Oceanic Iron Ore Corp.

Annual Financial Statements
For the years ended March 31, 2017 and 2016
(Stated in Canadian Dollars)

July 25, 2017

Independent Auditor's Report

To the Shareholders of Oceanic Iron Ore Corp.

We have audited the accompanying consolidated financial statements of Oceanic Iron Ore Corp., which comprise the consolidated statements of financial position as at March 31, 2017 and March 31, 2016 and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

PricewaterhouseCoopers LLP
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Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Oceanic Iron Ore Corp. as at March 31, 2017 and March 31, 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about Oceanic Iron Ore Corp.'s ability to continue as a going concern.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Oceanic Iron Ore Corp.

Consolidated Statements of Financial Position

		March 31, 2017		March 31, 2016
Assets				
Current assets				
Cash and cash equivalents	**$**	**234,085**	$	607,446
Receivables (Note 5)		**22,898**		88,038
Prepaid expenses and deposits		**16,598**		136,159
Restricted cash		**34,500**		34,500
		308,081		866,143
Equipment		**-**		111,488
Mineral properties (Note 6)		**41,974,448**		40,966,820
	$	**42,282,529**	$	41,944,451
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	**$**	**149,361**	$	43,353
Due to related parties (Note 11)		**4,374**		20,131
Current portion of advance royalty payable (Note 6(b))		**175,227**		262,841
Convertible debenture - liability component (Note 7)		**1,862,062**		121,520
		2,191,024		447,845
Non-current portion of advance royalty payable (Note 6(b))		**446,078**		361,765
Non-current portion of convertible debenture (Note 7)		**-**		1,514,831
		2,637,102		2,324,441
Shareholders' equity				
Share capital (Notes 8(a),6(b))		**57,804,901**		56,372,208
Contributed surplus (8(c),8(d), 8(e))		**9,961,531**		10,012,094
Convertible debenture - equity component (Note 7)		**339,739**		339,739
Deficit		**(28,460,744)**		(27,104,031)
		39,645,427		39,620,010
	$	**42,282,529**	$	41,944,451

Nature of operations and going concern (Note 1)
Commitments (Note 10)
Subsequent Events (Note 14)

Approved by the Board:

" Steven Dean " Director

" Gordon Keep " Director

Oceanic Iron Ore Corp.

Consolidated Statements of Loss and Comprehensive Loss
For the years ended March 31, 2017 and 2016

		March 31, 2017		March 31, 2016
Expenses				
Consulting and management fees	**$**	**175,000**	$	212,500
Directors' fees		**30,000**		30,000
Investor relations and corporate development		**96,131**		91,342
License and insurance		**20,550**		30,802
Office and general		**23,317**		31,077
Professional fees		**75,269**		45,972
Rent		**34,723**		68,255
Share-based payments (Note 8(c)(d))		**222,836**		374,442
Transfer agent and regulatory		**21,442**		26,574
Travel		**6,335**		3,662
Wages and benefits		**306,225**		399,756
Loss from operations		**1,011,828**		1,314,382
Other income (expenses)				
Interest and other income (expense)		**2,346**		(16,566)
Interest and other financing expense		**(347,231)**		(534,095)
Net loss before income taxes		**(1,356,713)**		(1,865,043)
Deferred income tax recovery (Note 9)		**-**		125,020
Net loss and comprehensive loss for the year	**$**	**(1,356,713)**	$	(1,740,023)
Loss per common share - basic and diluted	**$**	**(0.03)**	$	(0.05)
Weighted average number of common shares outstanding		**46,368,897**		37,605,844

The accompanying notes are an integral part of these financial statements

Oceanic Iron Ore Corp.

Consolidated Statements of Changes in Equity

For the years ended March 31, 2017 and 2016

	Share capital										
	Number of shares		Amount		Contributed surplus		Convertible debenture		Deficit		Total equity
Balance - April 1, 2016	**42,308,124**	**$**	**56,372,208**	**$**	**10,012,094**	**$**	**339,739**	**$**	**(27,104,031)**	**$**	**39,620,010**
Private placement - September 13, 2016	4,925,000		985,000		-		-		-		985,000
Share issue costs	-		(25,706)		-		-		-		(25,706)
Share-based payments recognized	-		-		222,836		-		-		222,836
Settlement of advance royalty payment (Note 6b)	900,000		200,000		-		-		-		200,000
Settlement of restricted share units	1,829,689		273,399		(273,399)		-		-		-
Net loss for the year	-		-		-		-		(1,356,713)		(1,356,713)
Balance - March 31, 2017	**49,962,813**	**$**	**57,804,901**	**$**	**9,961,531**	**$**	**339,739**	**$**	**(28,460,744)**	**$**	**39,645,427**

	Share capital										
	Number of shares		Amount		Contributed Surplus		Convertible debenture		Deficit		Total equity
Balance - April 1, 2015	**35,048,136**	**$**	**55,331,590**	**$**	**9,091,588**	**$**	**562,011**	**$**	**(25,364,008)**	**$**	**39,621,181**
Share-based payments recognized	-		-		374,442		-		-		374,442
Partial settlement of convertible debenture	6,835,000		974,671		-		-		-		974,671
Extinguishment of convertible debenture	-		-		562,011		(562,011)				-
Recognition of new convertible debenture	-		-		-		464,759		-		464,759
Deferred income tax on convertible debenture	-		-		-		(125,020)		-		(125,020)
Partial settlement of advanced royalty payment	318,674		50,000		-		-		-		50,000
Settlement of restricted share units	106,314		15,947		(15,947)		-		-		-
Net loss for the year	-		-		-		-		(1,740,023)		(1,740,023)
Balance - March 31, 2016	**42,308,124**	**$**	**56,372,208**	**$**	**10,012,094**	**$**	**339,739**	**$**	**(27,104,031)**	**$**	**39,620,010**

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

Oceanic Iron Ore Corp.
Consolidated Statements of Cash Flows
For the years ended March 31, 2017 and 2016

		March 31, 2017		March 31, 2016
Operating activities				
Net loss for the year	$	(1,356,713)	$	(1,740,023)
Adjustments for:				
Deferred income tax (recovery)		-		(125,020)
Share-based payments		222,836		374,442
Other (income) expense		(2,346)		16,566
Interest and financing expense		347,231		534,095
Net changes in non-cash working capital balances:				
Prepaid expenses and deposits		334		(16,368)
Receivables		(106)		95,801
Accounts payable and accrued liabilities		27,051		(75,835)
Due to related parties		(15,757)		(2,925)
		(777,470)		(939,267)
Investing activities				
Mineral property expenditures		(519,293)		(232,417)
Refundable exploration tax credit received		85,629		-
		(433,664)		(232,417)
Financing activities				
Interest paid on convertible debenture (Note 7)		(121,520)		(165,380)
Proceeds from Private Placement net of issuance costs (Note 8(b))		959,293		-
		837,773		(165,380)
Change in cash and cash equivalents during the year		(373,361)		(1,337,064)
Cash and cash equivalents, beginning of year		607,446		1,944,510
Cash and cash equivalents, end of year	$	234,085	$	607,446
Cash and cash equivalents are comprised of the following:				
Cash	$	234,085	$	47,446
Term deposits	$	-	$	560,000
	$	234,085	$	607,446
Non cash investing and financing activities				
Settlements of advance royalty payables		200,000		50,000

The accompanying notes are an integral part of these condensed interim 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. The Company's convertible debenture matures on November 23, 2017, however, the debentures may be settled in common shares at the discretion of the Company. For the year ended March 31, 2017, the Company reported a loss of $1,356,713 and as at that date had an accumulated deficit of $28,460,744 and working capital deficit of $1,882,943. Despite the private placement financing that completed in September 2016, 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 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 July 25, 2017.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATION UNCERTAINTY

The significant accounting policies used to prepare these financial statements are outlined as follows:

a. 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.

b. 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 financial ability 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.

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

c. 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.

d. 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 March 31, 2017.

e. 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.

f. 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.

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

g. Equipment

Equipment is carried at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Depreciation is calculated at the following annual rates:

Vehicles	straight-line - 20%
Office furniture and equipment	straight-line - 20%

The Company allocates the amount initially recognized in respect of an item of equipment to its significant parts and depreciates separately each part. Residual values, method of depreciation and useful lives of the assets are reviewed annually and adjusted if appropriate. Depreciation of equipment used in the Company's exploration and development activities is capitalized to mineral properties.

h. Share issue costs

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

i. 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.

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

j. 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.

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.

k. Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount reported on the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

At initial recognition, the Company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

- Held for trading: A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short term.

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

k. Financial instruments (continued)

- Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables are comprised of cash and cash equivalents, restricted cash, accrued interest receivable and deposits, and are included in current assets due to their short-term nature. Loans and receivables are initially recognized at the amount expected to be received less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

- Financial liabilities at amortized cost: Financial liabilities at amortized cost include accounts payable and accrued liabilities, liability component of the convertible debenture, advance royalty payable and amounts due to related parties. Accounts payable are initially recognized at the amount required to be paid less, when material, a discount to reduce the payables to fair value. Transaction costs associated with financial liabilities are capitalized to the financial liability and accreted over the life of the financial liability.

l. Convertible debenture

The Company's convertible debenture is 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.

m. 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,, fair value of the liability component of the convertible debenture (which includes estimates of (i) the amount and timing of cash flows, and (ii) the Company's cost of debt) and measurement and recovery of deferred tax benefits. 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.

4. RECENT ACCOUNTING PRONOUNCEMENTS

New relevant IFRS pronouncements that have been issued but are not yet effective are listed below. We plan to apply the new standard or interpretation in the annual period for which it is first required. The Company is evaluating the impact these pronouncements are expected to have on its consolidated financial statements.

IFRS 9 – Financial instruments

In November 2009, the IASB issued IFRS 9 Financial Instruments as the first step in its project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on an entity's business model and the contractual cash flows of the financial asset. Classification is made at the time the financial asset is initially recognized, namely when the entity becomes a party to the contractual provisions of the instrument. IFRS 9 amends some of the requirements of IFRS 7 Financial Instruments: Disclosures, including added disclosures about investments in equity instruments measured at fair value in other comprehensive income, and guidance on the measurement of financial liabilities and de-recognition of financial instruments. The standard is effective for annual periods beginning on or after January 1, 2018. The Company has assessed this standard as currently having no impact to the Company's financial statements.

IFRS 16 – *Leases*

In January 2016, the IASB issued IFRS 16 – Leases which replaces International Accounting Standard 17 – Leases and its associated interpretive guidance. 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, with limited exceptions for short-term leases or leases of low value assets. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that apply IFRS 15. The Company has assessed this standard as currently having no impact to the Company's financial statements.

5. RECEIVABLES

	March 31, 2017	March 31, 2016
Input tax credits	$ 21,033	$ 14,934
Refundable exploration tax credits	-	70,109
Interest and other receivables	1,865	2,995
	$ 22,898	$ 88,038

6. MINERAL PROPERTIES - UNGAVA BAY

a) Acquisition costs

		Year end March 31, 2017		Year end March 31, 2016
Balance - beginning of year	**$**	**18,598,530**	$	18,489,528
Additions				
Additional advance royalty payable		**163,162**		-
Accretion of advance royalty payable		**133,538**		109,002
Balance - end of year	**$**	**18,895,230**	$	18,598,530

b) Exploration costs

		March 31, 2017		March 31, 2016
Cumulative exploration costs - beginning of year	**$**	**22,368,290**	$	22,010,710
Expenditures during the year				
Permitting & claims		**71,920**		46,062
Fieldwork & geology		**50,535**		-
Consultants		**84,454**		2,600
Mapping & imagery		**240**		-
Equipment, supplies & rentals		**41,316**		119,235
Office and accomodation		**298,161**		137,090
Transportation		**68,332**		2,072
Equipment depreciation		**111,490**		118,778
Exploration tax credit refund claim		**(15,520)**		(68,257)
Exploration expenditures for the year		**710,928**		357,580
Cumulative exploration costs - end of year	**$**	**23,079,218**	**$**	**22,368,290**
Grand total - mineral properties	**$**	**41,974,448**	$	40,966,820

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.

6. MINERAL PROPERTIES - UNGAVA BAY (continued)

b) Exploration costs (continued)

On September 29, 2015, the Company signed an amendment to the royalty agreement with 154619 Canada Inc., whereby the annual advance royalty payment of $100,000, originally due November 30, 2015, was deferred, at the discretion of the Company, by a period of up to one year. In September 2016, the 2015 deferred advance royalty payment was repaid. Subsequent to September 30, 2016, 154619 Canada Inc. agreed to defer the 2016 annual $100,000 advance royalty payment due November 30, 2016, by up to one year, under the same terms as the 2015 deferral. On February 1, 2017, the Company settled the $100,000 2016 NSR advance royalty payment to 154619 Canada Inc. through the issuance of 400,000 common shares. 154619 Canada Inc. is a corporation controlled by Mr. Peter Ferderber, who assigned his original 1% NSR to the numbered company in 2012.

The remaining 1% NSR advance royalty payment is due to SPG Royalties Inc. (“SPG”), the assignee of the late Mr. John Patrick Sheridan. On November 4, 2015, the Company signed an amendment in respect of its royalty agreement with SPG, whereby the Company settled the $100,000, 2015 advance royalty payment by making a partial cash payment of $50,000, with the remainder of the balance settled through the issuance of common shares of the Company. The price at which the common shares were issued was $0.1569. As such, a total of 318,674 common shares were issued to SPG on November 30, 2015.

On December 14, 2016, the Company settled the $100,000 2016 NSR advance royalty payment to SPG through the issuance of 500,000 shares.

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. During the year, 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.

The total estimated future undiscounted NSR payment as at March 31, 2017 is $1,000,000 (March 31, 2016: $900,000) (Note 10). For the year ended March 31, 2017, accretion of the advance royalty payable totaled $133,538 (2016: $109,002). Based on a change in estimate as to when the Company believes it will achieve commercial production, the Company increased the expected advance royalty payments during the year. As such an addition of $163,162 was recorded to the advance royalty liability. At March 31, 2017, the total advance royalty payable was $621,305 (March 31, 2016: $624,606), with $175,227 (March 31, 2016: $262,841) recognized as a current liability and $446,078 recognized as a long term liability (March 31, 2016: $361,765).

7. CONVERTIBLE DEBENTURE

	Liability component	Equity component	Total
Opening balance - April 1, 2015	**$ 2,707,066**	**$ 562,011**	**$ 3,269,077**
Amortization of issuance costs	40,653	-	**40,653**
Accretion of discount	493,442	-	**493,442**
Partial settlement of convertible debenture	(974,671)	-	**(974,671)**
Extinguishment of convertible debenture (Old)	(2,025,329)	(562,011)	**(2,587,340)**
Recognition of convertible debenture (New)	1,560,570	464,759	**2,025,329**
Deferred income tax liability	-	(125,020)	**(125,020)**
Interest payments	(165,380)	-	**(165,380)**
Balance - March 31, 2016	**$ 1,636,351**	**$ 339,739**	**$ 1,976,090**
Accretion of discount	347,231	-	**347,231**
Interest payments	(121,520)	-	**(121,520)**
Balance - March 31, 2017	**$ 1,862,062**	**$ 339,739**	**$ 2,201,801**

On September 22, 2015, the Company signed an amending agreement to its convertible debenture with Sino-Canada. Pursuant to the amending agreement, on November 23, 2015, the Company made a partial repayment on the convertible debenture through the issuance of common shares of the Company. The partial repayment of the principal amount and the number of commons shares issued, were determined such that the number of common shares issued resulted in Sino-Canada holding, in the aggregate following conversion, 19.9% of the issued and outstanding common shares of the Company. The conversion price and resulting reduction in the principal owing on the debenture was determined based on the volume weighted average trading price of the Company's common shares on the TSXV for the 20 trading days ended on November 20, 2015, which was $0.1426. As such, a total of 6,835,000 shares were issued to Sino-Canada on November 23, 2015, thereby reducing the principal balance of the debenture by $974,671 to $2,025,329.

Pursuant to the amending agreement, the maturity date of the remaining principal amount of the convertible debenture was extended to November 23, 2017, an extension of 24 months from the original maturity date, and the conversion price for the remaining principal amount of the convertible debenture was reduced from $1.60 per share to $0.43 per share. In addition, and subject to receipt of all required regulatory approvals, the Company has the right at any time to pay all or any part of the unpaid principal in respect of the debenture in common shares, where the issue price of each common share will be equal to the volume weighted average trading price for the 20 days prior to the date of notice of the conversion.

The interest rate of the convertible debenture under the amended agreement remained unchanged at an interest rate of 6%, payable quarterly.

Accretion and other financing expense on the Company's convertible debenture for the year ended March 31, 2017 was $347,231 (2016: $534,095).

8. SHARE CAPITAL

(a) Share Capital

Unlimited common and preferred shares without par value

(b) Issued and fully paid common shares

On September 13, 2016, the Company completed a non-brokered private placement issuing 4,925,000 units at $0.20 per unit for aggregate gross proceeds of $985,000. Each unit consisted of one common share of the Company and one common share purchase warrant. Each whole warrant entitles the holder to acquire one common share of the Company at a price of $0.30 per share until September 13, 2018. The Company incurred cash share issue costs in the amount of $25,706 in connection with the private placement. The share capital was valued using the closing stock price of the Company on the announcement date of the private placement.

On December 14, 2016, the Company signed an amendment in respect of its royalty agreement with 154619 Canada Inc., whereby the Company settled its 2016 advance royalty payment through the issuance of common shares of the Company. Refer to Note 6(b).

On February 1, 2017, the Company signed an amendment in respect of its royalty agreement with SPG, whereby the Company settled its 2016 advance royalty payment through the issuance of common shares of the Company. Refer to Note 6(b).

c) Restricted Share Units ("RSUs")

The RSU plan provides for the issuance of common shares from treasury upon the exercise of vested RSUs at no additional consideration. The current maximum number of common shares authorized for issue under the RSU plan is 3,491,057. The RSUs have vesting conditions determined by the board of directors.

A summary of the changes in RSUs is as follows:

	Number of RSUs
Balance - April 1, 2015	1,481,835
Granted	1,233,333
Settled	(106,314)
Forfeited	(12,500)
RSUs outstanding - March 31, 2016	2,596,354
Settled	(1,829,689)
RSUs outstanding - March 31, 2017	**766,665**

8. SHARE CAPITAL (continued)

c) *Restricted Share Units ("RSUs") - continued*

On December 2, 2015, the Company granted a total of 1,233,333 RSUs to directors and officers of the Company. The vesting period for the RSUs granted is as follows: 1/3 on the grant date, 1/3 on the twelve month anniversary date, and 1/3 on the twenty four month anniversary date. Each RSU has a fair value of $0.15 which was the closing share price at the grant date.

RSU expense for the year ended March 31, 2017 was $104,478 (March 31, 2016: $248,000) which was recorded within Share-based payment expense in the Statement of Loss and Comprehensive Loss.

d) 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. Stock options are settled through the issuance of the Company's common shares.

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

	Options		Weighted average exercise price
Options outstanding - April 1, 2015	3,404,350		0.18
Expired	(413,400)		0.05
Granted	840,000		0.15
	3,830,950		0.17
Options outstanding - March 31, 2016			
Expired	(155,000)		0.20
Granted	1,280,000		0.25
Options outstanding - March 31, 2017	**4,955,950**	**$**	**0.19**
Options exerciseable - March 31, 2017	4,102,617		0.18

8. SHARE CAPITAL (continued)

d) Stock options (continued)

On January 20, 2017, the Company granted 1,280,000 stock options to directors, officers, employees, and consultants. The fair value of the options granted for the year ended March 31, 2017 was $0.16 per option. The exercise price for all stock option grants during the year ended March 31, 2017 was $0.25. The vesting period for options granted to directors, officers and employees is 1/3 vesting immediately, with 1/3 on each six month anniversary date over the following 12 month period. Total share based payments recognized during the year in was $118,358 which were expensed in the consolidated statements of loss and comprehensive loss (2016 - $110,993).

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

	2017	**2016**
Risk-free interest rate	1.74%	1.27%
Expected life	10 years	10 years
Annualized volatility	75%	75%
Dividend rate	0.00%	0.00%
Forfeiture rate	0.00%	0.00%

The following table summarizes information about stock options outstanding at March 31, 2017:

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
100,000	0.20	May 25, 2022	100,000
150,000	0.20	October 18, 2022	150,000
223,000	0.20	January 18, 2023	223,000
1,340,000	0.155	November 25, 2024	1,340,000
25,000	0.155	December 15, 2024	25,000
840,000	0.15	December 2, 2025	840,000
1,280,000	0.25	January 20, 2027	426,667
4,955,950			4,102,617

8. SHARE CAPITAL (continued)

(e) Share purchase warrants

As at March 31, 2017 the Company had a total of 20,173,750 share purchase warrants outstanding with a weighted average exercise price of $0.30.

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

	Number		Weighted average exercise price
Balance - April 1, 2015	19,032,500		2.11
Expired	(3,496,250)		9.34
Balance March 31, 2016	15,536,250		0.48
Private Placement - September 13, 2016	4,925,000		0.30
Expired	(287,500)		0.48
Balance March 31, 2017	**20,173,750**	**$**	**0.30**

The following table summarizes information about share purchase warrants outstanding at March 31, 2017:

Outstanding and exercisable		Weighted average exercise price	Expiry date	Weighted average remaining contractual life (years)
15,248,750		0.30	April 9, 2017	0.0
4,925,000		0.30	September 13, 2018	1.5
20,173,750	**$**	**0.30**		**0.4**

On April 9, 2017, the Company had 15,248,750 warrants expire (Note 14).

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:

		March 31, 2017		March 31, 2016
Loss before income taxes	**$**	**(1,356,713)**	$	(1,865,043)
Canadian federal and provincial income tax rates		**26.88%**		26.90%
Expected Income tax recovery		**(364,684)**		(501,697)
Increase (decrease) due to:				
Non-deductible expenses and other		**65,684**		97,208
Losses not recognized		**299,000**		279,468
Income tax recovery	**$**	**-**	$	(125,020)

9. INCOME TAXES (continued)

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

	March 31, 2017	March 31, 2016
Deferred income tax assets		
Non-capital losses	**3,469,138**	3,652,731
Share and debt issue costs	**24,744**	53,309
Equipment	**122,898**	94,763
Total deferred income tax assets	**3,616,780**	3,800,803
Deferred income tax liabilities		
Convertible debenture	**43,266**	104,635
Mineral property costs	**3,573,514**	3,696,168
Deferred income tax liabilities	**3,616,780**	3,800,803
Deferred income tax liability, net	**-**	-

The composition of deferred tax recovery is as follows:

	March 31, 2017	March 31, 2016
Non-capital losses	**$ 212,158**	$ 203,839
Mineral property costs	**(122,654)**	(67,630)
Convertible debt	**(61,369)**	20,762
Equipment	**(28,135)**	(31,951)
	$ -	$ 125,020

The continuity of the changes in the Company's net deferred tax liability is as follows:

	March 31, 2017	March 31, 2016
Net deferred tax liability, beginning of year	**$ -**	$ -
Deferred tax expense during the year	**-**	125,020
Deferred taxes charged to equity	**-**	(125,020)
Net deferred tax liability, end of year	**$ -**	$ -

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

	March 31, 2017	March 31, 2016
Non-capital losses	**$ 973,761**	$ 663,458
Capital losses	**49,105**	49,846
Donations	**12,906**	13,100
	$ 1,035,772	$ 726,404

9. INCOME TAXES (continued)

The Company has loss carry-forwards of $16,765,656 that may be available for tax purposes. The loss carry-forwards are all in respect of Canadian operations and expire as follows:

Expiry date	March 31, 2017	March 31, 2016
March 31, 2026	**$ 162,769**	$ 162,769
March 31, 2027	**15,624**	15,624
March 31, 2028	**237,037**	237,037
March 31, 2029	**213,861**	213,861
March 31, 2030	**270,804**	270,804
March 31, 2031	**203,390**	203,390
March 31, 2032	**2,764,167**	2,764,167
March 31, 2033	**6,443,859**	6,443,859
March 31, 2034	**2,835,889**	2,835,889
March 31, 2035	**2,047,694**	2,047,694
March 31, 2036	**891,831**	850,217
March 31, 2037	**678,731**	-
	$ 16,765,656	$ 16,045,311

At March 31, 2017, the Company has not recognized a tax benefit on the losses given it is unlikely that these benefits will be realized before expiry.

10. COMMITMENTS

Effective March 1, 2011 (amended on July 1, 2012) 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 September 29, 2017. Either party may terminate the agreement by providing 90 days' notice.

Effective May 25, 2012, the Company entered into an agreement with Monit International Inc. in respect of the leasing of office space in Montreal, Québec. The agreement expires on January 31, 2023, but the Company may terminate the agreement effective December 31, 2016 with prior notice. In September 2016, the Company provided notice to early terminate the agreement. In January 2017, the Company signed a lease amending agreement, whereby the Company committed to a month to month lease term in the Montreal office space from the period January 1, 2017 onward, with a two month notice provision. In June 2017, the Company provided written notice of termination of the lease agreement effective August 31, 2017.

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. Please refer to Notes 6(b) as it pertains to payments made during the year.

10. COMMITMENTS (continued)

The committed charges for the Company are as follows:

March 31,	Vancouver office rent	Montreal office rent	NSR payments	Total commitments
2018	8,624	57,490	200,000	266,114
2019	-	-	200,000	200,000
Thereafter	-	-	600,000	600,000
	$ 8,624	$ 57,490	$ 1,000,000	$ 1,066,114

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:

	Year end March 31, 2017	Year end March 31, 2016
Wages and benefits	**241,832**	$ 309,816
Directors' fees	**30,000**	30,000
Share-based payments	**197,710**	348,563
	$ 469,542	$ 688,379

b) Payments for services by related parties

During the year ended March 31, 2017, the Company incurred corporate consulting fees of $115,000 (2016: $152,500), to Sirocco Advisory Services Ltd., a company controlled by a director and officer of the Company.

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 year ended March 31, 2017, the Company incurred $74,800 (2016: $128,764) in shared lease, overhead, and service costs. As at March 31, 2017, the Company owed $4,374 to Atlantic Gold Corporation (2016: $20,131). Refer to Note 10 for a listing of future commitments in respect of such lease costs.

All related party transactions were made on terms equivalent to those that prevail in arm's length transactions. None of the amounts due to related parties are secured against assets of the Company.

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 and other receivables, restricted cash, accounts payable, accrued liabilities, liability component of the convertible debenture, advance royalty payable and due to related parties. Cash and cash equivalents, restricted cash, accrued interest receivable, 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 and receivables. The Company has concentration of risk with respect to cash being held with one large Canadian financial institution. Amounts receivable are comprised of GST and QST receivable from the Government of Canada. The Company's credit risk is mitigated by maintaining its financial liquid assets with highly reputable counterparties. The maximum exposure to credit risk is equal to the carrying value of the financial assets noted above.

Liquidity risk

Liquidity risk is the risk that the Company cannot meet its obligations as they fall due. The Company's cash and cash equivalents are invested in business accounts which are available on demand. The Company manages liquidity risk by preparing and maintaining cash forecasts, which illustrate cash spent to date and the Company's cash needs over the short term. Contractual undiscounted cash flow requirements for financial liabilities as at March 31, 2017 and 2016 are presented below.

12. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

March 31, 2017

	Less than 1 year	1 - 3 years	4 - 5 years	Total
Accounts payable and accrued liabilities	$ 149,361	$ -	$ -	$ 149,361
Due to related parties	4,374	-	-	4,374
Convertible debenture - liability component	2,025,329	-	-	2,025,329
Advance royalty payable	200,000	400,000	400,000	1,000,000

March 31, 2016

	Less than 1 year	1 - 3 years	4 - 5 years	Total
Accounts payable and accrued liabilities	$ 43,353	$ -	$ -	$ 43,353
Due to related parties	20,131	-	-	20,131
Advance royalty payable	300,000	400,000	200,000	900,000

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.

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 $345 impact on net loss and comprehensive loss.

12. FINANCIAL RISK MANAGEMENT (continued)

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 March 31, 2017, 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, due to related parties and convertible debenture liability 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 March 31, 2017. Further information relating to management of capital is disclosed in Note 1.

14. SUBSEQUENT EVENTS

On April 9, 2017, the Company had 15,248,750 warrants expire.