# Oceanic Iron Ore Corp.

**Unaudited Condensed Interim Financial Statements**
**For the three months ended March 31, 2019 and 2018**
(Stated in Canadian Dollars)

## NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed interim consolidated financial statements of Oceanic Iron Ore Corp. have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

# Oceanic Iron Ore Corp.

## Consolidated Statements of Financial Position

| | Notes | | As at March 31, 2019 | | As at December 31, 2018 |
|---|---|---|---|---|---|
| ***Assets*** | | | | | |
| **Current** | | | | | |
| Cash and cash equivalents | | **$** | **1,280,662** | $ | 1,358,358 |
| Receivables | | | **33,006** | | 33,181 |
| Prepaid expenses and deposits | | | **11,834** | | 12,085 |
| Restricted cash | | | **1,150** | | 1,150 |
| | | | **1,326,652** | | 1,404,774 |
| Mineral properties | *4* | | **42,878,405** | | 42,581,712 |
| | | **$** | **44,205,057** | $ | 43,986,486 |
| ***Liabilities*** | | | | | |
| **Current** | | | | | |
| Accounts payable and accrued liabilities | | **$** | **378,511** | $ | 169,164 |
| Due to related parties | | | **206,401** | | 131,166 |
| Current portion of advance royalty payable | *4b* | | **378,148** | | 369,529 |
| | | | **963,060** | | 669,859 |
| Non-current portion of advance royalty payable | *4b* | | **448,369** | | 350,000 |
| Convertible debentures | *5* | | **3,863,144** | | 3,059,501 |
| | | | **5,274,573** | | 4,079,360 |
| ***Shareholders' equity*** | | | | | |
| Share capital | *6a,b* | | **60,091,231** | | 60,091,231 |
| Contributed surplus | *6b,c,d* | | **10,438,632** | | 10,354,193 |
| Deficit | | | **(31,599,379)** | | (30,538,298) |
| | | | **38,930,484** | | 39,907,126 |
| | | **$** | **44,205,057** | $ | 43,986,486 |
| ***Nature of operations and going concern*** | *1* | | | | |
| ***Commitments*** | *7* | | | | |

**Approved by the Board:**

" Steven Dean " Director

" Gordon Keep " Director



*The accompanying notes are an integral part of these condensed interim financial statements*

# Oceanic Iron Ore Corp.

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

| | *Notes* | | **March 31, 2019** | | March 31, 2018 |
|---|---|---|---|---|---|
| ***Expenses*** | | | | | |
| Consulting and management fees | | **$** | **58,750** | $ | 58,750 |
| Directors' fees | | | **7,500** | | 10,000 |
| Investor relations and corporate development | | | **270** | | 1,190 |
| License and insurance | | | **5,525** | | 5,056 |
| Office and general | | | **5,548** | | 3,490 |
| Professional fees | | | **4,312** | | 29,819 |
| Rent | | | **8,937** | | 8,911 |
| Share-based payments | *6b,c* | | **84,439** | | 11,413 |
| Transfer agent and regulatory | | | **4,148** | | 7,529 |
| Wages and benefits | | | **23,414** | | 30,159 |
| | | | **(202,843)** | | (166,317) |
| ***Other expenses*** | | | | | |
| Unrealized loss on convertible debenture derivative liability | *5* | | **(777,281)** | | (380,818) |
| Convertible debenture accretion expense | | | **(80,957)** | | (27,315) |
| ***Net loss before income taxes*** | | | **(1,061,081)** | | (574,450) |
| Deferred income tax expense | | | **-** | | (79,775) |
| ***Net loss and comprehensive loss for the period*** | | **$** | **(1,061,081)** | $ | (654,225) |
| ***Loss per common share - basic and diluted*** | | **$** | **(0.02)** | $ | (0.01) |
| **Weighted average number of common shares outstanding** | | | **69,055,849** | | 67,830,849 |



*The accompanying notes are an integral part of these condensed interim financial statements*

# Oceanic Iron Ore Corp.

## Consolidated Statements of Changes in Equity

## For the three months ended March 31, 2019 and 2018

| | Notes | Shares | | Share Capital | | Contributed surplus | | Convertible Debenture | | Deficit | | Total Equity |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance - January 1, 2019** | | **69,055,849** | **$** | **60,091,231** | **$** | **10,354,193** | **$** | **-** | **$** | **(30,538,298)** | **$** | **39,907,126** |
| Share-based compensation | 6c | - | | - | | 56,218 | | | | - | | 56,218 |
| Restricted share units compensation | 6b | - | | - | | 28,221 | | | | - | | 28,221 |
| Net loss for the period | | - | | - | | - | | | | (1,061,081) | | (1,061,081) |
| **Balance - March 31, 2019** | | **69,055,849** | **$** | **60,091,231** | **$** | **10,438,632** | **$** | **-** | **$** | **(31,599,379)** | **$** | **38,930,484** |

| | | Shares | | Share Capital | | Contributed surplus | | Convertible Debenture | | Deficit | | Total Equity |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance - January 1, 2018** | | **66,997,516** | **$** | **59,893,208** | **$** | **10,389,030** | **$** | **207,473** | **$** | **(29,259,770)** | **$** | **41,229,941** |
| Share-based compensation | 6c | - | | - | | 11,413 | | | | - | | 11,413 |
| Settlement of convertible debenture - equity portion | | | | | | | | (207,473) | | | | (207,473) |
| Settlement of advance royalty payment | | 1,000,000 | | 100,000 | | - | | - | | - | | 100,000 |
| Net loss for the period | | - | | - | | - | | - | | (654,225) | | (654,225) |
| **Balance - March 31, 2018** | | **67,997,516** | **$** | **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 three months ended March 31, 2019 and 2018

| | Notes | March 31, 2019 | March 31, 2018 |
|---|---|---|---|
| **Operating activities** | | | |
| Net loss for the period | | **$ (1,061,081)** | $ (654,225) |
| Adjustments for: | | | |
| Deferred income tax | | **-** | 79,775 |
| Share-based payments | | **84,439** | 11,413 |
| Unrealized loss on convertible debenture derivative liability | 5 | **777,281** | 380,818 |
| Convertible debenture interest expense | | **80,957** | 27,315 |
| Net changes in non-cash working capital balances: | | | |
| Prepaid expenses and deposits | | **(11,989)** | (38,317) |
| Receivables | | **6,615** | 2,979 |
| Accounts payable and accrued liabilities | | **12,326** | (15,641) |
| Due to related parties | | **75,235** | 75,751 |
| | | **(36,217)** | (130,131) |
| **Investing activities** | | | |
| Mineral property expenditures | | **13,116** | (21,017) |
| | | **13,116** | (21,017) |
| **Financing activities** | | | |
| Interest paid on convertible debenture | 5 | **(54,595)** | (17,213) |
| Proceeds from convertible debenture net of issuance costs | | **-** | (20,640) |
| | | **(54,595)** | (37,853) |
| Change in cash during the period | | **(77,696)** | (189,001) |
| Cash, beginning of period | | **1,358,358** | 519,374 |
| **Cash, end of period** | | **$ 1,280,662** | $ 330,373 |



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

## 1. NATURE OF OPERATIONS AND GOING CONCERN

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

The Company acquired a 100% interest in certain mining claims (the "Property") located near Ungava Bay, Québec, Canada in November, 2010. The Company is currently conducting exploration 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 three months ended March 31, 2019, the Company reported loss of $1,061,081 and as at that date had an accumulated deficit of $31,599,379 and working capital surplus of $363,592. The Company will need to raise additional funds in order to finance ongoing exploration, development and administrative expenses over the coming 12 months. The Company continues to pursue a number of options to improve its financial capacity, including securing a strategic partner to further advance the Hopes Advance project, and obtaining cash flow through other forms of financing. The success of raising such funds cannot be assured. Factors that could affect the availability of financing include the Company's performance, the state of international debt and equity markets, 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 condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including International Auditing Standard 34, Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board. These condensed interim financial statements do not include all disclosures required for annual audited financial statements. Accordingly, they should be read in conjunction with the notes to the Company's audited annual financial statements for the period ended December 31, 2018. The accounting policies followed in these condensed interim financial statements are the same as those applied in note 4 of the Company's audited annual financial statements for the period ended December 31, 2018, except for IFRS 16 which was adopted on January 1, 2019 and discussed in further detail in Note 3 below.

These financial statements were approved by the board of directors on May 27, 2019.

## 3. CHANGES IN ACCOUNTING POLICIES

IFRS 16 – *Leases*

The following lease accounting policy has been applied as of January 1, 2019 on adoption of IFRS 16. For comparative periods prior to 2019, the Company applied lease policies in accordance with IAS 17, Leases (IAS 17). Leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases were charged to the statement of loss and comprehensive loss over the period of the lease.

Under IFRS 16, at inception of a contract, the Company is required to assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company evaluates whether the contract involves the use of an identified asset, whether the Company has the right to obtain substantially all of the economic benefits from use of the asset during the term of the arrangement and if the Company has the right to direct the use of the asset. At inception, or on a reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

As a lessee, the Company recognizes a right-of-use asset, which is included in property, plant and equipment, and a lease liability at the commencement date of a lease. The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, less any lease incentives received.

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

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

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

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

## 3. CHANGES IN ACCOUNTING POLICIES (continued)

IFRS 16 – *Leases (continued)*

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are charged directly to the statement of income and comprehensive income over the lease term.

There was no impact to the Company's financial statements as a result of the adoption of IFRS 16 on January 1, 2019.

## 4. MINERAL PROPERTIES - UNGAVA BAY

a) Acquisition costs

| | | Three months ended March 31, 2019 | | Nine months ended December 31, 2018 |
|---|---|---|---|---|
| **Acquisition Costs - beginning of period** | **$** | **19,193,453** | $ | 19,099,787 |
| **Additions during the period** | | | | |
| Additional advance royalty payable | | **80,576** | | - |
| Accretion of advance royalty payable | | **26,412** | | 93,666 |
| **Acquisition Costs - end of period** | **$** | **19,300,441** | $ | 19,193,453 |

b) Exploration costs

| | | Three months ended March 31, 2019 | | Nine months ended December 31, 2018 |
|---|---|---|---|---|
| **Cumulative exploration costs - beginning of period** | **$** | **23,388,259** | $ | 23,225,858 |
| **Expenditures during the period** | | | | |
| Permitting & claims | | **12,914** | | 68,467 |
| Consultants | | **175,982** | | 83,000 |
| Equipment, supplies & rentals | | **28** | | 3,063 |
| Office and accomodation | | **693** | | 7,759 |
| Transportation | | **88** | | 112 |
| Exploration expenditures for the period | | **189,705** | | 162,401 |
| **Cumulative exploration costs - end of period** | **$** | **23,577,964** | **$** | **23,388,259** |
| **Grand total - mineral properties** | **$** | **42,878,405** | $ | 42,581,712 |

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.

## 4. MINERAL PROPERTIES - UNGAVA BAY (continued)

b) Exploration costs (continued)

During the period, management revised its estimate on the timeline for reaching commercial production, extending the number of advance NSR payments to be paid by the Company, which resulted in an increase in the advance royalty payable of $80,576. The total estimated future undiscounted NSR payment as at March 31, 2019 is $1,200,000 (December 31, 2018: $1,000,000) (Note 7). For the three months ended March 31, 2019, accretion of the advance royalty payable totaled $26,412 (March 31, 2018 - $26,315). At March 31, 2019, the total advance royalty payable was $826,517 (December 31, 2018: $719,529), with $378,148 recognized as a current liability (December 31, 2018: $369,529) and $448,369 recognized as a long-term liability (December 31, 2018: $350,000).

## 5. CONVERTIBLE DEBENTURE

| | Convertible debenture - 2017 Debentures | Convertible debenture - 2018 Debentures | Total |
|---|---|---|---|
| **Opening balance - April 1, 2018** | **$ 1,184,281** | **$ -** | **$1,184,281** |
| Cash received | - | 1,812,500 | **1,812,500** |
| Transaction costs allocated | - | (45,416) | **(45,416)** |
| Interest expense and accretion | 80,727 | 13,507 | **94,234** |
| Amortization of transaction costs | 2,886 | 530 | **3,416** |
| Interest payments | (51,639) | (13,507) | **(65,146)** |
| Settlement of convertible debenture | (51,773) | - | **(51,773)** |
| Unrealized (gain) loss due to fair value adjustment on derivative liability | (134,260) | 261,665 | **127,405** |
| **Balance - December 31, 2018** | **$ 1,030,222** | **$ 2,029,279** | **$3,059,501** |
| Interest expense and accretion | 26,807 | 51,312 | **78,119** |
| Amortization of transaction costs | 341 | 2,498 | **2,839** |
| Interest payments | (16,151) | (38,516) | **(54,667)** |
| Unrealized loss due to fair value adjustment on derivative liability | 3,627 | 773,725 | **777,352** |
| **Balance - March 31, 2019** | **$ 1,044,845** | **$ 2,818,299** | **$3,863,144** |

## 6. SHARE CAPITAL

### *a) Share Capital*

Unlimited common and preferred shares without par value

### *b) Restricted Share Units ("RSUs")*

A summary of the changes in RSUs is as follows:

| | Number of RSUs |
|---|---|
| Balance - January 1, 2018 | 433,333 |
| Settled | (433,333) |
| RSUs outstanding - December 31, 2018 | - |
| Granted | 684,157 |
| **RSUs outstanding - March 31, 2019** | **684,157** |

RSU expense for the three months ended March 31, 2019 was $28,221 (March 31, 2018: $nil) which was recorded within share-based compensation in the Statement of Loss and Comprehensive Loss.

### *c) Stock options*

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

| | Options | | Weighted average exercise price |
|---|---|---|---|
| Options outstanding - January 1, 2018 | 4,374,283 | $ | 0.19 |
| Forfeited | (998,333) | | 0.19 |
| Options outstanding - December 31, 2018 | 3,375,950 | | 0.19 |
| Granted | 1,990,000 | | 0.09 |
| **Options outstanding - March 31, 2019** | **5,365,950** | **$** | **0.16** |

Total share-based payments recognized during the three months ended March 31, 2019 was $56,218 which was expensed in the consolidated statements of loss and comprehensive loss (March 31, 2018 - $11,413).

## 6. SHARE CAPITAL (continued)

### *c) Stock options*

The following table summarizes information about stock options outstanding at March 31, 2019:

| Number of Options outstanding | Exercise Price CAD | Expiry Date | Options Exercisable |
|---:|---:|---:|---:|
| 392,350 | 0.20 | November 30, 2020 | 392,350 |
| 250,000 | 0.20 | January 5, 2021 | 250,000 |
| 30,000 | 0.20 | January 11, 2021 | 30,000 |
| 10,000 | 0.20 | April 5, 2021 | 10,000 |
| 110,600 | 0.20 | May 18, 2021 | 110,600 |
| 205,000 | 0.20 | December 16, 2021 | 205,000 |
| 183,000 | 0.20 | January 18, 2023 | 183,000 |
| 765,000 | 0.155 | November 25, 2024 | 765,000 |
| 25,000 | 0.155 | December 15, 2024 | 25,000 |
| 570,000 | 0.15 | December 2, 2025 | 570,000 |
| 835,000 | 0.25 | January 20, 2027 | 835,000 |
| 1,990,000 | 0.09 | March 19, 2029 | 663,333 |
| 5,365,950 | | | 4,039,283 |

### *d) Share purchase warrants*

As at March 31, 2019 the Company had a total of 625,500 share purchase warrants outstanding with an exercise price of $0.10, expiring on September 30, 2022.

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

| | Number | | Weighted average exercise price |
|---|---:|---|---:|
| Balance - January 1, 2018 | 4,925,000 | | 0.30 |
| Expired | (4,925,000) | | 0.30 |
| Issued | 625,000 | | 0.10 |
| **Balance - December 31, 2018 and March 31, 2019** | **625,000** | **$** | **0.10** |

## 7. 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 4b).

The committed charges for the Company are as follows:

| March 31 | Vancouver office rent | NSR payments | Total commitments |
|---|---|---|---|
| 2020 | 17,248 | 400,000 | 417,248 |
| 2021 | - | 200,000 | 200,000 |
| Thereafter | - | 600,000 | 600,000 |
| | $ 17,248 | $ 1,200,000 | $ 1,217,248 |

## 8. FAIR VALUE OF FINANCIAL INSTRUMENTS

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.