

	La Lajita $	El Tigre $	Total $
Year ended March 31, 2016	8,131,183	8,995,516	17,126,699
Exploration costs incurred	–	4,402,099	4,402,099
Reclassification of VAT (note 2(c))	–	568,239	568,239
Exploration costs written off	(8,131,183)	–	(8,131,183)
Year ended March 31, 2017	–	13,965,854	13,965,854
Exploration costs incurred	–	2,766,001	2,766,001
Year ended March 31, 2018	–	16,731,855	16,731,855

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 was a party to three option agreements under which it could earn a 100% interest in a total of 12 mining concession titles, collectively known as the La Lajita Property located in Durango State, Mexico.

During fiscal 2017 management attempted to negotiate amended option payment terms acceptable to the Company, however, during the second quarter it became clear to management that it was unlikely that acceptable terms would be negotiated and the decision was taken to terminate the option agreement. An impairment charge was recorded in the second quarter for the full amount of the La Lajita resource property. The Company incurred termination costs associated with the La Lajita Property aggregating $314,855 during the third and fourth quarters and expensed these costs.

On September 15, 2015 the Company entered into an arrangement agreement with El Tigre Silver Corp. ("El Tigre") to combine the respective companies by way of a statutory plan of arrangement pursuant to the Business Corporations Act (British Columbia), under which the Company acquired all of the outstanding common shares of El Tigre in exchange for common shares of Oceanus on the basis of 0.2839 of one Oceanus share for every one El Tigre share (the "Transaction"). The Transaction was completed on November 13, 2015.

El Tigre holds nine Mexican Federal mining concessions, located in north-eastern Sonora State, of which eight are collectively referred to as the El Tigre Gold and Silver Property ("El Tigre Property"). The concessions are 100% held by El Tigre through its wholly owned subsidiary, Pacemaker Silver Mining SA de CV and its wholly owned subsidiary, Compãnia Minera Talaman SA de CV.

5 Resource properties (continued)

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

During the year ended March 31, 2016, the Company issued 17,856,140 common shares to the shareholders of El Tigre for which it included an amount of $6,000,000 in share capital and acquisition cost for the El Tigre property.

The following table summarizes the acquisition cost for the assets and liabilities of El Tigre:

	$
Share issuance	6,000,000
Transaction costs	566,510
Net working capital deficiency acquired	2,000,611
Resource property acquisition cost recorded	8,567,121

Additions to the El Tigre Property during the year ended March 31, 2018 include $100,000 (2017 - $808,000) related to fees assessed as owing to the government including interest and penalties.

6 Accounts payable and accrued liabilities

	2018 $	2017 $
Accounts payable		
El Tigre Property fees	687,000	808,000
La Lajita termination payments – current portion	112,178	193,462
Other	531,242	798,619
Accrued liabilities	140,190	92,690
	1,470,610	1,892,771
La Lajita termination payments – long-term portion	–	77,385
	1,470,610	1,970,156

As at March 31, 2018, $9,975 (2017 - $7,500) of accounts payable and accrued liabilities is due to the Chief Executive Officer, Chief Financial Officer and Vice President Exploration.

7 Loans payable

At the date of closing the El Tigre Transaction four former directors of El Tigre were owed a total amount of $1,317,921. This amount was comprised of loan proceeds and accrued interest thereon. The loans were unsecured, bore interest at the rate of 10% per annum and matured on November 13, 2016. The loans payable including accrued interest were paid in full for total cash consideration of $1,441,374 during the year ended March 31, 2017.

8 Related party transactions

Geological consulting services were provided during the year ended March 31, 2018 by a corporation owned by the Vice President Exploration of the Company. The cost of these consulting services during the year was $93,000 (March 31, 2017 - $89,775). The Company recorded these costs to resource properties.

Administrative consulting services were provided during the year ended March 31, 2018 by a corporation owned by the Chief Financial Officer of the Company. The cost of these consulting services during the year was $98,750 (March 31, 2017 - $110,000). The Company recorded these costs to consulting fees.

Administrative consulting services were provided during the year ended March 31, 2018 by a corporation owned by the Chief Executive Officer of the Company. The cost of these consulting services during the year was $200,000 (March 31, 2017 - $233,333). The Company recorded these costs to consulting fees.

During the year ended March 31, 2018, officers, directors and close family members subscribed to an aggregate of 1,002,668 units (March 31, 2017 – 434,782 units) issued by the Company pursuant to equity financings for aggregate subscription proceeds of $300,800 (March 31, 2017 - $100,000).

9 Income taxes

a) Losses

The Company has non-capital tax losses, which include certain deductions for share issue costs, of approximately $15.5 million available for carry-forward to reduce future years' taxable income. These non-capital tax losses expire as follows:

	$
Year ending March 31, 2027	11,000
2028	198,000
2029	395,000
2030	740,000
2031	1,274,000
2032	1,960,000
2033	1,990,000
2034	2,017,000
2035	2,333,000
2036	1,440,000
2037	1,560,000
2038	1,559,000

b) At March 31, 2018, 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% (2016 – 31%) to the pre-tax net loss for the period. The reasons for the difference are as follows:

	2018 $	2017 $
Loss before income taxes	1,306,731	10,166,843
Income tax recovery based on statutory rates	410,000	3,152,000
Impairment of resource properties	–	(2,521,000)
Non-deductible stock option expense	(3,875)	(141,000)
Unutilized losses	(406,125)	(490,000)
Recovery of income taxes	–	–

c) The following reflects deferred tax assets at March 31, 2018 and 2016:

	2018 $	2017 $
Deferred tax assets		
Non-capital losses	4,798,000	4,315,000
Deductible share issuance costs	173,000	243,000
Tax value in excess of accounting value of resource properties	2,362,000	2,369,000
	7,333,000	6,927,000
Portion of deferred tax assets unrecognized	(7,333,000)	(6,927,000)
	–	–

10 Compensation of key management

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

	2018 $	2017 $
Cash and accrued compensation and other benefits	439,133	433,108
Stock-based compensation	12,500	261,000
	451,633	694,108

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, 2016	93,120,273	21,080,428
Shares issued for cash, net of issue costs	32,000,000	6,547,114
Broker warrants issued pursuant to bought deal financing	–	(247,000)
Shares issued for cash, exercise of warrants	87,500	27,600
Shares issued for cash, exercise of stock options	60,000	17,800
Balance – March 31, 2017	125,267,773	27,425,942
Shares issued for cash, net of issue costs	10,000,000	2,981,002
Shares issued for cash, exercise of broker warrants	417,275	164,873
Shares issued for cash, exercise of finder's warrants	193,750	61,200
Shares issued for cash, exercise of warrants	425,000	102,000
Shares issued for cash, exercise of stock options	85,000	25,280
Balance – March 31, 2018	136,388,798	30,760,267

a) Private placements

During the year ended March 31, 2018, the Company completed a non-brokered private placement financing and issued 10,000,000 units at a price of $0.30 per unit, for aggregate gross proceeds of $3,000,000. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole share purchase warrant entitles the holder to acquire one common share of the Company for $0.40 for a period of 18 months from the closing date of the offering. The closing date of the private placement was August 1, 2017. The capital stock value of the common shares issued as at March 31, 2018 is net of share issue costs of $18,998.

11 Shareholders' equity (continued)

i) Capital stock (continued)

During the year ended March 31, 2017, the Company completed a bought deal financing and issued 25,000,000 units at a price of $0.23 per unit, for aggregate gross proceeds of $5,750,000. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole share purchase warrant entitles the holder to acquire one common share of the Company for $0.39 for a period of 24 months from the closing date of the offering. The capital stock value of the common shares issued as at March 31, 2017 is net of the warrant valuation of $125,000 and share issue costs of $718,488.

During the year ended March 31, 2017, the Company completed a non-brokered private placement financing and issued 7,000,000 units at a price of $0.25 per unit, for aggregate gross proceeds of $1,750,000. The capital stock value of the common shares issued as at March 31, 2017 is net of share issue costs of $109,398.

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 years ended March 31, 2018 and March 31, 2017:

	2018	2017
Risk-free interest rate	2.0%	1.5%
Expected volatility	95%	100%
Expected dividend yield	–	–
Expected life	10 years	10 years

11 Shareholders' equity (continued)

ii) Stock options and other (continued)

The following table summarizes the changes in the Company's stock options during the years ended March 31, 2018 and 2017:

	Weighted average exercise price $	Number of Options	Weighted average remaining life (years)	Expiry date
Balance – March 31, 2016	0.21	9,210,000	6.2	
Granted during the year	0.25	2,600,000	8.6	October 31, 2026
Granted during the year	0.23	125,000	8.8	January 17, 2027
Exercised during the year	0.17	(60,000)		
Expired during the year	0.38	(150,000)		
Balance – March 31, 2017	0.22	11,725,000	6.6	
Granted during the year	0.27	250,000	9.7	December 20, 2027
Exercised during the year	0.17	(85,000)		
Balance – March 31, 2018	0.22	11,890,000	6.8	

As at March 31, 2018, 1,748,879 options remained available for future grants under the Plan. Options vested and exercisable at March 31, 2018 totaled 11,694,687 with an average exercise price of $0.22 per share. The weighted average grant-date fair value per option was $0.24 for the stock options granted during the year (2016 - $0.20). The Company capitalized $nil (2016 - $101,700) in non-cash share-based compensation expense to resource properties with the balance of $12,500 (2016 - $454,300) charged to operations.

iii) Contributed surplus

	$
Balance – March 31, 2016	1,697,617
Exercise of stock options	(7,600)
Expiration of warrants	2,000
Stock-based compensation	556,000
Balance – March 31, 2017	2,248,017
Exercise of stock options	(10,800)
Expiration of warrants	7,700
Stock-based compensation	12,500
Balance – March 31, 2018	2,257,417

11 Shareholders' equity (continued)

iv) Warrants

The following table summarizes the changes in the Company's warrants for the years ended March 31, 2018 and 2017:

	Expiry date	Exercise price $	Number	Ascribed value $
Balance – March 31, 2016			19,786,750	31,000
Warrants issued pursuant to June 2016 bought deal financing	June 21, 2018	0.39	12,500,000	110,000
Broker Warrants	June 21, 2018	0.23	1,500,000	247,000
Warrants and finder's warrants expired during the year		0.30	(3,155,000)	(2,000)
Warrants exercised during period		0.24	(87,500)	(6,600)
Balance – March 31, 2017			30,544,250	379,400
Warrants issued pursuant to August 2017 private placement financing	January 31, 2019	0.40	5,000,000	–
Broker Warrants exercised during the year		0.23	(417,275)	(68,900)
Warrants issued pursuant to the execise of Broker Warrants	June 21, 2018	0.39	208,637	–
Warrants exercised during the year		0.24	(425,000)	–
Finder's warrants exercised during the year		0.24	(193,750)	(14,700)
Finder's warrants expired during the year		0.24	(100,500)	(7,700)
Balance – March 31, 2018			34,616,362	288,100

The fair values of warrants issued pursuant to the June 2015, December 2015 and August 2017 private placement financings have been estimated at the issue date using the residual method of valuation. Given the market price of the Company's common shares on the date of closing of the private placements was in excess of the unit offering price, the residual value assigned to the warrants is $nil.

The fair value of warrants issued pursuant to the June 2016 private placement financing of $110,000 has been estimated at the issue date using the residual method of valuation and is net of warrant issue costs of $15,000.

The fair value of the June 2016 broker warrants have 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	–
Expected life	2 years

12 Supplemental cash flow information

During the year ended March 31, 2018, the Company incurred expenditures on resource properties of $1,110,940 (2017 - $1,227,856) which were recorded as accounts payable.

13 Financial instruments and other

Credit risk

The Company manages credit risk by holding its cash and cash equivalents with high quality financial institutions in Canada, where management believes the risk of loss to be low. The Company also has $744,713 of Mexican VAT receivable at March 31, 2018 (2017 - $568,239). In the current year, the Company recorded the VAT to resource properties and in the prior year reclassified its VAT receivable in the amount of $568,239 related to the El Tigre Property to resource properties. While the Company is still pursuing collection, with the delay in processing and collection, management determined that it was appropriate to reclassify this amount to the resource property to which the VAT paid related. The timing and amount of the VAT ultimately collectible could be materially different from the amount recorded in the consolidated financial statements.

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 2018 and must obtain financing during fiscal 2018 to avoid disruption in planned expenditures (see notes 1 and 15).

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.

As at March 31, 2018, the Company held the following financial instruments in foreign currencies:

	US$	Pesos
Cash	6,261	21,851
Accounts payable and accrued liabilities	212,087	13,130,623

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.

14 Commitments

The minimum annual lease payments for the lease of office space are as follows:

	$
Year ending March 31, 2019	33,017
2020	33,017
2021	33,017
2022	16,509

15 Subsequent events

Subsequent to March 31, 2018 a total of 1,658,332 warrants were exercised for aggregate proceeds $398,000.

In June 2018, the following securities expired unexercised.

i. 1,082,725 broker warrants having an exercise price of $0.23 per share
ii. 12,708,637 warrants having an exercise price of $0.39 per share