# Oceanic Iron Ore Corp.

Annual Financial Statements
**For the years ended March 31, 2015 and 2014**
(Stated in Canadian Dollars)

July 22, 2015

**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, 2015 and March 31, 2014 and the statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

**Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB), 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, 2015 and March 31, 2014 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 Professional Accountants**

# Oceanic Iron Ore Corp.

## Statements of Financial Position

| | | March 31, 2015 | | March 31, 2014 |
|---|---|---|---|---|
| **Assets** | | | | |
| Current assets | | | | |
| Cash and cash equivalents | **$** | **1,944,510** | $ | 2,093,897 |
| Receivables (Note 5) | | **132,577** | | 695,994 |
| Prepaid expenses and deposits | | **251,673** | | 185,713 |
| Restricted cash | | **34,500** | | 34,500 |
| | | **2,363,260** | | 3,010,104 |
| Equipment | | **230,266** | | 348,720 |
| Mineral properties (Note 6) | | **40,500,238** | | 38,994,208 |
| | **$** | **43,093,764** | $ | 42,353,032 |
| **Liabilities** | | | | |
| Accounts payable and accrued liabilities | **$** | **126,857** | $ | 718,977 |
| Due to related parties (Note 12) | | **23,056** | | 14,852 |
| Current portion of advance royalty payable (Note 6(b)) | | **175,227** | | 175,227 |
| Convertible debenture - liability component (Note 7) | | **2,707,066** | | - |
| | | **3,032,206** | | 909,056 |
| Advance royalty payable (Note 6(b)) | | **440,377** | | 358,190 |
| Convertible debenture - liability component (Note 7) | | **-** | | 2,312,720 |
| Deferred income tax liability (Note 9) | | **-** | | 246,758 |
| | | **3,472,583** | | 3,826,724 |
| **Shareholders' equity** | | | | |
| Share capital (Notes 8(a),8(b)) | | **55,331,590** | | 52,719,225 |
| Contributed surplus (Notes 8(c),8(d), 8(e)) | | **9,091,588** | | 8,308,310 |
| Convertible debenture - equity component (Note 7) | | **562,011** | | 562,011 |
| Deficit | | **(25,364,008)** | | (23,063,238) |
| | | **39,621,181** | | 38,526,308 |
| | **$** | **43,093,764** | $ | 42,353,032 |

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

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, 2015 and 2014

| | March 31, 2015 | March 31, 2014 |
|---|---|---|
| **Expenses** | | |
| Consulting and management fees | **$ 440,625** | $ 550,000 |
| Directors' fees | **30,000** | 36,000 |
| Investor relations and corporate development | **223,676** | 297,490 |
| License and insurance | **47,609** | 54,384 |
| Office and general | **80,924** | 130,586 |
| Professional fees | **165,802** | 386,875 |
| Rent | **102,779** | 97,333 |
| Share-based payments (Note 8(c)(d)) | **408,785** | 580,276 |
| Transfer agent and regulatory | **65,395** | 77,856 |
| Travel | **7,260** | 18,870 |
| Wages and benefits | **419,582** | 448,979 |
| **Loss from operations** | **1,992,437** | 2,678,649 |
| **Other income (expenses)** | | |
| Interest income | **19,255** | 83,718 |
| Gain on marketable securities | **-** | 1,685 |
| Interest and other financing expense (Note 10) | **(574,346)** | (469,862) |
| Other income | **-** | 4,626 |
| **Net loss before income taxes** | **(2,547,528)** | (3,058,482) |
| Deferred income tax recovery (Note 9) | **246,758** | 652,525 |
| **Net loss and comprehensive loss for the year** | **$ (2,300,770)** | $ (2,405,957) |
| **Loss per common share - basic and diluted** | **$ (0.09)** | $ (0.12) |
| **Weighted average number of common shares outstanding** | **26,955,652** | 19,661,822 |



*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, 2015 and 2014

| | Share capital | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Number of shares | | Amount | | Contributed surplus | | Convertible debenture | | Deficit | | Total equity |
| **Balance - April 1, 2014** | **19,661,822** | **$** | **52,719,225** | **$** | **8,308,310** | **$** | **562,011** | **$** | **(23,063,238)** | **$** | **38,526,308** |
| Share-based payments recognized | - | | - | | 422,693 | | - | | - | | 422,693 |
| Settlement of Restricted Share Units | 137,564 | | 20,634 | | (20,634) | | - | | - | | - |
| Private Placement - October 9, 2014 | 15,248,750 | | 2,668,531 | | 381,219 | | - | | - | | 3,049,750 |
| Share issue costs | - | | (76,800) | | - | | - | | - | | (76,800) |
| Net loss for the year | - | | - | | - | | - | | (2,300,770) | | (2,300,770) |
| **Balance - March 31, 2015** | **35,048,136** | **$** | **55,331,590** | **$** | **9,091,588** | **$** | **562,011** | **$** | **(25,364,008)** | **$** | **39,621,181** |

| | Share capital | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Number of shares | | Amount | | Contributed Surplus | | Convertible debenture | | Deficit | | Total equity |
| **Balance - April 1, 2013** | **19,661,822** | **$** | **52,719,225** | **$** | **7,710,507** | **$** | **-** | **$** | **(20,657,281)** | **$** | **39,772,451** |
| Convertible debenture - equity portion (Note 7) | - | | - | | - | | 768,825 | | - | | 768,825 |
| Share-based payments recognized | - | | - | | 597,803 | | - | | - | | 597,803 |
| Net loss for the year | - | | - | | - | | - | | (2,405,957) | | (2,405,957) |
| Tax recovery of convertible debenture issuance | - | | - | | - | | (206,814) | | - | | (206,814) |
| **Balance - March 31, 2014** | **19,661,822** | **$** | **52,719,225** | **$** | **8,308,310** | **$** | **562,011** | **$** | **(23,063,238)** | **$** | **38,526,308** |



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

# Oceanic Iron Ore Corp.

## Statements of Cash Flows

**For the years ended March 31, 2015 and 2014**

| | | March 31, 2015 | | March 31, 2014 |
|---|---|---|---|---|
| **Operating activities** | | | | |
| Net loss for the year | $ | (2,300,770) | $ | (2,405,957) |
| Adjustments for: | | | | |
| Deferred income tax (recovery) | | (246,758) | | (652,525) |
| Share-based payments | | 408,785 | | 580,276 |
| Interest income | | (19,255) | | (83,718) |
| Gain on sale of marketable securities | | - | | (1,685) |
| Interest and financing expense | | 574,346 | | 469,862 |
| Net changes in non-cash working capital balances: | | | | |
| Prepaid expenses and deposits | | (65,960) | | (9,082) |
| Receivables | | 29,758 | | 31,864 |
| Accounts payable and accrued liabilities | | (71,487) | | 16,115 |
| Due to related parties | | 8,204 | | (26,659) |
| | | (1,683,137) | | (2,081,509) |
| **Investing activities** | | | | |
| Mineral property expenditures | | (1,858,490) | | (2,584,432) |
| Refundable exploration tax credit received | | 591,000 | | 4,678,315 |
| Interest income received | | 8,290 | | 83,592 |
| Net proceeds from sale of marketable securities | | - | | 56,114 |
| | | (1,259,200) | | 2,233,589 |
| **Financing activities** | | | | |
| Convertible debenture proceeds, net of issuance costs (Note 7) | | - | | 2,789,552 |
| Interest paid on convertible debenture (Note 7) | | (180,000) | | (135,000) |
| Proceeds from Private Placement net of issuance costs (Note 8(b)) | | 2,972,950 | | - |
| Demand loan proceeds held as restricted cash | | - | | 150,000 |
| Demand loan repayment | | - | | (3,123,190) |
| Interest and other financing fees paid on demand loan | | - | | (42,869) |
| | | 2,792,950 | | (361,507) |
| Change in cash and cash equivalents during the year | | (149,387) | | (209,427) |
| Cash and cash equivalents, beginning of year | | 2,093,897 | | 2,303,324 |
| **Cash and cash equivalents, end of year** | $ | 1,944,510 | $ | 2,093,897 |
| **Cash and cash equivalents are comprised of the following:** | | | | |
| Cash | $ | 444,510 | $ | 93,897 |
| Term deposits | $ | 1,500,000 | $ | 2,000,000 |
| | $ | 1,944,510 | $ | 2,093,897 |
| **Non cash investing and financing activities** | | | | |
| Accretion on debt portion of convertible debenture | | 574,346 | | 426,993 |
| Accretion on advance royalty payable | | 282,187 | | 200,000 |
| Tax recovery of convertible debenture issuance | | - | | 206,814 |
| Change in mineral property expenditures in accounts payable | | (520,634) | | 333,812 |
| Share-based payments charged to mineral properties | | 13,908 | | 17,527 |
| Depreciation of equipment charged to mineral properties | | 118,454 | | 118,454 |



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

## 1. NATURE OF OPERATIONS AND GOING CONCERN

Oceanic Iron Ore Corp. ("Oceanic" or the "Company") is an exploration stage company engaged in the acquisition and exploration of iron ore properties in Québec, Canada. The Company was incorporated on March 8, 1986 under the British Columbia Business Corporations Act. The Company maintains its head office at 595 Burrard Street, Suite 3083, Vancouver, British Columbia. The Company's registered/records office is located at 1055 West Georgia Street, Suite 1500, 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, there are certain conditions and events that may cast significant doubt on the validity of this assumption. For the year ended March 31, 2015, the Company reported a loss of $2,300,770 and as at that date had an accumulated deficit of $25,364,008 and a working capital deficit of $668,946. The Company will need to raise sufficient funds in order to finance ongoing exploration, development and administrative expenses over the coming 12 months. The success of raising such funds cannot be assured. Factors that could affect the availability of financing include the Company's performance, the state of international debt and equity markets, investor perceptions and expectations, the retention of key executive management and the state of global financial and metals markets.

These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary were the going concern assumption deemed to be inappropriate, and these adjustments could be material.

## 2. BASIS OF PRESENTATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Except for the accounting policy adopted as disclosed in Note 4(a) of these financial statements, the Company has consistently applied the same accounting policies in all periods presented. These financial statements were approved by the board of directors on July 22, 2015.

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

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

a) Mineral properties

Mineral properties consist of exploration and mining concessions, options and contracts. Acquisition costs are capitalized and deferred until such time as the property is put into production or the property is disposed of, either through sale or abandonment, or becomes impaired. If a property is put into production, the cost of acquisition will be written off over the life of the property based on estimated economic reserves, with the exception of the advance royalty payable which will be amortized 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 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.

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 on potential reserves.

**3 SUMMARY OF 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, 2015.

f) 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.

g) 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. Although the Company had exercisable options that were in the money at March 31, 2015, the exercising of these options would not have an anti-dilutive impact on the Basic earnings (loss) per share.

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

h) Equipment

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

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

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

i) Share issue costs

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

j) 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.

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 that are forfeited before vesting are reversed from contributed surplus.

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

k) 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.

l) 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 the mineral property impairment indicator assessment. Areas of estimates include measurement of advance royalty payables and measurement and recovery of deferred tax benefits. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the notes to the financial statements where applicable.

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

m) 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.

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

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

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

n) Convertible debenture

The Company's convertible debenture is classified as a liability, less the portion relating to the conversion feature which is classified as a component of equity. As a result, the recorded liability to repay the convertible notes is lower than its face value. The liability was initially recorded at fair value and subsequently at amortized cost using the effective interest rate method; the liability is accreted to the face value over the term of the convertible debenture.

## 4. RECENTLY ISSUED ACCOUNTING STANDARDS

### a) Recently issued and applied accounting standards

Pronouncements affecting accounting policies only

*IFRIC 21, Levies ("IFRIC 21")*

The Company adopted IFRIC 21 on April 1, 2014 with retrospective application. IFRIC 21 provides guidance on the accounting for a liability to pay a levy, if that liability is within the scope of International Accounting Standards ("IAS 37"), Provisions, Contingent Liabilities and Contingent Assets. Levies are imposed by governments in accordance with legislation and do not include income taxes, which are accounted for under IAS 12, Income Taxes, or fines or other penalties imposed for breaches of legislation.

The interpretation was issued to address diversity in practice around when the liability to pay a levy is recognized. An example of a common levy is property taxes. IFRIC 21 defines an obligating event as the activity that triggers the payment of the levy, as identified by legislation. A liability to pay a levy is recognized at the date of the obligating event, which may be at a point in time or over a period of time. The fact that an entity is economically compelled to continue to operate in the future, or prepares its financial statements on a going concern basis, does not create an obligation to pay a levy that will arise in a future period as a result of continuing to operate.

The adoption of IFRIC 21 did not affect the Company's financial statements or disclosures as the Company's analysis determined that no changes were required to the existing accounting treatment for levies.

## 4. RECENTLY ISSUED ACCOUNTING STANDARDS (continued)

### b) Accounting standards not yet effective

*IFRS 9 – Financial instruments*

In November 2009, the IASB issued IFRS 9, Financial Instruments, as the first step in its project to replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on an entity's business model and the contractual cash flows of the financial asset. Classification is made at the time the financial asset is initially recognized, namely when the entity becomes a party to the contractual provisions of the instrument. IFRS 9 amends some of the requirements of IFRS 7, Financial Instruments: Disclosures, including added disclosures about investments in equity instruments measured at fair value in OCI, and guidance on the measurement of financial liabilities and de-recognition of financial instruments. The required adoption date for IFRS 9 has been deferred from the original adoption date of April 1, 2015 to all annual periods beginning on or after January 1, 2018. The Company has yet to commence assessing the impact of this new standard.

## 5. RECEIVABLES

| | **March 31, 2015** | March 31, 2014 |
|---|---|---|
| Input tax credits | $ 19,201 | $ 102,912 |
| Refundable exploration tax credits | 100,000 | 591,000 |
| Interest and other receivables | 13,376 | 2,082 |
| | **$ 132,577** | **$ 695,994** |

## 6. MINERAL PROPERTIES - UNGAVA BAY

a) Acquisition costs

| | Year Ended March 31, 2015 | Year Ended March 31, 2014 |
|---|---|---|
| **Balance - Beginning of year** | **$ 18,207,341** | $ 18,007,341 |
| | | |
| **Additions** | | |
| Accretion of advance royalty payable | 282,187 | 200,000 |
| **Balance - End of year** | **$ 18,489,528** | $ 18,207,341 |

b) Exploration costs

| | Year Ended March 31, 2015 | Year Ended March 31, 2014 |
|---|---|---|
| **Cumulative exploration costs - Beginning of year** | **$ 20,786,867** | $ 18,436,006 |
| | | |
| **Expenditures during the year** | | |
| Permitting & claims | **164,255** | 248,377 |
| Drilling | **10,000** | 28,000 |
| Fieldwork & geology* | **69,757** | 749,765 |
| Consultants | **230,740** | 354,945 |
| Salaries* | **136,408** | 224,796 |
| Fuel | **9,222** | 3,908 |
| Mapping & imagery | **67,014** | 228,312 |
| Assays & metallurgy | **25,447** | 70,014 |
| Equipment, supplies & rentals | **115,904** | 266,252 |
| Office and accomodation | **160,574** | 158,094 |
| Transportation | **219,696** | 431,646 |
| Equipment depreciation | **118,454** | 118,454 |
| Less: Exploration tax credit refund claim | **(103,628)** | (531,702) |
| Exploration expenditures for the year | **1,223,843** | 2,350,861 |
| | | |
| **Cumulative exploration costs - End of year** | **$ 22,010,710** | **$ 20,786,867** |
| | | |
| **Grand total - mineral properties** | **$ 40,500,238** | $ 38,994,208 |

* Includes a portion of share-based payments of $13,908 (2014: $17,527).

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

b) Exploration costs (continued)

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 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. During the year, management changed its estimate on the timeline for reaching commercial production, extending the number of NSR payments to be incurred by the Company, which resulted in an increase in the Advance Royalty liability. The total estimated future undiscounted NSR payments as at March 31, 2015 was $1,000,000 (2014: $600,000) (Note 11). For the year ended March 31, 2015, accretion of the advance royalty payable totaled $282,187 (2014: $200,000). At March 31, 2015, the total Advance Royalty payable was $615,604 (2014: $533,417), with $175,277 (2014: $175,277) recognized as current and $440,377 recognized as long term (2014: $358,190).

## 7. CONVERTIBLE DEBENTURE

On May 23, 2013, the Company completed a non-brokered financing of $3 million by way of issuance of a convertible debenture, which bears interest, payable quarterly, at a rate of 6% until November 2015.

The principal amount of the debenture is convertible to common shares of the Company at a price of $1.60 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 $1.60 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.

For accounting purposes, the convertible debenture is separated into its liability and equity components using the effective interest rate method. The fair value of the liability component at the time of issue was calculated as the discounted cash flows for the convertible debenture assuming a 20% effective interest rate which was the estimated rate for a convertible debenture without a conversion feature. The fair value of the equity component (conversion feature) was determined at the time of issue as the difference between the face value of the convertible debenture and the fair value of the liability component, less a deferred income tax adjustment to reflect the book to tax difference in value of the convertible debenture at the time of issuance.

## 7. CONVERTIBLE DEBENTURE (continued)

Issuance costs of $210,448 were incurred and have been recorded against the liability and equity components. The liability component is being accreted to the statements of loss and comprehensive loss over the life of the convertible debenture. Accretion and other financing expense for the year ended March 31, 2015 was $574,346 (2014: $426,993). As the convertible debenture matures in November 2015, the liability portion of the convertible debenture was reclassified from non-current liabilities to current liabilities during the year.

| | Liability component | Equity component | Total |
|---|---|---|---|
| **Opening balance - April 1, 2013** | $ - | $ - | $ - |
| Issued - amount at date of issue (May 23, 2013) | 2,173,174 | 826,826 | **3,000,000** |
| Issuance costs allocated | (152,447) | (58,001) | **(210,448)** |
| Deferred income tax liability | - | (206,814) | **(206,814)** |
| Amortization of issuance costs | 50,816 | - | **50,816** |
| Accretion of discount | 376,177 | - | **376,177** |
| Interest payments | (135,000) | - | **(135,000)** |
| **Balance - March 31, 2014** | **$ 2,312,720** | **$ 562,011** | **$ 2,874,731** |
| Amortization of issuance costs | 60,979 | - | **60,979** |
| Accretion of discount | 513,367 | - | **513,367** |
| Interest payments | (180,000) | - | **(180,000)** |
| **Balance - March 31, 2015** | **$ 2,707,066** | **$ 562,011** | **$ 3,269,077** |

## 8. SHARE CAPITAL

### *(a) Share Capital*

Unlimited common and preferred shares without par value

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

On July 2, 2014, the Company's common shares were consolidated on the basis of one post-consolidated share for every ten pre-consolidated shares. All common share, share option, share purchase warrant, restricted share unit and per share amounts in these financial statements have been retrospectively restated to present post-consolidation amounts.

On October 9, 2014, the Company completed a non-brokered private placement issuing 15,248,750 units at $0.20 per unit for aggregate gross proceeds of $3,049,750. Each unit consisted of one common share of the Company and one common share purchase warrant. Each whole warrant entitles the holder to acquire one common share of the Company at a price of $0.30 per share until April 9, 2017. The Company incurred cash share issue costs in the amount of $76,800 in connection with the private placement. The share capital was valued using the closing stock price of the Company on the completion date of the private placement, with the residual amount of $381,219 allocated to the warrants and recognized in contributed surplus.

**8. SHARE CAPITAL (continued)**

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

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

A summary of the changes in RSUs is as follows:

| | **Number of RSUs** |
|---|---:|
| Balance - April 1, 2013 | - |
| Granted | 476,406 |
| RSUs outstanding - March 31, 2014 | 476,406 |
| | |
| Granted | 1,225,806 |
| Settled | (137,564) |
| Forfeited | (82,813) |
| **RSUs exercisable - March 31, 2015** | **1,481,835** |

On November 25, 2014, the Company granted a total of 1,225,806 RSUs to directors and officers of the Company. The vesting period for the RSUs granted is as follows: 1/3 on the grant date, 1/3 on the twelve month anniversary date, and 1/3 on the twenty four month anniversary date. Each RSU has a fair value of $0.16 which was the closing share price at the grant date.

The fair value of the RSUs in the amount of $196,129 will be recognized over the vesting periods of the RSUs. RSUs settled during the year ended March 31, 2015 were settled at a fair value of $0.15 per unit.

RSU expense for the year ended March 31, 2015 was $178,627 (2014: $53,465), of which $172,230 (2014: $49,783) was recorded within Share-based payment expense in the Statement of Loss and Comprehensive Loss and $6,397 (2014: $3,682) was capitalized to mineral properties.

***(d) Stock options***

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

## 8. SHARE CAPITAL (continued)

### *(d) Stock options (continued)*

As at March 31, 2015, the Company had a total of 3,404,350 stock options outstanding and exercisable with a weighted average exercise price of $0.18 (2014: 1,964,350 options outstanding with a weighted average exercise price of $1.60).

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

| | Options | Weighted average exercise price |
|---|---|---|
| Options outstanding - April 1, 2014 and 2013 | 1,964,350 | 0.20 |
| Granted | 1,440,000 | 0.16 |
| **Options outstanding - March 31, 2015** | **3,404,350** | **0.18** |
| **Options exercisable - March 31, 2015** | **2,436,016** | |

On November 13, 2014, the Company re-priced a total of 1,964,350 stock options, with original exercise prices of $1.60 and expiry dates ranging from May 28, 2017 to January 18, 2023, to $0.20 per option. The incremental fair value granted as a result of the modification was $108,550 with $101,039 being expensed during the year ended March 31, 2015 and $7,511 capitalized to mineral properties. The incremental fair value is the difference between the value of the options at the modification date calculated using the original exercise prices and the modified exercise price.

On November 25, 2014 and December 15, 2014, the Company granted 1,440,000 stock options to directors, officers, employees, consultants and investor relations consultants. The weighted average fair value of the options granted for the year ended March 31, 2015 was $0.13 per option. The exercise price for all stock option grants during the year ended March 31, 2015 was equal to the market price at the time of grant. 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 anniversary. The vesting period for options granted to investor relations consultants is 25% vesting each quarter over the following 12 month anniversary. Total share based payments recognized during the year in respect of these issuances was $135,518 which were expensed.

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

| | |
|---|---|
| Risk-free interest rate | 1.76% |
| Expected life | 10 years |
| Annualized volatility | 75% |
| Dividend rate | 0.00% |
| Forfeiture rate | 0.00% |

## 8. SHARE CAPITAL (continued)

### (d) ***Stock options*** *(continued)*

The following table summarizes information about stock options outstanding at March 31, 2015:

| | | **Options outstanding** | **Number Exercisable** |
|---|---|---|---|
| Weighted average exercise price ($) | Number | Expiry date | Number |
| 0.20 | 25,000 | May 28, 2017 | 25,000 |
| 0.20 | 526,350 | November 30, 2020 | 526,350 |
| 0.20 | 350,000 | January 5, 2021 | 350,000 |
| 0.20 | 30,000 | January 11, 2021 | 30,000 |
| 0.20 | 10,000 | April 5, 2021 | 10,000 |
| 0.20 | 150,000 | May 18, 2021 | 150,000 |
| 0.20 | 317,500 | December 16, 2021 | 317,500 |
| 0.20 | 100,000 | May 25, 2022 | 100,000 |
| 0.20 | 150,000 | October 18, 2022 | 150,000 |
| 0.20 | 305,500 | January 18, 2023 | 305,500 |
| 0.16 | 1,415,000 | November 25, 2024 | 463,333 |
| 0.16 | 25,000 | December 15, 2024 | 8,333 |
| **0.18** | **3,404,350** | | **2,436,016** |

### *(e) Share purchase warrants*

At March 31, 2015, the Company had a total of 19,032,500 share purchase warrants outstanding with a weighted average exercise price of $2.11.

| | Number | Weighted average exercise price | Expiry date |
|---|---|---|---|
| Balance - April 1, 2013 and 2014 | 3,783,750 | $ 9.39 | - |
| Issued | 15,248,750 | 0.30 | April 9, 2017 |
| **Balance - March 31, 2015** | **19,032,500** | **$ 2.11** | |

## 8. SHARE CAPITAL (continued)

### (e) *Share purchase warrants* *(continued)*

The following table summarizes information about share purchase warrants outstanding at March 31, 2015:

| Outstanding and exercisable | Weighted average exercise price | Expiry date | Weighted average remaining contractual life (years) |
|---|---|---|---|
| 656,250 | $ 6.50 | November 30, 2015 | 0.7 |
| 2,840,000 | 10.00 | November 30, 2015 | 0.7 |
| 287,500 | 10.00 | December 22, 2016 | 1.7 |
| 15,248,750 | 0.30 | April 9, 2017 | 2.0 |
| **19,032,500** | **$ 2.11** | | **1.8** |

## 9. INCOME TAXES

Income tax expense differs from the amount that would result from applying the Canadian and federal and provincial income tax rates to earnings before income taxes. These differences result from the following items:

| | **March 31 2015** | March 31 2014 |
|---|---|---|
| Loss before income taxes | **$ (2,547,528)** | $ (3,058,482) |
| Canadian federal and provincial income tax rates | **26.90%** | 26.90% |
| Expected Income tax recovery | **(685,285)** | (822,732) |
| Increase (decrease) due to: | | |
| Non-deductible expenses and other | **165,307** | 170,207 |
| Losses not recognized | **273,220** | - |
| Deferred income tax recovery | **$ (246,758)** | $ (652,525) |

## 9. INCOME TAXES (continued)

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

| | | March 31 2015 | | March 31 2014 |
|---|---|---|---|---|
| **Deferred income tax assets** | | | | - |
| Non-capital losses | **$** | **3,611,410** | $ | 3,503,762 |
| Share and debt issue costs | | **173,449** | | 201,532 |
| Equipment | | **62,812** | | 30,947 |
| Total deferred income tax assets | **$** | **3,847,671** | $ | 3,736,241 |
| | | | | |
| **Deferred income tax liabilities** | | | | |
| Convertible debenture | **$** | **83,873** | $ | 189,952 |
| Mineral property costs | | **3,763,798** | | 3,793,047 |
| Deferred income tax liabilities | **$** | **3,847,671** | $ | 3,982,999 |
| | | | | |
| **Deferred income tax liability, net** | **$** | **-** | $ | 246,758 |

The composition of deferred tax recovery is as follows:

| | | March 31 2015 | | March 31 2014 |
|---|---|---|---|---|
| Non-capital losses | **$** | **(79,565)** | $ | (1,821,585) |
| Mineral property costs | | **(29,249)** | | 1,186,668 |
| Convertible debt | | **(106,079)** | | (16,862) |
| Equipment | | **(31,865)** | | (746) |
| | **$** | **(246,758)** | $ | (652,525) |

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

| | | March 31 2015 | | March 31 2014 |
|---|---|---|---|---|
| Net deferred tax liability, beginning of year | **$** | **246,758** | $ | 692,469 |
| Deferred tax recovery during the year | | **(246,758)** | | (652,525) |
| Deferred taxes charged to equity | | **-** | | 206,814 |
| | | | | |
| **Net deferred tax liability, end of year** | **$** | **-** | $ | 246,758 |

## 9. INCOME TAXES (continued)

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

| | | **March 31 2015** | | March 31 2014 |
|---|---|---|---|---|
| Non-capital losses | **$** | **392,872** | $ | 106,327 |
| Capital losses | | **49,846** | | 65,435 |
| Donations | | **15,364** | | 13,100 |
| | **$** | **458,082** | $ | 184,862 |

The Company has loss carry-forwards of $14,885,811 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, 2015** | | March 31, 2014 |
|---|---|---|---|---|
| March 31, 2014 | **$** | **-** | $ | - |
| March 31, 2015 | | **-** | | 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 | | **6,443,859** | | 6,443,859 |
| March 31, 2034 | | **2,835,889** | | 2,835,889 |
| March 31, 2035 | | **1,738,411** | | - |
| | **$** | **14,885,811** | $ | 13,542,669 |

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

## 10. INTEREST AND OTHER FINANCING EXPENSE

| | | **Year Ended March 31, 2015** | | Year Ended March 31, 2014 |
|---|---|---|---|---|
| Interest expense on demand loan | **$** | **-** | $ | 42,869 |
| Accretion of discount on convertible debenture | | **513,367** | | 376,177 |
| Amortization of issuance costs on convertible debenture | | **60,979** | | 50,816 |
| | **$** | **574,346** | $ | 469,862 |

## 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 office in Vancouver. The agreement expires on September 29, 2015. 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 net smelter royalty ("NSR") payments of $200,000 per year, which will be credited against all future NSR payments payable from production. The Company made its fourth annual payment on November 25, 2014.

The committed charges for the Company are as follows:

| March 31, | Vancouver office rent | Montreal office rent | NSR payments | Total commitments |
|---|---|---|---|---|
| 2016 | $ 147,131 | $ 130,784 | $ 200,000 | $ 477,915 |
| 2017 | - | 132,973 | 200,000 | 332,973 |
| Thereafter | - | 175,761 | 600,000 | 775,761 |
| | $ 147,131 | $ 439,518 | $ 1,000,000 | $ 1,586,649 |

## 12. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

a) Key Management Compensation

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

| | Year Ended March 31, 2015 | Year Ended March 31, 2014 |
|---|---|---|
| Wages and benefits | **$ 283,869** | $ 275,000 |
| Directors' fees | **30,000** | 36,000 |
| Share-based payments | **300,918** | 477,669 |
| | **$ 614,787** | $ 788,669 |

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

b) Payments for services by related parties

During the year ended March 31, 2015, the Company incurred corporate consulting fees of $261,250 (2014: $330,000), to Sirocco Advisory Services Ltd., a company controlled by a director and officer of the Company. Effective November 1, 2014, in order to preserve the cash balance of the Company, Sirocco Advisory Services Ltd. entered into an amended consulting agreement which reflected a reduced consulting fee. The fees earned for the year ended March 31, 2015 incorporate the reduced fee.

During the year ended March 31, 2015, the Company incurred corporate consulting fees of $119,375 (2014: $160,000), to Shariff Advisory Services Ltd., a company controlled by a former officer of the Company. Effective November 1, 2014, in order to preserve the cash balance of the Company, Shariff Advisory Services Ltd. entered into an amended consulting agreement which reflected a reduced consulting fee. The fees earned for the year ended March 31, 2015 incorporate the reduced fee up until January 2015 when the agreement between the Company and Shariff Advisory Services Ltd. was terminated.

As disclosed in Note 11, the Company is charged shared lease, overhead, and service costs by Atlantic Gold Corporation, a company with a director and officer in common. For the year ended March 31, 2015, the Company incurred $147,131 (2014: $138,002) in shared lease, overhead, and service costs. Refer to Note 11 for a listing of future commitments in respect of such lease costs.

Amounts due to related parties at March 31, 2015 amounted to $23,056 (March 31, 2014: $14,852). 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, receivables, deposits, restricted cash, accounts payable, accrued liabilities, liability component of the convertible debenture, advance royalty payable and due to related parties. Cash and cash equivalents, restricted cash, accrued interest receivable, deposits and amounts due from related parties 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.

## 13. FINANCIAL RISK MANAGEMENT (continued)

***Financial instrument risk exposure***

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

*Credit risk*

Credit risk arises from the potential for non-performance by counterparties of contractual financial obligations. The Company's exposure to credit risk is on its cash and cash equivalents and receivables. The Company has concentration of risk with respect to cash being held with one large Canadian financial institution. 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 the Company's cash needs over the short term. Contractual undiscounted cash flow requirements for financial liabilities as at March 31, 2015 and 2014 are presented below.

**March 31, 2015**

| | Less than 1 year | 1 - 3 years | 4 - 5 years | Total |
|---|---|---|---|---|
| Accounts payable and accrued liabilities | $ 126,857 | $ - | $ - | $ 126,857 |
| Due to related parties | 23,056 | - | - | 23,056 |
| Convertible debenture - liability component | 2,707,066 | - | - | 2,707,066 |
| Advance royalty payable | 200,000 | 600,000 | 200,000 | 1,000,000 |

**March 31, 2014**

| | Less than 1 year | 1 - 3 years | 4 - 5 years | Total |
|---|---|---|---|---|
| Accounts payable and accrued liabilities | $ 718,977 | $ - | $ - | $ 718,977 |
| Due to related parties | 14,852 | - | - | 14,852 |
| Advance royalty payable | 200,000 | 600,000 | - | 800,000 |

The Company's ability to continue operations in the normal course of business is dependent on several factors, including the ability to secure additional financing. In addition, the recoverability of the amounts shown for mineral properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production, all of which are uncertain. Further information relating to liquidity risk is disclosed in Note 1.

## 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 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 $15,345 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, 2015, 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, receivables, restricted cash, and the liability component of the convertible debenture approximate their fair values due to their short term nature.

## 14. 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 a matter of carrying out the Company's objectives, the Company may issue new equity or incur debt.

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

The Company's investment policy is to limit investments to guaranteed investment certificates, banker's acceptance notes, investment savings accounts or money market funds with high quality financial institutions in Canada and treasury bills, selected with regards to the expected timing of expenditures from continuing operations. The Company has no externally imposed capital requirements as at March 31, 2015. Further information relating to management of capital is disclosed in Note 1.