OCEANUS
RESOURCES CORPORATION

Interim Unaudited Condensed
Consolidated Financial Statements

June 30, 2016

August 29, 2016

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

Unaudited Consolidated Statements of Financial Position

As at June 30, 2016 and March 31, 2016

	June 30, 2016 $	March 31, 2016 $
Assets		
Current assets		
Cash and cash equivalents	5,473,527	876,113
Sales tax recoverable (note 2(c))	177,613	329,981
Prepaid expenses	33,924	17,669
	5,685,064	1,223,763
Resource properties (note 5)	17,626,181	17,126,699
	23,311,245	18,350,462
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 6)	778,906	648,010
Loans payable (note 7)	1,395,502	1,364,807
	2,174,408	2,012,817
Equity (note 11)	21,136,837	16,337,645
	23,311,245	18,350,462

Nature of operations and going concern (note 1)

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

Approved on behalf of the Board of Directors

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

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

OCEANUS RESOURCES CORPORATION

Unaudited Consolidated Statements of Changes in Equity

For the periods ended June 30, 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 period	–	–	–	(221,886)	(221,886)
Shares issued for cash, net of issue costs	1,159,847	–	–	–	1,159,847
Warrants issued as finders' fees	(2,000)	–	2,000	–	–
Stock-based compensation	–	60,000	–	–	60,000
Balance – June 30, 2015	12,353,429	1,177,617	12,000	(4,859,737)	8,683,309
Net loss and comprehensive loss for the period	–	–	–	(1,611,663)	(1,611,663)
Shares issued for cash, net of issue costs	2,609,124	–	–	–	2,609,124
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	(29,000)	–	29,000	–	–
Stock-based compensation	–	510,000	–	–	510,000
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	–	–	–	(215,908)	(215,908)
Shares issued for cash, net of issue costs	4,890,100	–	–	–	4,890,100
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)	–	–
Balance – June 30, 2016	25,723,528	1,699,617	401,000	(6,687,308)	21,136,837

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

OCEANUS RESOURCES CORPORATION

Unaudited Consolidated Statements of Loss and Comprehensive Loss

For the periods ended June 30, 2016 and 2015

	Three months ended June 30, 2016 $	Three months ended June 30, 2015 $
Operating expenses		
Consulting fees	89,825	102,000
Dues and fees	12,706	2,516
Foreign exchange (gain) loss	6,645	19,792
Insurance	–	12,925
Interest expense	30,695	–
Office	15,118	4,989
Professional fees	19,618	21,093
Shareholder communication	670	3,032
Stock-based compensation	–	52,000
Travel	26,938	4,658
Wages and benefits	14,785	–
	(217,000)	(223,005)
Other income		
Interest income	1,092	1,119
Net loss and comprehensive loss for the periods	(215,908)	(221,886)
Loss per share – basic and diluted	(0.002)	(0.004)
Weighted average outstanding common shares – basic and diluted	95,043,350	52,688,996

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

OCEANUS RESOURCES CORPORATION

Unaudited Consolidated Statements of Cash Flows

For the periods ended June 30, 2016 and 2015

	Three months ended June 30, 2016 $	Three months ended June 30, 2015 $
Cash provided by (used in)		
Operating activities		
Net loss for the periods	(215,908)	(221,886)
Charges to income not affecting cash		
Interest on loans payable	30,695	–
Stock-based compensation	–	52,000
	(185,213)	(169,886)
Net changes in non-cash working capital balances related to operations		
Decrease (increase) in sales tax recoverable	152,368	(3,620)
Decrease (increase) in prepaid expenses	(16,255)	12,534
Increase in accounts payable and accrued liabilities	162,730	77,594
	113,630	(83,378)
Investing activities		
Purchase of and expenditures on resource properties	(531,316)	(48,162)
Financing activities		
Proceeds from issuance of common shares	–	1,220,000
Proceeds from issuance of units	5,750,000	–
Share issue costs paid	(734,900)	(60,153)
	5,015,100	1,159,847
Net change in cash and cash equivalents for the periods	4,597,414	1,028,307
Cash and cash equivalents – Beginning of periods	876,113	228,837
Cash and cash equivalents – End of periods	5,473,527	1,257,144
Cash and cash equivalents is comprised of:		
Cash	473,527	1,230,944
Short-term investments	5,000,000	26,200
	5,473,527	1,257,144

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

1 Nature of operations and going concern

Nature of operations

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

Going concern

These consolidated financial statements have been prepared using 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 three month period ended June 30, 2016, the Company incurred a loss of $215,908 (three month period ended June 30, 2015 - $221,886). 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 August29, 2016.

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. 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. While the Company is still pursuing collection, with the delay in processing and collection, management determined that it was appropriate to reclassify this amount to the resource property to which the VAT paid related. The timing and amount of the VAT ultimately collectible could be materially different from the amount recorded in the consolidated financial statements.

Share-based payments

The Company 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 $21,136,837 (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	85,664	–	85,664
Acquisition costs incurred	3,926	–	3,926
Balance at June 30, 2015	7,433,404	–	7,433,404
Exploration costs incurred	99,541	428,395	527,936
Acquisition costs incurred	212,293	8,567,121	8,779,414
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	–	499,482	499,482
Balance at June 30, 2016	8,131,183	9,494,998	17,626,181

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 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 August 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.

5 Resource properties (continued)

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).

During and subsequent to 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 June 30, 2016. However, subsequent to quarter 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 second quarter 2017 for the full amount of the La Lajita resource property which was $8,131,183 at June 30, 2016.

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.

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

	June 30, 2016 $	March 31, 2016 $
Accounts payable	682,473	475,367
Accrued liabilities	96,433	172,643
	778,906	648,010

As at June 30, 2016, $6,250 (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.

For the period November 14, 2015 to March 31, 2016 accrued interest of $46,886 was recorded and for the three months ended June 30, 2016 accrued interest of $30,695 was recorded.

8 Related party transactions

Legal services were provided during the three month period ended June 30, 2016 by a firm of which an officer of the Company is the sole lawyer practitioner. The cost of these legal services during the period was $7,500 (June 30, 2015 - $55,030). The Company recorded $7,500 (June 30, 2015 - $9,250) to professional fees expense and $nil (June 30, 2015 - $45,780) to share issue costs.

Geological and administrative consulting services were provided during the three month period ended June 30, 2016 by a corporation owned by a non-executive director of the Company. The cost of these consulting services during the period was $18,750 (June 30,2015 - $22,500). The Company recorded $18,750 (June 30, 2015 - $18,000) to resource properties and $nil (June 30, 2015 - $4,500) to professional fees.

During the three month period ended June 30, 2016, officers, directors and close family members subscribed to an aggregate of 2,841,250 units (June 30, 2015 – 287,500 units) issued by the Company pursuant to equity financings for aggregate subscription proceeds of $466,100 (June 30, 2015 - $57,500).

9 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% to the pre-tax net loss for the period. The reasons for the difference are as follows:

	March 31, 2016 $
Loss before income taxes	1,833,549
Income tax recovery based on statutory rates	568,000
Non-deductible stock option expense	(165,000)
Unutilized losses	(403,000)
Recovery of income taxes	–

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

	March 31, 2016 $
Deferred tax assets	
Non-capital losses	1,550,000
Deductible share issuance costs	63,000
Tax value in excess of accounting value of resource properties	34,000
	1,647,000
Portion of deferred tax assets unrecognized	(1,647,000)
	–

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:

	3 months June 30, 2016 $	3 months June 30, 2015 $
Cash and accrued compensation and other benefits	91,250	115,500
Stock-based compensation	–	40,000
	91,250	155,500

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, 2015	51,951,633	11,195,582
Shares issued for cash, net of issue costs	6,100,000	1,159,847
Warrants issued as finders fees	–	(2,000)
Balance – June 30, 2015	58,051,633	12,353,429
Shares issued for cash, net of issue costs	16,400,000	2,609,124
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	–	(29,000)
Balance – March 31, 2016	93,120,273	21,080,428
Shares issued for cash, net of issue costs	25,000,000	4,890,100
Broker warrants issued pursuant to bought deal financing	–	(247,000)
Balance – June 30, 2016	118,120,273	25,723,528

11 Shareholders' equity (continued)

i) Capital stock (continued)

a) Private placements

During the three month period ended June 30, 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 and as at June 30, 2015 the transfer of subscription proceeds aggregating $30,000 from subscribers' registered brokerage accounts remained outstanding. The 150,000 common shares and 75,000 warrants relating to these subscriptions were held in trust as at June 30, 2015 and for accounting purposes were excluded from the issued number of common shares and warrants. The capital stock value of the common shares issued as at June 30, 2015 is net of share issue costs of $60,153.

Subsequent to June 30, 2015, the Company received outstanding subscription proceeds of $30,000 and 150,000 common shares and 75,000 warrants were released from trust.

During the three month period ended June 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 June 30, 2016 is net of the warrant valuation of $125,000 and share issue costs of $734,900.

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 June 30, 2016 and June 30, 2015:

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

11 Shareholders' equity (continued)

ii) Stock options and other (continued)

The following table summarizes the changes in the Company's stock options and agent options during the interim periods ended June 30, 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	6.7	
Granted during the period	0.21	385,000	8.9	June 1, 2025
Balance – June 30, 2015	0.23	5,195,000	6.8	
Granted during the period	0.17	4,015,000	9.5	December 22, 2025
Balance – March 31, 2016 and June 30, 2016	0.21	9,210,000	8.0	

As at June 30, 2016, 2,602,027 options remained available for future grants under the Plan. Options vested and exercisable at June 30, 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 $0.24 for the stock options. For the three month period ended June 30, 2015, the Company capitalized $8,000 in non-cash share-based compensation expense to resource properties with the balance of $52,000 charged to operations.

iii) Contributed surplus and other

	$
Balance – March 31, 2015	1,117,617
Stock-based compensation	60,000
Balance – June 30, 2015	1,177,617
Expiration of warrants	10,000
Stock-based compensation	510,000
Balance – March 31, 2016	1,697,617
Expiration of warrants	2,000
Balance – June 30, 2016	1,699,617

11 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 June 30, 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	3,050,000	–
Finder's warrants issued pursuant to June 2015 private placement financing	June 19, 2016	0.30	30,000	2,000
Balance – June 30, 2015			3,122,861	12,000
Expired during the period		0.40	(42,861)	(10,000)
Warrants issued pursuant to June 2015 private placement financing	December 19, 2016	0.30	75,000	–
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			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 (note 11 (iv))	June 21, 2018	0.23	1,500,000	247,000
Expired during the period			(30,000)	(2,000)
Balance – June 30, 2016			33,756,750	401,000

11 Shareholders' equity (continued)

iv) Warrants (continued)

The fair value of the finder's warrants issued 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 for the interim periods ended June 30, 2016 and June 30, 2015 are as follows:

	2016	2015
Risk-free interest rate	1.5%	1.5%
Expected volatility	150%	150%
Expected dividend yield	$nil	$nil
Expected life	1 year	1 year

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 placements, 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.

12 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 $493,652 of Mexican VAT receivable at June 30, 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. 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 2017 and must obtain 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 interest-bearing debt and is not exposed to any significant interest rate risk.

12 Financial instruments and other (continued)

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 June 30, 2016, the Company held the following financial instruments and Mexican VAT recoverable in foreign currencies:

	US$	Pesos
Cash	98,057	130,162
Accounts payable and accrued liabilities	3,644	1,893,441

b) 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.