Oceanic Iron Ore Corp.
(Formerly Pacific Harbour Capital Ltd.)

March 31, 2011 and 2010
(Stated in Canadian Dollars)

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July 28, 2011

Independent Auditor's Report

To the Shareholders of Oceanic Iron Ore Corp.

We have audited the accompanying financial statements of Oceanic Iron Ore Corp., which comprise the balance sheets as at March 31, 2011 and 2010 and the statements of operations, comprehensive loss and deficit and cash flows for the years then ended, and the related notes including a summary of significant accounting policies.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Oceanic Iron Ore Corp. as at March 31, 2011 and 2010 and the results of its operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(signed) "PricewaterhouseCoopers LLP"

Chartered Accountants

Oceanic Iron Ore Corp.
(Formerly Pacific Harbour Capital Ltd.)
Balance Sheets
(Expressed in Canadian dollars)

	March 31, 2011	March 31, 2010
Assets		
Current assets		
Cash and cash equivalents	**$ 19,082,521**	$ 194,169
Marketable securities (Note 3)	**171,250**	120,056
Receivables	**253,600**	-
Prepaid expenses and deposits (Note 4)	**700,094**	21,266
	20,207,465	335,491
Equipment	**-**	9,269
Mineral Properties (Note 5)	**22,252,529**	-
	$ 42,459,994	**$ 344,760**
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**$ 889,380**	$ 24,644
Due to related parties (Note 9)	**24,247**	-
	913,627	24,644
Future income taxes (Notes 5,6(b),7)	**5,785,807**	-
	6,699,434	24,644
Shareholders' equity		
Share capital (Notes 6(a),6(b))	**42,860,458**	7,616,876
Contributed surplus (Notes 6(b),6(c),6(d))	**5,835,323**	422,733
Deficit	**(12,935,221)**	(7,719,493)
	35,760,560	320,116
	$ 42,459,994	$ 344,760

Nature of operations (Note 1)
Commitments (Note 8)
Subsequent events (Note 13)

Approved by the Board:

" Steven Dean " Director

" Gordon Keep " Director

The accompanying notes are an integral part of these financial statements

Oceanic Iron Ore Corp.
(Formerly Pacific Harbour Capital Ltd.)
Statements of operations, comprehensive loss and deficit
(Expressed in Canadian dollars)

	Year ended March 31, 2011	Year ended March 31, 2010
Expenses		
Amortization	**1,200**	3,296
Consulting and management	**284,194**	24,000
Investor relations	**36,785**	-
License and insurance	**6,964**	-
Office and general	**27,203**	11,981
Professional fees	**140,893**	47,425
Rent	**95,301**	98,188
Stock-based compensation (Note 6(c))	**4,668,087**	-
Transfer agent and regulatory	**57,081**	18,257
Travel	**44,925**	-
Wages and benefits	**126,245**	71,353
	5,488,878	274,500
Other items		
Interest income	**59,159**	399
Loss on write-off of investment (Note 3)	**(50,056)**	-
Gain on disposal of marketable securities and investments (Note 3)	**5,726**	9,363
Loss on write-off of equipment	**(8,069)**	-
Unrealized gain on marketable securities (Note 3)	**121,250**	11,000
Net loss before income taxes	**(5,360,868)**	**(253,738)**
Income tax recovery (Note 7)	**145,140**	-
Net loss and comprehensive loss for the year	**(5,215,728)**	**(253,738)**
Deficit, beginning of year	**(7,719,493)**	(7,465,755)
Deficit, end of year	**$(12,935,221)**	$ (7,719,493)
Loss per common share - basic and diluted	**$ (0.07)**	$ (0.04)
Weighted average number of common shares outstanding	**70,059,833**	7,247,703

The accompanying notes are an integral part of these financial statements

Oceanic Iron Ore Corp.
(Formerly Pacific Harbour Capital Ltd.)
Statements of cash flows
(Expressed in Canadian dollars)

	Year ended March 31, 2011	Year ended March 31, 2010
Operating activities		
Net loss for the year	**$ (5,215,728)**	$ (253,738)
Items not involving cash:		
Future income tax recovery	**(145,140)**	-
Amortization	**1,200**	3,296
Stock-based compensation	**4,668,087**	-
Accrued interest	**(49,973)**	-
Loss on write-off of investments	**50,056**	-
Gain on disposal of marketable securities and investments	**(5,726)**	(9,363)
Unrealized gain on marketable securities	**(121,250)**	(11,000)
Write-off of equipment	**8,069**	-
Net changes in non-cash working capital balances:		
Prepaid expenses and deposits (Note 4)	**(678,828)**	(192)
Accrued interest and receivables	**(203,628)**	-
Accounts payable and accrued liabilities	**96,047**	(369)
Due to related parties	**24,247**	-
	(1,572,567)	**(271,366)**
Investing activities		
Mineral property expenditures	**(2,819,027)**	-
Proceeds from sale of marketable securities	**25,726**	10,561
	(2,793,301)	10,561
Financing activities		
Private placements (Note 6(b))	**22,972,500**	-
Share issue costs (Note 6(b))	**(1,327,062)**	-
Exercise of stock options (Note 6(c))	**176,282**	-
Exercise of warrants (Note 6(d))	**1,432,500**	-
	23,254,220	-
Change in cash and cash equivalents during the year	**18,888,352**	(260,805)
Cash and cash equivalents, beginning of year	**194,169**	454,974
Cash and cash equivalents, end of year	**$ 19,082,521**	$ 194,169
Cash and cash equivalents are comprised of the following:		
Cash	**$ 82,521**	$ 25,938
Term deposits	**$ 19,000,000**	$ 168,231
	$ 19,082,521	$ 194,169

Supplemental cash flow information - Note 12

1. NATURE OF OPERATIONS

Oceanic Iron Ore Corp. ("Oceanic" or the "Company") is an exploration stage company engaged in the acquisition and exploration of iron ore properties in Quebec, Canada. The Company was incorporated on March 8, 1986 under the British Columbia Business Corporations Act. Its common shares are traded on the TSX Venture Exchange under the symbol "FEO" as well as the OTCQX in the United States under the symbol "FEOVF".

The Company was formerly known as Pacific Harbour Capital Ltd. ("Pacific Harbour"), an investment company. Upon completion of the acquisition of mineral properties (see Note 5), Pacific Harbour changed its name to Oceanic Iron Ore Corp.

The Company has acquired a 100% interest, subject to a 2% net smelter returns royalty ("NSR"), in approximately 3,000 mining claims (the "Property") located near Ungava Bay, Quebec (see Note 5).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Accounting

These financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles ("GAAP") and are expressed in Canadian dollars.

b) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, term deposits and short term highly liquid investments with the original term to maturity of three months or less, which are readily convertible to known amounts of cash and which, in the opinion of management, are subject to an insignificant risk of changes in value.

c) Mineral Properties

All costs directly related to the acquisition, exploration and development of mineral properties are capitalized by property. If economically recoverable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. When a property is abandoned, all related costs are written off to operations.

A mineral property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. Management regularly reviews the net carrying value of each mineral property. Where events or changes in circumstances suggest impairment, estimated future cash flows are calculated using estimated future prices, proven and probable reserves, value beyond proven and probable reserves, probability weighted outcomes and operating capital reclamation costs on an undiscounted basis. If it is determined that the future undiscounted cash flows are less than the carrying value, a write down to the estimated fair value is expensed in the period. Where future cash flows cannot be estimated and other events or changes in circumstances suggest impairment, the asset is written down to its' estimated fair value using management's best estimates and comparative situations in the marketplace.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Mineral Properties (continued)

The amounts shown for mineral properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete development, and future profitable production or proceeds from the disposition thereof.

d) Financial Instruments

All financial instruments are classified into one of these five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments and derivatives are measured on the balance sheet date at fair value upon initial recognition. Subsequent measurement depends on the initial classification of the instrument. Held-for-trading financial assets are measured at fair value, with changes in fair value recognized in net earnings (loss). Available-for-sale financial instruments are measured at fair value, with changes in fair value recorded in other comprehensive income ("OCI") until the instrument is derecognized or impaired. Loans and receivables, held-to-maturity investments and other financial liabilities are measured at amortized cost

The Company has designated its cash and cash equivalents and its marketable securities as held-for-trading, which are measured at fair value. The fair value of the marketable securities is estimated based on observable market data relating to the respective investment. Receivables are designated as loans and receivables, which are measured at amortized cost. Accounts payable, accrued liabilities and due to related parties are designated as other liabilities, which are measured at amortized cost.

e) Income Taxes

The Company applies the asset and liability method of measuring income taxes based on temporary differences between the financial reporting and tax bases of assets and liabilities. Future income tax assets and liabilities are measured using substantively enacted tax rates and laws that are expected to apply when the tax liabilities or assets are to be either settled or realized. The effect of a change in a tax rate is recognized in income in the year that includes the date of enactment or substantive enactment. The recognition of future benefits is limited to the extent that the realization of such benefits is more likely than not.

f) Stock-Based Compensation

All stock-based awards made to directors, employees and non-employees are measured and recognized using the Black-Scholes valuation model. For directors and employees, the fair value of the options is measured at the date of the grant. For non-employees, the fair value of the options is measured on the earlier of the date at which the counterparty performance is complete or the date the performance commitment is reached or the date at which the equity instruments are granted if they are fully vested and non-forfeitable.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Stock-Based Compensation (continued)

For all stock-based awards, compensation expense is recorded in one of the following areas:

- The Balance sheet, under Mineral properties if the stock-based compensation is for services directly attributable to the mineral property;
- The Balance sheet, under equity if the stock-based compensation is in relation to services performed under a share issuance; or
- The Statement of operations, comprehensive loss, and deficit.

A corresponding increase is recorded in the Contributed Surplus account in the Balance Sheet.

g) 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 fair 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 March 31, 2011.

h) Flow-through Shares

Under the terms of the Canadian flow-through legislation, the tax attributes of qualifying expenditures are renounced to subscribers. To recognize the foregone tax benefits, share capital is reduced and a future income tax liability is recognized as the related expenditures are renounced, when it is likely that the expenses will be incurred. This future income tax liability may then be reduced by the recognition of previously unrecorded future income tax assets on unused tax losses and deductions.

i) Management Estimates

Estimates by management represent an integral component of financial statements prepared in conformity with Canadian GAAP. The estimates made in these financial statements reflect management's judgments based on past experiences, present conditions, and expectations of future events. Where estimates were made, the reported amounts for assets, liabilities, revenues and expenses may differ from the amounts that would otherwise be reflected if the ultimate outcome of all uncertainties and future events were known at the time these financial statements were prepared. Areas requiring the use of estimates include mineral properties, income taxes and stock-based compensation.

(Expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Basic and Diluted Earnings (Loss) Per Share

Earnings (loss) per common share are presented for basic earnings (loss) and diluted earnings. Basic earnings (loss) per share are computed by dividing net earnings (loss) by the weighted average number of outstanding common shares for the year. The Company follows the treasury stock method in the calculation of diluted earnings per share which, for purposes of determining the weighted average number of shares outstanding, assumes that the proceeds to be received on the exercise of the stock options and warrants are applied to repurchase common shares at the average market price for the year. When a loss is incurred, basic and diluted loss per share is the same because the inclusion of common share equivalents would be anti-dilutive.

k) Changes in Accounting Policies Including Initial Adoption

In December 2008, the Canadian Institute of Chartered Accountants ("CICA") issued Handbook Sections 1582 – Business Combinations, 1601 – Consolidated Financial Statements and 1602 – Non-controlling Interests which replace CICA Handbook Sections 1581 – Business Combinations and 1600 – Consolidated Financial Statements. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under International Financial Reporting Standards. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Effective April 1, 2010, the Company early adopted all three sections.

There was no impact on the Company's financial statements as a result of the adoption of these sections.

l) Recent Accounting Pronouncements

In February 2008 the Accounting Standards Board confirmed that International Financial Reporting Standards ("IFRS") will replace Canadian GAAP for publicly accountable enterprises for financial periods beginning on and after January 1, 2011. The IFRS transition date for the Company is April 1, 2010. The adoption of IFRS will require the restatement for comparative purposes of amounts reported by the Company for the year ended March 31, 2011. The Company is currently determining the impact that the adoption of IFRS will have on the financial statements.

3. MARKETABLE SECURITIES

Holdings of marketable securities as at March 31, 2011 and 2010 are as follows:

	March 31, 2011		**March 31, 2010**	
Investee	**Number of shares**	**$**	**Number of shares**	**$**
Yellowhead Mining Inc	125,000	171,250	125,000	50,000
Baja Mining Corp.	-	-	25,000	20,000
Ethoca Solutions Inc.	-	-	1,823	50,056
	125,000	**171,250**	**151,823**	**120,056**

(Expressed in Canadian dollars)

3. MARKETABLE SECURITIES (continued)

During the year, the Company:

- Wrote-off its investment of a private company. The amount of the write off was $50,056.
- Sold 25,000 shares for proceeds of $25,726, resulting in a realized gain of $5,726.
- Recorded an unrealized gain on its investment of $121,250.

4. PREPAID EXPENSES AND DEPOSITS

		March 31 2011		March 31 2010
Deposits to Vendors	$	444,481	$	-
Prepaid Expenses		255,613		21,266
	$	**700,094**	**$**	**21,266**

5. MINERAL PROPERTIES - UNGAVA BAY

On November 30, 2010, the Company closed the acquisition of a 100% interest, subject to the vendors retaining a 2% net smelter returns royalty (the "NSR"), in approximately 3,000 mining claims (the "Property") located near Ungava Bay, Quebec.

As consideration for the acquisition, Oceanic issued 30,000,000 common shares, of which 6,000,000 common shares are free trading as at the date of this report and 24,000,000 are in escrow. The shares held in escrow will be released as follows: 1,500,000 shares on September 30, 2011 and 4,500,000 shares on each of the dates that are 12 months, 18 months, 24 months, 30 months and 36 months following December 3, 2010, respectively.

Commencing on November 30, 2011, Oceanic must pay minimum advance NSR payments of $200,000 per year, which will be credited against all future NSR payments payable from production. Oceanic may purchase 50% of the NSR by paying $3,000,000 at any time in the first two years following the commencement of commercial production from the Property.

The Property was the subject of a dispute between Kataria Holdings Limited, a British Virgin Islands Company, Atulkumar Patel and Ramzy Abdul-Majeed, both of Dubai, UAE, (collectively the "Kataria Group") and the vendors. The vendors and the Kataria Group have made the necessary filings to dismiss all legal proceedings in respect of the Property and have entered into full and final releases.

On closing of the acquisition, Oceanic paid the Kataria Group US$2,000,000 and issued the Kataria Group 8,000,000 common shares, of which 4,000,000 common shares will be held in escrow and only released upon receipt of an independent report under National Instrument 43-101 which validates a resource equal to or greater than 450 million metric tonnes of 35% or higher iron content.

Finder’s fees of $50,000 and 1,010,000 common shares (fair value $384,252) were paid in relation to the acquisition. Other transaction costs relating to the acquisition totalled $171,085.

(Expressed in Canadian dollars)

5. MINERAL PROPERTIES - UNGAVA BAY (continued)

The Company has accounted for the transaction as a purchase of assets and the shares issued were fair valued at approximately $0.38 per share. The allocation of the net assets acquired is summarized in the table below:

Purchase Price:		
Finders fees relating to the acquisition	$	605,337
Cash payment to Kataria Group (US $2 million)		2,011,600
Common shares to Vendors (30,000,000 shares)		11,413,411
Common shares to Kataria Group (8,000,000 shares)		3,043,576
	$	17,073,924

Net Assets Acquired:		
Mineral Properties	$	20,856,023
Future Income Taxes		(3,782,099)
	$	17,073,924

In addition to the $20,856,023 capitalized to Mineral Properties as part of the acquisition, the Company has incurred $1,396,506 in exploration expenditures as follows:

		March 31 2011		**March 31 2010**
Permitting/Claims	$	121,104	$	-
Drilling		180,194		-
Fieldwork and Geology		260,312		-
Consultants		16,946		-
Salaries		95,445		-
Accomodation		140,556		-
Transportation		458,849		-
Other		123,100		-
Exploration Expenditures incurred since acquisition		1,396,506		-
Acquisition Costs		20,856,023		-
Mineral Properties, March 31, 2011	**$**	**22,252,529**	**$**	**-**

(Expressed in Canadian dollars)

6. SHARE CAPITAL

(a) Authorized

Unlimited common and preferred shares without par value

(b) Issued and fully paid common shares

	Number of shares	Share Capital Amount	Contributed surplus
Balance, March 31, 2009 and 2010	7,247,703	$ 7,616,876	$ 422,733
Private placement - June 9, 2010	40,000,000	2,630,849	369,151
Private placement - November 30, 2010	13,125,000	5,005,327	244,673
Private placement - November 30, 2010	28,400,000	14,339,263	383,237
Share issue costs, cash	-	(1,282,710)	(44,352)
Issued as finders fees (Note 5)	1,010,000	384,252	-
Issued for mineral property (Note 5)	30,000,000	11,413,411	-
Issued to Kataria (Note 5)	8,000,000	3,043,576	-
Exercise of stock options (Note 6(c))	683,514	284,011	(107,728)
Exercise of share purchase warrants (Note 6(d))	14,325,000	1,563,349	(130,849)
Stock-based compensation (Note 6c)	-	-	4,698,458
Future income taxes	-	(2,137,746)	-
Balance, March 31, 2011	**142,791,217**	**42,860,458**	**5,835,323**

Concurrently with closing of the iron ore property acquisition (Note 5), Oceanic completed two non-brokered private placements of units for gross proceeds of $19,972,500. In the first private placement, 13,125,000 units were sold at a price of $0.40 per unit. Of the units, 8,844,500 units consisted of one flow-through common share (see Note 7) and one-half of one share purchase warrant and 4,280,500 units consisted of one common share and one-half of one share purchase warrant. Each whole warrant entitles the holder to purchase one common share at a price of $0.65 per share on or before November 30, 2015.

In the second private placement, 28,400,000 units were sold. Of the Units, 17,950,000 units were sold at a price of $0.50 per unit. Each unit consisted of one common share and one share purchase warrant, each warrant entitling the holder to purchase one common share at a price of $1.00 per share on or before November 30, 2015. The balance of 10,450,000 units were sold at a price of $0.55 per unit, each unit consisting of one flow-through common share (see Note 7) and one warrant, each warrant entitling the holder to purchase one common share at a price of $1.00 per share on or before November 30, 2015.

(Expressed in Canadian dollars)

6. SHARE CAPITAL (continued)

***(b) Issued and fully paid common shares** (continued)*

On June 9, 2010, the Company completed a private placement and issued 40,000,000 common share units at a price of $0.075 per unit for gross proceeds of $3,000,000. Each unit consisted of one common share and one share purchase warrant exercisable into one common share at a price of $0.10 per share for a period of two years following issuance.

The Company incurred cash share issue costs in the amount of $1,327,062 in connection with the private placements during the year.

Shares in escrow
Other than the shares in escrow disclosed in Note 5, 1,800,000 common shares held by a principal of Oceanic are held in escrow at March 31, 2011.

(c) Stock options

The Company has established a "rolling" stock option plan (the "Plan") in compliance with the TSX Venture Exchange's policy for granting stock options. Under the Plan, the maximum number of shares reserved for issuance may not exceed 10% of the total number of issued and outstanding common shares and the term of any option granted under the Plan may not exceed ten years. The exercise price of each option shall not be less than the market price of the Company's stock at the date of grant. Each option vesting period is determined on a grant by grant basis.

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

	Outstanding	Weighted average exercise price
Balance, March 31, 2009 and 2010	1,134,028	$0.24
Granted	12,240,000	0.56
Exercised	(683,514)	0.26
Balance, March 31, 2011	12,690,514	$0.55
Exercisable, March 31, 2011	12,390,514	$0.54

The weighted fair value of the options granted during the period was $0.40.

On November 30, 2010, the Company granted 7,740,000 stock options to directors, officers and charities. Using the Black-Scholes valuation model for stock-based compensation, the value of the stock options granted was $1,864,566, which was recorded as stock-based compensation in the statement of operations, comprehensive loss and deficit.

During the fourth quarter of the year, the Company granted a total of 4,500,000 stock options to directors, officers and employees. Using the fair value method for stock-based compensation, the value of the stock options granted was $2,833,892. $2,803,521 of the total value was recorded as stock-based compensation in the statement of operations, comprehensive loss and deficit, while $30,371 was capitalized to Mineral Properties.

(Expressed in Canadian dollars)

6. SHARE CAPITAL (continued)

***(c) Stock options** (continued)*

The following assumptions were used in the valuation of the stock options:

Risk-free interest rate	3.22% - 3.37%
Expected life	10 years
Annualized volatility	75%
Dividend rate	0.00%

The risk-free rate for periods within the contractual term of the option is based on the Bank of Canada administered interest rates in effect at the time of the grant. The expected term of the options granted represents the period of time that the options granted are expected to be outstanding. Expected volatilities are based on historical volatilities of stock prices of comparable companies given the limited life of the Company as an exploration company.

On September 15, 2010, outstanding stock options were amended as follows:

- 482,014 options which were originally set to expire on June 25, 2012 were amended to expire June 30, 2011.
- 175,000 options which were originally set to expire on March 13, 2013 were amended to expire December 31, 2011.

The following table summarizes information about the stock options outstanding at March 31, 2011:

	Options Outstanding		Options Exerciseable	
Weighted average exercise price	Outstanding at 31-Mar-11	Weighted average remaining contractual life (years)	Outstanding at 31-Mar-11	Weighted average remaining contractual life (years)
$ 0.24	352,014	0.2	352,014 [1]	0.2
0.27	175,000	0.8	175,000 [2]	0.8
0.40	7,663,500	9.7	7,663,500	9.7
0.83	3,800,000	9.8	3,500,000	9.8
0.85	700,000	9.9	700,000	9.9
0.55	12,690,514	9.3	12,390,514	9.3

[1] -Subsequent to year end, 352,014 options, with an exercise price of $0.24, were exercised

[2] -Subsequent to year end, 175,000 options, with an exercise price of $0.27, were exercised

(Expressed in Canadian dollars)

6. SHARE CAPITAL (continued)

(d) Share purchase warrants

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

	Number of warrants		Weighted average exercise price
Balance, March 31, 2009 and 2010	-	$	-
Issued pursuant to private placement	40,000,000		0.10
Issued pursuant to private placement	6,562,500		0.65
Issued pursuant to private placement	28,400,000		1.00
Exercised	(14,325,000)		(0.10)
Balance, March 31, 2011	60,637,500	$	0.58

The warrants issued pursuant to the above mentioned private placements were valued using the Black-Scholes fair value model using the following assumptions:

Risk-free interest rate	1.72% - 2.12%
Expected life	2 to 5 years
Annualized volatility	25%
Dividend rate	0.00%

The following table summarizes information about the share purchase warrants outstanding at March 31, 2011:

Outstanding and exercisable		Weighted average exercise price	Expiry date	Weighted average remaining contractual life (years)
25,675,000	$	0.10	June 9, 2012	1.2
6,562,500		0.65	November 30, 2015	4.7
28,400,000		1.00	November 30, 2015	4.7
60,637,500	$	0.58		3.2

(Expressed in Canadian dollars)

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:

	March 31 2011	March 31 2010
Loss before income taxes	(5,360,868)	(253,738)
Statutory tax rates	29.50%	28.50%
Expected income tax recovery	(1,581,456)	(72,314)
Increase (decrease) due to:		
Non-deductible expenses and other	1,356,615	(2,196)
Change in long term tax rate	17,992	38,537
Adjustment to valuation allowance on asset acquisition	243,999	
Change in valuation allowance	(182,291)	35,973
Income tax expense (recovery)	(145,140)	-

Future tax assets and liabilities of the Company were comprised of the following:

	March 31 2011	March 31 2010
Future income tax assets		
Non-capital losses	505,979	375,004
Capital losses	66,250	62,500
Share issue costs	285,586	-
Equipment	7,999	-
Portfolio investments	-	4,374
Valuation allowance	(259,082)	(441,373)
Net future income tax assets	606,732	505
Future income tax liabilities		
Mineral property costs	6,376,230	-
Equipment	-	505
Portfolio investments	16,308	-
Future income tax liabilities	6,392,538	505
Future income tax liability, net	**5,785,807**	**-**

(Expressed in Canadian dollars)

7. INCOME TAXES (continued)

As at March 31, 2011, the Company has incurred non-capital losses available for carry forward totaling $1,880,963, which expire from 2014 to 2031 as follows:

2014	382,209
2015	395,266
2026	162,769
2027	15,624
2028	237,037
2029	213,861
2030	270,804
2031	203,393
	1,880,963

A valuation allowance has been used to offset the net benefit related to certain future tax assets as a result of the uncertainty associated with the ultimate realization of these tax assets before expiry.

During the year ended March 31, 2011, the Company issued 19,294,500 flow-through common shares for total proceeds of $9,285,300, which must be used for qualifying exploration expenditures and were renounced to the flow-through shareholders effective December 31, 2010. The future income tax liability is estimated to be $297,925 resulting from the renunciation of these qualifying expenditures and has been be recorded on March 2, 2011, the date the renunciation tax forms were filed. The unspent balance of this flow-through issuance at March 31, 2011 was $8,529,518 which must be spent by December 31, 2011.

8. COMMITMENTS

Effective September 1, 2010, the Company entered into a financial advisory and office rental agreement with Endeavour Administration Services Ltd. (“Endeavour”). Endeavour charges $10,000 per month for the advisory services, and may also earn success fees on certain transactions. Endeavour had also charged $1,000 per month for rent in conjunction with the agreement. However this portion of the agreement was terminated in favour of the lease agreement noted below. The initial term of the agreement is for one year after which it will continue in force on a month-to-month basis.

Effective March 1, 2011, the Company entered into an agreement with a related company 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 Head Office in Vancouver. The agreement expires on September 29, 2015, but either party may terminate the agreement provided 90 days’ notice. Absent of a termination of the agreement by either party, the committed rent charges for the Company are as follows:

(Expressed in Canadian dollars)

March 31,	Amount
2012	$ 71,013
2013	73,098
2014	74,943
2015	74,943
thereafter	37,812
	$ 331,809

Lastly, as noted in note 5, commencing on November 30, 2011, Oceanic must pay minimum advance NSR payments of $200,000 per year, which will be credited against all future NSR payments payable from production.

9. RELATED PARTY TRANSACTIONS

For the year ended March 31, 2011 and 2010, the Company was charged the following expenses by directors or companies with directors in common:

	March 31 2011	March 31 2010
Rent & Shared Services	$ 21,650	$ -
Management Fees	176,925	24,000
	$ 198,575	**$ 24,000**
Amounts due to related parties	$ 24,247	$ -

All charges were measured by the exchange amount, which is the amount agreed upon by the transacting parties.

10. FINANCIAL INSTRUMENTS

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, marketable securities, receivables, accounts payable, accrued liabilities and due to related parties.

Cash and cash equivalents and marketable securities are designated as held-for-trading and carried at fair value, with the unrealized gain or loss recorded in the statement of operations, comprehensive loss and deficit. Receivables are designated as loans and receivables and are measured at amortized cost. Accounts payable, accrued liabilities and due to related parties are classified as other financial liabilities, which are measured at amortized cost.

The fair values of cash and cash equivalents, marketable securities, receivables, accounts payable, accrued liabilities and due to related parties approximate their book values because of the short-term nature of these instruments.

10. FINANCIAL INSTRUMENTS (continued)

Fair Value Measurement

The Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3862 "Financial Instruments Disclosures" requires disclosure of a three-level hierarchy for fair value measurements based upon the significance of inputs used in making fair value measurements as follows:

- Level 1 – quoted prices in active markets for identical assets or liabilities.
- Level 2 – inputs other than quoted prices included in Level 1 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 March 31, 2011, cash and cash equivalents were categorized as level 2 and marketable securities were categorized as level 1.

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, receivables and marketable securities. The Company reduces its credit risk by maintaining its financial liquid assets with highly reputable counterparties. The maximum exposure to credit risk is equal to the fair value or carrying value of the financial assets noted above.

Liquidity Risk

The Company's cash and cash equivalents are invested in business accounts and term deposits which are available on demand. The company manages liquidity risk by preparing and maintaining cash forecasts, which illustrate cash spent to date and our cash needs over the short term. Management has concluded that the Company has adequate financial resources to settle obligations as at March 31, 2011.

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 trading its marketable securities as well as its cash and cash equivalents. The Company manages market risk by investing in diverse industries and companies. The Company also has set thresholds on purchases of investments. A 10% change in the price of the Company's marketable securities would have an immaterial impact on net income and comprehensive income.

(Expressed in Canadian dollars)

10. FINANCIAL INSTRUMENTS (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 fixed rate instruments. A 1% change in interest rates would have a $190,000 impact on net income and comprehensive income.

11. MANAGEMENT OF CAPITAL

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern such that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Company considers the items included in shareholders' equity as capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions, business opportunity and the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares or return capital to its shareholders. The Company is not exposed to externally imposed capital requirements.

12. SUPPLEMENTAL CASH FLOW INFORMATION

		March 31, 2011		**March 31, 2010**
Interest paid	**$**	**-**	$	-
Income taxes paid		**-**		-
Mineral property expenditures in accounts payable		**768,689**		-
Non-cash consideration for mineral properties		**14,841,239**		-
Future income taxes on the renunciation of flow through shares		**2,497,746**		-
Future income taxes on acquisition of assets		**3,782,099**		-
Future income taxes on capitalized stock based compensation		**11,102**		-

13. SUBSEQUENT EVENTS

Subsequent to year end,

a) The Company issued a total of 1,600,000 stock options to officers and employees of the Company with an exercise price ranging from $0.44 to $0.62 and expiry dates ranging from April 5, 2020 to May 18, 2021.

b) A total of 527,014 options were exercised, with exercise prices ranging from $0.24 to $0.27.

c) A total of 850,000 options with an exercise price of $0.40 were forfeited as a result of the resignation of a director of the Company.

d) A total of 885,000 warrants were exercised at a price of $0.10.

e) The Company sold 125,000 shares of an unrelated company for proceeds of $171,962.