2019 Annual Report

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OCEANUS
RESOURCES CORPORATION

Consolidated Financial Statements
March 31, 2019 and 2018

July 29, 2019

Management's Report

The accompanying consolidated financial statements of **Oceanus Resources Corporation** (the "Company") are the responsibility of management and have been approved by the Board of Directors. The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS"). The consolidated financial statements include certain amounts and assumptions that are based on management's best estimates and have been derived with careful judgment.

In fulfilling its responsibilities, management has developed and maintains a system of internal accounting controls. These controls are designed to provide reasonable assurance that the financial records are reliable for preparation of the consolidated financial statements. The Audit Committee of the Board of Directors reviewed and approved the Company's consolidated financial statements and recommended their approval by the Board of Directors.

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

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

Independent auditor's report

To the Shareholders of Oceanus Resources Corporation

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Oceanus Resources Corporation and its subsidiaries (together, the Company) as at March 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at March 31, 2019 and 2018;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements loss and comprehensive loss for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

We draw attention to Note 1 in the consolidated financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

Auditor’s responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Lee-Anne Kovacs.

(signed) *"PricewaterhouseCoopers LLP"*

Chartered Professional Accountants, Licensed Public Accountants

Halifax, Nova Scotia
July 29, 2019

Consolidated Statements of Financial Position

As at March 31, 2019 and March 31, 2018

	March 31, 2019 $	March 31, 2018 $
Assets		
Current assets		
Cash	22,364	17,844
Sales tax recoverable (note 2 (c))	55,225	37,603
Prepaid expenses	29,596	44,118
	107,185	99,565
Resource properties (note 6)	17,966,648	16,731,855
	18,073,833	16,831,420
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 7)	2,511,435	1,470,610
Equity (note 11)	15,562,398	15,360,810
	18,073,833	16,831,420

Nature of operations and going concern (note 1)

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

Approved on behalf of the Board of Directors

(signed) "*Keith Abriel*", Director

(signed) "*Wade Anderson*", Director

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Consolidated Statements of Changes in Equity

For the years ended March 31, 2019 and March 31, 2018

	Number of shares	Share capital $	Contributed surplus $	Warrants $	Deficit $	Total $
Balance – March 31, 2017	125,267,773	27,425,942	2,248,017	379,400	(16,638,243)	13,415,116
Net loss and comprehensive loss for the year	–	–	–	–	(1,306,731)	(1,306,731)
Shares issued for cash, net of issue costs	10,000,000	2,981,002	–	–	–	2,981,002
Shares issued for cash, exercise of Broker Warrants	417,275	164,873	–	(68,900)	–	95,973
Shares issued for cash, exercise of finder's warrants	193,750	61,200	–	(14,700)	–	46,500
Shares issued for cash, exercise of warrants	425,000	102,000	–	–	–	102,000
Shares issued for cash, exercise of stock options	85,000	25,250	(10,800)	–	–	14,450
Expiry of finders warrants	–	–	7,700	(7,700)	–	–
Stock-based compensation	–	–	12,500	–	–	12,500
Balance – March 31, 2018	136,388,798	30,760,267	2,257,417	288,100	(17,944,974)	15,360,810
Net loss and comprehensive loss for the year	–	–	–	–	(1,219,141)	(1,219,141)
Shares issued for cash, net of issue costs	5,769,227	744,729				744,729
Shares issued for cash, exercise of stock options	100,000	19,000	(9,000)			10,000
Shares issued for cash, exercise of warrants	1,658,332	398,000	–	–	–	398,000
Expiration of Broker Warrants and warrants	–	–	288,100	(288,100)	–	–
Stock-based compensation	–	–	268,000	–	–	268,000
Balance – March 31, 2019	143,916,357	31,921,996	2,804,517	–	(19,164,115)	15,562,398

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

Consolidated Statements of Loss and Comprehensive Loss
For the years ended March 31, 2019 and March 31, 2018

	2019 $	2018 $
Operating expenses		
Professional fees	64,794	77,686
Consulting fees (note 8)	457,620	564,095
Dues and fees	42,864	47,517
Foreign exchange (gain) loss	(9,426)	30,809
Insurance	67,171	48,605
Office and other	115,855	115,222
Shareholder communication	73,105	172,852
Travel	25,268	104,157
Stock-based compensation	246,000	12,500
Wages and benefits	135,890	145,716
	(1,219,141)	(1,319,159)
Other income		
Interest income	–	12,428
Net loss and comprehensive loss for the years	(1,219,141)	(1,306,731)
Loss per share – basic and diluted	(0.01)	(0.01)
Weighted average outstanding common shares – basic and diluted	140,859,109	132,296,472

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

OCEANUS
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Consolidated Statements of Cash Flows
For the years ended March 31, 2019 and March 31, 2018

	2019 $	2018 $
Cash provided by (used in)		
Operating activities		
Net loss for the years	(1,219,141)	(1,306,731)
Charges to income not affecting cash		
Stock-based compensation	246,000	12,500
	(973,141)	(1,294,231)
Net changes in non-cash working capital balances related to operations		
Decrease (increase) in sales tax recoverable	(17,622)	66,762
Decrease (increase) in prepaid expenses	14,522	(6,592)
Increase (decrease) in accounts payable and accrued liabilities	284,457	(382,630)
	(691,784)	(1,616,691)
Investing activities		
Purchase of and expenditures on resource properties	(456,425)	(2,882,917)
Financing activities		
Proceeds from issuance of common shares	750,000	3,000,000
Proceeds from exercise of stock options and warrants	408,000	258,923
Share issue costs paid	(5,271)	(18,998)
	1,152,729	3,239,925
Net change in cash and cash equivalents for the years	4,520	(1,259,683)
Cash – Beginning of years	17,844	1,277,527
Cash – End of years	22,364	17,844

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. As at March 31, 2019, the Company had an accumulated deficit of $19.2 million and a working capital deficiency of $2.4 million (March 31, 2018 - $17.9 million and $1.4 million respectively). 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 cause material uncertainties that may cast significant doubt as to the ability of the Company to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern. Management is evaluating alternatives to secure additional financing, including the closing of a private placement financing subsequent to year end in the amount of $750,000 as described in Note 15, 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 consolidated statements of financial position classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

2 Basis of presentation

a) Basis of presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The Board of Directors approved the consolidated financial statements for issue on July 29, 2019.

2 Basis of presentation (continued)

b) Basis of measurement

These consolidated financial statements have been prepared under a historical cost basis.

c) Use of estimates and judgments

The preparation of the consolidated financial statements requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of expenses during the reporting period. The determination of estimates requires the exercise of judgment based on various assumptions and other factors such as historical experience and current and expected economic conditions. Actual results may differ from these estimates. The more significant areas requiring the use of management estimates and assumptions are discussed below.

Recoverability of resource properties

At the end of each reporting period, the Company assesses 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 cost of disposal 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

Management's assumptions regarding the recoverability of Value Added Tax ("VAT") receivable in Mexico, at the end of each reporting period, are 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. The Company has approximately $746,000 of VAT receivable at March 31, 2019 (March 31, 2018 - $717,000). While the Company is still pursuing collection, with the delay in processing and collection, management determined that it is appropriate to classify 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 issues equity-settled share-based payments to certain employees and third parties outside the Company. Equity-settled share-based payments are measured at fair value, excluding the effect of non-market based vesting conditions, at the date of grant. Fair value is measured using the Black-Scholes pricing model and requires the exercise of judgment in relation to variables such as expected volatilities which are based on information available at the time the fair value is measured.

3 Significant accounting policies

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

a) Consolidation

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

Company	**Activity**	**Country of incorporation**
El Tigre Silver Corp.	Holding company	Canada
Lunar Gold	Holding company	Canada
LGHI Holdings Incorporated	Holding company	Canada
Pacemaker Silver Mining S.A. de C.V.	Mineral exploration company	Mexico
Compãnia Minera Talaman SA de CV	Holding company	Mexico
0874346 B.C. Ltd	Holding company	Canada
Minera Pueblo de Oro S.A. de C.V.	Mineral exploration company	Mexico

All subsidiaries are 100% owned.

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

3 Significant accounting policies (continued)

b) Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indications exist, the assets recoverable amount is estimated.

c) Resource properties

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

If any properties are put into commercial production, the carrying values of the properties will be depleted following the unit of production method.

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

Management's estimate of recoverability of the Company's resource property has been based on current conditions. However, it is reasonably possible that changes could occur in the near term which could adversely affect management's estimates and may result in future write-downs of the resource property.

All borrowing costs including interest charges associated with resource property expenditures have been capitalized.

3 Significant accounting policies (continued)

d) Income taxes

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

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

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

e) Stock-based compensation

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

f) Related Party transactions

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

g) Share issuance costs

Costs directly attributable to the raising of capital are charged against the related share capital. Costs related to shares not yet issued are recorded as deferred share issuance costs.

3 Significant accounting policies (continued)

h) Loss per share

Loss per share is calculated based on the weighted average number of shares outstanding during the year. The Company follows the treasury method of calculating diluted earnings per share. This method assumes that any proceeds from the exercise of stock options and other dilutive instruments would be used to purchase common shares at the average market price during the year. Diluted loss per share for the periods presented is the same as basic loss per share, as the Company has incurred losses and the exercise of options and warrants would be anti-dilutive.

i) Functional and presentation currency and foreign currency translation

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

The functional currency of all subsidiaries and the parent company is Canadian dollars. Foreign currency transactions are recorded at the foreign exchange rate in effect on the date of the transaction and gains and losses resulting from the settlement of such transactions are recorded in the statements of loss and comprehensive loss.

4 New and revised IFRS accounting pronouncements

Changes in significant accounting policies

IFRS 9, *Financial Instruments*

In July 2014, the IASB issued IFRS 9 Financial Instruments: Classification and Measurements (“IFRS 9”), replacing IAS 39, Financial instruments: Recognition and Measurement. IFRS 9 is effective for the annual period beginning on January 1, 2018, with early adoption permitted. The Company adopted IFRS 9 on April 1, 2018 with no restatement of comparative periods.

Under IFRS 9, financial assets are classified on the basis of both the business model in which the assets are managed and the contractual cash flow characteristics of the asset. Financial assets after initial recognition are classified and measured either as: (a) amortized cost: (b) fair value through other comprehensive income with fair value gains and losses recycled to net income on derecognition; or (c) fair value through profit and loss.
Financial liabilities are classified and measured on two categories: (a) amortized cost or (b) fair value through profit and loss.

The Company adopted this standard using the modified retrospective without restatement approach on April 1, 2018.

4 New and revised IFRS accounting pronouncements (continued)

Impact of adoption of IFRS 9

Financial liabilities that are considered modified must be accounted for by discounting the new cash flows at the original effective interest rate, resulting in an immediate impact to the Company's net loss and comprehensive loss. Management identified no financial liabilities that were modified prior to April 1, 2018.

IFRS 9 requires the Company to use the ECL impairment model in calculating impairment provisions, which differs from the incurred credit loss model under IAS 39. The ECL model is a probability weighted estimate of credit losses. Management has determined that there is no impact on the financial statements due to this change in impairment models.

The Company determines the measurement of financial assets and liabilities at initial recognition and classifies them at amortized cost. The Company completed an assessment of its financial assets and liabilities as at April 1, 2018 and concluded that there were no changes in measurement due to the transition to IFRS 9. Cash and amounts receivable that were classified as loans and receivables under IAS 39 are classified as financial assets measured at amortized costs under IFRS 9.

There has been no impact on the Company's accounting policies related to financial liabilities as a result of adopting IFRS 9.

New IFRS pronouncements not yet adopted

IFRS 16, *Leases*

IFRS 16, "Leases" ("IFRS 16") a new standard on lease accounting, was issued on January 13, 2016 and replaces the current guidance in IAS 17. The new standard results in substantially all lessee leases being recorded on the statement of financial position. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. The Company is currently evaluating the impact of this new standard on the Company's financial statement measurement and disclosures.

5 Capital management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company. The Company considers capital to be total equity, which at March 31, 2019 totaled $15,562,398 (March 31, 2018 - $15,360,810). 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.

6 Resource properties

	Total $
Balance - March 31, 2017	13,965,854
Exploration and property costs incurred	2,766,001
Balance – March 31, 2018	16,731,855
Exploration and property costs incurred, including VAT of $746,000 (2018 - $717,000)	1,234,793
Balance – March 31, 2019	17,966,648

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 9 Mexican Federal mining concessions, located in north-eastern Sonora State, of which 8 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.

Pursuant to certain land access agreements, at such time as the El Tigre Property is put into production the Corporation is required to make the following payments to the land owners; US$3 per ounce of gold produced if the gold price is below US$1,200, US$5 per ounce of gold produced if the gold price is between US$1,201 and US$1,500 and US$7 per ounce of gold produced if the gold price is above US$1,501.

7 Accounts payable and accrued liabilities

	March 31, 2019 $	March 31, 2018 $
Accounts payable		
El Tigre Property fees	1,391,000	687,000
La Lajita termination payments	98,191	112,178
Other	776,762	531,242
Accrued liabilities	245,482	140,190
	2,511,435	1,470,610

As at March 31, 2019, $111,000 (2018 - $9,975) of accounts payable and accrued liabilities is due to the Chief Financial Officer and Vice President Exploration.

8 Related party transactions

Administrative consulting services were provided during the year ended March 31, 2019 by a corporation owned by the Chief Executive Officer of the Company. The cost of these consulting services during the period was $250,000 (2018 - $200,000). The Company recorded these costs to consulting fees.

Administrative consulting services were provided during the year ended March 31, 2019 by a corporation owned by the Chief Financial Officer of the Company. The cost of these consulting services during the period was $105,000 (2018 - $98,750). The Company recorded these costs to consulting fees.

Geological consulting services were provided during the year ended March 31, 2019 by a corporation owned by the Vice President Exploration of the Company. The cost of these consulting services during the period was $69,750 (2018 - $93,000). The Company recorded these costs to resource properties.

During the year ended March 31, 2019, officers and directors subscribed to an aggregate of 504,615 units (2018 – 1,002,668 units) issued by the Company pursuant to equity financings for aggregate subscription proceeds of $65,600 (2018 - $300,800).

9 Income taxes

a) Losses

The Company has non-capital tax losses, which include certain deductions for share issue costs, of approximately $16.7 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
2038	1,559,000
2039	1,211,000

9 Income taxes (continued)

b) At March 31, 2019, 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% (2018 – 31%) to the pre-tax net loss for the period. The reasons for the difference are as follows:

	2019 $	2018 $
Loss before income taxes	1,219,141	1,306,731
Income tax recovery based on statutory rates	378,000	410,000
Impairment of resource properties	–	–
Non-deductible stock option expense	(76,000)	(3,875)
Unutilized losses	(308,000)	(406,125)
Recovery of income taxes	–	–

c) The following reflects deferred tax assets at March 31, 2019 and 2018:

	2019 $	2018 $
Deferred tax assets		
Non-capital losses	5,173,000	4,798,000
Deductible share issuance costs	106,000	173,000
Tax value in excess of accounting value of resource properties	2,326,000	2,362,000
	7,605,000	7,333,000
Portion of deferred tax assets unrecognized	(7,605,000)	(7,333,000)
	–	–

10 Compensation of key management

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

	2019 $	2018 $
Cash and accrued compensation and other benefits	539,750	439,133
Stock-based compensation	246,000	12,500
	785,750	451,633

Cash compensation and other benefits are included in consulting fees and 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, 2017	125,267,773	27,425,942
Shares issued for cash, net of issue costs	10,000,000	2,981,002
Shares issued for cash, exercise of broker warrants	417,275	164,873
Shares issued for cash, exercise of finder's warrants	193,750	61,200
Shares issued for cash, exercise of warrants	425,000	102,000
Shares issued for cash, exercise of stock options	85,000	25,250
Balance – March 31, 2018	136,388,798	30,760,267
Shares issued for cash, net of issue costs	5,769,227	744,729
Shares issued for cash, exercise of warrants	1,658,332	398,000
Shares issued for cash, exercise of stock options	100,000	19,000
Balance – March 31, 2019	143,916,357	31,921,996

Private placements

During the year ended March 31, 2018, the Company completed a non-brokered private placement financing and issued 10,000,000 units at a price of $0.30 per unit, for aggregate gross proceeds of $3,000,000. 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 $0.40 for a period of 18 months from the closing date of the offering. The closing date of the private placement was August 1, 2017. The capital stock value of the common shares issued as at March 31, 2018 is net of share issue costs of $18,998.

During the year ended March 31, 2019, the Company completed a non-brokered private placement financing and issued 5,769,227 units at a price of $0.13 per unit, for aggregate gross proceeds of $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 $0.17 for a period of 24 months from the closing date of the offering. The closing date of the private placement was September 18, 2018. The capital stock value of the common shares issued as at March 31, 2019 is net of share issue costs of $5,271.

11 Shareholders' equity (continued)

ii) Stock options

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 periods ended March 31, 2019 and March 31, 2018:

	2019	2018
Risk-free interest rate	2.25%	2.0%
Expected volatility	105%	95%
Expected dividend yield	–	–
Expected life	10 years	10 years

The following table summarizes the changes in the Company's stock options during the periods ended March 31, 2018 and March 31, 2019:

	Weighted average exercise price $	Number of Options	Weighted average remaining life (years)	Expiry date
Balance – March 31, 2017	0.22	11,725,000	5.8	
Granted during the year	0.27	250,000	–	Forfeited during 2019
Exercised during the year	0.17	(85,000)		
Balance – March 31, 2018	0.22	11,890,000	5.8	
Granted during the year	0.10	2,600,000	9.8	January 4, 2029
Forfeited during the year	0.27	(250,000)		
Exercised during the year	0.10	(100,000)		
Balance – March 31, 2019	0.20	14,140,000	6.5	

As at March 31, 2019, 251,636 options remained available for future grants under the Plan. Options vested and exercisable at March 31, 2019 totaled 14,140,000 with an average exercise price of $0.20 per share.

The weighted average grant-date fair value per option was $0.09 for the stock options granted during the year (2018 - $0.24). The Company capitalized $22,000 (2018 - $nil) in non-cash share-based compensation expense to resource properties with the balance of $236,000 (2018 - $12,500) charged to operations.

11 Shareholders' equity (continued)

iii) Contributed surplus

	$
Balance – March 31, 2017	2,248,017
Exercise of stock options	(10,800)
Expiration of warrants	7,700
Stock-based compensation	12,500
Balance – March 31, 2018	2,257,417
Expiration of Broker Warrants and warrants	288,100
Stock-based compensation	268,000
Exercise of stock options	(9,000)
Balance – March 31, 2019	2,804,517

iv) Warrants

The following table summarizes the changes in the Company's warrants for the years ended March 31, 2018 and March 31, 2019:

	Expiry date	Exercise price $	Number	Ascribed value $
Balance – March 31, 2017			30,544,250	379,400
Warrants issued pursuant to August 2017 private placement financing	January 31, 2019	0.40	5,000,000	–
Broker Warrants exercised during the period		0.23	(417,275)	(68,900)
Warrants issued pursuant to the exercise of Broker Warrants	June 21, 2018	0.39	208,637	–
Warrants exercised during the year		0.24	(425,000)	–
Finder's warrants exercised during year		0.24	(193,750)	(14,700)
Finder's warrants expired during the year		0.24	(100,500)	(7,700)
Balance – March 31, 2018			34,616,362	288,100
Warrants exercised during the year		0.24	(1,658,332)	–
Warrants expired during the year		0.24	(14,166,668)	–
Warrants expired during the year		0.39	(12,708,637)	(110,000)
Warrants expired during the year		0.40	(5,000,000)	–
Broker Warrants expired during the year		0.23	(1,082,725)	(178,100)
Warrants issued pursuant to September 2018 private placement financing	Sept 17, 2020	0.17	2,884,612	–
Balance – March 31, 2019			2,884,612	–

The fair value of warrants issued pursuant to the August 2017 and September 2018 private placement financings have an estimated value of $nil at the issue date using the residual method of valuation.

11 Shareholders' equity (continued)

v) Deferred share units

The Company has a deferred share unit plan (the "DSU Plan") whereby Participants may elect to receive all or a portion of their annual compensation or bonus compensation, if any, in deferred share units ("DSU's"). The election, if it is made, must be for a minimum of 10%, or a multiple thereof, of such compensation in DSU's. The number of DSU's received is equal to the amount of compensation elected to be received in DSU's, divided by the volume-weighted average trading price of the Common Shares on the TSX for the 5 trading days immediately prior to the payment date. DSU's awarded under the DSU Plan in lieu of annual or bonus compensation will vest immediately.

In addition, the Board of Directors has the authority to make discretionary awards of DSU's to Participants under the DSU Plan. DSU's granted pursuant to discretionary awards will vest in accordance with the vesting schedule determined by the Board of Directors. Generally, DSU's will vest equally over three years, with one-third of the awarded DSU's vesting on each of the first, second and third anniversaries of the date of the award.

All unvested DSU's will vest immediately in the case of a change of control of the Company. In addition, in the event of the death or termination without cause of a Participant that received DSUs, the Participant's DSU's will vest immediately. The Board of Directors may at any time shorten the vesting period of any or all DSU's.

The maximum number of common shares issuable under the DSU Plan is 7,500,000. Each DSU held by a Participant must be redeemed by the company within 10 years of grant for DSU Plan shares issued from treasury. Each vested DSU held by a Participant who ceases to be an eligible employee, director or officer shall be redeemed by the Company effective as of the separation date for DSU Plan shares issued from treasury.

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 periods ended March 31, 2019 and March 31, 2018:

	2019	**2018**
Risk-free interest rate	2.25%	2.0%
Expected volatility	105%	95%
Expected dividend yield	–	–
Expected life	10 years	10 years

On January 4, 2019, the Board of Directors approved the issuance of 900,000 DSU's to officers of the Company. This was the initial grant of DSU's under the DSU Plan. The DSU's are priced at $0.10 per common share and vest over a period of three years.

The weighted average grant-date fair value per DSU was $0.09 for DSU's granted during the year. The Company charged to operations $10,000 in non-cash share-based compensation expense to operations.

12 Supplemental cash flow information

At March 31, 2019, the Company's accounts payable included expenditures on resource properties of $1,867,308 (March 31, 2018 - $1,110,940).

13 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 approximately $742,000 of Mexican VAT receivable at March 31, 2019 (March 31, 2018 - $745,000). The Company has recorded the VAT 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 2020 and must obtain financing during fiscal 2020 to avoid disruption in planned expenditures (see note 1 and 15).

Market Risk

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

a) Interest rate risk

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

b) Foreign currency risk

The Company operates in Mexico, giving rise to foreign currency risk. To limit the Company's exposure to this risk, cash is primarily held with high quality financial institutions in Canada.

As at March 31, 2019, the Company held the following financial instruments in foreign currencies:

	US$	Pesos
Cash	5,010	20,419
Accounts payable and accrued liabilities	187,513	25,095,463

13 Financial instruments and other (continued)

c) Price risk

The Company is not exposed to any direct price risk other than that associated with commodities and how fluctuations impact companies in the mineral exploration and mining industries as the Company has no significant revenues.

14 Commitments

The minimum annual lease payments for the lease of office space are as follows:

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

15 Subsequent events

Subsequent to March 31, 2019, the Company completed a non-brokered private placement raising aggregate gross proceeds of $750,000 with the issuance of 12,500,000 common shares at a price of $0.06 per common share. Certain officers and directors of Oceanus subscribed for an aggregate of 1,483,332 common shares.

Subsequent to March 31, 2019, a total of 100,000 stock options were exercised for aggregate proceeds of $10,000.