



2016 ANNUAL REPORT

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Background

This Management Discussion and Analysis (MD&A) of Oceanus Resources Corporation (Oceanus or the Corporation) is dated July 29, 2016 and provides an analysis of the financial operating results for the years ended March 31, 2016 and March 31, 2015. This MD&A should be read in conjunction with the audited financial statements and accompanying notes for the years ended March 31, 2016 and March 31, 2015, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") for financial statements. All amounts are in Canadian dollars unless otherwise specified. The financial statements and additional information, including news releases and technical reports referenced herein, are available on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com under the Corporation's name.

The common shares of Oceanus are traded on the TSX Venture Exchange under the symbol **OCN**. Additional information can be found on the Corporation's website at www.oceanusresources.ca.

Forward-Looking Information

Certain statements in this MD&A are forward-looking statements or information (collectively "forward-looking statements"). The Corporation (as defined herein) is hereby providing cautionary statements identifying important factors that could cause the actual results to differ materially from those projected in the forward-looking statements. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as "may", "is expected to", "anticipates", "estimates", "intends", "plans", "projection", "could", "vision", "goals", "objective" and "outlook") are not historical facts, may be forward-looking, and may involve estimates, assumptions and uncertainties which could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements.

By their nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, which contribute to the possibility that the predicted outcomes may not occur or may be delayed. The risks, uncertainties and other factors, many of which are beyond the control of the Corporation, that could influence actual results include, but are not limited to: limited operating history; exploration, development and operating risks; regulatory risks; substantial capital requirements and liquidity; financing risks and dilution to shareholders; competition; reliance on management and dependence on key personnel; fluctuating mineral and commodity prices and marketability of minerals; title to properties; local residential concerns; no mineral reserves or mineral resources; environmental risks; governmental regulations and processing licenses and permits; management inexperience in developing mines; conflicts of interest of management; uninsurable risks; exposure to potential litigation; no history of paying dividends and no intention of paying dividends in the near future; and other factors beyond the control of the Corporation.

Further, any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by applicable law, the Corporation undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for management to predict all such factors and to assess in advance the impact of each such factor on the business of the Corporation or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement. Refer to the section titled "Risks and Uncertainties".

Company Overview

Oceanus was incorporated on June 14, 2010 under the Canada Business Corporations Act (CBCA). The registered office of the Corporation is located at Suite 2108, Purdy's Tower Two, 1969 Upper Water Street, Halifax, Nova Scotia B3J 3R7.

MANAGEMENT'S DISCUSSION & ANALYSIS FOR THE YEAR ENDED MARCH 31, 2016

The Corporation completed a \$500,000 Initial Public Offering ("IPO") in December 2010 with 5,000,000 shares being issued at a price of \$0.10 per share. The common shares of Oceanus commenced trading on the TSX Venture Exchange ("Exchange") on December 17, 2010.

Oceanus was established as a "Capital Pool Company" ("CPC") and accordingly the principal focus of the Corporation during 2010 and 2011 was the completion of a "Qualifying Transaction". Qualifying Transaction means a transaction where a CPC acquires significant assets, other than cash, by way of purchase, amalgamation, merger or arrangement with another Company or by other means. Any Qualifying Transaction must be approved by the Exchange, and in the case of a Non-Arm's Length Qualifying Transaction, must also receive Majority of the Minority Approval, in accordance with the CPC Policy.

Oceanus entered into a definitive asset purchase agreement dated July 15, 2011 for the arm's length acquisition of the Lac Mégantic Gold-Base Metal Property (the "Transaction"). The Lac Mégantic Property is located about 70 kilometers southeast of the mining town of Thetford Mines and 210 kilometers east of Montreal in the Eastern Townships of the Province of Quebec. At time of acquisition the Property comprised 622 claims covering approximately 36,651 ha or 366.5 km².

The Transaction was completed on October 24, 2011 with Oceanus acquiring the Lac Mégantic Property in consideration for the issuance of 1,000,000 Oceanus common shares to the vendors and payment of \$162,500. The vendors retained a net smelter royalty ("NSR") of 2%. Oceanus also paid a finder's fee of 125,000 of its common shares in connection with the acquisition.

The acquisition of the Lac Mégantic Property was approved by the TSX Venture Exchange as being the Corporation's Qualifying Transaction. Concurrently, the Corporation completed a private placement of flow-through common shares priced at \$0.40 for gross proceeds of \$500,000. The flow-through common shares entitle the purchasers to certain benefits under the Income Tax Act.

Trading of the common shares of Oceanus on the Exchange was halted from March 29, 2011, the date on which the Corporation press released its Qualifying Transaction. Trading of the common shares of Oceanus resumed on the TSX Venture Exchange on November 1, 2011 under the symbol "OCN".

On April 25, 2012 the Corporation completed a non-brokered private placement financing and issued a total of one million common shares at a price of \$0.25 per share for gross proceeds of \$250,000.

On October 24, 2012 the Corporation entered into a binding letter of intent to acquire all of the issued and outstanding securities of Lunar Gold Holdings Incorporated ("LGH"), a Canadian company, in consideration of the issuance of 11 million common shares of Oceanus ("LGH Acquisition"). 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-per-cent interest in twelve (12) Mexican mining concession titles, collectively known as the La Lajita Property, covering approximately 3,200 hectares in Durango, Mexico. Pursuant to Exchange Policy 5.3 trading of Oceanus's stock was halted on October 24, 2012 and remained halted until completion of the transaction.

On March 13, 2013 Oceanus completed the LGH Acquisition together with a private placement financing pursuant to which the Corporation issued 8,846,141 common shares at a price of \$0.26 per share for gross proceeds of \$2.3 million. Trading of Oceanus' common shares resumed on March 15, 2013.

On March 7, 2014 the Corporation completed a non-brokered private placement financing and issued 6,003,622 common shares at a price of \$0.22 per share for gross proceeds of \$1.3-million.

On July 25, 2014 the Corporation completed a non-brokered private placement financing and issued 8,000,000 common shares at a price of \$0.35 per share for gross proceeds of \$2.8 million.

On June 19, 2015 the Corporation completed a non-brokered private placement financing and issued 6,250,000 units at \$0.20 per unit for gross proceeds of \$1.25 million. 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 Corporation for \$0.30 for a period of 18 months from the closing date of the offering.

On September 15, 2015 the Corporation announced that it entered into an arrangement agreement ("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 Corporation would acquire 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 each El Tigre share (the "Transaction"). El Tigre holds a 100% interest in the El Tigre Silver and Gold Property located in Sonora State, Mexico. The El Tigre Property is comprised of 8 mining concessions totaling 215 square kilometers and includes the historic El Tigre Mine and tailings.

On November 13, 2015, following the receipt of the final order of the Court on November 10, 2015, Oceanus and El Tigre completed the Arrangement Agreement. A total of 17,856,140 Oceanus Shares were issued to the El Tigre shareholders. In connection with the Transaction, all outstanding warrants and options to purchase El Tigre shares were cancelled as they were not "in-the-money".

Following the completion of the Arrangement Agreement, Oceanus Shares continue to trade on the TSX Venture Exchange (the "TSXV"), while El Tigre Shares have been delisted from the TSXV and El Tigre has ceased to be a reporting issuer.

On December 23, 2015 the Corporation completed a non-brokered private placement financing and issued 16,250,000 units at \$0.16 per unit for gross proceeds of \$2.6 million. Each unit consists of one common share and one common share purchase warrant. Each share purchase warrant entitles the holder to acquire one common share of the Corporation for \$0.24 for a period of 36 months from the closing date of the offering.

On June 21, 2016 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.

El Tigre Property, Mexico

El Tigre holds eight Mexican Federal mining concessions, located in north-eastern Sonora State and totaling 215 square kilometers, 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, Companhia Mineraria Talamán SA de CV. El Tigre also holds one additional 0.32 square kilometres claim, known as the San Juan Property, separate from the El Tigre Silver Property, also located in Sonora State, Mexico.

The El Tigre Property is located in the Sierra El Tigre of north-eastern Sonora State, 90 kilometers south-southeast of the border towns of Agua Prieta, Mexico and Douglas, Arizona. The Property covers the historic El Tigre Mine and Tailings as well as additional targets. Discovered in 1900 by the Lucky Tiger Combination Gold Mining Company of Kansas City, Missouri, the El Tigre Mine originally began as a gold producer but quickly shifted to silver when it was discovered that the silver was more plentiful than gold. From 1903 to 1938 mine production was estimated at 70 to 75 million ounces of silver and an estimated 325,000 to 350,000 ounces of gold. The El Tigre Mine's reported production through 1927 was 1,198,447 tonnes averaging 1,308 grams of silver and 7.54 grams of gold per tonne with 0.4% copper, 1.1% lead and 1.4% zinc. This is equivalent to 50.4 million ounces of silver and 290,543 ounces of gold. The mine was shut down in 1938, primarily due to low metal prices, and remained dormant until 1981 when Anaconda Minerals Company ("Anaconda") commenced exploration on the Property.

From 1981 to 1984, Anaconda Minerals Company ("Anaconda") completed an extensive district scale exploration program including geological mapping, test work on the tailings as well as drilling 7,812 meters in 22 holes. From 2011 to 2013 El Tigre drilled a total of 59 diamond core holes totaling 9,411 meters of drill length.

Oceanus 2016 Infill Gap Sampling Program

During the first half of calendar 2016 Oceanus carried out an infill gap sampling program on the legacy diamond drill core at the El Tigre Property. Oceanus disclosed the results from the first 53 drill holes over a strike length of 1,675 meters, located between Sections 4975N and 3300N, in press releases dated March 7, 2016, May 16, 2016 and June 28, 2016. Results are pending for an additional 6 holes located between Sections 5100N and 4750N.

The goals of the sampling program are to "twin" several of the high grade intersections identified by the original sampling in 2013 and to assay sections of the core not previously sampled to provide complete assay coverage over the length of the holes.

These assay results indicate a broader halo of gold and silver mineralization than was previously recognized. Due to the slope of the hillside, many of the legacy drill holes are collared on the mineralization.

After Oceanus included the new assay results for the legacy diamond drill holes, the mineralized intercept for select holes are as follows:

- Hole ET-13-051 - 127.0 meters of 2.16 g/t gold equivalent consisting of 1.80 g/t gold and 27.5 g/t silver; including 33.0 meters of 4.73 g/t gold equivalent consisting of 4.48 g/t gold and 18.5 g/t silver
- Hole ET-13-066 – 97.7 meters of 1.80 g/t gold equivalent consisting of 0.90 g/t gold and 67.5 g/t silver; including 3.5 meters of 34.33 g/t gold equivalent consisting of 15.99 g/t gold and 1,375.6 g/t silver
- Hole ET-13-075 – 104.0 meters of 1.01 g/t gold equivalent consisting of 0.53 g/t gold and 36.1 g/t silver
- Hole ET-13-077 - 139.1 meters of 1.02 g/t gold equivalent consisting of 0.94 g/t gold and 6.6 g/t silver
- Hole ET-10-031 – 92.9 meters of 0.80 g/t gold equivalent consisting of 0.39 g/t gold and 30.4 g/t silver; including 7.5 meters of 2.07 g/t gold equivalent consisting of 1.11 g/t gold and 72.6 g/t silver.
- Hole ET-10-033 – 48.6 meters of 1.46 g/t gold equivalent consisting of 0.61 g/t gold and 63.9 g/t silver; including 9.5 meters of 5.46 g/t gold equivalent consisting of 1.80 g/t gold and 274.5 g/t silver.

True width has not been calculated for the above intercepts, but true width is generally estimated at 75-90% of drilled width. Complete assay results for the infill gap sampling program are included in appendices to press releases dated March 7, 2016, May 16, 2016 and June 28, 2016 which are available on SEDAR and the Corporation's website.

Oceanus 2016 Drill Program

Oceanus commenced a diamond drilling program in July 2016 at El Tigre. The initial phase of the 2016 drill program will consist of drilling several new holes near drill holes ET-13-051 and ET-13-064 to cross the entire width of the mineralized zone and end in the barren footwall rock; drill several holes to test the extension of the high grade clavos; and to complete a fence of 4 drill holes across the entire mineralized zone consisting of the Sooy Vein in the hanging wall, the central El Tigre Vein and the Seitz-Kelly Vein in the footwall.

El Tigre In-Situ Mineral Resources (2013)

In accordance with the Canadian Securities Administrators National Instrument 43-101 ("NI 43-101"), Standards of Disclosure for Mineral Projects, Hard Rock Consulting, LLC of Lakewood, Colorado ("HRC") completed a NI 43-101 report, filed August 15, 2013, which defines a reserve calculation of the tailings stockpile and defines an in-situ resource at the El Tigre Property. Details of this NI 43-101 report were announced in an El Tigre news release dated July 5, 2013.

The mineral resource estimate for in-situ material is based on 9,468 meters drilled in 61 diamond core holes conducted in three phases over three years. The mineral resources for the in-situ portion of the El Tigre Project are estimated by HRC to be 9.875 million tonnes grading an average of 0.630 g/t Au and 39.7 g/t Ag classified as indicated mineral resources with an additional 7.042 million tonnes grading an average of 0.589 g/t Au and 36.1 g/t Ag classified as inferred mineral resources. The base case estimated mineral resource is based on a 50 g/t silver equivalent ("AgEq") cut-off.

The mineral resources are reported at a cut-off grade to reflect reasonable prospects for economic extraction. HRC considers that significant portions of the El Tigre Project are amenable to open pit extraction. The "reasonable prospects for economic extraction" requirement referred to in NI 43-101 was tested by designing a series of conceptual open pit shells using CAE Mining's Maxipit Software. HRC selected parameters to represent a reasonable expectation reflecting the intent that the resource captured within the pit shell meets the test of reasonable prospect for economic extraction and can be declared a mineral resource. The mineral resource is not inclusive of the mineral reserves.

This mineral resource estimate is based on a 3D geologic model constructed using geologic and assay data from 9,468 meters of drilling in 61 drill holes. The assay data has been examined for the presence of high grade outlier data which could potentially adversely impact the grade estimation. Based on this analysis, all gold and silver assays were capped at 12.5 g/t and 290.0 g/t, respectively. The capped assay data were then composited into 2.0m downhole lengths for use in grade estimation. Block grades were estimated using a single indicator ordinary kriging interpolation method and are presented in the table below.

Indicated Resources							
Cutoff	Tonnage	AgEq	Ag	Au	Contained Metal (x1000 ounces)		
					AgEq	Ag	Au
gpt	Tonnes(x1000)	gpt	gpt	gpt	t.oz.	t.oz.	t.oz.
100	1,500	126.4	67.6	0.980	6,097	3,259	47
75	4,203	99.8	53.6	0.771	13,486	7,241	104
50	9,875	77.8	39.7	0.630	24,713	12,614	200
30	15,538	63.6	32.4	0.527	31,794	16,202	263
Inferred Resources							
100	516	122.0	63.8	0.974	2,024	1,058	16
75	2,322	92.0	49	0.719	6,868	3,658	54
50	7,042	71.0	36.1	0.589	16,075	8,173	133
30	13,520	56.0	26.4	0.493	24,342	11,476	214

Notes:

- ⁽¹⁾ Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability. There is no certainty that all or any part of the Mineral Resources estimated will be converted into Mineral Reserves.
- ⁽²⁾ Indicated and Inferred Mineral Resources captured within the pit shell meet the test of reasonable prospect for economic extraction and can be declared a Mineral Resource.
- ⁽³⁾ Pit optimization is based on assumed gold and silver prices of US\$1,350/oz. and US\$22.50/oz., respectively, metallurgical recoveries for gold and silver were assumed at 75%, and a mining, processing and G&A cost of US\$7.15 per tonne.

⁽⁴⁾ Mineral resource tonnage and contained metal have been rounded to reflect the accuracy of the estimate, and numbers may not add due to rounding.

⁽⁵⁾ The Mineral Resource is not inclusive of the Mineral Reserves.

⁽⁶⁾ Silver Equivalent stated using a ratio of 60:1 and ounces calculated using the following conversion rate: 1 troy ounce = 31.1035 grams. Metallurgical recoveries are not accounted for in the silver equivalent calculation.

La Lajita Property, Mexico

The La Lajita Property comprises 12 mining concessions located in the south-west corner of Durango State, Mexico, along the western flanks of the Sierra Madre Occidental, in one of the largest volcanic belts in the world. This area is recognized as an extremely prospective mineral belt for gold and silver deposits. Furthermore, this area is a virgin district having never been discovered or worked by the Spanish and there are no historic mining records. There are numerous pits, adits and small shafts that have been developed by local gambusinos during the 1900's, and the locals continue to mine in the area to this day.

The property is underlain by volcanic sequences and intrusive rocks disrupted by faulting. Gold and silver mineralization is found in a number of locations along the northwest trending La Lajita and La Lajita East structures over a strike length of 2 km. Small scale mining by pick and shovel is the oldest known work on the property and dates back approximately 50 years. Gold is hand panned after pulverization of the material mined from five areas on the property. The most significant mining took place at Mina la Guadalupe where the underground workings have followed the mineralization along strike for a distance of 150 metres.

During 2003 and 2004, certain of these mining concessions were the focus of an exploration program by International Northair Mines Ltd. ("Northair"). Geologic mapping, rock sampling and other field investigations by Northair led to the discovery of several significant gold and silver mineralized zones, and there remains potential for additional discoveries both parallel to and along strike. Mineralization generally occurs as veins, stockwork and breccia zones along and adjacent to fault zones. The presence of relatively minor amounts of sulphide minerals along with hematite (locally as specularite) within these alteration zones indicates association with a low-sulfidation type epithermal system. Visible gold is present within siliceous quartz and hematite breccia hosted by maroon colored andesitic pyroclastic host rocks. Drilling completed by Northair indicates that gold and silver mineralized zones extend at least 100 meters from surface with true widths up to 12 meters. Wider zones of high grade gold and silver mineralization may also occur in areas influenced by structural intersections.

The most significant mineralization found on the property consists of five zones hosted by the La Lajita fault. From north to south these are the La Esperanza, Las Zanzas, Santo Nino, Dos Hermanos and La Lajita Zones. Three other zones are located along a secondary fault, La Lajita East, that parallels the La Lajita fault, and are known as the La Guadalupe, Los Ratones and the Cerro de Sol Zones. The initial 2013 exploration program consisted of continued geological mapping, prospecting and sampling of these zones and their immediate extensions along strike.

Exploration Activities

In 2013 Oceanus completed a helicopter-borne magnetics and radiometric survey over the property to assist with the geological interpretation of the intrusive rocks and structures. An initial sampling program was carried out and results were detailed in the Oceanus news releases dated May 8, May 29, June 12 and August 22, 2013.

In light of these encouraging results, MPO carried out a Phase 1 diamond drilling program at La Lajita. On September 24, 2013 Oceanus press released that diamond drilling had intersected high-grade gold and silver mineralization at both the Santo Nino and Dos Hermanos prospects.

MPO completed a Phase II diamond drilling program at La Lajita in summer 2014. The 2014 diamond drilling program focused on the high-grade Santa Nino "clavos" and the Dos Hermanos prospect, both of which returned excellent results from the first round of drilling in 2013. Six holes totaling 1,143.9 meters were drilled at Santo Nino to test the down dip extension of the high-grade ore shoot intersected by the discovery hole OCN-13-005.

Seven holes totaling 882.1 meters were drilled at the Dos Hermanos Prospect, four holes totaling 470.6 meters were also drilled at the northern strike extension of Dos Hermanos and four holes totaling 505.9 meters were also drilled at the southern strike extension at Dos Hermanos. This drilling has effectively doubled the strike length of the mineralized zone at Dos Hermanos to 225 meters.

MPO subsequently completed a Phase III drill program in the later part of 2014 comprised of four diamond drill holes at the Santo Nino prospect. Geological mapping, prospecting and sampling were also completed along the La Lajita fault system. Stream sediment sampling was completed in the north-western area of the property to assess the gold potential along the north-west extension of the La Lajita fault system. The Phase 3 drill program was focused to define the down dip extension of the mineralization along strike to the northwest. .

Limited exploration activities were carried out at La Lajita during 2015 and 2016 including geological mapping and prospecting with the objective of identifying new gold showings along the La Lajita fault system in the area of the Cerro del Sol prospect located along the southern extension of the fault system, as well as to the north of the Esperanza prospect. These gold-silver prospects are two of a total of eight prospects that have been identified on the La Lajita fault system.

La Lajita Option Agreements

MPO is party to three separate option agreements covering the twelve mining concessions. The terms of the three option agreements are summarized below.

Ten of the mining concessions are subject to an option agreement dated October 4, 2012 that provides for aggregate cash option payments aggregating US\$2,000,000. The remaining cash option payments as at March 31, 2015 are as follows:

- 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

MPO entered into an amending agreement effective October 1, 2015 whereby the US\$300,000 option payment that was originally due not later than October 4, 2015 was replaced with three separate option payments of US\$100,000 due on or before October 4, 2015, January 4, 2016 and March 4, 2016 respectively. The option payments due January 4, 2016 and March 4, 2016 remain outstanding at July 29, 2016.

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.

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 which have 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.

MANAGEMENT'S DISCUSSION & ANALYSIS FOR THE YEAR ENDED MARCH 31, 2016

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.

At year-end and during the first quarter of fiscal 2017 management was in discussions with the owners of the ten mining concessions to negotiate amended payment terms acceptable to the Company and management expected to successfully conclude these negotiations. As such, there was no indication of impairment at March 31, 2016. However, subsequent to year-end 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 will be recorded in fiscal 2017 for the full amount of the La Lajita resource property which was \$8,196,183 at March 31, 2016.

Qualified Person

David Duncan, P. Geo., a qualified person as defined by National Instrument 43-101, has reviewed and approved the information provided in this Management Discussion and Analysis for the year ended March 31, 2016.

Selected Financial Information

Oceanus' consolidated net loss was \$1,833,549 (\$0.03 per share) for the year ended March 31, 2016 compared to \$1,372,574 (\$0.03 per share) for the year ended March 31, 2015 and \$1,910,207 (\$0.05 per share) for the year ended March 31, 2014. For the year ended March 31, 2014 the Corporation recorded a write-down of its Lac Megantic resource property in the amount of \$0.9 million or \$0.025 per share.

The following table contains selected financial information for the years ended March 31, 2016, March 31, 2015 and March 31, 2014.

	Year ended March 31, 2016	Year ended March 31, 2015	Year ended March 31, 2014
Revenue	\$ -	\$ -	\$ -
Net loss and comprehensive loss	\$ 1,833,549	\$ 1,372,574	\$ 1,910,207
Total assets	\$ 18,350,462	\$ 8,088,225	\$ 5,815,527
Working capital (deficiency)	\$ (789,054)	\$ 341,534	\$ 1,249,637
Loans payable	\$ 1,364,807	\$ -	\$ -
Shareholder equity	\$ 16,337,645	\$ 7,685,348	\$ 5,639,267
Loss per share	\$ 0.03	\$ 0.03	\$ 0.05

Results of Operations – Three Months Ended March 31, 2016

For the three month period ended December 31, 2016 the Corporation incurred a net loss of \$474,958 as compared to a net loss of \$188,575 for the three month period ended March 31, 2015. The current period net loss includes the operating expenses of El Tigre Silver Corp.

The expenses and income incurred during the three month periods ended March 31, 2016 and March 31, 2015 are detailed in the following table.

MANAGEMENT'S DISCUSSION & ANALYSIS FOR THE YEAR ENDED MARCH 31, 2016

	3 months ended March 31, 2016	3 months ended March 31, 2015
Consulting fees	\$ 142,500	\$ 93,100
Dues and fees	\$ 11,241	\$ 9,808
Foreign exchange loss	\$ 25,659	\$ (4,175)
Insurance	\$ 45,274	\$ 12,923
Interest expense	\$ 36,764	\$ -
Office	\$ 17,199	\$ 8,078
Professional fees	\$ 41,851	\$ 37,894
Shareholder communication	\$ 30,744	\$ 3,366
Travel	\$ 10,202	\$ 27,010
Wages and benefits	\$ 113,494	\$ 1,373
Total operating expenses	\$ 474,958	\$ 189,377
Interest income	\$ -	\$ (802)
Net loss for the period	\$ 474,958	\$ 188,575

The Corporation incurred consulting fees of \$142,500 in the three month period ended March 31, 2016 compared to \$93,100 in the prior year comparable period. The increase in consulting fees recorded in the current quarter was a result of the increased level of corporate activity related to overseeing the El Tigre exploration program.

For the three month period ended March 31, 2016 the Corporation incurred a net foreign exchange loss of \$25,659 compared to a net foreign exchange gain of \$4,175 in the prior year comparable period. Mexican resource property expenditures are denominated in US dollars and Mexican Pesos and the Corporation's reporting currency is Canadian dollars, consequently foreign exchange gains and losses relating to cash balances, Mexican VAT receivable and current liabilities result with changes in the US dollar/Canadian exchange rate and the Mexican Pesos/Canadian exchange rate.

For the three month period ended March 31, 2016 the Corporation incurred insurance expense of \$45,274 compared to \$12,923 in the prior year comparable period. The increase was primarily attributed to the placement of additional insurance coverage relating to the closing of the El Tigre Transaction.

For the three month period ended March 31, 2016 the Corporation incurred interest expense on loans payable of \$35,621 compared to \$nil in the prior year comparable period. At the date of closing the El Tigre Transaction four former directors of El Tigre Silver Corp. were owed a total amount of \$1,317,921. The loans are unsecured, bear interest at the rate of 10% per annum and mature on November 13, 2016.

For the three month period ended March 31, 2016 the Corporation incurred wages and benefits of \$113,494 compared to \$1,373 in the prior year comparable period. The wage expense in the current period includes a provision for severance of employees in Mexico.

Results of Operations – Year Ended March 31, 2016

For the year ended March 31, 2016 the Corporation incurred a net loss of \$1,833,549 as compared to a net loss of \$1,372,574 for the year ended March 31, 2015. The current period net loss includes the operating expenses of El Tigre Silver Corp. for the period November 13, 2015 to March 31, 2016.

The expenses and income incurred during the years ended March 31, 2016 and March 31, 2015 are detailed in the following table.

MANAGEMENT'S DISCUSSION & ANALYSIS FOR THE YEAR ENDED MARCH 31, 2016

	12 months ended March 31, 2016	12 months ended March 31, 2015
Consulting fees	\$ 427,245	\$ 300,400
Dues and fees	\$ 55,568	\$ 30,686
Foreign exchange (gain) loss	\$ 101,065	\$ (55,039)
Insurance	\$ 90,494	\$ 46,705
Interest expense	\$ 51,812	\$ -
Office	\$ 46,331	\$ 35,258
Professional fees	\$ 171,940	\$ 296,095
Shareholder communication	\$ 45,586	\$ 38,729
Stock-based compensation	\$ 533,000	\$ 413,000
Travel	\$ 44,906	\$ 55,866
Wages and benefits	\$ 267,848	\$ 219,362
Total operating expenses	\$1,835,795	\$1,381,062
Interest income	\$ (2,246)	\$ (8,488)
Net loss for the period	\$1,833,549	\$1,372,574

The Corporation incurred consulting fees of \$427,245 in the year ended March 31, 2016 compared to \$300,400 in the prior year. The increase in consulting fees was partly attributed to the Corporation incurring twelve months of contract management services provided by the CEO in the current period compared to only seven months in the prior year comparable period.

For the year ended March 31, 2016 the Corporation incurred a net foreign exchange loss of \$101,065 compared to a net foreign exchange gain of \$55,039 in the prior year. Mexican resource property expenditures are denominated in US dollars and Mexican Pesos and the Corporation's reporting currency is Canadian dollars, consequently foreign exchange gains and losses relating to cash balances, Mexican VAT receivable and current liabilities result with changes in the US dollar/Canadian exchange rate and the Mexican Pesos/Canadian exchange rate.

For the year ended March 31, 2016 the Corporation incurred insurance expense of \$90,494 compared to \$46,705 in the prior year comparable period. The increase was primarily attributed to the placement of additional insurance coverage relating to the closing of the El Tigre Transaction.

For the year ended March 31, 2016 the Corporation incurred interest expense on loans payable of \$51,812 compared to \$nil in the prior year comparable period. At the date of closing the El Tigre Transaction four former directors of El Tigre Silver Corp. were owed a total amount of \$1,317,921. The loans are unsecured, bear interest at the rate of 10% per annum and mature on November 13, 2016.

For the year ended March 31, 2016 the Corporation incurred professional fees of \$171,940 compared to \$296,095 in the prior year. The decrease is attributed to a reduction in legal and professional services contracted.

Summary of Quarterly Results

The following table contains selected financial information for the Corporation for the past eight quarterly periods.

MANAGEMENT'S DISCUSSION & ANALYSIS FOR THE YEAR ENDED MARCH 31, 2016

	Revenue	Net loss and comprehensive loss	Total assets	Working capital (deficiency)	Shareholder equity	Loss per Share
June 30, 2014	Nil	\$ 462,413	\$ 6,034,314	\$ 419,108	\$ 5,694,154	\$0.01
September 30, 2014	Nil	\$ 333,333	\$ 8,137,494	\$2,041,046	\$ 7,987,564	\$0.01
December 31, 2014	Nil	\$ 388,253	\$ 8,113,001	\$ 756,474	\$ 7,865,311	\$0.01
March 31, 2015	Nil	\$ 188,575	\$ 8,088,225	\$ 341,534	\$ 7,685,348	\$0.004
June 30, 2015	Nil	\$ 221,886	\$ 9,197,208	\$1,249,905	\$ 8,683,309	\$0.004
September 30, 2015	Nil	\$ 291,769	\$ 9,119,200	\$ 536,455	\$ 8,421,540	\$0.004
December 31, 2015	Nil	\$ 844,936	\$18,423,911	\$(163,392)	\$16,248,508	\$0.01
March 31, 2016	Nil	\$ 474,958	\$18,350,462	\$(789,054)	\$16,337,645	\$0.01

Liquidity and Capital Resources

As at March 31, 2016 the Corporation reported cash and cash equivalents of \$876,113, total current assets of \$1,223,763 and a working capital deficiency of \$789,054.

The Corporation reported loans payable, including accrued interest, at March 31, 2016 of \$1,364,807. At the date of closing the El Tigre Transaction four former directors of El Tigre Silver Corp. were owed a total amount of \$1,317,921. This amount was comprised of loan proceeds and accrued interest thereon. The loans are unsecured, bear interest at the rate of 10% per annum and mature on November 13, 2016. For the period November 14, 2015 to March 31, 2016 accrued interest of \$46,886 was recorded.

On June 21, 2016 the Company addressed its current funding requirements by completing a bought deal financing comprised of 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 Corporation finances its operations through the issuance of equity securities. The Corporation is dependent on raising additional funding through the issuance of equity securities in order to fund future exploration programs and to meet its ongoing general and administrative requirements and while management has been successful in obtaining funding in the past, there can be no assurance that it will be able to do so in the future. The reader should refer to the "Going Concern" disclosure in the Risks and Uncertainties section of this MD&A.

Off-Balance Sheet Arrangements

The Corporation has no off-balance sheet arrangements.

Related Party Transactions

Geological and administrative consulting services were provided during the year by a corporation owned by a non-executive director of the Company. The cost of these consulting services during the year was \$66,750 (2015 - \$123,700). The Company recorded \$66,750 (2015 - \$112,000) to resource properties and \$nil (2015 - \$11,700) to professional fees.

Legal services were provided during the year by a firm of which an officer of the Company is the sole lawyer practitioner. The cost of these legal services during the year was \$116,780 (2015 - \$390,505). The Company recorded \$51,000 (2015 - \$250,908) to professional fees expense and \$65,780 (2015 - \$139,598) to share issue costs.

MANAGEMENT'S DISCUSSION & ANALYSIS FOR THE YEAR ENDED MARCH 31, 2016

The Company incurred office rent expenses of \$nil during the year (2015 - \$1,500) relating to the rental of an office from a corporation owned by a non-executive director of the Company.

During the year, the Company settled \$146,875 (2015 - \$140,000) of accounts payable that were due to the officers and companies owned by non-executive directors through the issuance of share capital.

During the year, officers, directors and close family members subscribed to an aggregate of 2,841,250 units (2015 – 817,577 shares) issued by the Company pursuant to equity financings for aggregate subscription proceeds of \$466,100 (2015 - \$286,152).

Outstanding Share Data

At March 31, 2016 the Corporation had 93,120,273 common shares issued and outstanding.

On June 21, 2016 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.

At July 29, 2016 the Corporation had 118,120,273 common shares issued and outstanding.

At March 31, 2016 and July 29, 2016 the Corporation had 9,210,000 stock options outstanding of which; 1,000,000 were granted to directors and officers having an exercise price of \$0.10 per share and expire on December 13, 2020; 420,000 were granted to directors, officers and an employee having an exercise price of \$0.20 per share and expire on May 18, 2022; 1,195,000 were granted to officers, directors, employees and consultants having an exercise price of \$0.20 per share and expire on May 16, 2023; 795,000 were granted to officers, directors, employees and consultants having an exercise price of \$0.25 per share and expire on October 7, 2023; 700,000 were granted to directors, officers and consultants having an exercise price of \$0.43 per share and expire on May 30, 2024; 50,000 were granted to an investor relations consultant having an exercise price of \$0.44 per share and expire on June 9, 2019; 650,000 were granted to officers, directors and employees having an exercise price of \$0.40 per share and expire on November 3, 2024; 385,000 were granted to officers, directors and consultants having an exercise price of \$0.21 per share and expire on June 1, 2025; and 4,015,000 were granted to officers, directors and employees having an exercise price of \$0.17 per share and expire on December 22, 2025.

At March 31, 2016 the Corporation had 19,786,750 warrants outstanding of which; 30,000 have an exercise price of \$0.30 per share and expire on June 19, 2016; 3,125,000 have an exercise price of \$0.30 per share and expire on December 19, 2016; 381,750 have an exercise price of \$0.24 per share and expire on December 22, 2017; and 16,250,000 have an exercise price of \$0.24 per share and expire on December 22, 2018.

During June 2016, 30,000 warrants expired unexercised. Pursuant to the June 2016 bought deal financing the Corporation issued 12,500,000 warrants having an exercise price of \$0.39 per share and expiring on June 21, 2018 and issued to the underwriters 1,500,000 broker warrants ("Broker Warrants"). The Broker Warrants entitle the underwriters to purchase 1,500,000 units, comprised of one common share and one-half of one warrant, at a price of \$0.23 per unit until June 21, 2018. Each full warrant shall entitle the holder to acquire one common share at an exercise price of \$0.39 per share at any time on or before June 21, 201

If all stock options and warrants were exercised, the number of common shares of the Corporation outstanding at March 31, 2016 would be 122,117,023 and at July 29, 2016 would be 161,837,023.

Risks and Uncertainties

The following are certain factors relating to the business of the Corporation. These risks and uncertainties are not the only ones facing the Corporation. Additional risks and uncertainties not currently known to the Corporation, or that the Corporation currently deems immaterial, may also impair the operations of the Corporation. If any such risks actually occur, the financial condition, liquidity and results of operations of the Corporation could be materially adversely affected and the ability of the Corporation to implement its growth plans could be adversely affected.

The following is a description of certain risks and uncertainties that may affect the business of the Corporation.

Going concern

The Corporation's ability to continue as a going concern is dependent on its ability to successfully identify, evaluate and negotiate an acquisition of, a participation in or an interest in properties, assets or businesses. The Corporation will actively seek financing from time to time to finance its operations; however, the availability, amount and timing of this financing is not certain at this time.

Capital Requirements, Liquidity and Dilution to Shareholders

Additional funds for the establishment of the Corporation's current and planned mining operations will be required. No assurances can be given that the Corporation will be able to raise the additional funding that may be required for such activities, should such funding not be fully generated from operations. Mineral prices, environmental rehabilitation or restitution, revenues, taxes, transportation costs, capital expenditures, operating expenses and geological results are all factors which will have an impact on the amount of additional capital that may be required. To meet such funding requirements, the Corporation may be required to undertake additional equity financing, which would be dilutive to shareholders. Debt financing, if available, may also involve restrictions on financing and operating activities. There is no assurance that additional financing will be available on terms acceptable to the Corporation or at all. If the Corporation is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations or anticipated expansion, and pursue only those development plans that can be funded through cash flows generated from its existing operations.

Limited Operating History

The Corporation is a relatively new company with limited operating history and no history of business or mining operations, revenue generation or production history. The Corporation was incorporated on June 14, 2010 and has yet to generate a profit from its activities. The Corporation will be subject to all of the business risks and uncertainties associated with any new business enterprise, including the risk that it will not achieve its growth objective. The Corporation anticipates that it may take several years to achieve positive cash flow from operations.

Competition

The Corporation will compete with many exploration companies that may have substantially greater financial and technical resources than the Corporation, as well as, for the recruitment and retention of qualified personnel.

Reliance on Key Individuals

The Corporation's success depends to a certain degree upon certain key members of the management. It is expected that these individuals will be a significant factor in its growth and success. The loss of the service of members of the management and certain key employees could have a material adverse effect on the Corporation.

Title to Properties

Acquisition of title to mineral properties is a very detailed and time-consuming process. Title to, and the area of, mineral properties may be disputed. The Corporation cannot give an assurance that title to its exploration properties will not be challenged or impugned. Mineral properties sometimes contain claims or transfer histories that examiners cannot verify. A successful claim that Oceanus does not have title to its exploration properties could cause the Corporation to lose any rights to explore, develop and mine any minerals on that property, without compensation for its prior expenditures relating to such property.

Other Information

Additional information regarding the Corporation is available on SEDAR at www.sedar.com.



Consolidated Financial Statements
March 31, 2016 and 2015

July 29, 2016

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 29, 2016

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, which comprise the consolidated statements of financial position as at March 31, 2016 and March 31, 2015 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 Oceanus Resources Corporation and its subsidiaries as at March 31, 2016 and March 31, 2015 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to note 1 of the consolidated financial statements which describes matters and conditions that indicate the existence of material uncertainties that may cast significant doubt about Oceanus Resources Corporation's ability to continue as a going concern.

(signed) "PricewaterhouseCoopers LLP"

Chartered Accountants

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Consolidated Statements of Financial Position
As at March 31, 2016 and March 31, 2015

	2016	2015
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	876,113	228,837
Sales tax recoverable (note 2 (c))	329,981	500,915
Prepaid expenses	17,669	14,659
	<u>1,223,763</u>	<u>744,411</u>
Resource properties (notes 5 and 6)	<u>17,126,699</u>	<u>7,343,814</u>
	<u>18,350,462</u>	<u>8,088,225</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 7)	648,010	402,877
Loans payable (note 8)	1,364,807	—
	<u>2,012,817</u>	<u>402,877</u>
Equity (note 12)	<u>16,337,645</u>	<u>7,685,348</u>
	<u>18,350,462</u>	<u>8,088,225</u>

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

Consolidated Statements of Changes in Equity
For the years ended March 31, 2016 and March 31, 2015

	Share capital \$	Contributed surplus and other \$	Warrants \$	Deficit \$	Total \$
Balance – March 31, 2014	8,302,967	597,577	4,000	(3,265,277)	5,639,267
Net loss and comprehensive loss for the year	–	–	–	(1,372,574)	(1,372,574)
Shares issued for cash, net of issue costs	2,634,455	–	–	–	2,634,455
Share issued in connection with settlement of debt obligations	238,300	–	–	–	238,300
Shares issued for cash, exercise of options	28,600	(13,600)	–	–	15,000
Shares issued for cash, exercise of warrants	1,260	–	(360)	–	900
Expiration of warrants, net of tax	–	3,640	(3,640)	–	–
Warrants issued as finders' fees	(10,000)	–	10,000	–	–
Stock based compensation	–	530,000	–	–	530,000
Balance – March 31, 2015	11,195,582	1,117,617	10,000	(4,637,851)	7,685,348
Net loss and comprehensive loss for the year	–	–	–	(1,833,549)	(1,833,549)
Shares issued for cash, net of issue costs	3,768,971	–	–	–	3,768,971
Share issued in connection with resource property acquisition	6,000,000	–	–	–	6,000,000
Share issued in connection with settlement of debt obligations	146,875	–	–	–	146,875
Expiration of warrants, net of tax	–	10,000	(10,000)	–	–
Warrants issued as finders' fees	(31,000)	–	31,000	–	–
Stock based compensation	–	570,000	–	–	570,000
Balance – March 31, 2016	21,080,429	1,697,617	31,000	(6,471,400)	16,337,645

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

Consolidated Statements of Loss and Comprehensive Loss
For the years ended March 31, 2016 and March 31, 2015

	2016	2015
	\$	\$
Operating expenses		
Professional fees	171,940	296,095
Consulting fees	427,245	300,400
Dues and fees	55,568	30,686
Foreign exchange (gain) loss	101,065	(55,039)
Insurance	90,494	46,705
Interest expense	51,812	—
Office and other	46,331	35,258
Shareholder communication	45,586	38,729
Travel	44,906	55,866
Stock-based compensation	533,000	413,000
Wages and benefits	267,848	219,362
	<u>(1,835,795)</u>	<u>(1,381,062)</u>
Other income		
Interest income	2,246	8,488
	<u>(1,833,549)</u>	<u>(1,372,574)</u>
Net loss and comprehensive loss for the years		
	<u>(1,833,549)</u>	<u>(1,372,574)</u>
Loss per share – basic and diluted	(0.03)	(0.03)
Weighted average outstanding common shares – basic and diluted	68,221,216	49,235,429

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

Consolidated Statements of Cash Flows
For the years ended March 31, 2016 and March 31, 2015

	2016	2015
	\$	\$
Cash provided by (used in)		
Operating activities		
Net loss for the years	(1,833,549)	(1,372,574)
Charges to income not affecting cash		
Stock-based compensation	533,000	413,000
Interest on loans payable	46,886	—
	<u>(1,253,663)</u>	<u>(959,574)</u>
Net changes in non-cash working capital balances related to operations		
Increase in sales tax recoverable	(215,011)	(257,224)
Increase in prepaid expenses	(3,010)	(10,975)
Increase (decrease) in accounts payable and accrued liabilities	(139,986)	270,873
	<u>(1,611,670)</u>	<u>(956,900)</u>
Investing activities		
Purchase of and expenditures on resource properties	(1,510,025)	(2,641,440)
Financing activities		
Proceeds from issuance of common shares	3,850,000	2,800,000
Share issue costs paid	(81,029)	(167,245)
Proceeds from exercise of options and warrants	—	15,900
	<u>3,768,971</u>	<u>2,648,655</u>
Net change in cash and cash equivalents for the years	647,276	(949,685)
Cash and cash equivalents – Beginning of years	<u>228,837</u>	<u>1,178,522</u>
Cash and cash equivalents – End of years	<u>876,113</u>	<u>228,837</u>
Cash and cash equivalents is comprised of:		
Cash	76,113	77,637
Short-term investments	800,000	151,200
	<u>876,113</u>	<u>228,837</u>

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

Notes to the Consolidated Financial Statements
For the years ended March 31, 2016 and March 31, 2015

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, 2016, the Company incurred a loss of \$1,833,549 (2015 - \$1,372,574). 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, to fund repayment of loans payable of \$1,364,807 due November 13, 2016 and to fund its general and administrative costs. Such circumstances lend 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. Subsequent to year-end, the Company raised gross proceeds of \$5,750,000 from the issuance of shares (see note 15). While this represents significant funding, management expects to incur significant expenditures on exploration activities over the next year.

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 29, 2016.

Notes to the Consolidated Financial Statements
For the years ended March 31, 2016 and March 31, 2015

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 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 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.

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, which historically has been very slow. In the current year, the Company has reclassified its VAT receivable in the amount of \$385,945 related to the La Lajita 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

Notes to the Consolidated Financial Statements
For the years ended March 31, 2016 and March 31, 2015

2 Basis of presentation (continued)

c) Use of estimates and judgments (continued)

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 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 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
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.

Notes to the Consolidated Financial Statements
For the years ended March 31, 2016 and March 31, 2015

3 Significant accounting policies (continued)

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, 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.

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.

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.

Notes to the Consolidated Financial Statements
For the years ended March 31, 2016 and March 31, 2015

3 Significant accounting policies (continued)

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

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 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 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.

Notes to the Consolidated Financial Statements
For the years ended March 31, 2016 and March 31, 2015

3 Significant accounting policies (continued)

i) 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.

j) 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.

k) 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.

l) New and amended standards adopted by the Company

The following standard has been adopted by the Company for the financial year which began on April 1, 2014:

i) IFRIC 21, Levies

IFRIC 21 “Levies” (“IFRIC 21”) has been amended to require entities to recognize a liability when payment is triggered under the terms of the relevant legislation. The Company adopted IFRIC 21 on January 1, 2014 on a retrospective basis. The adoption of IFRIC 21 had no impact on these consolidated financial statements.

m) Accounting Standards issued but not yet applied

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after January 1, 2015, and have not been applied in preparing these consolidated financial statements. Accordingly, the Company expects to adopt these standards as set forth below.

Notes to the Consolidated Financial Statements
For the years ended March 31, 2016 and March 31, 2015

3 Significant accounting policies (continued)

n) Accounting Standards issued but not yet applied

i) IFRS 9, Financial Instruments

IFRS 9, “Financial instruments” (“IFRS 9”) 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.

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 is currently evaluating the impact of the new standard on its consolidated financial statements.

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, 2016 totaled \$16,337,645 (2015 - \$7,685,348). 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.

Notes to the Consolidated Financial Statements
For the years ended March 31, 2016 and March 31, 2015

5 Acquisition of El Tigre Silver Corp.

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 and totaling 215 square kilometers, 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, Companhia Minerã Talaman SA de CV.

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.

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	<u>2,000,611</u>
Resource property acquisition cost recorded	<u>8,567,121</u>

6 Resource properties

	La Lajita \$	El Tigre \$	Total \$
Balance at March 31, 2014	4,389,630	–	4,389,630
Exploration costs incurred	2,655,402	–	2,655,402
Acquisition costs incurred	298,782	–	<u>298,782</u>
Balance at March 31, 2015	7,343,814	–	7,343,814
Exploration costs incurred	185,205	428,395	613,600
Acquisition costs incurred	216,219	8,567,121	8,783,340
Reclassification of VAT (note 2(c))	385,945	–	<u>385,945</u>
Year ended March 31, 2016	<u>8,131,183</u>	<u>8,995,516</u>	<u>17,126,699</u>

On March 13, 2013, the Company completed the acquisition of all 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.

Notes to the Consolidated Financial Statements
For the years ended March 31, 2016 and March 31, 2015

6 Resource properties (continued)

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 January 4, 2016 US\$100,000
On or before March 4, 2016 US\$100,000
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

MPO entered into an amending agreement effective October 1, 2015 whereby the US\$300,000 option payment that was originally due not later than October 4, 2015 was replaced with three separate option payments of US\$100,000 due on or before October 4, 2015, January 4, 2016 and March 4, 2016 respectively. The option payments due on or before January 4, 2016 and March 4, 2016 remain outstanding as at July 29, 2016.

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.

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 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 (approximately \$1,100). In the event MPO establishes mineral production on this mining concession, the monthly cash option payment increases to Mexican Pesos 20,000 (approximately \$1,600).

At year-end and during the first quarter of fiscal 2017 management was in discussions with the owners of the ten mining concessions to negotiate amended payment terms acceptable to the Company and management expected to successfully conclude these negotiations. As such, there was no indication of impairment at March 31, 2016. However, subsequent to year-end 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 will be recorded in fiscal 2017 for the full amount of the La Lajita resource property which was \$8,131,183 at March 31, 2016.

Notes to the Consolidated Financial Statements
For the years ended March 31, 2016 and March 31, 2015

7 Accounts payable and accrued liabilities

	2016 \$	2015 \$
Accounts payable	475,367	258,965
Accrued liabilities	172,643	143,912
	648,010	402,877

As at March 31, 2016, \$13,750 (2015 - \$135,000) of accounts payable and accrued liabilities is due to the Chief Executive Officer, Chief Financial Officer and other non-executive directors.

8 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 are unsecured, bear interest at the rate of 10% per annum and mature on November 13, 2016.

For the period November 14, 2015 to March 31, 2016 accrued interest of \$46,886 was recorded.

9 Related party transactions

Legal services were provided during the year by a firm of which an officer of the Company is the sole lawyer practitioner. The cost of these legal services during the year was \$116,780 (2015 - \$390,505). The Company recorded \$51,000 (2015 - \$250,908) to professional fees expense and \$65,780 (2015 - \$139,598) to share issue costs.

Geological and administrative consulting services were provided during the year by a corporation owned by a non-executive director of the Company. The cost of these consulting services during the year was \$66,750 (2015 - \$123,700). The Company recorded \$66,750 (2015 - \$112,000) to resource properties and \$nil (2015 - \$11,700) to professional fees.

The Company incurred office rent expenses of \$nil during the year (2015 - \$1,500) relating to the rental of an office from a corporation owned by a non-executive director of the Company.

During the year, the Company settled \$146,875 (2015 - \$140,000) of accounts payable that were due to the officers and companies owned by non-executive directors through the issuance of share capital.

During the year, officers, directors and close family members subscribed to an aggregate of 2,841,250 units (2015 - 817,577 shares) issued by the Company pursuant to equity financings for aggregate subscription proceeds of \$466,100 (2015 - \$286,152).

Notes to the Consolidated Financial Statements
For the years ended March 31, 2016 and March 31, 2015

10 Income taxes

a) Losses

The Company has non-capital tax losses, which include certain deductions for share issue costs, of approximately \$12.4 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

- b) At March 31, 2016, 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% (2015 – 31%) to the pre-tax net loss for the period. The reasons for the difference are as follows:

	2016 \$	2015 \$
Loss before income taxes	1,833,549	1,372,574
Income tax recovery based on statutory rates	568,000	425,000
Non-deductible stock option expense	(165,000)	(128,000)
Unutilized losses	(403,000)	(297,000)
Recovery of income taxes	—	—

- c) The following reflects deferred tax assets at March 31, 2016 and 2015:

	2016 \$	2015 \$
Deferred tax assets		
Non-capital losses	1,550,000	1,097,000
Deductible share issuance costs	63,000	129,000
Tax value in excess of accounting value of resource properties	34,000	47,000
	1,647,000	1,273,000
Portion of deferred tax assets unrecognized	(1,647,000)	(1,273,000)
	—	—

Notes to the Consolidated Financial Statements
For the years ended March 31, 2016 and March 31, 2015

11 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:

	2016 \$	2015 \$
Cash and accrued compensation and other benefits	396,750	470,269
Stock-based compensation	254,000	420,000
	<u>650,750</u>	<u>890,269</u>

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

12 Shareholders' equity

i) Capital stock

Authorized

Unlimited number of common shares, without nominal or par value

	Number of shares	Amount \$
Balance – March 31, 2014	43,146,362	8,302,967
Shares issued for cash, net of issue costs	8,000,000	2,634,455
Shares issued for cash, exercise of options	75,000	28,600
Shares issued for cash, exercise of warrants	3,000	1,260
Warrants issued as finders fees	-	(10,000)
Shares issued in settlement of liabilities, net of issue costs	727,271	238,300
Balance – March 31, 2015	51,951,633	11,195,582
Shares issued for cash, net of issue costs	22,500,000	3,768,971
Shares issued in settlement of liabilities, net of issue costs	812,500	146,875
Shares issued pursuant to resource property acquisition (Note 4)	17,856,140	6,000,000
Warrants issued as finders fees	-	(31,000)
Balance – March 31, 2016	<u>93,120,273</u>	<u>21,080,428</u>

a) Private placements

During the year ended March 31, 2016, the Company issued 6,250,000 units at \$0.20 per unit for gross proceeds of \$1,250,000. 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 \$0.30 for a period of 18 months from the closing date of the offering. The closing date of the private placement was June 19, 2015 and the capital stock value of the common shares issued as at March 31, 2016 is net of share issue costs of \$60,154.

Notes to the Consolidated Financial Statements
For the years ended March 31, 2016 and March 31, 2015

12 Shareholders' equity (continued)

i) Capital stock (continued)

During the year ended March 31, 2016, the Company issued 16,250,000 units at \$0.16 per unit for gross proceeds of \$2,600,000. Each unit consists of one common share and one common share purchase warrant. Each share purchase warrant entitles the holder to acquire one common share of the Company for \$0.24 for a period of 36 months from the closing date of the offering. The closing date of the private placement was December 23, 2015 and the capital stock value of the common shares issued as at March 31, 2016 is net of share issue costs of \$20,875.

During the year ended March 31, 2015, 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 \$165,545.

b) Shares for debt

During the year ended March 31, 2016, the Company issued 812,500 (2015 -727,271) common shares to settle accounts payable aggregating \$146,875 (2015 -\$240,000) and incurred issuance costs of \$nil (2014 - \$1,700). These are non-cash transactions and accordingly have been excluded from the statement of cash flows.

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, 2016 and March 31, 2015:

	2016	2015
Risk-free interest rate	1.5%	1.5%
Expected volatility	150%	150%
Expected dividend yield	—	—
Expected life	5 years	5 years

Notes to the Consolidated Financial Statements
For the years ended March 31, 2016 and March 31, 2015

12 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 March 31, 2016 and 2015:

	Weighted average exercise price \$	Number of Options	Weighted average remaining life (years)	Expiry date
Balance – March 31, 2014	0.18	3,485,000	6.4	
Granted during the year	0.43	700,000	8.2	May 30, 2024
Granted during the year	0.44	50,000	3.2	June 9, 2019
Granted during the year	0.40	650,000	8.6	November 3, 2024
Exercised during the year	0.20	<u>(75,000)</u>		
Balance – March 31, 2015	0.25	4,810,000		
Granted during the year	0.21	385,000	9.2	June 1, 2025
Granted during the year	0.17	<u>4,015,000</u>	9.7	December 22, 2025
Balance – March 31, 2016	0.21	<u>9,210,000</u>	8.2	

As at March 31, 2016, 102,027 options remained available for future grants under the Plan. Options vested and exercisable at March 31, 2016 totaled 9,210,000 with an average exercise price of \$0.21 per share. The weighted average grant-date fair value per option was \$0.13 for the stock options granted during the year (2015 - \$0.38). The Company capitalized \$37,000 (2015 - \$117,000) in non-cash share-based compensation expense to resource properties with the balance of \$533,000 (2015 - \$413,000) charged to operations.

iii) Contributed surplus and other

	\$
Balance – March 31, 2014	597,577
Expiration of warrants	3,640
Exercise of options	<u>(13,600)</u>
Stock-based compensation	530,000
Balance – March 31, 2015	1,117,617
Expiration of warrants	10,000
Stock-based compensation	<u>570,000</u>
Balance – March 31, 2016	<u>1,697,617</u>

Notes to the Consolidated Financial Statements
For the years ended March 31, 2016 and March 31, 2015

12 Shareholders' equity (continued)

iv) Warrants

The following table summarizes the changes in the Company's warrants for the years ended March 31, 2016 and 2015:

	Expiry date	Exercise price \$	Number	Ascribed value \$
Balance – March 31, 2014		0.30	33,370	4,000
Exercised during the year		0.30	(3,000)	(360)
Expired during the year		0.30	(30,370)	(3,640)
Warrants issued pursuant to July 2014 private placement financing	July 25, 2015	0.40	42,861	10,000
Balance – March 31, 2015		0.40	42,861	10,000
Warrants issued pursuant to June 2015 private placement financing	December 19, 2016	0.30	3,125,000	–
Finder's warrants issued pursuant to June 2015 private placement financing	June 19, 2016	0.30	30,000	2,000
Expired during the period		0.40	(42,861)	(10,000)
Warrants issued pursuant to December 2015 private placement financing	December 22, 2018	0.24	16,250,000	–
Finder's warrants issued pursuant to December 2015 private placement financing	December 22, 2017	0.24	381,750	29,000
Balance – March 31, 2016			<u>19,786,750</u>	<u>31,000</u>

The fair values of warrants issued pursuant to the June 2015 and December 2015 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 the finder's 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:

	2016	2015
Risk-free interest rate	1.5%	1.5%
Expected volatility	150%	150%
Expected dividend yield	–	–
Expected life	1.9 years	1 year

Notes to the Consolidated Financial Statements
For the years ended March 31, 2016 and March 31, 2015

13 Supplemental cash flow information

During the year ended March 31, 2016, the Company incurred expenditures on resource properties of \$158,013 (2015 - \$204,572) which were recorded as accounts payable.

14 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 \$424,491 of Mexican VAT receivable at March 31, 2016 (2015 - \$411,693). In the current year, the Company has reclassified its VAT receivable in the amount of \$385,945 related to the La Lajita 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 2016 and must obtain financing during fiscal 2016 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. 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 March 31, 2016, the Company held the following financial instruments in foreign currencies:

	US\$	Pesos
Cash	2,018	699,649
Accounts payable and accrued liabilities	40,331	1,128,219

Notes to the Consolidated Financial Statements
For the years ended March 31, 2016 and March 31, 2015

14 Financial instruments and other (continued)

Market Risk (continued)

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.

15 Subsequent events

On June 21, 2016 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. Directors, officers and close family members subscribed to an aggregate of 434,782 units for aggregate subscription proceeds of \$100,000.

The Company paid to the Underwriters a fee equal to 6% of the gross proceeds. As additional compensation, the Company issued 1,500,000 broker warrants ("Broker Warrants") to the Underwriters on the closing date. The Broker Warrants entitle the Underwriters to purchase 1,500,000 units, comprised of one common share and one-half of one warrant, at a price of \$0.23 per unit for a period of 24 months following the closing date. Each warrant shall entitle the holder to acquire one common share at an exercise price of \$0.39 per share at any time on or before the date which is 24 months after the closing date.