OCEANUS
RESOURCES CORPORATION

Interim Report
For the Three Months Ended
June 30, 2019

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Interim Unaudited Condensed
Consolidated Financial Statements

June 30, 2019

August 29, 2019

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 consolidated 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

Consolidated Statements of Financial Position
As at June 30, 2019 and March 31, 2019

	June 30, 2019 $	March 31, 2019 $
Assets		
Current assets		
Cash	13,859	22,364
Sales tax recoverable	29,447	55,225
Prepaid expenses	24,475	29,596
	67,781	107,185
Resource properties (note 5)	18,059,062	17,966,648
	18,126,843	18,073,833
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 6)	2,609,674	2,511,435
Equity (note 8)	15,517,169	15,562,398
	18,126,843	18,073,833

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 periods ended June 30, 2019 and 2018

	Number of shares	Share capital $	Contributed surplus $	Warrants $	Deficit $	Total $
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 period	–	–	–	–	(235,698)	(235,698)
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	–	–	11,000	–	–	11,000
Balance – June 30, 2018	138,047,130	31,158,267	2,556,517	–	(18,180,672)	15,534,112
Balance – March 31, 2019	143,916,357	31,921,996	2,804,517	–	(19,164,115)	15,562,398
Net loss and comprehensive loss for the period	–	–	–	–	(55,229)	(55,229)
Shares issued for cash, exercise of stock options	100,000	19,000	(9,000)			10,000
Balance – June 30, 2019	144,016,357	31,940,996	2,795,517	–	(19,219,344)	15,517,169

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

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Consolidated Statements of Loss and Comprehensive Loss

For the periods ended June 30, 2019 and 2018

	2019 $	2018 $
Operating expenses		
Professional fees	2,117	6,599
Consulting fees (note 7)	62,500	110,200
Dues and fees	9,044	7,609
Foreign exchange (gain) loss	(4,713)	(39,859)
Insurance	16,549	4,604
Office and other	31,034	43,390
Shareholder communication	1,322	26,760
Travel	9,053	13,053
Stock-based compensation	–	11,000
Wages and benefits	15,261	52,342
Gain on settlement of accounts payable (note 7)	(86,938)	–
Net loss and comprehensive loss for the periods	(55,229)	(235,698)
Loss per share – basic and diluted	(0.001)	(0.002)
Weighted average outstanding common shares – basic and diluted	143,959,214	137,671,856

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

Consolidated Statements of Cash Flows
For the periods ended June 30, 2019 and 2018

	2019 $	2018 $
Cash provided by (used in)		
Operating activities		
Net loss for the years	(55,229)	(235,698)
Charges to income not affecting cash		
Stock-based compensation	–	11,000
Gain on settlement of accounts payable	(86,938)	–
	(142,167)	(224,698)
Net changes in non-cash working capital balances related to operations		
Decrease in sales tax recoverable	25,778	1,740
Decrease in prepaid expenses	5,121	18,180
Increase (decrease) in accounts payable and accrued liabilities	106,582	(145,822)
	(4,686)	(350,600)
Investing activities		
Purchase of and expenditures on resource properties	(13,819)	(14,222)
Financing activities		
Proceeds from exercise of stock options and warrants	10,000	398,000
Net change in cash and cash equivalents for the years	(8,505)	33,178
Cash – Beginning of periods	22,364	17,844
Cash – End of periods	13,859	51,022

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 June 30, 2019, the Company had an accumulated deficit of $19.2 million and a working capital deficiency of $2.5 million (June 30, 2018 - $18.2 million and $1.3 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 completed a private placement financing subsequent to June 30, 2019 in the amount of $750,000 as described in Note 12, and 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 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) 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”).

2 Basis of presentation (continued)

a) Statement of compliance (continued)

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, 2019. These financial statements should be read in conjunction with the Company financial statements for the year ended March 31, 2019.

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, 2019.

b) Basis of measurement

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

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, 2019. Refer to note 3 – Significant Accounting Policies and note 4– New and Revised IFRS Accounting Pronouncements, of the Company's annual consolidated financial statements for the year ended March 31, 2019, for information on accounting policies and 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, 2019 totaled $15,517,169 (June 30, 2018 - $15,534,112). 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

	Total $
Balance - March 31, 2017	16,731,855
Exploration and property costs incurred	91,155
Balance – June 30, 2018	16,823,010
Balance – March 31, 2019	17,966,648
Exploration and property costs incurred	92,414
Balance – June 30, 2019	18,059,062

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.

6 Accounts payable and accrued liabilities

	June 30, 2019 $	March 31, 2018 $
Accounts payable		
El Tigre Property fees	1,433,000	1,391,000
La Lajita termination payments	98,191	98,191
Other	879,251	776,762
Accrued liabilities	199,232	245,482
	2,609,674	2,511,435

As at June 30, 2019, $51,042 (June 30, 2018 - $73,537) of accounts payable and accrued liabilities is due to the Chief Executive Officer, Chief Financial Officer and Vice President Exploration.

7 Related party transactions

Administrative consulting services were provided during the period ended June 30, 2019 by a corporation owned by the Chief Executive Officer of the Company. The cost of these consulting services during the period was $62,500 (2018 - $62,500). The Company recorded these costs to consulting fees.

Administrative consulting services were provided during the period ended June 30, 2019 by a corporation owned by the Chief Financial Officer of the Company ("Consultant"). The cost of these consulting services during the period was $15,000 (2018 - $26,250). The Company recorded these costs to consulting fees. During the period ended June 30, 2019, the Consultant and the Company agreed to the forgiveness of unpaid consulting fees, including HST, aggregating $46,250.

Geological consulting services were provided during the period ended June 30, 2018 by a corporation owned by the Vice President Exploration of the Company. The cost of these consulting services during the period was $23,250. The Company recorded these costs to resource properties. During the period ended June 30, 2019, the Consultant and the Company agreed to the forgiveness of unpaid consulting fees aggregating $40,688.

8 Shareholders' equity

i) Capital stock

Authorized

Unlimited number of common shares, without nominal or par value

	Number of shares	Amount $
Balance – March 31, 2018	136,388,798	30,760,267
Shares issued for cash, exercise of warrants	1,658,332	398,000
Balance – June 30, 2018	138,047,130	31,158,267
Balance – March 31, 2019	143,916,357	31,921,996
Shares issued for cash, exercise of stock options	100,000	19,000
Balance – June 30, 2019	144,016,357	31,940,996

8 Shareholders' equity

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 June 30, 2019 and June 30, 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 June 30, 2018 and June 30, 2019:

	Weighted average exercise price $	Number of Options	Weighted average remaining life (years)
Balance – March 31, 2018 and June 30, 2018	0.22	11,890,000	5.6
Balance – March 31, 2019	0.20	14,140,000	9.6
Exercised during the period	0.10	(100,000)	
Balance – June 30, 2019	0.20	14,040,000	6.3

As at June 30, 2019, 251,636 options remained available for future grants under the Plan. Options vested and exercisable at June 30, 2019 totaled 14,040,000 with an average exercise price of $0.20 per share.

8 Shareholders' equity (continued)

iii) Contributed surplus

	$
Balance – March 31, 2018	2,257,417
Expiration of Broker Warrants and warrants	288,100
Stock-based compensation	11,000
Balance – June 30, 2018	2,556,517
Balance – March 31, 2019	2,804,517
Exercise of stock options	(9,000)
Balance – June 30, 2019	2,795,517

iv) Warrants

The following table summarizes the changes in the Company's warrants for the years ended June 30, 2018 and June 30, 2019:

	Expiry date	Exercise price $	Number	Ascribed value $
Balance – March 31, 2018			34,616,362	288,100
Warrants exercised during the period		0.24	(1,658,332)	–
Broker Warrants expired during the period		0.23	(1,082,725)	(178,100)
Warrants expired during the period		0.39	(12,708,637)	(110,000)
Balance – June 30, 2018			19,166,668	–
Balance – March 31, 2019 and June 30, 2019	Sept 17, 2020	0.17	2,884,612	–

The fair value of the 2,884,612 warrants issued pursuant to the September 2018 private placement financing have an estimated value of $nil at the issue date using the residual method of valuation.

8 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 June 30, 2019 and June 30, 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 900,000 DSU's are priced at $0.10 per common share and vest over a period of three years. The fair value per DSU granted was $0.09.

9 Supplemental cash flow information

At June 30, 2019, the Company's accounts payable included expenditures on resource properties of $1,864,527 (June 30, 2018 - $1,034,007).

10 Financial instruments and other

Credit risk

The Company manages credit risk by holding its cash and cash equivalents with high quality financial institutions in Canada, where management believes the risk of loss to be low. The Company also has approximately $750,000 of Mexican VAT receivable at June 30, 2019 (March 31, 2019 - $746,000). 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 12).

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 June 30, 2019, the Company held the following financial instruments in foreign currencies:

	US$	Pesos
Cash	3,642	11,305
Accounts payable and accrued liabilities	181,013	25,778,461

10 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.

11 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

12 Subsequent events

Subsequent to June 30, 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.