



**Interim Report**  
**For the Three Months Ended June 30, 2017**

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Interim Unaudited Condensed  
Consolidated Financial Statements

**June 30, 2017**

August 29, 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 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.

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, 2017 and March 31, 2017

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	June 30, 2017 \$	March 31, 2017 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	73,065	1,277,527
Sales tax recoverable (note 2 (c))	127,754	104,365
Prepaid expenses	37,770	37,526
	<hr/>	<hr/>
	238,589	1,419,418
<b>Resource properties</b> (note 5)	14,774,149	13,965,854
	<hr/>	<hr/>
	15,012,738	15,385,272
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 6)	1,800,224	1,892,771
<b>Long-term amounts payable</b> (note 6)	37,633	77,385
	<hr/>	<hr/>
	1,837,857	1,970,156
<b>Equity</b> (note 9)	13,174,881	13,415,116
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	15,012,738	15,385,272

**Nature of operations and going concern** (notes 1 and 13)

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

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

(signed) "Kevin Lindsey", Director

(signed) "Glenn Holmes", Director



**Unaudited Consolidated Statements of Changes in Equity  
For the periods ended June 30, 2017 and 2016**

	Share capital \$	Contributed surplus and other \$	Warrants \$	Deficit \$	Total \$
<b>Balance – March 31, 2016</b>	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)	–	–
<b>Balance – June 30, 2016</b>	<b>25,723,528</b>	<b>1,699,617</b>	<b>401,000</b>	<b>(6,687,308)</b>	<b>21,136,837</b>
<b>Balance – March 31, 2017</b>	27,425,942	2,248,017	379,400	(16,638,243)	13,415,116
Net loss and comprehensive loss for the period	–	–	–	(264,046)	(264,046)
Shares issued for cash, exercise of broker warrants	16,061	–	(6,700)	–	9,361
Shares issued for cash, exercise of stock options	25,250	(10,800)	–	–	14,450
<b>Balance – June 30, 2017</b>	<b>27,467,253</b>	<b>2,237,217</b>	<b>372,700</b>	<b>(16,902,289)</b>	<b>13,174,881</b>

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



Unaudited Consolidated Statements of Loss and Comprehensive Loss  
For the periods ended June 30, 2017 and 2016

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	2017	2016
	\$	\$
<b>Operating expenses</b>		
Professional fees	16,830	19,618
Consulting fees	133,435	89,825
Dues and fees	3,546	12,706
Foreign exchange (gain) loss	24,389	6,645
Insurance	13,992	—
Interest expense	—	30,695
Office and other	29,274	15,118
Shareholder communication	25,908	670
Travel	9,455	26,938
Wages and benefits	15,242	14,785
	<hr/>	<hr/>
	(272,071)	(217,000)
<b>Other income</b>		
Interest income	8,025	1,092
	<hr/>	<hr/>
<b>Net loss and comprehensive loss for the years</b>	(264,046)	(215,908)
	<hr/>	<hr/>
<b>Loss per share – basic and diluted</b>	(0.002)	(0.002)
<b>Weighted average outstanding common shares – basic and diluted</b>	125,285,770	95,043,350

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



Unaudited Consolidated Statements of Cash Flows  
For the periods ended June 30, 2017 and 2016

	2017 \$	2016 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Net loss for the periods	(264,046)	(215,908)
Charges to income not affecting cash		
Interest on loans payable	–	30,695
	(264,046)	(185,213)
Net changes in non-cash working capital balances related to operations		
Decrease (increase) in sales tax recoverable	(23,389)	152,368
Decrease (increase) in prepaid expenses	(244)	(16,255)
Increase (decrease) in accounts payable and accrued liabilities	(53,131)	162,730
	(340,810)	113,630
<b>Investing activities</b>		
Purchase of and expenditures on resource properties	(887,463)	(531,316)
<b>Financing activities</b>		
Proceeds from issuance of units	–	5,750,000
Proceeds from exercise of stock options and warrants	23,811	–
Share issue costs paid	–	(734,900)
	23,811	5,015,100
<b>Net change in cash and cash equivalents for the periods</b>	(1,204,462)	4,597,414
<b>Cash and cash equivalents – Beginning of periods</b>	1,277,527	876,113
<b>Cash and cash equivalents – End of periods</b>	73,065	5,473,527
<b>Cash and cash equivalents is comprised of:</b>		
Cash	73,065	473,527
Short-term investments	–	5,000,000
	73,065	5,473,527

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

## Notes to the Unaudited Interim Consolidated Financial Statements For the periods ended June 30, 2017 and 2016

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### 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 and on the OTCQB under the trading symbol "OCNSF". 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 precious 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 three month period ended June 30, 2017, the Company incurred a loss of \$264,046 (2016 - \$215,908). 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

Notes to the Unaudited Interim Consolidated Financial Statements  
For the periods ended June 30, 2017 and 2016

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## 2 Basis of presentation

### a) Statement of compliance (continued)

Company's financial statements for the year ended March 31, 2017. These financial statements should be read in conjunction with the Company financial statements for the year ended March 31, 2017.

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 August 29, 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

## Notes to the Unaudited Interim Consolidated Financial Statements For the periods ended June 30, 2017 and 2016

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### 2 Basis of presentation (continued)

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

generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. Cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. If the Company does not have sufficient information about a particular mineral resource property to meaningfully estimate future cash flows, the fair value is estimated by management through the use of, where available, comparison to similar market assets and, where available, industry benchmarks. Actual results may differ materially from these estimates.

#### *Recoverability of sales tax*

Management's assumptions regarding the recoverability of Value Added Tax ("VAT") receivable in Mexico, at the end of each reporting period, is made using all relevant facts available, including past collectability, the development of VAT policies and the general economic environment of the country to determine if a write-down of the VAT is required. Collection of the amount receivable depends on processing and payment of the claims by the government in Mexico, which historically has been very slow. While the Company is still pursuing collection, with the delay in processing and collection, management determined for the three month period ended June 30, 2017 that it was appropriate to record the VAT to the resource property and general and administrative expenses that the VAT related to. The timing and amount of the VAT ultimately collectible could be materially different from the amount recorded in the consolidated financial statements.

### 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, 2017. Refer to note 3 – Significant Accounting Policies, of the Company's annual consolidated financial statements for the year ended March 31, 2017 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 June 30, 2017 totaled \$13,174,881 (March 31, 2017 - \$13,415,116). The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company is not subject to externally imposed capital requirements.

Notes to the Unaudited Interim Consolidated Financial Statements  
For the periods ended June 30, 2017 and 2016

**5 Resource properties**

	La Lajita \$	El Tigre \$	Total \$
<b>Balance - March 31, 2016</b>	8,131,183	8,995,516	17,126,699
Exploration costs incurred	–	499,482	499,482
<b>Balance – June 30, 2016</b>	8,131,183	9,494,998	17,626,181
Exploration costs incurred	–	3,902,617	3,902,617
Reclassification of VAT (note 2(c))	–	568,239	568,239
Exploration costs written off	(8,131,183)	–	(8,131,183)
<b>Balance - March 31, 2017</b>	–	13,965,854	13,965,854
Acquisition costs incurred	–	103,010	103,010
Exploration costs incurred	–	705,285	705,285
<b>Balance – June 30, 2017</b>	–	14,774,149	14,774,149

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.

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

El Tigre holds nine Mexican Federal mining concessions, located in north-eastern Sonora State and totaling 215 square kilometers, of which eight are collectively referred to as the El Tigre Gold and Silver Property (“El Tigre Property”). The concessions are 100% held by El Tigre through its wholly owned subsidiary, Pacemaker Silver Mining SA de CV and its wholly owned subsidiary, Companhia Minerá 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.

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

Notes to the Unaudited Interim Consolidated Financial Statements  
For the periods ended June 30, 2017 and 2016

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

**6 Accounts payable and accrued liabilities**

	June 30, 2017 \$	March 31, 2017 \$
Accounts payable		
El Tigre Property fees	820,000	808,000
La Lajita termination payments – current portion	188,167	193,462
Other	670,472	798,619
Accrued liabilities	<u>121,585</u>	<u>92,690</u>
	1,800,224	1,892,771
La Lajita termination payments – long-term portion	<u>37,633</u>	<u>77,385</u>
	<u>1,837,857</u>	<u>1,970,156</u>

As at June 30, 2017, \$13,750 (March 31, 2017 - \$7,500) of accounts payable and accrued liabilities is due to the officers of the Company.

**7 Related party transactions**

Geological consulting services were provided during the three month period ended June 30, 2017 by a corporation owned by the Vice President Exploration of the Company. The cost of these consulting services during the period was \$18,750 (June 30, 2016 - \$18,750). The Company recorded these costs to resource properties.

Administrative consulting services were provided during the three month period ended June 30, 2017 by a corporation owned by the Chief Financial Officer of the Company. The cost of these consulting services during the period was \$22,500 (June 30, 2016 - \$22,500). The Company recorded these costs to consulting fees.

Administrative consulting services were provided during the three month period ended June 30, 2017 by a corporation owned by the Chief Executive Officer of the Company. The cost of these consulting services during the period was \$50,000 (June 30, 2016 - \$50,000). The Company recorded these costs to consulting fees.

During three month period ended June 30, 2016, officers, directors and close family members subscribed to an aggregate of 434,782 units issued by the Company pursuant to equity financings for aggregate subscription proceeds of \$100,000.

Notes to the Unaudited Interim Consolidated Financial Statements  
For the periods ended June 30, 2017 and 2016

**8 Income taxes**

a) Losses

The Company has non-capital tax losses, which include certain deductions for share issue costs, of approximately \$13.9 million available for carry-forward to reduce future years' taxable income. These non-capital tax losses expire as follows:

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

b) At March 31, 2017, the Company's effective income tax rate differs from the amount that would be computed from applying the federal and provincial statutory rate of 31% (2016 – 31%) to the pre-tax net loss for the period. The reasons for the difference are as follows:

	2017 \$	2016 \$
Loss before income taxes	10,166,843	1,833,549
Income tax recovery based on statutory rates	3,152,000	568,000
Impairment of resource properties	(2,521,000)	–
Non-deductible stock option expense	(141,000)	(165,000)
Unutilized losses	(490,000)	(403,000)
Recovery of income taxes	–	–

c) The following reflects deferred tax assets at March 31, 2017 and 2016:

	2017 \$	2016 \$
<b>Deferred tax assets</b>		
Non-capital losses	4,315,000	1,550,000
Deductible share issuance costs	243,000	63,000
Tax value in excess of accounting value of resource properties	2,369,000	34,000
	6,927,000	1,647,000
Portion of deferred tax assets unrecognized	(6,927,000)	(1,647,000)
	–	–

Notes to the Unaudited Interim Consolidated Financial Statements  
For the periods ended June 30, 2017 and 2016

9 Shareholders' equity

i) Capital stock

Authorized

Unlimited number of common shares, without nominal or par value

	Number of shares	Amount \$
<b>Balance – March 31, 2016</b>	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)
<b>Balance – June 30, 2016</b>	<u>118,120,273</u>	<u>25,723,528</u>
Shares issued for cash, net of issue costs	7,000,000	1,657,014
Shares issued for cash, exercise of warrants	87,500	27,600
Shares issued for cash, exercise of stock options	60,000	17,800
<b>Balance – March 31, 2017</b>	<u>125,267,773</u>	<u>27,425,942</u>
Shares issued for cash, exercise of broker warrants	40,700	16,061
Shares issued for cash, exercise of stock options	85,000	25,250
<b>Balance – March 31, 2017</b>	<u><u>125,393,473</u></u>	<u><u>27,467,253</u></u>

a) Private placements

During the three month period ended June 30, 2016, the Company completed a bought deal financing and issued 25,000,000 units at a price of \$0.23 per unit, for aggregate gross proceeds of \$5,750,000. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole share purchase warrant entitles the holder to acquire one common share of the Company for \$0.39 for a period of 24 months from the closing date of the offering. The capital stock value of the common shares issued as at March 31, 2017 is net of the warrant valuation of \$125,000 and share issue costs of \$718,488.

During the three month period ended September 30, 2016, the Company completed a non-brokered private placement financing and issued 7,000,000 units at a price of \$0.25 per unit, for aggregate gross proceeds of \$1,750,000. The capital stock value of the common shares issued as at March 31, 2017 is net of share issue costs of \$109,398.

Notes to the Unaudited Interim Consolidated Financial Statements  
**For the periods ended June 30, 2017 and 2016**

**9 Shareholders' equity** (continued)

**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 three month periods ended June 30, 2017 and June 30, 2016:

	<b>2017</b>	<b>2016</b>
Risk-free interest rate	1.5%	1.5%
Expected volatility	100%	150%
Expected dividend yield	—	—
Expected life	10 years	5 years

The following table summarizes the changes in the Company's stock options and agent options during the periods ended June 30, 2017 and 2016:

	<b>Weighted average exercise price \$</b>	<b>Number of Options</b>	<b>Weighted average remaining life (years)</b>
<b>Balance – March 31, 2016 and June 30, 2016</b>	0.21	<u>9,210,000</u>	7.0
<b>Balance – March 31, 2017</b>	0.22	11,725,000	7.6
Exercised during the period	0.17	<u>(85,000)</u>	
<b>Balance – June 30, 2017</b>	0.22	<u>11,640,000</u>	7.5

As at June 30, 2017, 899,347 options remained available for future grants under the Plan. Options vested and exercisable at June 30, 2017 totaled 11,640,000 with an average exercise price of \$0.22 per share.

Notes to the Unaudited Interim Consolidated Financial Statements  
For the periods ended June 30, 2017 and 2016

9 Shareholders' equity (continued)

iii) Contributed surplus and other

	\$
<b>Balance – March 31, 2016</b>	1,697,617
Expiration of warrants	<u>2,000</u>
<b>Balance – June 30, 2016</b>	<u>1,699,617</u>
<b>Balance – March 31, 2017</b>	2,248,017
Exercise of stock options	<u>(10,800)</u>
<b>Balance – June 30, 2017</b>	<u>2,237,217</u>

iv) Warrants

The following table summarizes the changes in the Company's warrants for the periods ended June 30, 2017 and 2016:

	Expiry date	Exercise price \$	Number	Ascribed value \$
<b>Balance – March 31, 2016</b>			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			<u>(30,000)</u>	<u>(2,000)</u>
<b>Balance – June 30, 2016</b>			<u>33,756,750</u>	<u>401,000</u>
<b>Balance – March 31, 2017</b>			30,544,250	379,400
Broker Warrants exercised during the period		0.23	<u>(40,700)</u>	<u>(6,700)</u>
<b>Balance – June 30, 2017</b>			<u>30,503,550</u>	<u>372,700</u>

The fair value of warrants issued pursuant to the June 2016 bought deal financing of \$125,000 has been estimated at the issue date using the residual method of valuation.

The fair value of the June 2016 broker warrants have been estimated at the grant date using the Black-Scholes option pricing model. The weighted average assumptions used in the pricing model for warrants issued are as follows:

	2017	2016
Risk-free interest rate	1.5%	1.5%
Expected volatility	150%	150%
Expected dividend yield	–	–
Expected life	2 years	2 years

Notes to the Unaudited Interim Consolidated Financial Statements  
For the periods ended June 30, 2017 and 2016

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**10 Supplemental cash flow information**

During the period ended June 30, 2017, the Company incurred expenditures on resource properties of \$636,532 which were recorded as accounts payable.

**11 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. In the prior year, the Company reclassified its VAT receivable in the amount of \$568,239 related to the El Tigre Property to resource properties. While the Company is still pursuing collection, with the delay in processing and collection, management determined that it was appropriate to reclassify this amount to the resource property to which the VAT paid related. The timing and amount of the VAT ultimately collectible could be materially different from the amount recorded in the consolidated financial statements.

**Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. The Company does not have sufficient working capital to carry out all budgeted programs in fiscal 2018 and must obtain financing during fiscal 2018 to avoid disruption in planned expenditures (see notes 1 and 14).

**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.

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.



Notes to the Unaudited Interim Consolidated Financial Statements  
For the periods ended June 30, 2017 and 2016

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**12 Commitments**

The minimum annual lease payments over the next 5 years for the lease of office space are as follows:

	\$
Year ending March 31, 2018	33,017
2019	33,017
2020	33,017
2021	33,017
2022	16,509

**13 Subsequent events**

Subsequent to June 30, 2017, the Company completed a non-brokered private placement raising aggregate gross proceeds \$3,000,000 through the issuance of 10,000,000 units at a price of \$0.30 per unit ("Unit"). Each Unit consists of one common share and one-half warrant of the Company at \$0.30 per Unit. Every two one-half common share purchase warrants of the Company entitle the subscriber to acquire one common share of the Company for \$0.40 for a period of eighteen months from the closing date. The Units issued pursuant to this private placement are subject to a 4 month hold period that expires on December 2, 2017.

Subsequent to June 30, 2017, 130,057 warrants were exercised for aggregate proceeds \$30,913.

