Oceanic Iron Ore Corp.

Annual Financial Statements
For the year ended December 31, 2019 and the nine months ended December 31, 2018
(Stated in Canadian Dollars)

Independent auditor's report

To the Shareholders of Oceanic Iron Ore Corp.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Oceanic Iron Ore Corp. and its subsidiary (together, the Company) as at December 31, 2019 and 2018, and its financial performance and its cash flows for the year ended December 31, 2019 and the nine months ended December 31, 2018 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

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

- the consolidated statements of financial position as at December 31, 2019 and 2018;
- the consolidated statements of loss and comprehensive loss for the year ended December 31, 2019 and the nine months ended December 31, 2018;
- the consolidated statements of changes in equity for the year ended December 31, 2019 and the nine months ended December 31, 2018;
- the consolidated statements of cash flows for the year ended December 31, 2019 and the nine months ended December 31, 2018; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence
We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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Material uncertainty related to going concern

We draw attention to Note 1 in the consolidated financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Lana Kirk.

(signed) PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 27, 2020

Oceanic Iron Ore Corp.
Consolidated Statements of Financial Position

	Notes	As at December 31, 2019	As at December 31, 2018
Assets			
Current			
Cash and cash equivalents		**$ 422,788**	$ 1,359,508
Receivables		**20,736**	33,181
Prepaid expenses and deposits		**5,903**	12,085
		449,427	1,404,774
Mineral properties	*5*	**43,324,901**	42,581,712
		$ 43,774,328	$ 43,986,486
Liabilities			
Current			
Accounts payable and accrued liabilities		**$ 279,555**	$ 169,164
Due to related parties	*10*	**280,810**	131,166
Current portion of advance royalty payable	*5b*	**369,529**	369,529
		929,894	669,859
Non-current portion of advance royalty payable	*5b*	**427,438**	350,000
Convertible debentures	*6a,b*	**1,882,260**	3,059,501
		3,239,592	4,079,360
Shareholders' equity			
Share capital	*7a,b*	**61,101,843**	60,091,231
Contributed surplus	*7b,c,d*	**10,810,683**	10,354,193
Deficit		**(31,377,790)**	(30,538,298)
		40,534,736	39,907,126
		$ 43,774,328	$ 43,986,486

Nature of operations and going concern *1*

Commitments *9*

Subsequent events *13*

Approved by the Board:

" Steven Dean " Director

" Gordon Keep " Director

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

Oceanic Iron Ore Corp.

Consolidated Statements of Loss and Comprehensive Loss

	Notes		**Year ended December 31, 2019**		*Nine months ended* December 31, 2018
Expenses					
Consulting and management fees		**$**	**235,000**	$	176,250
Directors' fees			**25,000**		17,500
Investor relations and corporate development			**4,713**		3,805
License and insurance			**19,540**		14,344
Office and general			**36,129**		15,096
Professional fees			**79,271**		45,228
Rent			**28,123**		26,935
Share-based payments	*7b,c*		**179,601**		-
Transfer agent and regulatory			**20,954**		20,296
Wages and benefits			**90,323**		79,796
			(718,654)		(399,250)
Other expenses					
(loss)/gain on convertible debenture derivative liability	*6a,b*		**226,273**		(127,405)
Convertible debenture accretion expense	*6a,b*		**(347,111)**		(97,648)
Net loss and comprehensive loss for the period		**$**	**(839,492)**	$	(624,303)
Loss per common share - basic and diluted		**$**	**(0.01)**	$	(0.01)
Weighted average number of common shares outstanding			**70,398,314**		68,220,243

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

Oceanic Iron Ore Corp.

Consolidated Statements of Changes in Equity

For the year ended December 31, 2019 and the nine months ended December 31, 2018

	Notes	Shares		Share Capital		Contributed surplus		Deficit		Total Equity
Balance - January 1, 2019		**68,055,848**	**$**	**60,091,231**	**$**	**10,354,193**	**$**	**(30,538,298)**	**$**	**39,907,126**
Share-based payments - stock options	7c	-		-		127,539		-		127,539
Share-based payments - restricted share units	7b	-		-		52,062		-		52,062
Settlement of convertible debenture	6b	19,500,000		810,612		276,889		-		1,087,501
Settlement of advance royalty payment	5b	4,000,000		200,000		-		-		200,000
Net loss for the period		-		-		-		(839,492)		(839,492)
Balance - December 31, 2019		**91,555,848**	**$**	**61,101,843**	**$**	**10,810,683**	**$**	**(31,377,790)**	**$**	**40,534,736**

	Shares		Share Capital		Contributed surplus		Deficit		Total Equity
Balance - April 1, 2018	**66,997,516**	**$**	**59,993,208**	**$**	**10,400,443**	**$**	**(29,913,995)**	**$**	**40,479,656**
Settlement of convertible debenture	625,000		33,023		18,750		-		51,773
Settlement of restricted share units	433,332		65,000		(65,000)		-		-
Net loss for the period	-		-		-		(624,303)		(624,303)
Balance - December 31, 2018	**68,055,848**	**$**	**60,091,231**	**$**	**10,354,193**	**$**	**(30,538,298)**	**$**	**39,907,126**

The accompanying notes are an integral part of these financial statements

Oceanic Iron Ore Corp.

Consolidated Statements of Cash Flows

For the year ended December 31, 2019 and the nine months ended December 31, 2018

	Notes	***Year ended*** **December 31, 2019**	*Nine Months ended* December 31, 2018
Operating activities			
Net loss for the period		**$ (839,492)**	$ (624,303)
Adjustments for:			
Share-based payments	*7b,c*	**179,601**	-
Realized loss/(gain) on convertible debenture derivative liability	*6a,b*	**(226,273)**	127,405
Convertible debenture interest expense	*6a,b*	**347,111**	97,648
Net changes in non-cash working capital balances:			
Prepaid expenses and deposits		**(2,081)**	16,729
Receivables		**5,170**	(17,988)
Accounts payable and accrued liabilities		**90,981**	30,205
Due to related parties		**149,644**	(57,669)
		(295,339)	(427,973)
Investing activities			
Mineral property expenditures	*5a,b*	**(430,803)**	(159,588)
		(430,803)	(159,588)
Financing activities			
Interest paid on convertible debenture	*6a,b*	**(210,578)**	(65,146)
Proceeds from convertible debenture net of issuance costs		**-**	1,780,692
Settlement of advance royalty payable		**-**	(100,000)
		(210,578)	1,615,546
Change in cash during the period		**(936,720)**	1,027,985
Cash, beginning of period		**1,359,508**	330,373
Cash, end of period		**$ 422,788**	$ 1,359,508
Non cash investing and financing activities			
Accretion of royalty liability		**120,184**	93,666
Change in estimate - advance royalty		**157,254**	-
Settlement of convertible debenture		**(1,087,501)**	-
Settlement of advance royalty payable		**(200,000)**	-

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 year ended December 31, 2019, the Company reported a net loss of $839,492 and as at that date had an accumulated deficit of $31,377,790 and a working capital deficit of $480,467. 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 which have recently been adversely impacted by uncertainty arising from the COVID-19 pandemic (see note 13), investor perceptions and expectations, the retention of key executive management and the state of global financial and metals markets. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary were the going concern assumption deemed to be inappropriate, and these adjustments could be material.

2. BASIS OF PRESENTATION

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

These financial statements were approved by the board of directors on April 27, 2020.

3. CHANGE OF YEAR-END

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

4. SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATION UNCERTAINTY

Mineral properties

Mineral properties consist of exploration and mining concessions, options and contracts. Acquisition costs are capitalized and deferred until such time as the property is put into production or the property is disposed of, either through sale or abandonment, or becomes impaired. If a property is put into production, the cost of acquisition will be 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.

Impairment of mineral properties

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

Investment tax credits

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

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

Asset retirement obligations

Asset retirement obligations will be recognized for estimated obligations related to the retirement of long-lived tangible assets that arise from the acquisition, construction, development or normal operation of such assets. A liability for an asset retirement obligation is recognized in the period in which it is incurred and when a reasonable estimate of the value of the liability can be made, with the corresponding asset retirement cost recognized by increasing the carrying amount of the related long-lived asset. The asset retirement cost is subsequently allocated in a rational and systematic method over the underlying asset's useful life. The initial fair value of the liability is accreted, by charges to operations, to its estimated future value. The Company had no asset retirement obligations at December 31, 2019.

Cash and cash equivalents

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

Loss per share

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

Share issue costs

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

Share-based payments

Share-based payments to employees and others providing similar services are measured at the fair value of the instruments issued and amortized over the vesting periods. 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.

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

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.

Financial instruments

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

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

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

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

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

Financial instruments (continued)

However, on the day of acquisition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as fair value through other comprehensive income. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

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

Convertible debenture

The Company's 2017 and 2018 Debentures are classified as two liability components, the Units which are classified as a derivative liability and fair valued each reporting period, and the convertible debenture liability component which is initially recorded at fair value and subsequently at amortized cost using the effective interest rate method; the liability is accreted to the face value over the term of the convertible debenture.

Use of estimates and judgments

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

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

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.

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

IFRS 16 – Leases (continued)

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

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

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

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

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

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

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

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

5. MINERAL PROPERTIES - UNGAVA BAY

a) Acquisition costs

		Year ended December 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		**157,254**		-
Accretion of advance royalty payable		**120,184**		93,666
Acquisition Costs - end of period	**$**	**19,470,891**	$	19,193,453

b) Exploration costs

		Year ended December 31, 2019		Nine months ended December 31, 2018
Cumulative exploration costs - beginning of perio	**$**	**23,388,259**	$	23,225,858
Expenditures during the period				
Permitting & claims		**50,680**		68,467
Consultants		**403,466**		83,000
Equipment, supplies & rentals		**9,179**		3,175
Office and accomodation		**2,426**		7,759
Exploration expenditures for the period		**465,751**		162,401
Cumulative exploration costs - end of period	**$**	**23,854,010**	$	23,388,259
Grand total - mineral properties	**$**	**43,324,901**	$	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.

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

The total estimated future undiscounted NSR payments as at December 31, 2019 total $1,200,000 (December 31, 2018: $1,000,000) (Note 10). For the year ended December 31, 2019, accretion of the advance royalty payable totaled $120,184, respectively (nine months ended December 31, 2018 - $93,666). At December 31, 2019, the total advance royalty payable was $796,967 (December 31, 2018: $719,529), with $369,529 (December 31, 2018: $369,529) recognized as a current liability and $427,438 recognized as a long-term liability (December 31, 2018: $350,000).

5. MINERAL PROPERTIES - UNGAVA BAY (continued)

On December 2, 2019, the Company settled its 2019 advance royalty payment of $100,000 payable to SPG Royalties Inc. through the issuance of 2,000,000 common shares of the Company, at the price of $0.05 per share.

The Company also reached agreement with 154619 Canada Inc. in respect of its 2017 advance royalty payment of $100,000 through the issuance of 2,000,000 common shares of the Company, at the price of $0.05 per share, and settlement of the 2018 and 2019 advance royalty payments have been deferred to a date being on or before November 30, 2020, whereby the Company has the election to settle such payments either by cash payment or by way of issuance of common shares of the Company.

6. CONVERTIBLE DEBENTURES

	Convertible debenture - 2017 Debentures	Convertible debenture - 2018 Debentures	Total
Opening balance - April 1, 2018	**$ 1,184,281**	**$ -**	**$1,184,281**
Cash received	-	1,812,500	**1,812,500**
Transaction costs allocated	-	(45,416)	**(45,416)**
Interest expense and accretion	80,727	13,507	**94,234**
Amortization of transaction costs	2,886	530	**3,416**
Interest payments	(51,639)	(13,507)	**(65,146)**
Settlement of convertible debenture	(51,773)	-	**(51,773)**
Realized (gain) loss due to fair value adjustment on derivative liability	(134,260)	261,665	**127,405**
Balance - December 31, 2018	**$ 1,030,222**	**$ 2,029,279**	**$3,059,501**
Interest expense and accretion	110,509	205,396	**315,905**
Amortization of transaction costs	2,759	28,447	**31,206**
Interest payments	(64,600)	(145,978)	**(210,578)**
Partial settlement of convertible debenture	-	(1,087,501)	**(1,087,501)**
(Gain) loss due to fair value adjustment on derivative liability	43,202	(269,475)	**(226,273)**
Balance - December 31, 2019	**$ 1,122,092**	**$ 760,168**	**$1,882,260**

6. CONVERTIBLE DEBENTURES (continued)

a) 2017 Debentures

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

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

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

In September 2018, there was a partial conversion of the 2017 Debentures, whereby one of the holders converted $50,000 convertible debentures into Units comprising 625,000 common shares and 625,000 warrants. The share capital was valued as $31,250 using the closing stock price of the Company on the conversion date, with the residual amount of $18,750 allocated to the warrants and recognized in contributed surplus. The remaining principal balance outstanding on the convertible debentures at December 31, 2018 and 2019 was $760,000.

b) 2018 Debentures

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

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

Similar to the 2017 Debentures, the conversion option is treated as a derivative liability and fair valued each reporting period, creating an accounting unrealized gain or loss. The convertible debentures are recognized as having two separate liability components. Firstly, the Units which are recognized as a derivative liability and fair valued each reporting period, and secondly the convertible debenture liability, which is fair valued at the time of issue, and then accounted for at amortized cost and accreted to the face value over the life of the convertible debentures.

6. CONVERTIBLE DEBENTURES (continued)

b) 2018 Debentures (continued)

At inception, the Company recognized a deferred unrealized loss in the amount of $2,202,578, which was the difference between the fair value of the combined liability and the proceeds received.
The deferred unrealized loss has been recorded against the convertible debentures on the balance sheet and will be amortized over the life of the warrants on a straight-line basis. Any subsequent fair value changes in the derivative liability are recognized in the Statement of Loss and Comprehensive Loss.

In October 24 and November 26, 2019, there was a partial conversion of the 2018 Debentures, whereby holders converted $975,000 convertible debentures into Units comprising 19,500,000 common shares and 19,500,000 warrants. The amount allocated of $810,612 to share capital was valued based on the carrying value of the debt on the date of conversion. The residual amount of $276,889 allocated to the warrants represents the difference between the fair value of the shares issued on the conversion date less the amount allocated to share capital and recognized in contributed surplus. The remaining principal balance outstanding on the convertible debentures at December 31, 2019 was $837,500 (December 31, 2018 - $1,812,500).

7. 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
RSUs outstanding - December 31, 2018	-
Granted	684,157
Expired	(50,000)
RSUs outstanding - December 31, 2019	**634,157**

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

RSU expense for the year ended December 31, 2019 was $52,062 (nine months ended December 31, 2018 - $nil). which was recorded within Share-based payment expense in the Statement of Loss and Comprehensive Loss.

7. SHARE CAPITAL

c) Stock options

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

	Options		Weighted average exercise price
Options outstanding - December 31, 2018	3,375,950		0.19
Granted	1,990,000		0.09
Forfeited	(130,000)		0.09
Options outstanding - December 31, 2019	**5,235,950**	**$**	**0.16**
Options exercisable - December 31, 2019	**4,659,283**	**$**	**0.16**

On March 19, 2019, the Company granted 1,990,000 stock options to directors, officers, employees, and consultants. The fair value of the options granted for the year ended December 31, 2019 was $0.07 per option. The exercise price for all stock option grants during the year ended December 31, 2019 was $0.09. The vesting period for options granted to directors, officers and employees is 1/3 vesting immediately, with 1/3 on each six month anniversary date over the following 12 month period.

Total share-based payments recognized during the year ended December 31, 2019 was $127,539 (nine months ended December 31, 2018 - $nil) which was recorded within Share-based payment expense in the Statement of Loss and Comprehensive Loss.

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

Risk-free interest rate	1.68%
Expected life	10.00
Annualized volatility	70%
Dividend rate	0.00%
Forfeiture rate	0.00%

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

Number of Options outstanding	Exercise Price CAD	Expiry Date	Options Exercisable
392,350	0.200	November 30, 2020	392,350
250,000	0.200	January 5, 2021	250,000
30,000	0.200	January 11, 2021	30,000
10,000	0.200	April 5, 2021	10,000
110,600	0.200	May 18, 2021	110,600
205,000	0.200	December 16, 2021	205,000
183,000	0.200	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	0.150	December 2, 2025	570,000
835,000	0.250	January 20, 2027	835,000
1,860,000	0.090	March 19, 2029	1,283,333
5,235,950			4,659,283

7. SHARE CAPITAL (continued)

d) Share purchase warrants

As at December 31, 2019 the Company had a total of 20,125,000 share purchase warrants outstanding with a weighted exercise price of $0.05, expiring on November 23, 2023 (See Note 6b).

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

	Number		Weighted average exercise price
Balance - December 31, 2018	625,000	$	0.10
Issued	19,500,000		0.05
Balance - December 31, 2019	**20,125,000**	**$**	**0.05**

8. 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:

		31-Dec **2019**		31-Dec 2018
Loss before income taxes	**$**	**(839,492)**	$	(624,303)
Canadian federal and provincial income tax rates		**26.60%**		26.70%
Expected Income tax recovery		**(223,305)**		(166,689)
Increase (decrease) due to:				
Non-deductible expenses and other		**(126,076)**		61,900
Losses not recognized		**349,381**		104,789
Income tax recovery	**$**	**-**	$	-

8. INCOME TAXES (continued)

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

		31-Dec 2019		31-Dec 2018
Deferred income tax assets				
Non-capital losses	**$**	**3,351,065**	$	3,395,822
Share and debt issue costs		**8,194**		3,687
Equipment		**122,898**		122,898
Total deferred income tax assets	**$**	**3,482,157**	$	3,522,407
Deferred income tax liabilities				
Mineral property costs	**$**	**3,482,157**	$	3,522,407
Deferred income tax liabilities		**3,482,157**		3,522,407
Deferred income tax liability, net	**$**	**-**	$	-

The composition of deferred tax recovery is as follows:

		31-Dec 2019		31-Dec 2018
Non-capital losses	**$**	**40,250**	$	42,006
Mineral property costs		**(40,250)**		(42,006)
	$	**-**	$	-

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

		31-Dec 2019		31-Dec 2018
Non-capital losses	**$**	**1,498,152**	$	1,335,976
Capital losses		**234,190**		49,105
Donations		**2,120**		-
	$	**1,734,462**	$	1,385,081

8. INCOME TAXES (continued)

The Company has loss carry-forwards of $18,298,932 that may be available for tax purposes. The loss carry-forwards are all in respect of Canadian operations and expire as follows:

Expiry date	Dec 31, 2019	Dec 31, 2018
December 31, 2025	**$ 162,769**	$ 162,769
December 31, 2026	**15,624**	15,624
December 31, 2027	**237,037**	237,037
December 31, 2028	**213,861**	213,861
December 31, 2029	**270,804**	270,804
December 31, 2030	**203,390**	203,390
December 31, 2031	**2,764,167**	2,764,167
December 31, 2032	**6,443,859**	6,443,859
December 31, 2033	**2,835,889**	2,835,889
December 31, 2034	**1,782,279**	1,782,279
December 31, 2035	**891,831**	891,831
December 31, 2036	**909,617**	909,617
December 31, 2037	**548,324**	548,324
December 31, 2038	**490,468**	490,468
December 31, 2039	**529,013**	-
	$ 18,298,932	**$ 17,769,919**

9. COMMITMENTS

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 5b).

The committed charges for the Company are as follows:

December 31	NSR payments	Total commitments
2020	$ 400,000	$ 400,000
2021	200,000	200,000
Thereafter	600,000	600,000
	$ 1,200,000	$ 1,200,000

Additionally, in order to maintain current rights of tenure to exploration tenements, the Company is required to incur minimal expenditures of $39,700 in respect of claim renewal fees and minimum work requirements.

10. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

a) Key Management Compensation

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

		Year ended December 31, 2019		Nine months ended December 31, 2018
Wages and benefits	**$**	**60,000**	$	45,000
Directors' fees		**25,000**		22,500
Share-based payments*		**160,260**		-
	$	**245,260**	$	67,500

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

b) Payments for services by related parties

During the year ended December 31, 2019, the Company incurred corporate consulting fees of $115,000 (nine months ended December 31, 2018 - $86,250), to Sirocco Advisory Services Ltd., a company controlled by a director and officer of the Company. As at December 31, 2019, the Company owed $153,333 to Sirocco relating to unpaid consulting fees (December 31, 2018: $38,333).

During the year ended December 31, 2019, the Company incurred corporate consulting fees of $60,000 (nine months ended December 31, 2018 - $45,000) to Sinocan Consultant Hong Kong Ltd., a company controlled by an officer of the Company.

As at December 31, 2019, the Company owed $42,500 in directors' fees to certain directors of the Company (December 31, 2018 - $27,500). As at December 31, 2019, the Company owed unpaid salaries and benefits of $80,000 to an officer of the Company (December 31, 2018 - $20,000).

The Company was charged shared lease, overhead, and service costs by Atlantic Gold Corporation, a company with a director and officer in common which ceased to be a related party in July 2019. For the year ended December 31, 2019, the Company incurred $54,270 (nine months December 31, 2018 - $58,225) in shared lease, overhead, and service costs. As at December 31, 2019, the Company owed $nil to Atlantic Gold Corporation (December 31, 2018: $38,865).

During the year ended December 31, 2019, the Company incurred $13,741 on corporate overhead expenses on behalf of Artemis Gold Inc, a company with common management and directors. Additionally, during the last quarter of 2019, the Company was charged $4,976 in shared lease and overhead expenses by Artemis Gold Inc. As of December 31, 2019, the Company has a net receivable of $8,764.

In September 2017 and November 2018, the Company completed a non-brokered financing by way of issuance of convertible debentures, whereby $330,000 of the debentures were held by directors and officers of the Company (refer to Note 7a and 7b for terms of the convertible debentures). The convertible debentures are secured against the assets of the Company. As December 31, 2019 $105,000 of the 2017 debenture is held by directors and officers of the Company.

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

11. FINANCIAL RISK MANAGEMENT

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

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

Financial instrument risk exposure

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

Credit risk

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

Liquidity risk

Liquidity risk is the risk that the Company cannot meet its obligations as they fall due. The Company's cash and cash equivalents are invested in business accounts which are available on demand. The Company manages liquidity risk by preparing and maintaining cash forecasts, which illustrate cash spent to date and the Company's cash needs over the short term. Contractual undiscounted cash flow requirements for financial liabilities as at December 31, 2019 and December 31, 2018 are presented below.

December 31, 2019

	Less than 1 year	1 - 3 years	4 - 5 years	Total
Accounts payable and accrued liabilities	$ 279,555	$ -	$ -	$ 279,555
Due to related parties	280,810	-	-	280,810
Convertible debenture - liability component	137,808	1,035,618	910,711	2,084,137
Advance royalty payable	400,000	400,000	400,000	1,200,000
	$ 1,098,173	$ 1,435,618	$ 1,310,711	$ 3,844,502

December 31, 2018

	Less than 1 year	1 - 3 years	4 - 5 years	Total
Accounts payable and accrued liabilities	$ 169,164	$ -	$ -	$ 169,164
Due to related parties	131,166	-	-	131,166
Convertible debenture - liability component	218,663	1,415,988	1,966,563	3,601,214
Advance royalty payable	400,000	400,000	200,000	1,000,000
	$ 918,993	$ 1,815,988	$ 2,166,563	$ 4,901,544

11. FINANCIAL RISK MANAGEMENT (continued)

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 nominal impact on net loss and comprehensive loss.

Fair Value

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

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

At December 31, 2019, the Company had no marketable securities.

Fair value is based on available public market information or, when such information is not available, estimated using present value techniques and assumptions concerning the amount and timing of future cash flows and discount rates which factor in the appropriate credit risk. The carrying values of cash and cash equivalents, accrued interest receivable, restricted cash, accounts payable, accrued liabilities and due to related parties approximate their fair values due to their short-term nature.

12. 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.

12. MANAGEMENT OF CAPITAL (continued)

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

The Company's investment policy is to limit investments to guaranteed investment certificates, banker's acceptance notes, investment savings accounts or money market funds with high quality financial institutions in Canada and treasury bills, selected with regards to the expected timing of expenditures from continuing operations. The Company has no externally imposed capital requirements as at December 31, 2019. Further information relating to management of capital is disclosed in Note 1.

13. SUBSEQUENT EVENTS

a) On April 7, 2020, the Company issued 179,998 common shares as a result of the settlement of RSUs.

b) During March 2020, several measures have been implemented in Canada and the rest of the world in response to the increased impact from novel coronavirus (COVID-19). We continue to operate our business at this time. While the impact of COVID-19 is expected to be temporary, the current circumstances are dynamic and the impacts of COVID-19 on our business operations cannot be reasonably estimated at this time and we anticipate this could have an adverse impact on our business, results of operations, financial position and cash flows in 2020. In particular, the valuation of the derivative liability which is measured at fair value using a combination of observable and unobservable market inputs, may be impacted during Q1 2020 or beyond.

   As required by IFRS, we have not reflected these subsequent conditions in the measurement of our derivative liability at December 31, 2019.