Oceanic Iron Ore Corp.

Annual Financial Statements
For the nine months ended December 31, 2018 and the year ended March 31, 2018
(Stated in Canadian Dollars)

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, 2018 and March 31, 2018, and its financial performance and its cash flows for the period from April 1, 2018 to December 31, 2018 and the year ended March 31, 2018 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 December 31, 2018 and March 31, 2018;
- the consolidated statements of income (loss) and comprehensive income (loss) for the period from April 1, 2018 to December 31, 2018 and the year ended March 31, 2018;
- the consolidated statements of changes in equity for the period from April 1, 2018 to December 31, 2018 and the year ended March 31, 2018;
- the consolidated statements of cash flows for the period from April 1, 2018 to December 31, 2018 and the year ended March 31, 2018; 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.

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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.

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.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants

Vancouver, British Columbia
April 29, 2019

Oceanic Iron Ore Corp.

Consolidated Statements of Financial Position

	Notes		As at December 31, 2018		As at March 31, 2018
Assets					
Current					
Cash and cash equivalents		**$**	**1,358,358**	$	330,373
Receivables			**33,181**		6,924
Prepaid expenses and deposits			**12,085**		41,053
Restricted cash			**1,150**		1,150
			1,404,774		379,500
Mineral properties	*6*		**42,581,712**		42,325,645
		$	**43,986,486**	$	42,705,145
Liabilities					
Current					
Accounts payable and accrued liabilities		**$**	**169,164**	$	126,510
Due to related parties	*8*		**131,166**		188,835
Current portion of advance royalty payable	*6b*		**369,529**		278,148
			669,859		593,493
Non-current portion of advance royalty payable	*6b*		**350,000**		447,715
Convertible debentures	*7a,b*		**3,059,501**		1,184,281
			4,079,360		2,225,489
Shareholders' equity					
Share capital	*8a,b*		**60,091,231**		59,993,208
Contributed surplus	*8b,c,d*		**10,354,193**		10,400,443
Deficit			**(30,538,298)**		(29,913,995)
			39,907,126		40,479,656
		$	**43,986,486**	$	42,705,145

Nature of operations and going concern	*1*
Commitments	*10*
Subsequent Events	*14*

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 Income (Loss) and Comprehensive Income (Loss)

	Notes	Nine months ended December 31, 2018	Year ended March 31, 2018
Expenses			
Consulting and management fees		**$ 176,250**	$ 220,000
Directors' fees		**17,500**	27,500
Investor relations and corporate development		**3,805**	23,390
License and insurance		**14,344**	19,796
Office and general		**14,975**	19,605
Professional fees		**45,228**	81,466
Rent		**26,935**	34,023
Share-based payments	*8b,c,d*	**-**	144,173
Transfer agent and regulatory		**20,296**	36,661
Travel		**121**	101
Wages and benefits		**79,796**	157,552
		(399,250)	(764,267)
Other income (expenses)			
Interest and other income (expense)		**-**	48
Unrealized loss on convertible debenture derivative liability	*7a,b*	**(127,405)**	(380,818)
Convertible debenture accretion expense		**(97,648)**	(308,214)
Net income (loss) and comprehensive income (loss) for the period		**$ (624,303)**	$ (1,453,251)
Income (loss) per common share - basic and diluted		**$ (0.01)**	$ (0.03)
Weighted average number of common shares outstanding		**68,220,243**	56,212,517

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

Oceanic Iron Ore Corp.

Consolidated Statements of Changes in Equity

For the nine months ended December 31, 2018 and the year ended March 31, 2018

	Notes	Shares	Share Capital	Contributed surplus	Convertible debenture	Deficit	Total Equity
Balance - April 1, 2018		**67,997,516**	**$ 59,993,208**	**$ 10,400,443**	**$ -**	**$ (29,913,995)**	**$ 40,479,656**
Settlement of Convertible Debenture	7a	625,000	33,023	18,750	-	-	51,773
Settlement of restricted share units		433,332	65,000	(65,000)	-	-	-
Net loss for the period		-	-	-	-	(624,303)	(624,303)
Balance - December 31, 2018		**69,055,848**	**$ 60,091,231**	**$ 10,354,193**	**$ -**	**$ (30,538,298)**	**$ 39,907,126**

		Shares	Share Capital	Contributed surplus	Convertible debenture	Deficit	Total Equity
Balance - April 1, 2017		**49,962,813**	**$ 57,804,901**	**$ 9,961,531**	**$ 339,739**	**$ (28,460,744)**	**$ 39,645,427**
Share-based payments recognized		-	-	144,173	-	-	144,173
Settlement of restricted share units		300,000	45,000	(45,000)	-	-	-
Settlement of advance royalty payment		1,000,000	100,000	-	-	-	100,000
Settlement of Convertible Debenture	7c	16,734,703	2,043,307	339,739	(339,739)	-	2,043,307
Net loss for the year		-	-	-	-	(1,453,251)	(1,453,251)
Balance - March 31, 2018		**67,997,516**	**$ 59,993,208**	**$ 10,400,443**	**$ -**	**$ (29,913,995)**	**$ 40,479,656**

The accompanying notes are an integral part of these financial statements

Oceanic Iron Ore Corp.

Consolidated Statements of Cash Flows

For the nine months ended December 31, 2018 and the year ended March 31, 2018

	Notes		***Nine months ended*** **December 31, 2018**		*Year ended* March 31, 2018
Operating activities					
Net loss for the period		**$**	**(624,303)**	$	(1,453,251)
Adjustments for:					
Share-based payments			**-**		144,173
Unrealized loss on convertible debenture derivative liability	*7a,b*		**127,405**		380,770
Convertible debenture interest expense			**97,648**		308,214
Net changes in non-cash working capital balances:					
Prepaid expenses and deposits			**16,729**		(24,454)
Receivables			**(17,988)**		6,668
Accounts payable and accrued liabilities			**30,205**		(21,295)
Due to related parties			**(57,669)**		184,461
			(427,972)		(474,714)
Investing activities					
Mineral property expenditures			**(159,588)**		(138,843)
			(159,588)		(138,843)
Financing activities					
Interest paid on convertible debenture	*7*		**(65,146)**		(108,065)
Proceeds received from restricted cash			**-**		33,350
Proceeds from convertible debenture net of issuance costs	*7a,b*		**1,780,692**		784,560
Settlement of advance royalty payable			**(100,000)**		-
			1,615,546		709,845
Change in cash during the period			**1,027,985**		96,288
Cash, beginning of period			**330,373**		234,085
Cash, end of period		**$**	**1,358,358**	$	330,373

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 activity 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 nine months ended December 31, 2018, the Company reported a net loss of $624,303 and as at that date had an accumulated deficit of $30,538,298 and working capital of $734,915. The Company will need to raise additional funds in order to finance ongoing exploration, development and administrative expenses over the coming 12 months. On November 29, 2018, the Company closed a private placement financing for total proceeds of $1,812,500 by way of convertible debentures (*Note 7b*). In addition to this recent private placement, 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, 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 ("IASB"). 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 29, 2019.

3. CHANGE OF YEAR-END

During the nine months ended December 31, 2018, the Company approved a change in its year-end from March 31st to December 31st. The Company's transition period is the nine months ended December 31, 2018. The comparative period is the 12 months ended March 31, 2018. The new financial year will align the Company with its peers.

4. SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATION UNCERTAINTY

During the year, the Company adopted IFRS 9, Financial Instruments ("IFRS 9"), which addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39") that relates to the classification and measurement of financial instruments. This new significant accounting policy and the Company's previously adopted significant accounting policies, all of which were used to prepare these consolidated financial statements are as follows:

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 written off over the life of the property based on estimated economic reserves. Proceeds received from the sale of any interest in a property will be credited against the carrying value of the property. 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.

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

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 for 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. 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, 2018.

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.

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

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. Other 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 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 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATION UNCERTAINTY (continued)

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Financial instruments

For the year ended March 31, 2018, the Company applied policies based on IAS 39. During the period, the Company adopted IFRS 9. The effects of the transition from IAS 39 to IFRS 9 are described below.

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities and replaced the guidance in IAS 39 that relates to the classification and measurement of financial instruments. As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets, for assets that were recognized at the date of application. The change did not impact the carrying value of any financial assets or financial liabilities on the transition date.

The following is the Company's new accounting policy for financial instruments under IFRS 9.

IFRS 9 establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income and fair value through profit or loss. 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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATION UNCERTAINTY (continued)

Financial instruments (continued)

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 FVPL as FVOCI, 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.

For financial liabilities, the standard retains most of the IAS 39 requirements. Financial liabilities are classified as measured at amortized cost, unless they are classified as measured at FVPL. The main change for liabilities is that, 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. 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 has assessed the classification and measurement of its financial assets and financial liabilities under IFRS 9 and have summarized the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 in the following table:

	Measurement Category	
	Original (IAS 39)	**New (IFRS 9)**
Financial assets		
Cash and cash equivalents	Amortised cost	**Amortised cost**
Due from related parties	Amortised cost	**Amortised cost**
Receivables	Amortised cost	**Amortised cost**
Restricted cash	Amortised cost	**Amortised cost**
Financial liabilities		
Accounts payable and accrued liabilities	Amortised cost	**Amortised cost**
Convertible Debentures	Amortised cost	**Amortised cost**
Derivative financial instruments	Fair value through profit and loss	**Fair value through profit and loss**
Due to related parties	Amortised cost	**Amortised cost**

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATION UNCERTAINTY (continued)

Financial instruments (continued)

As a result of the adoption of IFRS 9, there have been no changes in the carrying value of the Company's financial instruments or to previously reported figures as a result of changes to the measurement categories in the table noted above. As there were no changes, the Company has not provided a reconciliation of the original measurement carrying amount under IAS 39 compared to the carrying amount under IFRS 9.

Convertible debenture

The Company's Sino-Canada convertible debenture was classified as a liability, less the portion relating to the conversion feature which is classified as a component of equity. As a result, the recorded liability to repay the convertible notes is lower than its face value. The liability was 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.

The Company's 2017 and 2018 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

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.

5. CHANGES IN ACCOUNTING STANDARDS NOT YET EFFECTIVE

IFRS 16 - Leases

On January 6, 2016, the IASB issued IFRS 16, Leases ("IFRS 16"). This standard specifies the methodology to recognize, measure, present and disclose leases. This standard replaces IAS 17 Leases. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The standard is effective for annual periods beginning on or after January 1, 2019.

The Company has developed an implementation plan to determine the impact on the consolidated financial statements. The Company has compiled all its existing contracts and service contracts and has identified which contracts would be within scope of IFRS 16. Although the Company expects an increase in depreciation and accretion expenses and an increase in cash flow from operating activities as any lease payments will be recorded as financing outflows in the statements of cash flows, the impact is not expected to be material, as the Company's existing operating leases are not material.

The Company will be adopting IFRS 16 on January 1, 2019 using the modified retrospective approach. Under this approach, the cumulative effect of initially applying IFRS 16 is recognized as an adjustment to equity at the date of initial application. Comparative figures are not restated to reflect the adoption of IFRS 16. Additionally, the Company will be adopting the exemption for leases with a lease term of 12 months or less and for leases that are low value. Given that the Company's existing operating leases are not material, no material adjustment to equity will be recognized upon IFRS 16 adoption on January 1, 2019.

6. MINERAL PROPERTIES - UNGAVA BAY

a) Acquisition costs

	Nine months ended December 31, 2018	Year ended March 31, 2018
Acquisition Costs - beginning of period	**$ 19,099,787**	$ 18,895,230
Additions during the period		
Additional advance royalty payable	**-**	81,919
Accretion of advance royalty payable	**93,666**	122,638
Acquisition Costs - end of period	**$ 19,193,453**	$ 19,099,787

6. MINERAL PROPERTIES - UNGAVA BAY (continued)

b) Exploration costs

	Nine months ended December 31, 2018	Year ended March 31, 2018
Cumulative exploration costs - beginning of period	**$ 23,225,858**	$ 23,079,218
Expenditures during the period		
Permitting & claims	**68,467**	47,742
Fieldwork & geology	**-**	8,421
Consultants	**83,000**	600
Equipment, supplies & rentals	**3,063**	8,646
Office and accomodation	**7,759**	79,333
Transportation	**112**	1,898
Exploration expenditures for the period	**162,401**	146,640
Cumulative exploration costs - end of period	**$ 23,388,259**	**$ 23,225,858**
Grand total - mineral properties	**$ 42,581,712**	$ 42,325,645

Under the terms of the acquisition of the Property, the Company must pay advance net smelter return ("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 payment as at December 31, 2018 is $1,000,000 (March 31, 2018: $1,100,000) (Note 10). For the nine months ended December 31, 2018, accretion of the advance royalty payable totaled $93,666, respectively (year ended March 31, 2018 - $122,638). At December 31, 2018, the total advance royalty payable was $719,529 (March 31, 2018: $725,863), with $369,529 (March 31, 2018: $278,148) recognized as a current liability and $350,000 recognized as a long-term liability (March 31, 2018: $447,715).

7. CONVERTIBLE DEBENTURES

	Convertible debenture - 2017 Debentures (a)	Convertible debenture - 2018 Debentures (b)	Convertible Debenture - Sino-Canada Debentures (c)	Total
Opening balance - April 1, 2017	$ -	$ -	$ 1,862,062	$ 1,862,062
Cash received	810,000	-	-	**810,000**
Transaction costs allocated	(25,440)	-	-	**(25,440)**
Interest expense and accretion	52,611	-	253,990	**306,601**
Amortization of transaction costs	1,613	-	-	**1,613**
Interest payments	(35,321)	-	(90,723)	**(126,044)**
Settlement of convertible debenture	-	-	(2,025,329)	**(2,025,329)**
Unrealized (gain) loss due to fair value adjustment on derivative liability	380,818	-	-	**380,818**
Balance - March 31, 2018	**$ 1,184,281**	**$ -**	**$ -**	**$ 1,184,281**
Cash received	-	1,812,500	-	**1,812,500**
Transaction costs	-	(45,416)	-	**(45,416)**
Interest expense and accretion	80,727	13,507	-	**94,234**
Amortization of transaction costs	2,886	530	-	**3,416**
Interest payments	(51,639)	(13,507)	-	**(65,146)**
Partial settlement of convertible debenture	(51,773)	-	-	**(51,773)**
Unrealized (gain) loss due to fair value adjustment on derivative liability	(134,260)	261,665	-	**127,405**
Balance - December 31, 2018	**$ 1,030,222**	**$ 2,029,279**	**$ -**	**$ 3,059,501**

a) <u>2017 Debentures</u>

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 carry an interest rate of 8.5%, payable quarterly, with a maturity date of September 26, 2022.

The principal amount of the 2017 Debentures are convertible at any time at the election of the Company or 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 is $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.

As the conversion option contains both a common share and a warrant, IFRS does not allow the conversion feature to be accounted for as equity, but rather, IFRS requires this conversion option to be treated as a derivative liability and fair valued each reporting period, creating an accounting unrealized gain or loss. As a result of the application of this standard, the Company is required to recognize the convertible debentures as having two separate liability components. Firstly, the Units which are recognized as a derivative liability and fair valued each reporting period, and secondly the convertible debenture liability, which is fair valued at the time of issue, and then accounted for at amortized cost and accreted to the face value over the life of the convertible debentures.

7. CONVERTIBLE DEBENTURES *(continued)*

a) 2017 Debentures

In September 2018, there was a partial conversion of the 2017 Debentures, whereby one of the holders converted $50,000 convertible debentures into Units comprising 625,000 common shares and 625,000 warrants. The share capital was valued as $31,250 using the closing stock price of the Company on the conversion date, with the residual amount of $18,750 allocated to the warrants and recognized in contributed surplus. The remaining principal balance outstanding on the convertible debentures at December 31, 2018 was $760,000.

Interest and accretion expense on the convertible debenture liability for the nine months ended December 31, 2018 was $80,727 (year ended March 31, 2018 - $52,611). The unrealized gain/(loss) recognized on the Units for the nine months ended December 31, 2018 was $134,260 (year ended March 31, 2018 – ($380,818)).

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 are convertible at any time at the election of the Company. 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 is $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.

Similar to the 2017 Debentures, the conversion option is treated as a derivative liability and fair valued each reporting period, creating an accounting unrealized gain or loss. The convertible debentures are recognized as having two separate liability components. Firstly, the Units which are recognized as a derivative liability and fair valued each reporting period, and secondly the convertible debenture liability, which is fair valued at the time of issue, and then accounted for at amortized cost and accreted to the face value over the life of the convertible debentures. At inception, the Company recognized a deferred unrealized loss in the amount of $2,202,578, which was the difference between the fair value of the combined liability and the proceeds received. The deferred unrealized loss has been recorded against the convertible debentures on the balance sheet and will be amortized over the life of the warrants on a straight-line basis. Any subsequent fair value changes are recognized in the Statement of Loss and Comprehensive Loss. As at December 31, 2018, the Company recognized a $261,666 unrealized loss that was expensed to the Statement of Loss and Comprehensive Loss.

Interest and accretion expense on the convertible debenture liability for the nine months ended December 31, 2018 was $13,507 (year ended March 31, 2018 - $nil).

7. CONVERTIBLE DEBENTURES *(continued)*

c) Sino-Canada Debentures

On November 23, 2017 the Company settled the remaining principal amount of the Sino-Canada Debentures of $2,025,329 plus accrued and unpaid interest up to the maturity date of $17,798 through the issuance of 16,734,703 common shares of the Company. The conversion price used to determine the common shares issued to Sino-Canada Debenture holders was based on the volume weighted average share price during the 20 trading days ending on the day before the Company provided notice of its intent to repay the Sino-Canada Debentures in common shares of the Company, being November 17, 2017.

8. 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 - March 31, 2017	766,666
Granted	-
Settled	(300,000)
Forfeited	(33,333)
RSUs outstanding - March 31, 2018	433,333
Settled	(433,333)
RSUs outstanding - December 31, 2018	**-**

RSU expense for the nine months ended December 31, 2018 was $nil (year ended March 31, 2018 - $15,417).

c) Stock options

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

	Options		Weighted average
Options outstanding - March 31, 2017	4,955,950	$	0.19
Fofeited	(581,667)		0.25
Options outstanding - March 31, 2018	4,374,283		0.19
Forfeited	(998,333)		0.19
Options outstanding and exerciseable - December 31, 2018	**3,375,950**	**$**	**0.19**

Total share-based payments recognized during the nine months ended December 31, 2018 was $nil (year ended March 31, 2018 - $128,756).

8. SHARE CAPITAL (continued)

c) Stock options

The following table summarizes information about stock options outstanding at December 31, 2018:

Number of Options outstanding	**Exercise Price CAD**	**Expiry Date**
392,350	0.20	November 30, 2020
250,000	0.20	January 5, 2021
30,000	0.20	January 11, 2021
10,000	0.20	April 5, 2021
110,600	0.20	May 18, 2021
205,000	0.20	December 16, 2021
183,000	0.20	January 18, 2023
765,000	0.155	November 25, 2024
25,000	0.155	December 15, 2024
570,000	0.15	December 2, 2025
835,000	0.25	January 20, 2027
3,375,950		

d) Share purchase warrants

As at December 31, 2018 the Company had a total of 625,000 share purchase warrants outstanding with an exercise price of $0.10, expiring on September 26, 2022.

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

	Number	Weighted average exercise price
Balance - March 31, 2017	20,173,750	0.30
Expired	(15,248,750)	0.30
Balance March 31, 2018	4,925,000	0.30
Expired	(4,925,000)	0.30
Issued	625,000	0.10
Balance - December 31, 2018	**625,000**	**$ 0.10**

9. 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:

		December 31, 2018		March 31, 2018
Loss before income taxes	**$**	**(624,303)**	$	(1,453,251)
Canadian federal and provincial income tax rates		**26.70%**		26.78%
Expected Income tax recovery		**(166,689)**		(389,181)
Increase (decrease) due to:				
Non-deductible expenses and other		**61,900**		38,484
Losses not recognized		**104,789**		350,697
Income tax recovery	**$**	**-**	$	-

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

	December 31, 2018	March 31, 2018
Deferred income tax assets		
Non-capital losses	**3,395,822**	3,427,964
Share and debt issue costs	**3,687**	13,551
Equipment	**122,898**	122,898
Total deferred income tax assets	**3,522,407**	3,564,413
Deferred income tax liabilities		
Mineral property costs	**3,522,407**	3,564,413
Deferred income tax liabilities	**3,522,407**	3,564,413
Deferred income tax liability, net	**-**	-

The composition of deferred tax recovery is as follows:

		December 31, 2018		March 31, 2018
Non-capital losses	**$**	**42,006**	$	52,366
Mineral property costs		**(42,006)**		(9,100)
Convertible debt		**-**		(43,266)
	$	**-**	$	-

9. INCOME TAXES (continued)

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

		December 31, 2018		March 31, 2018
Non-capital losses	**$**	**1,335,976**	$	1,218,281
Capital losses		**49,105**		49,105
Donations		**-**		12,906
	$	**1,385,081**	$	1,280,292

The Company has loss carry-forwards of $17,855,844 that may be available for tax purposes. The loss carry-forwards are all in respect of Canadian operations and expire as follows:

Expiry date		December 31, 2018		March 31, 2018
December 31, 2025	**$**	**162,769**	$	162,769
December 31, 2026		**15,624**		15,624
December 31, 2027		**237,037**		237,037
December 31, 2028		**213,861**		213,861
December 31, 2029		**270,804**		270,804
December 31, 2030		**203,390**		203,390
December 31, 2031		**2,764,167**		2,764,167
December 31, 2032		**6,443,859**		6,443,859
December 31, 2033		**2,835,889**		2,835,889
December 31, 2034		**2,047,694**		2,047,694
December 31, 2035		**891,831**		891,831
December 31, 2036		**909,617**		909,617
December 31, 2037		**548,324**		548,324
December 31, 2038		**310,978**		-
	$	**17,855,844**	**$**	**17,544,866**

10. COMMITMENTS

Effective March 1, 2011 (amended on January 1, 2017) the Company entered into an agreement with an affiliated company, with a director and officer in common, in respect of shared lease, overhead and service costs. Under the agreement, the Company is billed quarterly for office rental and other services relating to its office in Vancouver. The agreement expires on December 31, 2019. Either party may terminate the agreement by providing 90 days' notice.

As part of the acquisition of the Ungava Bay mineral properties, commencing on November 30, 2011, Oceanic must pay advance net smelter royalty ("NSR") payments of $200,000 per year, which will be credited against all future NSR payments payable from production (Note 7b).

10. COMMITMENTS (continued)

The committed charges for the Company are as follows:

December 31	Vancouver office rent	NSR payments	Total commitments
2019	34,496	400,000	434,496
2020	-	400,000	400,000
Thereafter	-	200,000	200,000
	$ 34,496	$ 1,000,000	$ 1,034,496

Additionally, in order to maintain current rights of tenure to exploration tenements, the Company is required to incur minimal expenditures in respect of claim renewal fees and minimum work requirements.

11. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

a) Key Management Compensation

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

	Nine months ended December 31, 2018	Year ended March 31, 2018
Wages and benefits	**45,000**	105,210
Directors' fees	**22,500**	27,500
Share-based payments	**-**	120,031
	$ 67,500	$ 252,741

b) Payments for services by related parties

During nine months ended December 31, 2018, the Company incurred corporate consulting fees of $86,250 (year ended March 31, 2018 - $115,000), to Sirocco Advisory Services Ltd., a company controlled by a director and officer of the Company. As at December 31, 2018, the Company owed $38,333 to Sirocco relating to unpaid consulting fees (March 31, 2018: $67,563).

During the nine months ended December 31, 2018, the Company incurred corporate consulting fees of $45,000 (year ended March 31, 2018 - $60,000) to Sinocan Consultant Hong Kong Ltd., a company controlled by an officer of the Company.

As at December 31, 2018, the Company owed $27,500 in directors' fees to certain directors of the Company (March 31, 2018 - $17,500). As at December 31, 2018, the Company owed unpaid salaries and benefits of $20,000 to an officer of the Company (March 31, 2018 - $35,000).

11. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION (continued)

b) Payments for services by related parties (continued)

As disclosed in Note 10, the Company is charged shared lease, overhead, and service costs by Atlantic Gold Corporation, a company with a director and officer in common. For the nine months ended December 31, 2018, the Company incurred $58,225 (year ended March 31, 2018 - $75,850) in shared lease, overhead, and service costs. As at December 31, 2018, the Company owed $38,865 to Atlantic Gold Corporation (March 31, 2018: $68,772). Refer to Note 10 for a listing of future commitments in respect of such lease costs.

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 are held by directors and officers of the Company (refer to Note 7a and 7b for terms of the convertible debentures). The convertible debentures are secured against the assets of the Company.

All related party transactions were made on terms equivalent to those that prevail in arm's length transactions.

12. 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, restricted cash, 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.

12. FINANCIAL RISK MANAGEMENT (continued)

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, 2018 and March 31, 2018 are presented below.

December 31, 2018

	Less than 1 year	1 - 3 years	4 - 5 years	Total
Accounts payable and accrued liabilities	$ 169,164	$ -	$ -	$ 169,164
Due to related parties	131,166	-	-	131,166
Convertible debenture - liability component	218,663	1,415,988	1,966,563	3,601,214
Advance royalty payable	400,000	400,000	200,000	1,000,000

March 31, 2018

	Less than 1 year	1 - 3 years	4 - 5 years	Total
Accounts payable and accrued liabilities	$ 126,510	$ -	$ -	$ 126,510
Due to related parties	188,835	-	-	188,835
Convertible debenture - liability component	68,850	206,550	841,129	1,116,529
Advance royalty payable	300,000	200,000	600,000	1,100,000

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.

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.

12. FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

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.

At December 31, 2018, the Company had no marketable securities.

Fair value is based on available public market information or, when such information is not available, estimated using present value techniques and assumptions concerning the amount and timing of future cash flows and discount rates which factor in the appropriate credit risk. 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.

13. 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, 2018. Further information relating to management of capital is disclosed in Note 1.

14. SUBSEQUENT EVENTS

On March 19, 2019, the Company granted a total of 1,990,000 incentive stock options and 684,157 RSUs to officers, directors and consultants of the Company. The stock options are exercisable at a price of $0.09 per share for a period of 10 years expiring on March 19, 2029.