Oceanic Iron Ore Corp.

Annual Financial Statements
For the years ended December 31, 2020 and 2019
(Stated in Canadian Dollars, unless otherwise indicated)

Independent auditor's report

To the Shareholders of Oceanic Iron Ore Corp.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Oceanic Iron Ore Corp. and its subsidiary (together, the Company) as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

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

- the consolidated statements of financial position as at December 31, 2020 and 2019;
- the consolidated statements of loss and comprehensive loss for the years then ended;
- the consolidated statements of changes in equity 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 significant accounting policies and other explanatory information.

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 events or 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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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 Lana Kirk.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 27, 2021

Oceanic Iron Ore Corp.

Consolidated Statements of Financial Position

	Notes		As at December 31, 2020		As at December 31, 2019
Assets					
Current					
Cash and cash equivalents		**$**	**46,632**	$	422,788
Receivables			**2,762**		20,736
Prepaid expenses and deposits			**9,779**		5,903
			59,173		449,427
Mineral properties	*4*		**43,605,303**		43,324,901
Total assets		**$**	**43,664,476**	$	43,774,328
Liabilities					
Current					
Accounts payable and accrued liabilities		**$**	**348,541**	$	279,555
Due to related parties	*9*		**501,613**		280,810
Current portion of advance royalty payable	*4*		**372,355**		369,529
			1,222,509		929,894
Non-current portion of advance royalty payable	*4*		**425,537**		427,438
Convertible debentures	*5*		**5,548,487**		1,882,260
Total liabilities			**7,196,533**		3,239,592
Shareholders' equity					
Share capital	*6a,b*		**61,318,043**		61,101,843
Reserves	*6b,c,d*		**11,108,190**		10,810,683
Deficit			**(35,958,290)**		(31,377,790)
Total shareholders' equity			**36,467,943**		40,534,736
Total liabilities and shareholders equity		**$**	**43,664,476**	$	43,774,328

Nature of operations and going concern	*1*
Commitments	*8*
Subsequent events	*12*

Approved by the Board:

" Steven Dean " Director

" Gordon Keep " Director

The accompanying notes are an integral part of these consolidated financial statements

Oceanic Iron Ore Corp.

Consolidated Statements of Loss and Comprehensive Loss

	Notes	FY2020 Year end December 31, 2020	FY2019 Year end December 31, 2019
Expenses			
Consulting and management fees	*9*	**$ 235,000**	$ 235,000
Directors' fees	*9*	**34,000**	25,000
License and insurance		**25,768**	19,540
Office and general		**27,585**	40,842
Professional fees expense		**41,705**	79,271
Rent		**11,223**	28,123
Share-based payments	*6b,c*	**313,707**	179,601
Transfer agent and regulatory		**19,768**	20,954
Wages and benefits	*9*	**69,729**	90,323
Loss from operations		**(778,485)**	(718,654)
Other (expenses) income			
(Loss) gain on convertible debenture derivative liability	*5*	**(3,573,688)**	226,273
Convertible debenture accretion expense	*5*	**(228,327)**	(347,111)
Net loss and comprehensive loss for the year		**$ (4,580,500)**	$ (839,492)
Loss per common share			
Basic and diluted		**$ (0.05)**	$ (0.01)
Weighted average number of common shares outstanding			
Basic and diluted		**92,761,760**	70,398,314

The accompanying notes are an integral part of these consolidated financial statements

Oceanic Iron Ore Corp.

Consolidated Statements of Changes in Equity
For the years ended December 31, 2020 and 2019

	Notes	**Shares**		**Share capital**		**Reserves**		**Deficit**		**Total equity**
Balance - January 1, 2020		**92,555,849**	**$**	**61,101,843**	**$**	**10,810,683**	**$**	**(31,377,790)**	**$**	**40,534,736**
Share-based payments - stock options	6c	-		-		310,536		-		310,536
Share-based payments - restricted share units	6b	-		-		3,171		-		3,171
Shares issued on settled restricted share units	6b	179,998		16,200		(16,200)		-		-
Settlement of advance royalty payment	4	1,131,221		200,000		-		-		200,000
Net loss for the year		-		-		-		(4,580,500)		(4,580,500)
Balance - December 31, 2020		**93,867,068**	**$**	**61,318,043**	**$**	**11,108,190**	**$**	**(35,958,290)**	**$**	**36,467,943**

		Shares		**Share capital**		**Reserves**		**Deficit**		**Total equity**
Balance - January 1, 2019		**69,055,849**	**$**	**60,091,231**	**$**	**10,354,193**	**$**	**(30,538,298)**	**$**	**39,907,126**
Share-based payments - stock options	6c	-		-		127,539		-		127,539
Share-based payments - restricted share units	6b	-		-		52,062				52,062
Settlement of convertible debenture	5b	19,500,000		810,612		276,889		-		1,087,501
Settlement of advance royalty payment		4,000,000		200,000		-		-		200,000
Net loss for the year		-		-		-		(839,492)		(839,492)
Balance - December 31, 2019		**92,555,849**	**$**	**61,101,843**	**$**	**10,810,683**	**$**	**(31,377,790)**	**$**	**40,534,736**

The accompanying notes are an integral part of these financial statements

Oceanic Iron Ore Corp.

Consolidated Statements of Cash Flows
For the years ended December 31, 2020 and 2019

	Notes	Year end December 31, 2020	Year end December 31, 2019
Operating activities			
Net loss for the year		$ (4,580,500)	$ (839,492)
Adjustments for:			
Share-based payments	6b,c	313,707	179,601
Loss (gain) on convertible debenture derivative liability	5	3,573,688	(226,273)
Convertible debenture accretion expense	5	228,327	347,111
Net changes in non-cash working capital balances:			
Prepaid expenses and deposits		(3,878)	(2,081)
Receivables		16,476	5,170
Accounts payable and accrued liabilities		81,143	90,981
Due to related parties		220,803	149,644
Cash used in operating activities		$ (150,234)	$ (295,339)
Investing activities			
Mineral property expenditures	4b	(90,134)	(430,803)
Cash used in investing activities		(90,134)	(430,803)
Financing activities			
Interest paid on convertible debenture	5	(135,788)	(210,578)
Cash used in financing activities		(135,788)	(210,578)
Change in cash and cash equivalents during the year		(376,156)	(936,720)
Cash and cash equivalents, beginning of year		422,788	1,359,508
Cash and cash equivalents, end of year		$ 46,632	$ 422,788
Non cash investing and financing activities			
Accretion of royalty liability		124,247	120,184
Change in estimate - advance royalty		76,678	157,254
Settlement of convertible debenture		-	(1,087,501)
Settlement of advance royalty payable		(200,000)	(200,000)

The accompanying notes are an integral part of these consolidated financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN

Oceanic Iron Ore Corp. (“Oceanic” or the “Company”) is an exploration-stage company engaged in the acquisition and exploration of iron ore properties in Québec, Canada. The Company was incorporated on March 8, 1986 under the British Columbia Business Corporations Act. The Company maintains its head office at 595 Burrard Street, Suite 3083, Vancouver, British Columbia. The Company’s registered/records office is located at 1500 – 1055 West Georgia Street, Vancouver, British Columbia. Its common shares are traded on the TSX Venture Exchange under the symbol “FEO”.

The Company acquired a 100% interest in certain mining claims (the “Property”) located near Ungava Bay, Québec, Canada, in November 2010. The Company is currently conducting exploration activities on the Property.

While these financial statements have been prepared on the basis that the Company will continue as a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due, certain conditions and events result in a material uncertainty casting significant doubt on the validity of this assumption. For the year ended December 31, 2020, the Company reported a net loss of $4,580,500 and as at that date had an accumulated deficit of $35,958,290 and a working capital deficit of $1,163,336. While the Company has completed a non-brokered private placement in the amount of $1,557,548 subsequent to year-end (see note 12(a)), the Company will need to raise additional funds in order to meet its current obligations and to finance ongoing exploration, development and administrative expenses over the coming 12 months. The Company continues to pursue a number of options to improve its financial capacity, including securing a strategic partner to further advance the Hopes Advance project, and obtaining cash flow through other forms of financing. The success of raising such funds cannot be assured.

Factors that could affect the availability of financing include the Company’s performance, the state of international debt and equity markets which may be adversely impacted by uncertainty arising from the ongoing novel coronavirus (“COVID-19”) pandemic, investor perceptions and expectations, the retention of key executive management and the state of global financial and metals markets.

These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary were the going concern assumption deemed to be inappropriate, and these adjustments could be material.

2. BASIS OF PRESENTATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board. The accounting policies followed in these consolidated financial statements have been consistently applied in all periods presented. These consolidated financial statements include the accounts of the Company and its inactive subsidiary incorporated in Canada.

These financial statements were approved by the board of directors on April 27, 2021.

3. SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATION UNCERTAINTY

Mineral properties

Mineral properties consist of exploration and mining concessions, options and contracts. Acquisition costs are capitalized and deferred until such time as the property is put into production or the property is disposed of, either through sale or abandonment, or becomes impaired. If a property is put into production, the cost of acquisition will be amortized over the life of the property based on estimated economic reserves. If a property is abandoned, the acquisition costs will be written off to operations. Recorded costs of mineral properties are not intended to reflect present or future values of the properties. The recorded costs are subject to measurement uncertainty and it is reasonably possible, based on existing knowledge, that changes in future conditions could require a material change in the recognized amounts. Although the Company has taken steps that it considers adequate to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title.

Once the rights to explore an area have been secured, expenditures on exploration and evaluation activities are capitalized to exploration and evaluation assets and classified as a component of mineral properties. Exploration expenditures relate to the initial search for deposits with economic potential and to detailed assessments of deposits or other projects that have been identified as having economic potential.

Impairment of mineral properties

Mineral properties are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Evaluating recoverability during the exploration and evaluation phase requires judgment in determining whether future economic benefits from future exploitation, sale or otherwise are likely. Evaluations may be more complex where activities have not reached a stage which permits a reasonable assessment of the existence of reserves or resources. Management must make certain estimates and assumptions about future events or circumstances including, but not limited to, the interpretation of geological, geophysical and seismic data, the Company's intention to continue exploration and evaluation activities, the impact of government legislation and political stability in the region, and the impact of current and expected future iron ore prices on potential reserves.

Investment tax credits

The Company is eligible to receive investment tax credits ("ITCs") related to certain exploration expenditures. The amount of the ITC reduces the Company's exploration expenses. Due to the uncertainty around the timing and amount of the ITC, it is recorded only when the eligible expense is incurred and there is intent by management to claim the ITC related to the eligible expense.

Asset retirement obligations

Asset retirement obligations will be recognized for estimated obligations related to the retirement of long-lived tangible assets that arise from the acquisition, construction, development or normal operation of such assets.

3. SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATION UNCERTAINTY (continued)

Asset retirement obligations (continued)

A liability for an asset retirement obligation is recognized in the period in which it is incurred and when a reasonable estimate of the value of the liability can be made, with the corresponding asset retirement cost recognized by increasing the carrying amount of the related long-lived asset. The asset retirement cost is subsequently allocated in a rational and systematic method over the underlying asset's useful life. The initial fair value of the liability is accreted, by charges to operations, to its estimated future value. The Company had no asset retirement obligations at December 31, 2020.

Cash and cash equivalents

Cash and cash equivalents include amounts held in banks and highly liquid investments which are readily convertible to known amounts of cash at any time without penalty and which, in the opinion of management, are subject to an insignificant risk of changes in value.

Loss per share

Basic earnings (loss) per share is calculated by dividing income (or loss) attributable to common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted earnings per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the year.

Share issue costs

Share issue costs incurred on the issue of the Company's shares are charged directly to share capital.

Share-based payments

Share-based payments to employees and others providing similar services are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest. Consideration received on the exercise of stock options and share purchase warrants is recorded as share capital and the related contributed surplus is transferred to share capital. Charges for stock options and restricted share units ("RSUs") that are forfeited before vesting are reversed from contributed surplus.

Current and deferred taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized either in other comprehensive income or directly in equity, in which case it is recognized in other comprehensive income or in equity,

3. SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATION UNCERTAINTY (continued)

Current and deferred taxes (continued)

respectively. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date.

Deferred income tax assets and liabilities are determined based on the differences between the tax basis of assets and liabilities and the amounts reported in the consolidated financial statements. The deferred tax assets or liabilities are calculated using the tax rates enacted or substantially enacted for the periods in which the differences are expected to be settled. Deferred tax assets are recognized to the extent that they are considered more likely than not to be realized.

Financial instruments

IFRS 9 – Financial Instruments (“IFRS 9”) establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income (“FVOCI”) and fair value through profit or loss (“FVPL”). The Company determines the classification of the financial assets at initial recognition. The basis of classification depends on the Company’s business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortized cost or FVOCI are measured at FVPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as FVPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVPL, transaction costs that are directly attributed to its acquisition.

Financial liabilities are classified as measured at amortized cost, unless they are classified as measured at FVPL. Financial liabilities measured at amortized cost are remeasured when there is a change in the future estimated cash flows. In cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity’s own credit risk is recorded in other comprehensive income (loss) rather than in net earnings. Investments in equity instruments are required to be measured by default at fair value through profit or loss.

However, on the day of acquisition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as fair value through other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATION UNCERTAINTY (continued)

Financial instruments (continued)

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

The Company's convertible debenture derivative liability has been classified as FVPL. Cash, receivables, accounts payable, amounts due to related party, convertible debenture liability and the advance royalty payable are classified at amortised cost.

Convertible debenture

The Company's convertible debentures are classified as two liability components, the Units which are classified as a derivative liability and fair valued each reporting period, and the convertible debenture liability component which is initially recorded at fair value and subsequently at amortized cost using the effective interest rate method; the liability is accreted to the face value over the term of the convertible debenture.

Use of estimates and judgments and COVID-19

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Areas of judgment include the mineral property impairment indicator assessment. Areas of estimates include measurement of advance royalty payables, and the fair value of the embedded derivative liabilities related to the 2017 and 2018 Debentures (Level 3 financial instruments). Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the notes to the financial statements where applicable.

The Company has assessed the economic impacts of the COVID-19 pandemic on its Financial Statements including the valuation of the Company's derivative liability. As at December 31, 2020, management has determined that the Company's results of operations and financial position have not been materially impacted. In making this judgment, management has assessed various criteria including, but not limited to, existing laws, regulations, orders, disruptions and potential disruptions in commodity prices and capital markets.

IFRS 16 - Leases

The Company evaluates whether the contract involves the use of an identified asset, whether the Company has the right to obtain substantially all of the economic benefits from use of the asset during the term of the arrangement and if the Company has the right to direct the use of the asset.

3. SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATION UNCERTAINTY (continued)

IFRS 16 – Leases (continued)

At inception, or on a reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

As a lessee, the Company recognizes a right-of-use asset, which is included in property, plant and equipment, and a lease liability at the commencement date of a lease.

The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, less any lease incentives received.

The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

A lease liability is initially measured at the present value of the lease payments that are unpaid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate. Lease payments included in the measurement of the lease liability are comprised of:

- Fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee;
- Exercise prices of purchase options if the Company is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if there is a change in our estimate or assessment of the expected amount payable under a residual value guarantee, purchase, extension or termination option. Variable lease payments not included in the initial measurement of the lease liability are charged directly to the statement of loss and comprehensive loss.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are to be charged directly to the statement of income (loss) and comprehensive income (loss) over the lease term. There was no impact to the Company's financial statements as a result of the adoption of IFRS 16 on January 1, 2019.

4. MINERAL PROPERTIES - UNGAVA BAY

a) Acquisition costs

		Year ended December 31, 2020		Year ended December 31, 2019
Acquisition costs - beginning of year	$	**19,470,891**	$	19,193,453
Additions during the year				
Additional advance royalty payable		**76,678**		157,254
Accretion of advance royalty payable		**124,247**		120,184
Acquisition costs - end of year	$	**19,671,816**	$	19,470,891

b) Exploration costs

		Year ended December 31, 2020		Year ended December 31, 2019
Cumulative exploration costs - beginning of year	$	**23,854,010**	$	23,388,259
Expenditures during the year				
Permitting & claims		**14,707**		50,680
Consultants		**56,359**		403,466
Equipment, supplies & rentals		**6,000**		9,179
Office and accomodation		**2,411**		2,426
Exploration expenditures for the year		**79,477**		465,751
Cumulative exploration costs - end of year	$	**23,933,487**	$	23,854,010
Grand total - mineral properties	$	**43,605,303**	$	43,324,901

Under the terms of the acquisition of the Property, the Company must pay advance net smelter royalty ("NSR") payments of $200,000 per year until the commencement of commercial production. The aggregate advance NSR payments will then be credited against all future NSR payments payable from production. The advance NSR payments included in the purchase price represent the present value of advance payments to the royalty holders until the estimated date of commencement of commercial production.

A 1% NSR is payable to 154619 Canada Inc. and a 1% NSR is payable to SPG Royalties Inc. ("SPG"). The Company discounted the advance NSR payments using a discount rate of 20%, representing the estimated rate of return of similar investments. The advance royalty liability will be accreted up to the date of ultimate NSR advance payment, resulting in an increase to mineral property acquisition costs and the advance royalty payable.

The total estimated future undiscounted NSR payments as at December 31, 2020 total $1,200,000 (December 31, 2019: $1,200,000). For the year ended December 31, 2020, accretion of the advance royalty payable totaled $124,247 (December 31, 2019 - $120,184). At December 31, 2020, the total advance royalty payable was $797,892 (December 31, 2019: $796,967), with $372,355 (December 31, 2019: $369,529) recognized as a current liability and $425,537 recognized as a long-term liability (December 31, 2019: $427,438).

4. MINERAL PROPERTIES - UNGAVA BAY (continued)

On December 8, 2020, the Company settled its 2018 and 2019 advance royalty payment of $200,000 payable to 154619 Canada Inc. through the issuance of 1,131,221 common shares of the Company, at a price of $0.1768 per share. Settlement of the 2020 advance royalty payment has been deferred to a date being on or before November 30, 2021, whereby the Company has the election to settle such payment either by cash payment or by way of issuance of common shares of the Company.

As at December 31, 2020, the Company owed $100,000 to SPG relating to the 2020 advance royalty payment (note 12).

5. CONVERTIBLE DEBENTURES

		Convertible debenture - 2017 Debentures		Convertible debenture - 2018 Debentures		Total
Opening balance - January 1, 2019	**$**	**1,030,222**	**$**	**2,029,279**	**$**	**3,059,501**
Interest expense and accretion		110,509		205,396		315,905
Amortization of transaction costs		2,759		28,447		31,206
Interest payments		(64,600)		(145,978)		(210,578)
Settlement of convertible debenture		-		(1,087,501)		(1,087,501)
Loss (gain) due to fair value adjustment on derivative lia		43,202		(269,475)		(226,273)
Balance - December 31, 2019	**$**	**1,122,092**	**$**	**760,168**	**$**	**1,882,260**
Interest expense and accretion		**120,551**		**100,354**		**220,905**
Amortization of transaction costs		**3,226**		**4,196**		**7,422**
Interest payments		**(64,600)**		**(71,188)**		**(135,788)**
Loss due to fair value adjustment on derivative liability		**1,511,458**		**2,062,230**		**3,573,688**
Balance - December 31, 2020	**$**	**2,692,727**	**$**	**2,855,760**	**$**	**5,548,487**

a) 2017 Debentures

On September 26, 2017, the Company completed a non-brokered financing of $810,000 by way of issuance of convertible debentures (the “2017 Debentures”). The 2017 Debentures bear interest at a rate of 8.5% per annum, payable quarterly, with a maturity date of September 26, 2022.

The principal amount of the 2017 Debentures is convertible at any time at the election of the holder. The 2017 Debentures are convertible into Units, whereby each Unit consists of one common share of the Company and one share purchase warrant of the Company. The conversion price during the first year of the 2017 Debentures was $0.08 per Unit, increasing to $0.10 per Unit for the remainder of the life of the 2017 Debentures. Each share purchase warrant entitles the holder to purchase one common share of the Company at a price of $0.10 per common share, expiring September 26, 2022. The 2017 Debentures are secured against the assets of the Company.

5. CONVERTIBLE DEBENTURES (continued)

a) 2017 Debentures (continued)

The remaining principal balance outstanding on the 2017 Debentures at December 31, 2020 and 2019 was $760,000.

b) 2018 Debentures

On November 29, 2018, the Company completed a non-brokered financing of $1,812,500 by way of issuance of convertible debentures (the “2018 Debentures”). The 2018 Debentures carry an interest rate of 8.5%, payable quarterly, with a maturity date of November 29, 2023.

The principal amount of the 2018 Debentures is convertible at any time at the election of the holder. The 2018 Debentures are convertible into Units, whereby each Unit consists of one common share of the Company and one share purchase warrant of the Company. The conversion price during the first year of the 2018 Debentures was $0.05 per Unit, increasing to $0.10 per Unit for the remainder of the life of the 2018 Debentures. Each share purchase warrant entitles the holder to purchase one common share of the Company at a price of $0.05 per common share, expiring November 29, 2023. The 2018 Debentures are also secured against the assets of the Company.

In October 24 and November 26, 2019, respectively, there was a partial conversion of the 2018 Debentures, whereby holders converted $975,000 convertible debentures into Units comprising 19,500,000 common shares and 19,500,000 warrants.

The amount allocated of $810,612 to share capital was valued based on the carrying value of the debt on the date of conversion. The residual amount of $276,889 allocated to the warrants represents the difference between the fair value of the shares issued on the conversion date less the amount allocated to share capital and recognized in contributed surplus. The remaining principal balance outstanding on the convertible debentures at December 31, 2020 and 2019 was $837,500.

In accordance with IFRS 9, it has been determined that the respective convertible debentures are, for IFRS purposes, hybrid debt instruments which contain non-cash embedded derivative liabilities associated with the conversion features of the debentures into Units. IFRS 9 further determines that the debenture is to be measured at amortized cost and the non-cash embedded derivative is to be measured at fair value.

The convertible debentures and non-cash derivative liabilities have a combined carrying value of $5,548,487, representing the discounted face value of the debentures of $744,147 and the fair value of the non-cash embedded derivative of $4,804,340. However, the total future cash outflows associated with the repayment of the principal of the 2017 Debentures ($760,000) and 2018 Debentures ($837,500) cannot exceed the combined amount of principal of $1,597,500 plus any accrued interest. Should holders elect to convert the convertible debentures into Units, the future cash outflows associated with the redemption of convertible debentures could be as low as $nil.

The fair value of the non-cash embedded derivative does not represent a future cash liability to the Company.

The Company uses an option pricing model to fair value the derivative liability components contained in both the 2017 Debentures and 2018 Debentures.

6. SHARE CAPITAL

a) Share Capital

Unlimited common and preferred shares without par value.

b) Restricted Share Units (“RSUs”)

A summary of the changes in RSUs is as follows:

	Number of RSUs
Balance - January 1, 2019	-
Granted	684,157
Expired	(50,000)
RSUs outstanding - December 31, 2019	**634,157**
Settled	(179,998)
RSUs outstanding - December 31, 2020	**454,159**

On March 19, 2019, the Company granted a total of 684,157 RSUs to directors and officers of the Company. The vesting period for the RSUs granted is as follows: 1/3 on the twelve-month anniversary date, 1/3 on the twenty-four-month anniversary date, and 1/3 on the thirty-six-month anniversary date. Each RSU has a fair value of $0.09 which was the closing share price at the grant date.

On April 7, 2020, the company issued 179,998 common shares of the Company on fully vested RSUs resulting in a $16,200 reclass from contributed surplus to share Capital.

RSU expense for the year ended December 31, 2020 was $3,171 (year ended December 31, 2019 - $52,062) which was recorded within Share-based payment expense in the Statement of Loss and Comprehensive Loss.

c) Stock options

A summary of the changes in the stock options is as follows:

	Number of options		Weighted average exercise price
Options outstanding - January 1, 2019	3,375,950	$	0.19
Granted	1,990,000		0.09
Forfeited	(130,000)		0.09
Options outstanding - December 31, 2019	**5,235,950**	**$**	**0.16**
Granted	3,405,000		0.14
Forfeited	(642,350)		0.18
Options outstanding - December 31, 2020	**7,998,600**	**$**	**0.15**
Options exercisable - December 31, 2020	**6,863,600**	**$**	**0.15**

On March 19, 2019, the Company granted 1,990,000 stock options to directors, officers, employees, and consultants. The fair value of the options granted for the year ended December 31, 2019 was $0.07 per option. The exercise price for all stock option grants during the year ended December 31, 2019 was $0.09.

6. SHARE CAPITAL (continued)

c) Stock options (continued)

On June 29, 2020, the Company granted 3,405,000 stock options with a fair value of $352,187 to directors, officers and employees of the Company with an exercise price of $0.14, expiring on June 29, 2030. The vesting period for options granted to directors, officers and employees is 1/3 vesting immediately, with 1/3 on each six-month anniversary date over the following 12-month period.

Total share-based payments recognized during the year ended December 31, 2020 was $310,536 (year ended December 31, 2019 - $127,539) which was recorded within Share-based payment expense in the Statement of Loss and Comprehensive Loss.

The Company used a Black Scholes option valuation model to determine the grant-date fair value of stock options, applying the following assumptions:

	Year ended December 31, 2020	Year ended December 31, 2019
Risk-free interest rate	0.54%	1.68%
Expected life	10.00	10.00
Annualized volatility	70%	70%
Dividend rate	0.00%	0.00%
Forfeiture rate	0.00%	0.00%

The following table summarizes information about stock options outstanding at December 31, 2020:

Number of options outstanding		**Exercise price**	**Expiry Date**	**Number of options exercisable**
250,000	$	0.20	January 5, 2021	250,000
30,000	$	0.20	January 11, 2021	30,000
10,000	$	0.20	April 5, 2021	10,000
110,600	$	0.20	May 18, 2021	110,600
202,500	$	0.20	December 16, 2021	202,500
180,500	$	0.20	January 18, 2023	180,500
750,000	$	0.16	November 25, 2024	750,000
505,000	$	0.15	December 2, 2025	505,000
745,000	$	0.25	January 20, 2027	745,000
1,810,000	$	0.09	March 19, 2029	1,810,000
3,405,000	$	0.14	June 29, 2030	2,270,000
7,998,600				6,863,600

d) Share purchase warrants

As at December 31, 2020 the Company had a total of 20,125,000 share purchase warrants outstanding with a weighted average exercise price of $0.05. 625,000 warrants expire on September 30, 2022 and 19,500,000 warrants expire on November 23, 2023.

6. SHARE CAPITAL (continued)

d) Share purchase warrants (continued)

A summary of the changes in the share purchase warrants is as follows:

	Number of share purchase warrants		Weighted average exercise price
Balance - January 1, 2019	625,000	$	0.10
Issued	19,500,000		0.05
Balance - December 31, 2019 and December 31, 2020	**20,125,000**	**$**	**0.05**

7. INCOME TAXES

Income tax expense differs from the amount that would result from applying the Canadian and federal and provincial income tax rates to earnings before income taxes. These differences result from the following items:

		Year ended December 31, 2020		Year ended December 31, 2019
Loss before income taxes	$	(4,580,500)	$	(839,492)
Canadian federal and provincial income tax rates		26.50%		26.60%
Expected Income tax recovery		(1,213,833)		(223,305)
Increase (decrease) due to:				
Non-deductible expenses and other		1,055,043		(126,076)
Losses not recognized		158,790		349,381
Income tax recovery	**$**	**-**	$	-

Recognized deferred tax assets and liabilities of the Company, which are all based in Canada, comprise the following:

		Year ended December 31, 2020		Year ended December 31, 2019
Deferred income tax assets				
Non-capital losses	$	3,293,504	$	3,351,065
Share and debt issue costs		2,685		8,194
Equipment		122,898		122,898
Total deferred income tax assets	$	3,419,087	$	3,482,157
Deferred income tax liabilities				
Mineral property costs		3,419,087		3,482,157
Deferred income tax liabilities	$	3,419,087	$	3,482,157
Deferred income tax liability, net	**$**	**-**	$	-

7. INCOME TAXES (continued)

The composition of deferred tax recovery is as follows:

		Year ended 2020		Year ended 2019
Non-capital losses	$	63,070	$	40,250
Mineral property costs		(63,070)		(40,250)
	$	**-**	$	-

The composition of the unrecognized deferred tax asset is provided in the table below:

		Year ended 2020		Year ended 2019
Non-capital losses	$	1,656,942	$	1,498,152
Capital losses		234,190		234,190
		-		
Donations		2,120		2,120
	$	**1,893,252**	**$**	**1,734,462**

The Company has loss carry-forwards of $18,680,929 (December 31, 2019: $18,298,932) related to its Canadian operations. These tax losses may be available for tax purposes and expire between 2025 and 2039.

8. COMMITMENTS

As part of the acquisition of the Ungava Bay mineral properties, commencing on November 30, 2011, Oceanic must pay advance NSR payments of $200,000 per year, which will be credited against all future NSR payments payable from production (Note 4(b)).

The Company's undiscounted contractual commitments were as follows:

December 31, 2020

		Less than 1 year		**1 - 3 years**		**4 - 5 years**		**Total**
Accounts payable and accrued liabilities	$	348,541	$	-	$	-	$	348,541
Due to related parties		501,613		-		-		501,613
Convertible debenture - liability component		135,788		1,780,249		-		1,916,038
Advance royalty payable		400,000		400,000		400,000		1,200,000
	$	1,385,942	$	2,180,249	$	400,000	$	3,966,192

December 31, 2019

		Less than 1 year		**1 - 3 years**		**4 - 5 years**		**Total**
Accounts payable and accrued liabilities	$	279,555	$	-	$	-	$	279,555
Due to related parties		280,810		-		-		280,810
Convertible debenture - liability component		135,788		1,014,761		901,276		2,051,825
Advance royalty payable		400,000		400,000		400,000		1,200,000
	$	1,096,153	$	1,414,761	$	1,301,276	$	3,812,190

Additionally, in order to maintain current rights of tenure to exploration tenements, the Company is expected to incur expenditures of $77,653 in respect of claim renewal fees and minimum work requirements in the year ending December 31, 2021.

9. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

a) Key Management Compensation

Key management includes the Company's directors, Chief Executive Officer and Chief Financial Officer. Compensation awarded to key management is presented in the table below:

		Year ended December 31, 2020		Year ended December 31, 2019
Wages and benefits	**$**	**60,000**	$	60,000
Directors' fees		**34,000**		25,000
Share-based payments*		**301,622**		160,260
	$	**395,622**	$	245,260

**Share-based payments based on Options and RSUs granted to Individuals*

b) Payments for services by related parties

During the year ended December 31, 2020, the Company incurred corporate consulting fees of $115,000 (year ended December 31, 2019 - $115,000), to Sirocco Advisory Services Ltd., a company controlled by a director and officer of the Company. As at December 31, 2020, the Company owed $268,333 to Sirocco relating to unpaid consulting fees (December 31, 2019: $153,333).

During the year ended December 31, 2020, the Company incurred corporate consulting fees of $60,000 (year ended December 31, 2019 - $60,000) to Sinocan Consultant Hong Kong Ltd. ("Sinocan"), a company controlled by an officer of the Company. As at December 31, 2020, the Company owed $5,000 to Sinocan relating to unpaid consulting fees (December 31, 2019: $nil).

As at December 31, 2020, the Company owed $66,500 in directors' fees to certain directors of the Company (December 31, 2019 - $42,500). As at December 31, 2020, the Company owed unpaid salaries and benefits of $80,000 to an officer of the Company (December 31, 2019 - $80,000).

The Company was charged shared lease, overhead, and service costs by Artemis Gold Inc. ("Artemis"), a company with common management and directors. For the year ended December 31, 2020, the Company incurred $20,293 (December 31, 2019 - $54,270) in shared lease, overhead, and service costs. As at December 31, 2020, the Company owed $21,779 to Artemis (December 31, 2019: $nil).

In September 2017 and November 2018, the Company completed a non-brokered financing by way of issuance of convertible debentures, whereby $330,000 of the debentures were issued to directors and officers of the Company (refer to notes 5(a) and 5(b) for terms of the convertible debentures). The convertible debentures are secured against the assets of the Company. As of December 31, 2020, $105,000 of the 2017 Debentures is held by directors and officers of the Company.

10. FINANCIAL RISK MANAGEMENT

The board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's financial instruments consist of cash and cash equivalents, interest receivables and deposits, restricted cash, accounts payable, accrued liabilities, the convertible debenture (comprised of an embedded derivative and the host contract), advance royalty payable and due to related parties. Cash and cash equivalents, and deposits are designated as loans and receivables and are measured at amortized cost.

Accounts payable and accrued liabilities, advance royalty payable, the liability component of the convertible debenture and amounts due to related parties are classified as other financial liabilities, which are measured at amortized cost.

Financial instrument risk exposure

The Company is exposed in varying degrees to a variety of financial instrument related risks. The board approves and monitors the risk management processes.

Credit risk

Credit risk arises from the potential for non-performance by counterparties of contractual financial obligations. The Company's exposure to credit risk is on its cash and cash equivalents. The Company has concentration of risk with respect to cash being held with one large Canadian financial institution. The Company's credit risk is mitigated by maintaining its financial liquid assets with highly reputable counterparties. The maximum exposure to credit risk is equal to the carrying value of the financial assets noted above.

Liquidity risk

Liquidity risk is the risk that the Company cannot meet its obligations as they fall due. The Company's cash and cash equivalents are invested in business accounts which are available on demand. The Company manages liquidity risk by preparing and maintaining cash forecasts, which illustrate cash spent to date and the Company's cash needs over the short term.

Contractual undiscounted cash flow requirements for financial liabilities as at December 31, 2020 and December 31, 2019 are presented in note 8.

The Company's ability to continue operations in the normal course of business is dependent on several factors, including the ability to secure additional financing. In addition, the recoverability of the amounts shown for mineral properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production, all of which are uncertain. Further information relating to liquidity risk is disclosed in note 1.

Market risk

Market risk is the risk that the fair market value of the Company's financial instruments will significantly fluctuate due to changes in market prices. The value of the financial instruments can be affected by changes in interest rates, foreign exchange rates and equity and commodity prices. The Company is exposed to market risk in its cash and cash equivalents. The Company manages market risk by investing funds with a reputable financial institution that provides competitive rates of return.

10. FINANCIAL RISK MANAGEMENT (continued)

The Company's financial instruments are not subject to significant fluctuation due to changes in equity prices of investments included in marketable securities, commodity prices or foreign exchange rates.

The Company also invests surplus cash in fixed rate term deposits. It is the Company's policy to reduce interest rate risk over future cash flows through the use of instruments with a history of returns. A 1% change in interest rates would have a nominal impact on net loss and comprehensive loss.

Fair Value

A three-level hierarchy for fair value measurements exists based upon the significance of inputs used in making fair value measurements:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3 – Inputs for the asset or liability that are not based on observable market data.

Fair value is based on available public market information or, when such information is not available, estimated using fair valuation techniques (incl. option pricing models and present value models) which include assumptions concerning the amount and timing of future cash flows and/or debt conversions, discount rates which factor in the appropriate credit risk, as well as historical volatility rate assumptions as applicable. The carrying values of cash and cash equivalents, accrued interest receivable, restricted cash, accounts payable, accrued liabilities and due to related parties approximate their fair values due to their short-term nature.

11. MANAGEMENT OF CAPITAL

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions and also taking into consideration externally imposed capital requirements. The annual and updated budgets are approved by the board of directors as needed. As a matter of carrying out the Company's objectives, the Company may issue new equity or incur debt.

In order to maximize ongoing development efforts, the Company does not pay dividends.

The Company's investment policy is to limit investments to guaranteed investment certificates, banker's acceptance notes, investment savings accounts or money market funds with high quality financial institutions in Canada and treasury bills, selected with regards to the expected timing of expenditures from continuing operations. The Company has no externally imposed capital requirements as at December 31, 2020. Further information relating to management of capital is disclosed in note 1.

12. SUBSEQUENT EVENTS

a) On March 10, 2021, the completed a non-brokered private placement financing in the amount of $1,557,548 by way of issuance of convertible debentures (the "2021 Debentures"). The 2021 Debentures bear interest at 8.5% per annum over a five-year term. The 2021 Debentures are convertible at the option of the subscribers into Units at a price of $0.19 per Unit. Each Unit entitles the holder to one common share and one share purchase warrant, the latter which is exercisable into common shares at a price of $0.19 per warrant until March 10, 2026.

b) On March 23,2021, the Company issued 93,999 common shares as a result of the settlement of RSUs.

c) Subsequent to year-end, the Company settled the $100,000 advance royalty payment that was due to SPG.