Oceanic Iron Ore Corp.

Annual Financial Statements
For the years ended March 31, 2013 and 2012
(Stated in Canadian Dollars)

July 11, 2013

Independent Auditor's Report

To the Shareholders of Oceanic Iron Ore Corp.

We have audited the accompanying financial statements of Oceanic Iron Ore Corp., which comprise the statements of financial position as at March 31, 2013 and March 31, 2012, the statements of loss and comprehensive loss, changes in equity and cash flows for the years ended March 31, 2013 and March 31, 2012, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Oceanic Iron Ore Corp. as at March 31, 2013 and March 31, 2012 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

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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.

signed "PricewaterhouseCoopers LLP"

Chartered Accountants

Oceanic Iron Ore Corp.
Statements of Financial Position

		March 31, 2013		March 31, 2012
Assets				
Current assets				
Cash and cash equivalents	$	**2,303,324**	$	6,968,160
Receivables (Note 5)		**4,827,780**		4,894,801
Marketable securities		**54,429**		-
Prepaid expenses and deposits		**251,534**		831,499
Restricted cash		**184,500**		184,500
		7,621,567		12,878,960
Equipment (Note 6)		**467,174**		250,692
Mineral properties (Note 7)		**36,443,347**		30,518,549
	$	**44,532,088**	$	43,648,201
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	$	**369,050**	$	1,053,264
Due to related parties (Note 12)		**41,511**		412,640
Demand loan (Note 8)		**3,123,190**		1,688,824
Current portion of advance royalty payable		**175,227**		175,227
Other liabilities		**-**		198,830
		3,708,978		3,528,785
Advance royalty payable		**358,190**		437,446
Deferred income tax liability (Note 10)		**692,469**		1,298,011
		4,759,637		5,264,242
Shareholders' equity				
Share capital (Notes 9(a),9(b))		**52,719,225**		49,382,158
Contributed surplus (Notes 9(c),9(d))		**7,710,507**		7,030,759
Deficit		**(20,657,281)**		(18,028,958)
		39,772,451		38,383,959
	$	**44,532,088**	$	43,648,201

Nature of operations and going concern (Note 1)
Commitments (Note 11)
Subsequent event (Note 15)

Approved by the Board:

" Steven Dean " Director

" Gordon Keep " Director

The accompanying notes are an integral part of these financial statements

Oceanic Iron Ore Corp.

Statements of Loss and Comprehensive Loss

For the years ended March 31, 2013 and 2012

	2013	2012
Expenses		
Consulting and management	$ 959,927	$ 1,175,459
Directors' fees	37,000	51,733
Investor relations and corporate development	595,226	475,667
License and insurance	45,426	34,100
Office and general	147,180	214,470
Professional fees	168,147	150,927
Rent	96,675	88,593
Share-based payments (Note 9(c))	647,333	1,349,006
Transfer agent and regulatory	90,010	103,440
Travel	30,414	81,952
Wages and benefits	550,932	136,415
Loss from operations	3,368,270	3,861,762
Other income (expenses)		
Interest income	41,558	116,218
Gain on marketable securities	54,429	712
Income relating to renounced exploration expenditures	198,830	740,828
Interest and financing expense	(82,368)	(258,324)
Other income/(expense)	13,305	(22,123)
Net loss before income taxes	(3,142,516)	(3,284,451)
Deferred income tax recovery/(expense) (Note 10)	514,193	(1,664,146)
Net loss and comprehensive loss for the year	$ (2,628,323)	$ (4,948,597)
Loss per common share - basic and diluted	$ (0.014)	$ (0.032)
Weighted average number of common shares outstanding	185,016,583	156,094,256

The accompanying notes are an integral part of these financial statements

Oceanic Iron Ore Corp.

Statements of Changes in Equity

For the years ended March 31, 2013 and 2012

	Share capital							
	Number of shares		Amount		Contributed Surplus		Deficit	Total equity
Balance - April 1, 2012	**173,961,564**	**$**	**49,382,158**	**$**	**7,030,759**	**$**	**(18,028,958)**	**$ 38,383,959**
Private placement - October 10, 2012	21,875,000		3,500,000		-		-	3,500,000
Share-issue costs	-		(339,589)		-		-	(339,589)
Warrants exercised	781,667		85,307		(7,140)		-	78,167
Share-based payments recognized	-		-		686,888		-	686,888
Net loss for the year	-		-		-		(2,628,323)	(2,628,323)
Tax recovery of share issuance costs	-		91,349		-		-	91,349
Balance - March 31, 2013	**196,618,231**	**$**	**52,719,225**	**$**	**7,710,507**	**$**	**(20,657,281)**	**$ 39,772,451**

	Share capital							
	Number of shares		Amount		Contributed Surplus		Deficit	Total equity
Balance - April 1, 2011	**142,791,217**	**$**	**44,518,546**	**$**	**5,835,323**	**$**	**(13,080,361)**	**$ 37,273,508**
Private placement - December 22, 2011, net of flow-through share premium	5,750,000		1,552,500		-		-	1,552,500
Share-issue costs	-		(34,021)		-		-	(34,021)
Warrants exercised	24,893,333		2,716,716		(227,383)		-	2,489,333
Options exercised	527,014		262,281		(130,548)		-	131,733
Share-based payments recognized	-		-		1,553,367		-	1,553,367
Net loss for the year	-		-		-		(4,948,597)	(4,948,597)
Tax recovery on share issuance costs	-		366,136		-		-	366,136
Balance - March 31, 2012	**173,961,564**	**$**	**49,382,158**	**$**	**7,030,759**	**$**	**(18,028,958)**	**$ 38,383,959**

Oceanic Iron Ore Corp.

Statements of Cash Flows

For the years ended March 31, 2013 and 2012

		2013		2012
Operating activities				
Net loss for the year	**$**	**(2,628,323)**	$	(4,948,597)
Adjustments for:				
Deferred income tax (recovery) / expense		**(514,193)**		1,664,146
Share-based payments		**647,333**		1,349,006
Interest income		**(41,558)**		(116,218)
Gain on marketable securities		**(54,429)**		(712)
Income relating to renounced exploration expenditures		**(198,830)**		(740,828)
Interest and financing expense		**82,368**		258,324
Net changes in non-cash working capital balances:				
Prepaid expenses and deposits		**(13,153)**		(22,939)
Receivables		**161,779**		(69,068)
Accounts payable and accrued liabilities		**(3,955)**		56,809
Due to related parties		**(371,129)**		388,393
		(2,934,090)		(2,181,684)
Investing activities				
Mineral property expenditures		**(6,395,189)**		(15,909,873)
Refundable exploration tax credit received		**-**		119,536
Equipment additions (Note 6)		**(323,930)**		(268,333)
Interest income received		**39,185**		108,486
Proceeds from sale of marketable securities		**-**		171,962
Restricted cash		**-**		(34,500)
		(6,679,934)		(15,812,722)
Financing activities				
Private placement, net of share issue costs (Note 9(b))		**3,160,411**		1,978,479
Demand loan proceeds (Note 8)		**1,792,977**		1,688,824
Demand loan proceeds, held as restricted cash (Note 8)		**-**		(150,000)
Interest and other financing fees paid on demand loan (Note 8)		**(82,368)**		(258,324)
Exercise of stock options (Note 9(c))		**-**		131,733
Exercise of warrants (Note 9(d))		**78,167**		2,489,333
		4,949,187		5,880,045
Change in cash and cash equivalents during the year		**(4,664,836)**		(12,114,361)
Cash and cash equivalents, beginning of year		**6,968,160**		19,082,521
Cash and cash equivalents, end of year	**$**	**2,303,324**	$	6,968,160
Cash and cash equivalents are comprised of the following:				
Cash	**$**	**603,324**	$	2,968,160
Term deposits	**$**	**1,700,000**	$	4,000,000
	$	**2,303,324**	$	6,968,160
Non cash investing and financing activities				
Repayment on demand loan (Note 8)		**358,611**		-
Refundable exploration tax credit claimed		**-**		4,164,442
Tax recovery of share issuance costs		**91,349**		366,136
Accretion on advance royalty payable		**120,744**		135,004

The accompanying notes are an integral part of these financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN

Oceanic Iron Ore Corp. ("Oceanic" or the "Company") is an exploration stage company engaged in the acquisition and exploration of iron ore properties in Québec, Canada. The Company was incorporated on March 8, 1986 under the British Columbia Business Corporations Act. The Company maintains its head office at 595 Burrard Street, Suite 3083, Vancouver, British Columbia. The Company's registered and records office is located at 1900-600 Granville Street, Vancouver, British Columbia. Its common shares are traded on the TSX Venture Exchange under the symbol "FEO" as well as the OTCQX in the United States under the symbol "FEOVF".

The Company acquired a 100% interest, subject to a 2% net smelter returns royalty ("NSR") 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, there are certain conditions and events that may cast significant doubt on the validity of this assumption. For the year ended March 31, 2013, the Company reported a loss of $2,628,323 and as at that date had an accumulated deficit of $20,657,281 and a working capital balance of $3,912,589. In the event the Company does not receive the proceeds from its refundable exploration tax credit claim for the year ended March 31, 2012 in the coming months, the Company will need to raise sufficient funds in order to finance ongoing exploration and administrative expenses. 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, and the 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").

We have consistently applied the same accounting policies in all periods presented. These financial statements were approved by the board of directors on July 11, 2013.

3. 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, with the exception of the advance royalty payable which will amortize as advance royalty payments are made. 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.

b) Mineral property exploration expenditures

Once the rights to explore an area have been secured, expenditures on exploration and evaluation activities are capitalized to exploration and evaluation 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.

c) 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 to potential reserves.

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

d) 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.

e) 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, 2013.

f) Cash and cash equivalents

Cash and cash equivalents include amounts held in banks and highly liquid investments with an initial term to maturity of 90 days or less.

g) Translation of foreign currencies

i) Functional and presentation currency: Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). These financial statements are presented in Canadian dollars which is the Company's functional currency.

ii) Transactions and balances: Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Generally, foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in currencies other than an entity's functional currency are recorded in profit or loss.

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

h) 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 period.

i) 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 property, plant and 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.

j) Share issue costs

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

k) 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. The offset to the recorded cost is to contributed surplus, the account used to record any share-based payments related to convertible securities of the Company.

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

k) Share-based payments (continued)

Consideration received on the exercise of stock options is recorded as share capital and the related contributed surplus is transferred to share capital. Charges for options that are forfeited before vesting are reversed from contributed surplus.

l) 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.

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 classification of refundable exploration tax credit receivables and mineral property impairment indicator assessment. Areas of estimates include measurement of advance royalty payables and measurement and recovery of deferred tax benefits (Note 10). 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.

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

n) 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. The Company has designated its marketable securities as held for trading and are measured at fair value at the end of each period with any resulting gains or losses recognized in profit or loss.

- 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, demand loan, 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. Financial liabilities are classified as current liabilities as payment is due within twelve months. Transaction costs associated with financial liabilities are capitalized to the financial liability and accreted over the life of the financial liability.

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

o) Flow-through shares

On issuance of flow-through shares, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability using the residual value method and; ii) share capital. Upon qualifying expenditures being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income relating to renounced exploration expenditures and the related deferred tax is recognized as a tax provision.

To the extent that the Company has deferred tax assets in the form of tax loss carry-forwards and other unused tax credits as at the reporting date, the Company may use them to reduce its deferred tax liability relating to tax benefits transferred through flow-through shares.

4. ACCOUNTING STANDARDS ISSUED BUT NOT YET APPLIED

In May 2011, the IASB issued the following standards which have not yet been adopted by the Company: IFRS 9, Financial Instruments (IFRS 9), IFRS 10, Consolidated Financial Statements (IFRS 10), IFRS 11, Joint Arrangements (IFRS 11), IFRS 12, Disclosure of Interests in Other Entities (IFRS 12), IFRS 13, Fair Value Measurement (IFRS 13), and IAS 12, Income Taxes (IAS 12). Each of the new standards is effective for annual periods beginning on or after January 1, 2013, with the exception of IFRS 9 (effective for annual periods on or after January 1, 2015) and IAS 12 (effective for annual periods on or after July 1, 2012) with early adoption permitted. The following is a brief summary of the new standards:

IFRS 9 - Financial Instruments

In November 2009, the IASB issued IFRS 9 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 OCI, and guidance on the measurement of financial liabilities and derecognition of financial instruments. In December 2011, the IASB issued an amendment that adjusted the mandatory effective date of IFRS 9 from January 1, 2013 to January 1, 2015. The Company plans to adopt IFRS 9 on April 1, 2015. The Company has not yet begun the process of assessing the impact of adopting IFRS 9 on its financial statements.

4. ACCOUNTING STANDARDS ISSUED BUT NOT YET APPLIED (continued)

IFRS 10 – Consolidated Financial Statements

IFRS 10 replaces IAS 27 Consolidated and Separate Financial Statements and Standing Interpretations Committee ("SIC") 12, Consolidation – Special Purpose Entities. The new standard changes the definition of control so that the same criteria apply to all entities, both operating and special purpose entities, to determine control. The revised definition focuses on the need to have both power over the investee to direct relevant activities and exposure to variable returns before control is present. IFRS 10 will be applied starting April 1, 2013 and will not have an impact on the Company's financial statements upon adoption.

IFRS 11 - Joint Arrangements

IFRS 11 replaces IAS 31 Interests in Joint Ventures. The new standard defines two types of arrangements: Joint Operations and Joint Ventures. Focus is on the rights and obligations of the parties to the joint arrangement, thereby requiring parties to recognize the individual assets and liabilities to which they have rights or for which they are responsible, even if the joint arrangement operates in a separate legal entity. IFRS 11 will be applied starting April 1, 2013 and will not have an impact on the Company's financial statements upon adoption.

IFRS 12 - Disclosure of Interests in Other Entities

IFRS 12 establishes a comprehensive disclosure standard to address the requirements for subsidiaries, joint arrangements and associate and the reporting entity's involvement with other entities. It also includes the requirements for unconsolidated structured entities (i.e. special purpose entities). IFRS 12 will be applied starting April 1, 2013 and will not have an impact on the Company's financial statements upon adoption.

IFRS 13 - Fair Value Measurement

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. IFRS 13 will be applied starting April 1, 2013. The application of this standard is not expected to have a significant impact on the Company's financial statements.

IAS 12 – Income Taxes

IAS 12 has been amended to revise certain standards related to the measurement of deferred tax assets or liabilities arising on investment property measured at fair value and supersedes SIC 21, "Income Taxes – Recovery of Revalued Non-Depreciable Assets". The amendment is effective for annual periods beginning on or after July 1, 2012. The application of this pronouncement will be applied starting April 1, 2013 and will not have an impact on the Company's financial statements upon adoption.

5. RECEIVABLES

	March 31, 2013	March 31, 2012
Input tax credits	$ 77,562	$ 360,741
Refundable exploration tax credits	4,737,613	4,523,053
Interest and other receivables	12,605	11,007
	$ 4,827,780	**$ 4,894,801**

Refer to note 8 for additional disclosure on refundable exploration tax credits.

6. EQUIPMENT

	Equipment
Year ended March 31, 2012	
At April 1, 2011	$ -
Additions	268,333
Depreciation for the year	(17,641)
Closing net book value	**$ 250,692**
At March 31, 2012	
Cost	$ 268,333
Accumulated depreciation	(17,641)
Net book Value	**$ 250,692**
Year ended March 31, 2013	
At April 1, 2012	$ 250,692
Additions	323,930
Depreciation for the year	(107,448)
Closing net book value	**$ 467,174**
At March 31, 2013	
Cost	$ 592,263
Accumulated depreciation	(125,089)
Net book Value	**$ 467,174**

7. MINERAL PROPERTIES - UNGAVA BAY

a) Acquisition costs

		March 31, 2013		March 31, 2012
Balance - Beginning of year	**$**	**17,886,597**	$	17,751,593
Additions				
Accretion of advance royalty payable		120,744		135,004
Balance - End of year	**$**	**18,007,341**	$	17,886,597

b) Exploration costs

		March 31, 2013		March 31, 2012
Cumulative exploration costs - Beginning of year	**$**	**12,631,952**	$	1,385,404
Expenditures during the year				
Permitting & claims		**191,911**		346,851
Drilling		**219,999**		3,247,957
Fieldwork & geology		**1,137,917**		2,578,400
Consultants		**2,054,141**		1,138,461
Salaries*		**241,326**		505,217
Fuel		**167,024**		546,535
Mapping & imagery		**74,507**		200,445
Assays & metallurgy		**896,488**		1,159,159
Equipment & supplies		**254,807**		830,522
Accomodation		**212,666**		905,273
Transportation		**818,003**		4,334,603
Other		**108,436**		95,714
Exploration expenditures for the year		**6,377,225**		15,889,137
Less: Exploration tax credit refund claim		**(573,171)**		(4,642,589)
Cumulative exploration costs - End of year	**$**	**18,436,006**	**$**	**12,631,952**
Grand total - mineral properties	**$**	**36,443,347**	$	30,518,549

* Includes share-based payments of $39,555 (2012: $204,361)

Under the terms of the acquisition of the Property, the Company must pay advance 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 Vendors until the estimated date of commencement of commercial production. The Company discounted the advance NSR payments using a discount rate of 20%, representing the estimated rate of return of similar investments at the date of acquisition. The advance royalty balance 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. For the year ended March 31, 2013, accretion of the advance royalty payable totalled $120,744 (2012: $135,004).

8. DEMAND LOAN

The Company is eligible to receive a refundable tax credit of 38.75% of eligible exploration expenditures incurred in Québec (“Exploration tax credits”). The refundable tax credit can only be claimed in conjunction with the filing of the Company’s annual corporate tax return.

In order to monetize the expected refundable tax credits due for the year ended March 31, 2012, the Company entered into a demand loan agreement with National Bank of Canada (“National Bank”) on December 5, 2011 to borrow up to $4,500,000, representing a proportion of the estimated Québec Exploration refundable tax credits receivable from Revenu Québec based on the Company’s eligible expenditures to March 31, 2012.

The Company has provided the bank security by way of charges on its 2011 and 2012 Québec Exploration tax credits receivable, a general assignment of the Company’s personal and movable property and a $150,000 cash pledge to Investissement Québec, the guarantor of the loan. The Company did not provide the Property as security against the loan. The loan is scheduled to be repaid on the earlier of (a) August 31, 2013 or (b) upon collection of the Québec Exploration tax credits, which were assigned to Investissement Québec. The demand loan may be called at any time at the discretion of National Bank. The demand loan bears interest at National Bank’s prime rate payable on a monthly basis. Interest expense for the year ended March 31, 2013 was $82,368 (2012: $13,187). During the year ended March 31, 2012, the Company incurred transaction costs associated with the demand loan of $245,137, which were expensed in the statement of loss and comprehensive loss.

		March 31, 2013		March 31, 2012
Demand loan - Beginning of year	**$**	**1,688,824**	$	-
Proceeds		**1,792,977**		1,688,824
Less: Repayment of loan*		**(358,611)**		-
Demand loan - End of year	**$**	**3,123,190**	**$**	**1,688,824**

* In April 2012, a total of $358,611 of investment tax credits was paid directly to National Bank by Revenu Québec under the terms of the demand loan. This amount had been previously drawn by the Company under the demand loan and has therefore been presented as a non-cash item on the statement of cash flows for the year ended March 31, 2013.

As a result of entering into the demand loan with National Bank, the Company must maintain an adjusted long-term debt to net worth ratio of 2.5:1. As at March 31, 2013, the Company was in compliance with this covenant.

9. SHARE CAPITAL

(a) Share capital

Unlimited common and preferred shares without par value

(b) Issued and fully paid common shares

	Number of shares	Amount
Balance, April 1, 2011	142,791,217	$44,518,546
Private placement - December 22, 2011	5,750,000	2,012,500
Share issue costs, cash	-	(34,021)
Exercise of stock options (Note 9(c))	527,014	262,281
Exercise of share purchase warrants (Note 9(d))	24,893,333	2,716,716
Deferral of sale of tax deductions to flow-through shareholders	-	(460,000)
Tax recovery on share issuance costs	-	366,136
Balance, March 31, 2012	**173,961,564**	**$49,382,158**
Private placement - October 10, 2012	21,875,000	3,500,000
Share issue costs, cash	-	(339,589)
Exercise of share purchase warrants (Note 9(d))	781,667	85,307
Tax recovery on share issuance costs	-	91,349
Balance, March 31, 2013	**196,618,231**	**$52,719,225**

On December 22, 2011, the Company completed a private placement issuing 5,750,000 units at $0.35 per unit for aggregate gross proceeds of $2,012,500. Each Unit consisted of one flow-through common share of the Company and one half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one non flow-through common share of the Company at a price of $1.00 per share until December 22, 2016. The Company incurred cash share issue costs in the amount of $34,021 in connection with the private placement. As at December 31, 2012, all flow-through funds had been spent in respect of this issuance. A liability of $460,000 was recorded upon issuance, representing the premium paid for the flow-through feature. For the year ended March 31, 2013, a total of $198,830 (2012: $740,828) was recognized into income relating to renounced exploration expenditures.

On October 10, 2012, the Company completed a brokered private placement comprising 21,875,000 common shares, at a price of $0.16 per common share for gross proceeds of $3,500,000. The Company incurred cash share issue costs in the amount of $339,589 in connection with the private placement.

Shares in escrow

4,800,000 common shares are held in escrow at the date this report was approved by the board of directors. All remaining shares held in escrow will be released on December 3, 2013.

9. SHARE CAPITAL (continued)

(c) Stock options

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

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

	Options		Weighted average exercise price
Options outstanding - April 1, 2011	11,840,514	$	0.56
Granted	6,194,000		0.32
Exercised	(527,014)		0.25
Expired	(850,000)		0.40
Cancelled	(519,000)		0.51
Forfeited	(700,000)		0.40
Options outstanding - March 31, 2012	**15,438,500**	**$**	**0.48**
Granted	5,805,000		0.22
Forfeited	(1,600,000)		0.53
Options outstanding - March 31, 2013	**19,643,500**	**$**	**0.40**

The Company uses the Black-Scholes valuation model for share-based payments. During the year, the Company granted 5,805,000 (2012: 6,194,000) stock options to officers, directors, employees and consultants at exercise prices between $0.19 and $0.27 with expiry dates between May 28, 2017 and January 18, 2023 (2012: $0.27 and $0.62 with expiry dates between April 5, 2021 and December 16, 2021).

The weighted average fair value of the options granted for the year ended March 31, 2013 was $0.15 per option (2012: $0.24). The exercise price for all stock option grants in the year was equal to the market price at the time of grant with the exception of 1,000,000 stock options granted to an officer of the Company on October 18, 2012 whereby the exercise price is $0.27 and the market price at the time of grant was $0.19. The weighted average share price on the date of stock option exercises for the year ended March 31, 2012 was $0.45.

During the year, a total of $686,888 (2012: $1,553,367) of share-based payments was recognized, with $647,333 (2012: $1,349,006) being recognized in the statement of loss and comprehensive loss and $39,555 (2012: $204,361) being capitalized to mineral properties (see Note 7).

9. SHARE CAPITAL (continued)

(c) Stock options *(continued)*

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

Risk-free interest rate	1.32% - 1.81%
Expected life	5 - 10 years
Annualized volatility	75%
Dividend rate	0.00%
Forfeiture rate	0.00% - 1.73%

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

The following table summarizes information about the stock options outstanding at March 31, 2013:

	Options outstanding		**Options exerciseable**
Weighted average exercise price ($)	Number	Expiry date	Number
0.19	500,000	October 18, 2022	500,000
0.195	3,055,000	January 18, 2023	968,333
0.26	250,000	May 28, 2017	187,500
0.27	300,000	January 11, 2021	300,000
0.27	100,000	April 5, 2021	100,000
0.27	119,000	May 18, 2021	119,000
0.27	3,175,000	December 16, 2021	3,058,331
0.27	1,000,000	May 25, 2022	333,333
0.27	1,000,000	October 18, 2022	333,333
0.40	5,263,500	November 30, 2020	5,263,500
0.44	1,381,000	May 18, 2021	1,381,000
0.83	3,500,000	January 5, 2021	3,500,000
0.40	**19,643,500**		**16,044,330**

9. SHARE CAPITAL (continued)

(d) Share purchase warrants

At March 31, 2013, the Company had outstanding share purchase warrants exercisable to acquire 37,837,500 shares as follows:

	Number	Weighted average exercise price	Expiry date
Balance - April 1, 2011	60,637,500	$ 0.58	-
Issued pursuant to private placement	2,875,000	1.00	December 22, 2016
Exercised	(24,893,333)	(0.10)	June 9, 2012
Balance - March 31, 2012	38,619,167	0.92	-
Exercised	(781,667)	(0.10)	June 9, 2012
Balance - March 31, 2013	**37,837,500**	**$ 0.94**	

The following table summarizes information about the share purchase warrants outstanding at March 31, 2013:

Outstanding and exercisable	Weighted average exercise price	Expiry date	Weighted average remaining contractual life (years)
6,562,500	$ 0.65	November 30, 2015	2.7
28,400,000	1.00	November 30, 2015	2.7
2,875,000	1.00	December 22, 2016	3.7
37,837,500	$ 0.94		2.7

10. 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, 2013	March 31, 2012
Net loss before income taxes	**$**	**(3,142,516)**	$ (3,284,451)
Canadian federal and provincial income tax rates		**26.90%**	28.03%
Expected Income tax recovery		**(845,337)**	(920,632)
Increase (decrease) due to:			
Non-deductible expenses and other		**97,146**	186,343
Change in long-term tax rate		**-**	30,186
Tax deductions renounced to investors		**233,998**	2,601,805
Benefit of prior year unrecognized deferred tax assets		**-**	(233,556)
Income tax expense (recovery)	**$**	**(514,193)**	$ 1,664,146

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

		March 31, 2013	March 31, 2012
Deferred income tax assets			
Non-capital losses	**$**	**1,622,780**	$ 345,178
Share and debt issue costs		**260,929**	274,264
Equipment		**30,201**	12,745
Total deferred income tax assets		**1,913,910**	632,187
Deferred income tax liabilities			
Mineral property costs		**2,606,379**	1,930,198
Deferred income tax liabilities		**2,606,379**	1,930,198
Deferred income tax liability, net	**$**	**692,469**	$ 1,298,011

The deferred tax balance at March 31, 2013 falls due in more than 12 months.

The composition of deferred tax expense (recovery) is as follows:

		March 31, 2013	March 31, 2012
Non-capital losses	**$**	**(1,264,267)**	$ (187,366)
Mineral property costs		**676,181**	1,930,198
Share and debt issue costs		**91,349**	(65,942)
Equipment		**(17,456)**	(12,744)
	$	**(514,193)**	$ 1,664,146

10. INCOME TAXES (continued)

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

		March 31, 2013		March 31, 2012
Net deferred tax liability, beginning of year	$	**1,298,011**	$	-
Deferred tax expense (recovery) during the year		**(514,193)**		1,664,146
Deferred taxes charged to equity		**(91,349)**		(366,135)
Net deferred tax liability, end of year	**$**	**692,469**	$	1,298,011

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

		March 31, 2013		March 31, 2012
Non-capital losses	$	**209,729**	$	209,140
Capital losses		**49,846**		49,846
Donations		**10,495**		7,788
	$	**270,070**	$	266,774

The Company has loss carry-forwards of $6,812,302 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, 2013	March 31, 2012
March 31, 2014	**$ 382,209**	$ 382,209
March 31, 2015	**395,266**	395,266
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**	203,393
March 31, 2032	**2,764,167**	2,764,167
March 31, 2033	**2,167,175**	-
	$ 6,812,302	$ 4,645,130

At March 31, 2013, the Company has not recognized a tax benefit on the losses expiring in 2014 and 2015 given it is unlikely that these benefits will be realized before expiry.

11. 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 Head Office in Vancouver. The agreement expires on September 29, 2015, but 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 six months' notice.

As part of the acquisition of the Ungava Bay mineral properties, commencing on November 30, 2011, Oceanic must pay advance NSR payments of $200,000 per year, which will be credited against all future NSR payments payable from production. The Company made its second payment to the Vendors on November 16, 2012.

The committed charges for the Company are as follows:

March 31,	Vancouver office rent	Montreal office rent	NSR payments	Total commitments
2014	$ 34,120	$ 128,659	$ 200,000	$ 362,779
2015	-	130,784	200,000	330,784
2016	-	132,973	200,000	332,973
Thereafter	-	175,761	200,000	375,761
	$ 34,120	$ 568,177	$ 800,000	$ 1,402,297

12. 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 President and Chief Operating Officer. Compensation awarded to key management is presented in the table below:

	March 31, 2013	March 31, 2012
Wages and benefits	**$ 282,481**	$ -
Consulting fees	**595,000**	839,500
Directors' fees	**37,000**	51,733
Share-based payments	**550,210**	1,271,874
	$ 1,464,691	$ 2,163,107

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

b) Payments for services by related parties

As disclosed in note 11, the Company is charged shared lease and overhead, and service costs by an affiliated company, with a director and officer in common. For the year ended March 31, 2013, the Company incurred $124,709 in shared lease and overhead, and service costs (2012: $136,915). Refer to note 11 for a listing of future commitments in respect of such lease costs.

The Company is charged fees for accounting services by an affiliated company, with a director in common. For the year ended March 31, 2013, the Company incurred $31,010 in fees for accounting services (2012: $Nil).

c) Services provided to related parties

During the year ended March 31, 2013, the Company provided accounting and administrative services to an affiliated company with a director and an officer in common. For the year ended March 31, 2013, the Company earned income totalling $15,550 for accounting, administrative and geological services (2012: $15,484).

Amounts due to related parties at March 31, 2013 amounted to $41,511 (March 31, 2012 - $412,640). 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.

13. FINANCIAL RISK MANAGEMENT

The board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's financial instruments consist of cash and cash equivalents, marketable securities, receivables, deposits, restricted cash, accounts payable, accrued liabilities, demand loan, advance royalty payable and due to related parties.

Marketable securities are designated as held-for-trading and carried at fair value, with the unrealized gain or loss recorded in the statement of loss and comprehensive loss. Cash and cash equivalents, restricted cash, accrued interest receivable, deposits and amounts due from related parties are designated as loans and receivables and are measured at amortized cost.

Accounts payable and accrued liabilities, demand loan, advance royalty payable 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.

13. FINANCIAL RISK MANAGEMENT (continued)

***Financial Instrument Risk Exposure** (continued)*

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 two large Canadian financial institutions. 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 and term deposits which are available on demand. The Company manages liquidity risk by preparing and maintaining cash forecasts, which illustrate cash spent to date and our cash needs over the short term. Contractual undiscounted cash flow requirements for financial liabilities as at March 31, 2013 and 2012 are presented below.

March 31, 2013

	Less than 1 year	1 - 3 years	4 - 5 years	Total
Accounts payable and accrued liabilities	$ 369,050	$ -	$ -	$ 369,050
Due to related parties	41,511	-	-	41,511
Demand loan	3,123,190	-	-	3,123,190
Advance royalty payable	200,000	600,000	-	800,000

March 31, 2012

	Less than 1 year	1 - 3 years	4 - 5 years	Total
Accounts payable and accrued liabilities	$ 1,053,264	$ -	$ -	$ 1,053,264
Due to related parties	412,640	-	-	412,640
Demand loan	1,688,824	-	-	1,688,824
Advance royalty payable	200,000	600,000	200,000	1,000,000

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 are 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.

13. FINANCIAL RISK MANAGEMENT (continued)

Market Risk

Market risk is the risk that the fair market value of the Company's financial instruments will significantly fluctuate due to changes in market prices. The value of the financial instruments can be affected by changes in interest rates, foreign exchange rates and equity and commodity prices. The Company is exposed to market risk in trading its marketable securities as well as its cash and cash equivalents. The Company manages market risk by investing in diverse industries and companies.

The Company'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 $13,887 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 March 31, 2013, marketable securities were categorized as level 1.

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 marketable securities, cash and cash equivalents, receivables, restricted cash, and the demand loan approximate their fair values due to their short term nature.

14. MANAGEMENT OF CAPITAL

The Company considers its capital to be its share capital. The Company's objectives when managing capital are to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk. In the management of capital, the Company includes the components of equity attributable to shareholders.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may attempt to issue new shares, issue debt and acquire or dispose of assets.

14. MANAGEMENT OF CAPITAL (continued)

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.

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 one externally imposed capital requirement, which consists of the Company maintaining an adjusted long-term debt to net worth ratio of 2.5:1 pursuant to the demand loan agreement entered into with National Bank and Investissement Québec. As at March 31, 2013, the Company was in compliance with this covenant. Further information relating to management of capital is disclosed in Note 1.

15. SUBSEQUENT EVENT

Subsequent to year end,

a) On May 23, 2013, the Company completed a non-brokered financing of $3 million by way of issuance of a convertible debenture, which will earn interest at a rate of 6% over the 30 month term of the debenture.

   The principal amount of the debenture will be convertible to common shares of the Company at a price of $0.16 per share at the election of the subscriber. 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.

   In the event that the volume weighted average trading price of common shares is equal to or greater than $0.16 per share for any 20 consecutive trading day period during the term of the debenture, the principal and interest owing under the debenture will be automatically converted into common shares of the Company.