OCEANUS
RESOURCES CORPORATION

Interim Unaudited Condensed Consolidated Financial Statements

December 31, 2016

February 28, 2017

Management's Report

The accompanying interim unaudited condensed 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 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 interim financial statements and recommended their approval by the Board of Directors.

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

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

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

OCEANUS RESOURCES CORPORATION

Unaudited Interim Condensed Consolidated Statements of Financial Position

As at December 31, 2016 and March 31, 2016

	December 31, 2016 $	March 31, 2016 $
Assets		
Current assets		
Cash and cash equivalents	2,874,588	876,113
Sales tax recoverable (note 2(c))	397,417	329,981
Prepaid expenses	24,856	17,669
	3,296,861	1,223,763
Resource properties (note 5)	11,917,191	17,126,699
	15,214,052	18,350,462
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 6)	1,292,957	648,010
Loans payable (note 7)	–	1,364,807
	1,292,957	2,012,817
Equity (note 9)	13,921,095	16,337,645
	15,214,052	18,350,462

Nature of operations and going concern (note 1)

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

Approved on behalf of the Board of Directors

(signed) *"Kevin Lindsey"*, Director

(signed) *"Glenn Holmes"*, Director

OCEANUS RESOURCES CORPORATION

Unaudited Interim Condensed Consolidated Statements of Changes in Equity

For the periods ended December 31, 2016 and 2015

	Share capital $	Contributed surplus and other $	Warrants $	Deficit $	Total $
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	–	–	–	(1,358,591)	(1,358,591)
Shares issued for cash, net of issue costs	3,204,876	–	–	–	3,204,876
Shares issued issued pursuant to resource property acquisition	6,000,000	–	–	–	6,000,000
Shares issued pursuant to settlement of debt obligations	146,875	–	–	–	146,875
Warrants issued as finders' fees	(31,000)	–	31,000	–	–
Expiration of warrants, net of tax	–	10,000	(10,000)	–	–
Stock-based compensation	–	570,000	–	–	570,000
Balance – December 31, 2015	20,516,333	1,697,617	31,000	(5,996,442)	16,248,508
Balance – March 31, 2016	21,080,428	1,697,617	31,000	(6,471,400)	16,337,645
Net loss and comprehensive loss for the period	–	–	–	(9,634,864)	(9,634,864)
Shares issued for cash, net of issue costs	6,532,114	–	–	–	6,532,114
Warrants issued for cash	–	–	125,000	–	125,000
Broker warrants issued pursuant to financing	(247,000)	–	247,000	–	–
Expiration of warrants, net of tax	–	2,000	(2,000)	–	–
Shares issued for cash, exercise of warrants	21,000	–	–	–	21,000
Shares issued for cash, exercise of stock Options	17,800	(7,600)	–	–	10,200
Stock-based compensation	–	530,000	–	–	530,000
Balance – December 31, 2016	27,404,342	2,222,017	401,000	(16,106,264)	13,921,095

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

OCEANUS RESOURCES CORPORATION

Unaudited Interim Condensed Consolidated Statements of Loss and Comprehensive Loss

For the periods ended December 31, 2016 and 2015

	Three months ended		Nine months ended	
	December 31, 2016 $	December 31, 2015 $	December 31, 2016 $	December 31, 2015 $
Operating expenses				
Consulting fees	101,702	57,500	268,685	284,745
Dues and fees	39,594	34,412	75,030	44,327
Foreign exchange loss (gain)	6,755	56,351	28,138	75,406
Insurance	13,000	20,620	17,750	45,220
Interest expense	14,840	16,191	76,567	16,191
Office and other	51,705	16,125	98,181	29,132
Professional fees	44,607	20,854	87,117	130,089
Resource property expenditures (note 5)	280,117	–	280,117	–
Shareholder communication	55,606	3,354	99,600	14,812
Stock-based compensation	357,000	481,000	357,000	533,000
Travel	50,311	11,936	83,429	34,704
Wages and benefits	15,832	127,589	41,666	154,354
Write-down of mineral properties	–	–	8,131,183	–
	(1,031,069)	(845,932)	(9,644,463)	(1,361,980)
Other income				
Interest income	6,816	996	9,599	3,389
Net loss and comprehensive loss for the period	(1,024,253)	(844,936)	(9,634,864)	(1,358,591)
Loss per share – basic and diluted	(0.01)	(0.01)	(0.09)	(0.02)
Weighted average outstanding common shares – basic and diluted	125,267,773	69,233,725	113,243,973	60,042,551

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

OCEANUS RESOURCES CORPORATION

Unaudited Interim Condensed Consolidated Statements of Cash Flows

For the periods ended December 31, 2016 and 2015

	Nine months ended Dec 31, 2016 $	Nine months ended Dec 31, 2015 $
Cash provided by (used in)		
Operating activities		
Net loss for the periods	(9,634,864)	(1,358,591)
Charges to income not affecting cash		
Write-down of mineral properties	8,131,183	–
Interest paid on loans payable	(123,453)	–
Stock-based compensation	357,000	533,000
	(1,270,134)	(825,591)
Net changes in non-cash working capital balances related to operations		
Decrease (increase) in sales tax recoverable	(67,436)	(225,391)
Decrease in prepaid expenses	(7,187)	7,339
Increase (decrease) in accounts payable and accrued liabilities	239,921	108,362
	(1,104,836)	(935,281)
Investing activities		
Acquisition of and expenditures on resource properties	(2,267,082)	(1,220,047)
Financing activities		
Repayment of loans	(1,317,921)	–
Proceeds from issuance of common shares	1,781,200	3,285,904
Proceeds from issuance of units	5,750,000	–
Share issue costs paid	(842,886)	(81,028)
	5,370,393	3,204,876
Net change in cash and cash equivalents for the periods	1,998,475	1,049,548
Cash and cash equivalents – Beginning of periods	876,113	228,837
Cash and cash equivalents – End of periods	2,874,588	1,278,385
Cash and cash equivalents is comprised of:		
Cash	224,588	1,278,385
Short-term investments	2,650,000	–
	2,874,588	1,278,385

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

1 Nature of operations and going concern

Nature of operations

Oceanus Resources Corporation (the "Company") was incorporated under the Canada Business Corporations Act on June 14, 2010 and its common shares are listed on the TSX Venture Exchange (the "Exchange") under the trading symbol OCN. The Company's registered office is located at Suite 2108, 1969 Upper Water Street, Halifax, Nova Scotia. The Company has one reportable and one geographic segment, is a mineral exploration company engaged in locating and acquiring high quality projects and exploring for gold and silver 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 International Financial Reporting Standards ("IFRS") 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 nine month period ended December 31, 2016, the Company incurred a loss of $9,634,864 (nine month period ended December 31, 2015 - $1,358,591). 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 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.

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

2 Basis of presentation

a) Statement of compliance

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

These financial statements are in compliance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). Accordingly, certain information normally included in annual financial statements prepared in accordance with IFRS, as issued by the IASB, have been omitted or condensed. The preparation of financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements have been set out in note 2 of the Company's financial statements for the year ended March 31, 2016. These financial statements should be read in conjunction with the Company financial statements for the year ended March 31, 2016.

2 Basis of presentation (continued)

a) Statement of compliance (continued)

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

The Board of Directors approved the consolidated financial statements for issue on February 28, 2017.

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.

2 Basis of presentation (continued)

c) Use of estimates and judgments (continued)

Recoverability of sales tax recoverable

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. The timing and amount of the VAT ultimately collectible could be materially different from the amount recorded in the consolidated financial statements.

During the year ended March 31, 2016, the Company reclassified its VAT receivable in the amount of $385,945 related to the La Lajita Property to resource properties. During the nine month period ended December 31, 2016 the Company recorded an impairment charge for the full amount of the La Lajita resource property, including the reclassified VAT receivable.

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

These financial statements have been prepared using the same accounting policies and methods of computation as the annual financial statements of the Company for the year ended March 31, 2016. Refer to note 3 – Significant Accounting Policies, of the Company's annual consolidated financial statements for the year ended March 31, 2016 for information on accounting policies, as well as, new accounting standards not yet effective.

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 December 31, 2016 totaled $13,921,095 (March 31, 2016 - $16,337,645). The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company is not subject to externally imposed capital requirements.

5 Resource properties

	La Lajita $	El Tigre $	Total $
Balance at March 31, 2015	7,343,814	–	7,343,814
Exploration costs incurred	112,004	210,947	322,951
Acquisition costs incurred	178,014	8,567,121	8,745,135
Balance at December 31, 2015	7,633,832	8,778,068	16,411,900
Exploration costs incurred	73,201	217,448	290,649
Acquisition costs incurred	38,025	–	38,205
Reclassification of VAT (note 2 (c))	385,945	–	385,945
Balance at March 31, 2016	8,131,183	8,995,516	17,126,699
Exploration costs incurred	–	2,921,675	2,921,675
Exploration costs written off	(8,131,183)	–	(8,131,183)
Balance at December 31, 2016	–	11,917,191	11,917,191

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

During fiscal 2017 management attempted to negotiate amended option payment terms acceptable to the Company, however, during the second quarter it became clear to management that it was unlikely that acceptable terms would be negotiated and the decision was taken to terminate the option agreement. An impairment charge was recorded in the second quarter for the full amount of the La Lajita resource property. The Company incurred termination costs associated with the La Lajita Property aggregating $280,117 during the third quarter and expensed these costs.

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

El Tigre holds nine Mexican Federal mining concessions, located in north-eastern Sonora State 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, Compãnia Minera 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.

5 Resource properties (continued)

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

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

6 Accounts payable and accrued liabilities

	December 31, 2016 $	March 31, 2016 $
Accounts payable	986,766	475,367
Accrued liabilities	306,191	172,643
	1,292,957	648,010

As at December 31, 2016, $4,792 (March 31, 2016 - $13,750) of accounts payable and accrued liabilities is due to the Chief Executive Officer, Chief Financial Officer and other non-executive directors.

7 Loans payable

At the date of closing the El Tigre Transaction four former directors of El Tigre were owed a total amount of $1,317,921. This amount was comprised of loan proceeds and accrued interest thereon. The loans are unsecured, bear interest at the rate of 10% per annum and mature on November 13, 2016. The loans payable including accrued interest were paid in full for total cash consideration of $1,441,375 during the third quarter.

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

8 Related party transactions

Geological and administrative consulting services were provided during the nine month period ended December 31, 2016 by a corporation owned by a non-executive director of the Company. The cost of these consulting services during the period was $56,250 (December 31,2015 - $48,000). The Company recorded these costs to resource properties.

During the nine month period ended December 31, 2016, officers, directors and close family members subscribed to an aggregate of 434,782 units (December 31, 2015 – 2,841,250 units) issued by the Company pursuant to equity financings for aggregate subscription proceeds of $100,000 (December 31, 2015 - $466,100).

9 Shareholders' equity

i) Capital stock

Authorized

Unlimited number of common shares, without nominal or par value

	Number of shares	Amount $
Balance – March 31, 2015	51,951,633	11,195,582
Shares issued for cash, net of issue costs	18,974,400	3,204,876
Shares issued in settlement of liabilities, net of issue costs	812,500	146,875
Shares issued pursuant to resource property acquistion	17,856,140	6,000,000
Warrants issued as finders fees	–	(31,000)
Balance – December 31, 2015	89,594,673	20,516,333
Shares issued for cash, net of issue costs	3,525,600	564,095
Balance – March 31, 2016	93,120,273	21,080,428
Shares issued for cash, net of issue costs	32,000,000	6,532,114
Broker warrants issued pursuant to bought deal financing	–	(247,000)
Shares issued for cash, exercise of warrants	87,500	21,000
Shares issued for cash, exercise of stock options	60,000	17,800
Balance – December 31, 2016	125,267,773	27,404,342

a) Private placements

During the nine month period ended December 31, 2015, the Company 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 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. The capital stock value of the common shares issued as at December 31, 2015 is net of share issue costs of $60,153.

During the nine month period ended September 30, 2016, the Company Company completed a bought deal financing and issued 25,000,000 units at a price of $0.23 per unit, for aggregate gross proceeds of $5,750,000. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole share purchase warrant entitles the holder to acquire one common share of the Company for $0.39 for a period of 24 months from the closing date of the offering. The capital stock value of the common shares issued as at December 31, 2016 is net of the warrant valuation of $125,000 and share issue costs of $726,206.

9 Shareholders' equity (continued)

i) Capital stock (continued)

a) Private placements (continued)

During the nine month period ended December 31, 2016, the Company Company completed a non-brokered private placement financing and issued 7,000,000 units at a price of $0.25 per unit, for aggregate gross proceeds of $1,750,000. The capital stock value of the common shares issued as at December 31, 2016 is net of share issue costs of $116,680.

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 interim periods ended December 31, 2016 and December 31, 2015:

	2016	2015
Risk-free interest rate	1.5%	1.5%
Expected volatility	100%	150%
Expected dividend yield	–	–
Expected life	10 years	5 years

9 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 interim periods ended December 31, 2016 and 2015

	Weighted average exercise price $	Number of Options	Weighted average remaining life (years)	Expiry date
Balance – March 31, 2015	0.25	4,810,000	7.9	
Granted during the period	0.21	385,000	9.2	June 1, 2025
Granted during the period	0.17	4,015,000	9.7	December 22, 2025
Balance – December 31, 2015 and March 31, 2016	0.21	9,210,000	8.2	
Granted during the period	0.25	2,600,000	9.8	October 31, 2026
Exercised during the period	0.17	(60,000)		
Expired during the period	0.21	(150,000)		
Balance – December 31, 2016	0.22	11,600,000	8.0	

As at December 31, 2016, 926,777 options remained available for future grants under the Plan. Options vested and exercisable at December 31, 2016 totaled 11,610,000 with an average exercise price of $0.22 per share. The weighted average grant-date fair value per option was $0.20 for the stock options granted during the nine month period ended December 31, 2016 (December 31, 2015 - $0.13). For the nine month period ended December, 2016, the Company capitalized $173,000 (December 31, 2015 - $37,000) in non-cash share-based compensation expense to resource properties with the balance of $357,000 (December 31, 2015 - $533,000) charged to operations.

iii) Contributed surplus and other

	$
Balance – March 31, 2015	1,117,617
Expiration of warrants	10,000
Stock-based compensation	570,000
Balance – December 31, 2015 and March 31, 2016	1,697,617
Stock-based compensation	530,000
Excerise of stock options	(7,600)
Expiration of warrants	2,000
Balance – December 31, 2016	2,222,017

9 Shareholders' equity (continued)

iv) Broker warrants

Pursuant to the June 2016 bought deal financing, 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.

The fair value of the Broker Warrants recognized of $247,000 has been estimated at the date of issue using the Black-Scholes option pricing model. The weighted average assumptions used in the pricing model are as follows;risk-free rate 1.5%, expected volatility 150%, expected dividend yield $nil and expected life 2 years.

v) Warrants

The following table summarizes the changes in the Company's warrants for the interim priods ended December 31, 2016 and 2015:

	Expiry date	Exercise price $	Number	Ascribed value $
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	–
Expired during the period		0.40	(42,861)	(10,000)
Finder's warrants issued pursuant to June 2015 private placement financing	June 19, 2016	0.30	30,000	2,000
Warrants issued pursuant to December 2015 private placement financing	December 22, 2018	0.24	12,274,400	–
Finder's warrants issued pursuant to December 2015 private placement financing	December 22, 2017	0.24	381,750	29,000
Balance – December 31, 2015			16,261,150	31,000
Warrants issued pursuant to December 2015 private placement financing	December 22, 2018	0.24	3,975,600	–
Balance – March 31, 2016			19,786,750	31,000
Warrants issued pursuant to June 2016 bought deal financing	June 21, 2018	0.39	12,500,000	125,000
Broker Warrants	June 21, 2018	0.23	1,500,000	247,000
Expired during the period		0.30	(3,155,000)	(2,000)
Exercised during the period		0.24	(87,500)	–
Balance – December 31, 2016			30,544,250	401,000

9 Shareholders' equity (continued)

v) Warrants (continued)

The fair value of the finder's warrants issued pursuant to the June 2015 and December 2015 private placement financings has been estimated at the grant date using the Black-Scholes option pricing model. The weighted average assumptions used in the pricing model are as follows; risk-free rate 1.5%, expected volatility 150%, expected dividend yield $nil and expected life 2 years.

The fair value of warrants issued pursuant to the June 2016 private placement financing of $125,000 has been estimated at the issue date using the residual method of valuation. For the warrants issued pursuant to the June 2015 and December 2015 private placement financings, 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 issue prices, the residual values assigned to the warrants is $nil.

vi) Deferred Share Units

During the period ended December 31, 2016 the Company adopted a deferred share unit plan (the "DSU Plan"). The DSU Plan provides that participants may elect to receive all or a portion of their annual compensation or bonus compensation, if any, in DSUs. In addition, the Board of Directors ("Board"), on the recommendation of the compensation committee of the Company ("Compensation Committee"), will have the authority to make discretionary awards of DSUs to participants under the DSU Plan.

Each DSU entitles the participant to receive one common share of the Company issued from treasury upon redemption. The maximum number of common shares that are issuable under the DSU Plan is 7,500,000, and when combined with the incentive stock option plan shall not exceed 20% of the issued and outstanding common shares.

At December 31, 2016 there were no DSU's issued or outstanding.

10 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 $360,470 of Mexican VAT receivable at December 31, 2016 (March 31, 2016 - $424,491). In the year ended March 31, 2016, the Company reclassified its VAT receivable in the amount of $385,945 related to the La Lajita Property to resource properties. During the nine month period ended December 31, 2016 the Company recorded an impairment charge for the full amount of the La Lajita resource property, including the reclassified VAT receivable. The timing and amount of the VAT ultimately collectible could be materially different from the amount recorded in the consolidated financial statements.

10 Financial instruments and other (continued)

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 may not have sufficient working capital to carry out all budgeted programs in fiscal 2017 and may have to obtain additional financing during fiscal 2017 to avoid disruption in planned expenditures (see notes 1).

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 variable rate 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 December 31, 2016, the Company held the following financial instruments in foreign currencies:

	US$	Pesos
Cash	26,115	53,838
Accounts payable and accrued liabilities	229,104	8,610,451

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.

11 Subsequent events

Subsequent to December 31, 2016, a total of 125,000 stock options were granted to directors. The stock options have an exercise price of $0.23 per share and expire on January 18, 2027.