OCEANUS

RESOURCES CORPORATION

Consolidated Financial Statements
**March 31, 2014 and 2013**

July 25, 2014

## 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) "*Richard Gordon*"
President and Chief Executive Officer
Halifax, Nova Scotia

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

July 25, 2014

## Independent Auditor's Report

**To the Shareholders of**
**Oceanus Resources Corporation**

We have audited the accompanying consolidated financial statements of **Oceanus Resources Corporation** and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at March 31, 2014 and March 31, 2013, 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the 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, 2014 and March 31, 2013, and the results of 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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OCEANUS RESOURCES CORPORATION

# Consolidated Statements of Financial Position

**As at March 31, 2014 and March 31, 2013**

| | 2014<br>$ | 2013<br>$ |
|---|---:|---:|
| **Assets** | | |
| **Current assets** | | |
| Cash and cash equivalents | 1,178,522 | 1,955,207 |
| Sales tax recoverable | 243,691 | 28,232 |
| Prepaid expenses | 3,684 | 3,937 |
| | 1,425,897 | 1,987,376 |
| **Resource properties** (note 6) | 4,389,630 | 3,840,016 |
| | 5,815,527 | 5,827,392 |
| **Liabilities** | | |
| **Current liabilities** | | |
| Accounts payable and accrued liabilities (note 7) | 176,260 | 248,592 |
| **Equity** (note 11) | 5,639,267 | 5,578,800 |
| | 5,815,527 | 5,827,392 |

**Nature of operations and going concern** (note 1)

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

**Approved on behalf of the Board of Directors**

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

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

OCEANUS RESOURCES CORPORATION

# Consolidated Statements of Changes in Equity
**For the years ended March 31, 2014 and March 31, 2013**

| | Share capital $ | Contributed surplus and other $ | Warrants $ | Deficit $ | Total $ |
|---|---|---|---|---|---|
| **Balance – March 31, 2012** | 1,478,690 | 110,500 | – | (755,188) | 834,002 |
| Net loss and comprehensive loss for the year | – | – | – | (599,882) | (599,882) |
| Shares issued for cash, net of issue costs | 2,336,680 | – | – | – | 2,336,680 |
| Share issued for cash, exercise of agent's options | 61,000 | (21,000) | – | – | 40,000 |
| Shares issued for cash, exercise options | 36,923 | (16,923) | – | – | 20,000 |
| Shares issued in connection with resource property acquisition | 2,860,000 | – | – | – | 2,860,000 |
| Warrants issued as finders' fees | (26,000) | – | 26,000 | – | – |
| Stock based compensation | – | 88,000 | – | – | 88,000 |
| **Balance – March 31, 2013** | 6,747,293 | 160,577 | 26,000 | (1,355,070) | 5,578,800 |
| Net loss and comprehensive loss for the year | – | – | – | (1,910,207) | (1,910,207) |
| Shares issued for cash, net of issue costs | 1,314,036 | – | – | – | 1,314,036 |
| Share issued in connection with settlement of debt obligations | 245,638 | – | – | – | 245,638 |
| Expiration of warrants, net of tax | – | 26,000 | (26,000) | – | – |
| Warrants issued as finders' fees | (4,000) | – | 4,000 | – | – |
| Stock based compensation | – | 411,000 | – | – | 411,000 |
| **Balance – March 31, 2014** | 8,302,967 | 597,577 | 4,000 | (3,265,277) | 5,639,267 |

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

OCEANUS RESOURCES CORPORATION

# Consolidated Statements of Loss and Comprehensive Loss
**For the years ended March 31, 2014 and March 31, 2013**

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| **Operating expenses** | | |
| Professional fees | 244,752 | 99,662 |
| Dues and fees | 34,714 | 21,012 |
| Foreign exchange loss | 16,504 | – |
| Insurance | 43,100 | 24,552 |
| Office | 27,956 | 24,230 |
| Shareholder communication | 57,477 | 33,087 |
| Travel | 40,466 | 9,718 |
| Stock-based compensation | 306,000 | 88,000 |
| Property investigation | – | 108,647 |
| Wages and benefits | 228,957 | 231,974 |
| Write-down of resource properties | 918,016 | – |
| | (1,917,942) | (640,882) |
| **Other income** | | |
| Interest income | 7,735 | – |
| **Loss before income taxes** | (1,910,207) | (640,882) |
| **Recovery of income taxes** | – | 41,000 |
| **Net loss and comprehensive loss for the year** | (1,910,207) | (599,882) |
| **Loss per share – basic and diluted** | (0.05) | (0.04) |
| **Weighted average outstanding common shares – basic and diluted** | 36,260,226 | 16,448,591 |

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

OCEANUS RESOURCES CORPORATION

Consolidated Statements of Cash Flows

**For the years ended March 31, 2014 and March 31, 2013**

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| **Cash provided by (used in)** | | |
| **Operating activities** | | |
| Net loss for the years | (1,910,207) | (599,882) |
| Charges to income not affecting cash | | |
| Stock-based compensation | 306,000 | 88,000 |
| Write-down of resource properties | 918,016 | – |
| Recovery of income taxes | – | (41,000) |
| | (686,191) | (552,882) |
| Net changes in non-cash working capital balances related to operations | | |
| Decrease (increase) in sales tax recoverable | (215,459) | 22,834 |
| Decrease (increase) in prepaid expenses | 253 | 12,375 |
| Increase in accounts payable and accrued liabilities | 164,434 | 169,779 |
| | (736,963) | (347,894) |
| **Investing activities** | | |
| Purchase of and expenditures on resource properties | (1,353,758) | (322,578) |
| **Financing activities** | | |
| Proceeds from issuance of common shares | 1,417,833 | 2,452,961 |
| Share issue costs paid | (103,797) | (116,281) |
| Proceeds from exercise of options and agent options | – | 60,000 |
| | 1,314,036 | 2,396,680 |
| **Net change in cash and cash equivalents for the years** | (776,685) | 1,726,208 |
| **Cash and cash equivalents – Beginning of years** | 1,955,207 | 228,999 |
| **Cash and cash equivalents – End of years** | 1,178,522 | 1,955,207 |
| **Cash and cash equivalents is comprised of:** | | |
| Cash | 278,522 | 1,955,207 |
| Short-term investments | 900,000 | – |
| | 1,178,522 | 1,955,207 |

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

## 1 Nature of operations and going concern

### Nature of operations

Oceanus Resources Corporation (the "Company") was incorporated under the Canada Business Corporations Act on June 14, 2010 and its common shares are listed on the TSX Venture Exchange (the "Exchange") under the trading symbol OCN. The Company's registered office is located at 1550 Bedford Highway, Bedford, 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, 2014, the Company incurred a loss of $1,910,207. The Company has no income or cash flow from operations. In addition to its working capital requirements, the Company must secure sufficient funding to maintain legal title to its resource properties, to fund its exploration and development activities and to fund its general and administrative costs. Such circumstances may cast significant doubt as to the ability of the Company to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern. Management is evaluating alternatives to secure additional financing so that the Company can continue to operate as a going concern (see note 13). Nevertheless, there is no assurance that these initiatives will be successful or sufficient.

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

## 2 Basis of presentation

### a) Statement of compliance

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

The Board of Directors approved the consolidated financial statements for issue on July 25, 2014.

## 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.

*Resource property*

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

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

*Recoverability of resource properties*

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

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

## 2 Basis of presentation (continued)

### c) Use of estimates and judgments (continued)

*Recoverability of resource properties* (continued)

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

*Share-based payments*

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

## 3 Significant accounting policies

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

### a) Consolidation

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

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

All subsidiaries are 100% owned.

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

### b) Cash and cash equivalents

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

## 3 Significant accounting policies (continued)

### c) Financial instruments

Financial instruments are classified as follows:

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

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

### d) Impairment of financial assets

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

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

### e) Resource properties

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

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

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

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.

## 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

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

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

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

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

### h) Stock-based compensation

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

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

## 3 Significant accounting policies (continued)

### i) Flow-through shares

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

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

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

### j) Share issuance costs

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

### k) Loss per share

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

### l) Functional and presentation currency and foreign currency translation

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

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.

## 3 Significant accounting policies (continued)

### m) Accounting Standards issued but not yet applied

The Company does not expect to early adopt the following revised standards and amendments. Accordingly, the Company expects to adopt these standards as set forth below.

i) IFRIC 21, Levies

In May 2013, the IASB issued IFRIC 21, "Levies", an interpretation on the accounting for levies imposed by governments. IFRIC 21 is an interpretation of IAS 37, "Provisions, contingent liabilities and contingent assets". IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014. The Company is currently assessing the impact of adopting IFRIC 21.

ii) IFRS 9, Financial Instruments

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

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

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

## 3 Significant accounting policies (continued)

### m) Accounting Standards issued but not yet applied (continued)

iii) IAS 32, Offsetting Financial Assets and Financial Liabilities

IAS 32, "Offsetting Financial Assets and Financial Liabilities", was issued in December 2011 and amends the criterion for an entity being allowed to report financial assets and liabilities on a net basis. Retrospective application of this standard is effective for fiscal years beginning on or after January 1, 2014, with early adoption permitted. The Company has not elected for early adoption of this standard and does not expect there to be any financial impact upon adoption.

## 4 Capital management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company. The Company considers capital to be total equity, which at March 31, 2014 totaled $5,639,267. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company is not subject to externally imposed capital requirements.

## 5 Acquisition of Lunar Gold Holdings Incorporated

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

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

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

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

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

## 5 Acquisition of Lunar Gold Holdings Incorporated (continued)

One of the mining concessions is subject to an option agreement dated October 4, 2012, as amended May 9, 2013 and December 19, 2013, that provides for aggregate cash option payments of US$150,000. As at March 31, 2014 total option payments of US$130,000 had been paid with the remaining balance of US$20,000 paid subsequent to year-end.

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

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

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

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

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

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

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

## 6 Resource properties

| | Lac Mégantic $ | La Lajita $ | Total $ |
|---|---|---|---|
| **Balance at March 31, 2012** | 657,438 | – | 657,438 |
| Exploration costs incurred | 239,533 | – | 239,533 |
| Acquisition costs incurred | 19,230 | 2,923,815 | 2,943,045 |
| **Balance at March 31, 2013** | 916,201 | 2,923,815 | 3,840,016 |
| Exploration costs incurred | 1,815 | 1,137,475 | 1,139,290 |
| Acquisition costs incurred | – | 328,340 | 328,340 |
| Write-downs | (918,016) | – | (918,016) |
| **Year ended March 31, 2014** | – | 4,389,630 | 4,389,630 |

## 6 Resource properties (continued)

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

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

## 7 Accounts payable and accrued liabilities

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| Accounts payable | 53,276 | 60,611 |
| Accrued liabilities | 122,984 | 187,694 |
| Employee withholding payable | – | 287 |
| | 176,260 | 248,592 |

As at March 31, 2014, $107,177 (2013 - $133,206) of accounts payable and accrued liabilities is due to the Chief Executive Officer, Chief Financial Officer and other non-executive directors.

## 8 Related party transactions

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

Legal services were provided during the period 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 $280,807 (2013 - $163,425). The Company recorded $201,814 (2013 - $63,570) to professional fees expense, $78,993 (2013 - $37,105) to share issue costs and $nil (2013 - $62,750) to mineral property acquisition costs.

A non-executive director of the Company provided consulting services aggregating $99,000 (2013 - $9,000) during the year of which $99,000 (2013 - $nil) was charged to resource properties, $nil (2013 - $6,000) was expensed as property investigation costs and $nil (2013 - $3,000) was expensed to professional fees.

The Company incurred office rent expenses of $3,600 during the year (2013 - $3,600) relating to the rental of an office from a non-executive director of the Company.

During the year, the Company settled $245,638 of accounts payable that were due to the Chief Executive Officer and two companies owned by non-executive directors through the issuance of share capital.

## 9 Income taxes

a) Losses

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

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

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

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

c) The following reflects deferred tax assets and liabilities at March 31, 2014 and 2013:

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

## 9 Income taxes

d) Flow through premium liability

| | 2014 $ | 2013 $ |
|---|---|---|
| Opening balance | – | 41,000 |
| Flow-through share premium liability recorded on issuance of flow-through shares | – | – |
| Pro-rata reduction of flow-through premium liability | – | (41,000) |
| | – | – |

## 10 Compensation of key management

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

| | 2014 $ | 2013 $ |
|---|---|---|
| Cash and accrued compensation and other benefits | 300,923 | 204,231 |
| Stock-based compensation | 283,000 | 84,615 |
| | 583,923 | 288,846 |

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

## 11 Shareholders' equity

### i) Capital stock

**Authorized**

Unlimited number of common shares, without nominal or par value

| | Number of shares | Amount $ |
|---|---|---|
| **Balance – March 31, 2012** | 14,425,000 | 1,478,690 |
| Shares issued for cash, net of issue costs | 9,472,927 | 2,336,680 |
| Warrants issued as finders fees | – | (26,000) |
| Shares issued pursuant to the exercise of stock options | 500,000 | 97,923 |
| Shares issued pursuant to resource property option agreement | 11,000,000 | 2,860,000 |
| **Balance – March 31, 2013** | 35,397,927 | 6,747,293 |
| Shares issued for cash, net of issue costs | 6,376,836 | 1,314,036 |
| Warrants issued as finders fees | – | (4,000) |
| Shares issued in settlement of liabilities, net of issue costs | 1,371,599 | 245,638 |
| **Balance – March 31, 2014** | 43,146,362 | 8,302,967 |

As at March 31, 2014 there are 2,100,000 (2013 – 4,200,000) shares subject to an escrow agreement.

## 11 Shareholders' equity (continued)

### i) Capital stock (continued)

#### a) Private placements

During the year ended March 31, 2013, the Company issued 8,846,141 common shares at $0.26 per share for gross proceeds of $2.3 million. The closing date of the private placement was March 13, 2013 and as at March 31, 2013 the transfer of subscription proceeds aggregating $97,036 from subscribers' registered brokerage accounts remained outstanding. The 373,214 common shares relating to these subscriptions were held in trust as at March 31, 2013 and for accounting purposes were excluded from the issued number of shares. The capital stock value of the 9,472,927 shares issued during the year ended March 31, 2013 is net of share issue costs of $104,230.

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

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

### 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, 2013 and March 31, 2014:

| | 2014 | 2013 |
|---|---|---|
| Risk-free interest rate | 1.5% | 2.0% |
| Expected volatility | 150% | 100% |
| Expected dividend yield | – | – |
| Expected life | 5 years | 7.8 years |

## 11 Shareholders' equity (continued)

### ii) Stock options and other (continued)

The following table summarizes the changes in the Company's stock options and agent options during the years ended March 31, 2014 and 2013:

| | Weighted average exercise price $ | Number of Options | Weighted average remaining life (years) | Expiry date |
|---|---|---|---|---|
| **Balance – March 31, 2012** | 0.10 | 1,400,000 | 6.4 | December 13, 2020 |
| Exercised during the year | 0.10 | (500,000) | – | |
| Granted during the year | 0.20 | 520,000 | 9.1 | May 18, 2022 |
| **Balance – March 31, 2013** | 0.14 | 1,420,000 | 8.1 | |
| Granted during the year | 0.20 | 1,270,000 | 9.1 | May 16, 2023 |
| Granted during the year | 0.25 | 795,000 | 9.5 | October 7, 2023 |
| **Balance – March 31, 2014** | | 3,485,000 | 8.4 | |

As at March 31, 2014, 829,636 options remained available for future grants under the Plan. Options vested and exercisable at March 31, 2014 totaled 3,485,000 with an average exercise price of $0.18 per share. The weighted average grant-date fair value per option was $0.16 for the stock options. The Company capitalized $105,000 (2013 - $nil) in non-cash share-based compensation expense to resource properties with the balance of $306,000 (2013 - $88,000) charged to operations.

### iii) Contributed surplus and other

| | $ |
|---|---|
| **Balance – March 31, 2012** | 110,500 |
| Exercise of options and agent options | (37,923) |
| Stock-based compensation | 88,000 |
| **Balance – March 31, 2013** | 160,577 |
| Expiration of warrants | 26,000 |
| Stock-based compensation | 411,000 |
| **Balance – March 31, 2014** | 597,577 |

## 11 Shareholders' equity (continued)

### iv) Warrants

The following table summarizes the changes in the Company's warrants for the years ended March 31, 2014 and 2013:

| | Expiry date | Exercise price $ | Number | Ascribed value $ |
|---|---|---|---|---|
| **Balance – March 31, 2012** | | | – | – |
| Warrants issued pursuant to March 2013 private placement financing | March 11, 2014 | 0.30 | 176,245 | 26,000 |
| **Balance – March 31, 2013** | | 0.30 | 176,245 | 26,000 |
| Expired during the year | | 0.30 | (176,245) | (26,000) |
| Warrants issued pursuant to March 2014 private placement financing | March 7,2015 | 0.30 | 33,370 | 4,000 |
| **Balance – March 31, 2014** | | 0.30 | 33,370 | 4,000 |

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

| | 2014 | 2013 |
|---|---|---|
| Risk-free interest rate | 1.5% | 2.0% |
| Expected volatility | 150% | 100% |
| Expected dividend yield | $nil | $nil |
| Expected life | 1 year | 1 year |

## 12 Financial instruments and other

### Credit risk

The Company manages credit risk by holding its cash with high quality financial institutions in Canada, where management believes the risk of loss to be low. The Company also has $182,456 of Mexican VAT receivable at March 31, 2014. While collection has been delayed, management does not anticipate issues with collecting these amounts.

### Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. The Company does not have sufficient working capital to carry out all budgeted programs in fiscal 2015 and must obtain financing during fiscal 2015 to avoid disruption in planned expenditures (see notes 1 and 13).

## 12 Financial instruments and other (continued)

**Market Risk**

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

a) Interest rate risk

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

b) Foreign currency risk

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

As at March 31, 2014, the Company held the following financial instruments and Mexican VAT recoverable in foreign currencies:

| | US$ | Pesos |
|---|---|---|
| Cash | 58,203 | 344,980 |
| Accounts payable and accrued liabilities | 20,000 | 35,247 |
| Sales tax recoverable | – | 2,156,494 |

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.

## 13 Subsequent event

On May 30, 2014, the Company granted stock options to Officers, Directors and employees in respect of an aggregate of 700,000 common shares. The exercise price of the stock options is $0.43 per share and they vest immediately. The stock options, which were granted under Oceanus' 2010 Stock Option Plan, expire ten years from the date of grant.

On June 9, 2014, the Company granted 50,000 incentive stock options to Boom Capital, an investor relations consultant. The exercise price of the stock options is $0.44 per share and they vest on September 1, 2014. The stock options, which were granted under Oceanus' 2010 Stock Option Plan, expire five years from the date of grant.

On June 3, 2014, the Company, in accordance with the terms of TSX Venture Exchange Policy 4.3 - Shares for Debt, issued 727,271 common shares to settle accounts payable in the amount of $240,000 of which 424,241 common shares were issued to insiders to settle outstanding debt in the amount of $140,000.

## 13 Subsequent event (continued)

On July 25, 2014, the Company completed a private placement financing and issued 8,000,000 common shares at a price of $0.35 per share for aggregate proceeds of $2,800,000. In connection with the financing, the Company paid cash finder's fees of $15,002 and issued 42,861 finder's warrants. Each finder's warrant is exercisable into one common share of the Company at $0.40 per share, for a period of 12 months from the closing date. All common shares issued in connection with the Private Placement, including the finder's warrants are subject to a four-month hold period that expires on November 26, 2014.