

Oceanic Iron Ore Corp.

(formerly Pacific Harbour Capital Ltd.)

Management's Discussion and Analysis

of Financial Condition and Results of Operations

Third Quarter Report – December 31, 2010 and 2009

The following discussion is management's assessment and analysis of the results and financial condition of Oceanic Iron Ore Corp. (formerly Pacific Harbour Capital Ltd.) ("Oceanic" or "Company"), and should be read in conjunction with the accompanying financial statements and related notes. The preparation of financial data is in accordance with Canadian generally accepted accounting principles ("GAAP") and all figures are reported in Canadian dollars unless otherwise indicated.

Certain information included in this discussion may constitute forward looking statements. Forward looking statements are based on current expectations and entail various risks and uncertainties. These risks and uncertainties could cause or contribute to actual results that are materially different from those expressed or implied. The effective date of this report is February 28, 2011.

Description of Business

The Company was incorporated on March 8, 1986 under the British Columbia Business Corporations Act. Its common shares are traded on the TSX Venture Exchange and the OTC Bulletin Board. The Company has acquired a 100% interest, subject to a 2% net smelter returns royalty ("NSR"), in approximately 3,000 mining claims (the "Property") located near Ungava Bay, Quebec.

Acquisition of Iron Ore Mining Claims

On November 30, 2010, the Company closed the acquisition of a 100% interest, subject to a 2% net smelter returns royalty (the "NSR"), in approximately 3,000 mining claims (the "Property") located near Ungava Bay, Quebec from John Patrick Sheridan of Toronto, Ontario and Peter Ferderber of Val D'or, Quebec (collectively the "Vendors").

As consideration for the acquisition, Oceanic issued 30,000,000 common shares which will be held in escrow and released as follows: 10% of the shares on March 31, 2011, 10% of the shares on June 3, 2011, 5% of the shares on September 30, 2011 and 15% of the shares on each of the dates that are 12 months, 18 months, 24 months, 30 months and 36 months following December 3, 2010.

Commencing on November 30, 2011, Oceanic must pay minimum advance NSR payments of \$200,000 per year, which will be credited against all future NSR payments payable from production. Oceanic may purchase 50% of the NSR by paying \$3,000,000 at any time in the first two years following the commencement of commercial production from the Property.

The Property was the subject of a dispute between Kataria Holdings Limited, a British Virgin Islands company, Atulkumar Patel and Ramzy Abdul-Majeed, both of Dubai, UAE, (collectively the "Kataria Group") and the Vendors. The Vendors and the Kataria Group have made the necessary filings to dismiss all legal proceedings in respect of the Property and have entered into full and final releases. On closing of the acquisition, Oceanic paid the Kataria Group US\$2,000,000 and issued the Kataria Group 8,000,000 common shares, of which 4,000,000 common shares will be held in escrow and only released upon receipt of an independent report under National Instrument 43-101 which validates a resource equal to or greater than 450 million metric tonnes of 35% or higher iron content. 2,000,000 common shares held by a principal of Oceanic will also be held in escrow and released from escrow over a 36 month period.

Finder's fees of \$50,000 and 1,100,000 common shares were paid in relation to the acquisition. Oceanic also granted options to purchase up to 7,740,000 common shares at a price of \$0.40 per share to directors, officers, consultants and charities.

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Private Placement Financings

Concurrently with closing of the acquisition, Oceanic completed two non-brokered private placements of units for gross proceeds of \$19,972,500. The securities sold in both private placements are subject to a hold period expiring April 1, 2011. In the first private placement, 13,125,000 units were sold at a price of \$0.40 per unit. Of the units, 8,844,500 units consisted of one flow-through common share and one-half of one share purchase warrant and 4,280,500 units consisted of one non-flow-through common share and one-half of one share purchase warrant. Each whole warrant entitles the holder to purchase one non-flow-through common share at a price of \$0.65 per share on or before November 30, 2015. Finder's fees of \$262,500 were paid.

In the second private placement, 28,400,000 units were sold. Of the Units, 17,950,000 units were sold at a price of \$0.50 per unit. Each unit consisted of one non-flow-through common share and one share purchase warrant, each warrant entitling the holder to purchase one non-flow-through common share at a price of \$1.00 per share on or before November 30, 2015. The balance of 10,450,000 units were sold at a price of \$0.55 per unit, each unit consisting of one flow-through common share and one warrant, each warrant entitling the holder to purchase one non-flow-through common share at a price of \$1.00 per share on or before November 30, 2015. Finder's fees of \$736,125 were paid.

Ungava Bay Properties

The Property covers three groups of deposits over 300 km strike of Lake Superior Type iron formation, along the northern extension of the Labrador Trough in the Nunavik Region of northern Quebec, with good proximity to tidewater at Ungava Bay.

A National Instrument 43-101 technical report has been prepared on the Company by Micon International Limited ("Micon") of Toronto, Ontario, and is available for review on the Company's website and on SEDAR (www.sedar.com).

The Micon report documents and summarizes the historic exploration (327 drillholes over 21,711 metres) and metallurgical work completed on the three groups of deposits (Roberts Lake area, Morgan Lake area and Hopes Advance area), including the development of extensive historical mineral resource estimates set out below that do not comply with the current Canadian Institute of Mining, Metallurgy and Petroleum Resources (CIM) Definition Standards on Mineral Resources and Mineral Reserves as required by National Instrument 43-101 (NI 43-101) "Standards of Disclosure for Mineral Projects".

Deposit	Historic Resource (million tonnes)	Head Iron	Exploration Drillholes	Metres Drilled
Roberts Lake Area	1,251.6*	35.9% (Sol Fe)	97	5,115
Morgan Lake Area	611.8*	22.2% (Mag Fe)**	45	3,661
Hopes Advance Area	819.5*	35.5% (Sol Fe)	185	12,935
Total	2,682.9*	32.7% (Avg Fe)	327	21,711

*These are historical resource estimates that do not comply with the current Canadian Institute of Mining, Metallurgy and Petroleum Resources (CIM) Definition Standards on Mineral Resources and Mineral Reserves as required by National Instrument 43-101 (NI 43-101) "Standards of Disclosure for Mineral Projects." The Roberts Lake historic resource was reported in 1970 from drilling in the late 1950's, the Morgan Lake historic resource was developed in 1957 and 1964 and the Hopes Advance historic resource was developed in 1958. Further information in respect of these historic resources is outlined in a 43-101 technical report prepared by Micon dated October 29, 2010 available on Sedar (www.sedar.com).

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**Sol Fe is soluble iron, Mag Fe is magnetic portion only.

2011 Drill Program

Oceanic's senior management team joined in early January 2011 and is currently developing a drill program, expected to commence in early March 2011, which will be focused on bringing the historical work up to current NI 43-101 standards with the commissioning of three drill rigs initially, and an additional two drill rigs to be added mid-year.

This drill program will initially be focused primarily on the Hopes Advance area, and is targeted to bring approximately 1 billion tonnes of the historical resource to an inferred and / or indicated category, meeting NI 43-101 standards, by the end of Q4 of 2011.

Overall Performance and Results of Operations

Total assets increased to \$40,157,501 at December 31, 2010 from \$344,760 at March 31, 2010. The most significant assets at December 31, 2010 were mineral properties of \$20,055,587 (March 31, 2010: nil) and cash and cash equivalents of \$19,849,304 (March 31, 2010: \$194,169).

The increase in mineral properties during the period was a result of the acquisition as described in *Acquisition of Iron Ore Mining Claims*. The increase in cash and cash equivalents during the period was the result of net private placement proceeds of \$21,632,100, proceeds on exercise of warrants and options of \$742,450 partially offset by \$2,011,600 paid to the Kataria group and \$707,815 used in operating activities.

Three month periods ended December 31, 2010 and 2009

The company incurred a net loss of \$2,661,919 during the three months ended December 31, 2010 (2009: \$55,345). The most significant expenses incurred were stock-based compensation of \$1,864,566 (2009: nil), acquisition costs of \$468,492 (2009: nil), professional fees of \$159,735 (2009: \$6,555) and consulting and management fees of \$138,050 (2009: \$6,000). The stock-based compensation represents the Black-Scholes calculated fair value of the stock options issued to directors, officers and charities during the quarter. The increase in both professional fees and consulting and management fees were a result of expenditures incurred pursuant to the acquisition of the Property.

During the three months ended December 31, 2010, the Company recorded interest income of \$1,440 (2009: \$2,400), which consisted of interest earned on the Company's term deposits. The Company recorded an unrealized gain on marketable securities of \$93,750 (2009: \$2,750) and a loss on disposal of marketable securities and investments of \$50,056 (2009: nil).

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Nine month periods ended December 31, 2010 and 2009

The company incurred a net loss of \$2,885,971 during the nine months ended December 31, 2010 (2009: \$162,548). The most significant expenses incurred were stock-based compensation of \$1,864,566 (2009: nil), acquisition costs of \$468,492 (2009: nil), professional fees of \$190,990 (2009: \$23,848) and consulting and management fees of \$175,050 (2009: \$18,000). The stock-based compensation represents the Black-Scholes calculated fair value of the stock options issued to directors, officers and charities during the 3rd quarter. The increase in both professional fees and consulting and management fees were a result of expenditures incurred pursuant to the acquisition of the Property.

During the nine months ended December 31, 2010, the Company recorded interest income of \$7,009 (2009: \$7,500), which consisted of interest earned on the Company's term deposits. The Company recorded an unrealized gain on marketable securities of \$99,500 (2009: \$26,543) and a loss on disposal of marketable securities and investments of \$50,056 (2009: \$7,181).

Liquidity and Capital Resources

As at December 31, 2010, the Company had working capital of \$19,938,903. The Company has sufficient cash resources to settle outstanding liabilities and carry out its 2011 exploration programs.

The Company has no bank debt or banking credit facilities in place.

Summary of Quarterly Results

	Q3 2011	Q2 2011	Q1 2011	Q4 2010
Interest and other income (loss)	\$ 37,065	\$ 15,214	\$ (3,895)	\$ (6,100)
Stock-based compensation	(1,864,566)	-	-	-
Operating expenses	(834,418)	(171,662)	(63,709)	(85,090)
Net loss for the period	<u>\$ (2,661,919)</u>	<u>\$ (156,448)</u>	<u>\$ (67,604)</u>	<u>\$ (91,190)</u>
Basic and diluted loss per share	<u>\$ (0.06)</u>	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>
	Q3 2010	Q2 2010	Q1 2010	Q4 2009
Interest and other income (loss)	\$ 5,150	\$ 12,769	\$ 8,943	\$ 34,105
Operating expenses	\$ (60,495)	\$ (70,239)	\$ (58,676)	\$ (83,637)
Net loss for the period	<u>\$ (55,345)</u>	<u>\$ (57,470)</u>	<u>\$ (49,733)</u>	<u>\$ (49,532)</u>
Basic and diluted loss per share	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>

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Critical Accounting Policies and Estimates

A detailed summary of all the Company's significant accounting policies is included in Note 2 to the annual financial statements for the year ended March 31, 2010.

Mineral Properties

All costs directly related to the acquisition, exploration and development of mineral properties are capitalized by property. If economically recoverable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. When a property is abandoned, all related costs are written off to operations.

A mineral property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. Management regularly reviews the net carrying value of each mineral property. Where events or changes in circumstances suggest impairment, estimated future cash flows are calculated using estimated future prices, proven and probable reserves, value beyond proven and probable reserves, probability weighted outcomes and operating capital reclamation costs on an undiscounted basis. If it is determined that the future cash flows are less than the carrying value, a write down to the estimated fair value is expensed in the period. Where estimates of future net cash flows are not available and where other conditions suggest impairment, management assesses if carrying values are recoverable. If the carrying values exceed fair value, then the property is written-down to estimated fair value, with the write down expensed in the period.

The amounts shown for mineral properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete development, and future profitable production or proceeds from the disposition thereof.

Changes in Accounting Policies Including Initial Adoption

Business Combinations

In December 2008, the CICA issued Handbook Sections 1582 – Business Combinations, 1601 – Consolidated Financial Statements and 1602 – Non-controlling Interests which replace CICA Handbook Sections 1581 – Business Combinations and 1600 – Consolidated Financial Statements. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under International Financial Reporting Standards. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Effective April 1, 2010, the Company early adopted all three sections.

Recent Accounting Standards Not Yet Effective

International Financial Reporting Standards ("IFRS")

In February 2008, the CICA Accounting Standards Board confirmed that International Financial Reporting Standards will replace Canada's ("GAAP") for publicly accountable profit-oriented enterprises effective January 1, 2011. The Company's first mandatory filing under IFRS, which will be the first quarter of fiscal

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2012, will contain IFRS compliant information on a comparative basis, as well as reconciliations for that quarter and as at the April 1, 2010 transition date.

Although IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in recognition, measurement and disclosure. The three phases of the Company's transition plan to IFRS are as follows:

- Preliminary planning: This phase involves the development of the IFRS convergence plan, including the impact of IFRS on the Company's accounting policies, information technology and data systems, internal control over financial reporting and disclosure controls and procedures.
- Detailed impact assessment: This phase involves a detailed review of the Company's current accounting policies and accounting policies that are expected to be implemented in preparing IFRS statements, along with quantification of key line items and disclosures, as well as the evaluation of the impact on operational elements.
- Implementation: This phase involves finalizing the accounting policy changes, implementation of additional internal controls, preparation and approval of completed IFRS financial statements and ongoing training of key personnel.

The Company has completed the preliminary planning phase and is currently working through the detailed impact assessment phase of the IFRS conversion plan. The Company expects no material differences in any key line items; however determination of the impact on disclosures is currently underway.

Based on management's review of current processes, minimal impact is expected on information technology and data systems, and internal controls over financial reporting. Management's assessment indicates that there will be revisions to the Company's financial statement disclosures on adoption of IFRS, but there will be no major financial impact. However, IFRS are evolving in advance of the transition date, and such changes may alter management's current assessment.

Risks and Uncertainties

The Company is exposed to financing risk as it is not in commercial production on any of its mineral resource properties, and accordingly, has no revenues. The Company currently finances its operations by raising capital in the equity markets. Although the Company presently has sufficient financial resources to undertake its currently planned exploration program and has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms acceptable to the Company.

The Company is engaged in the acquisition, exploration and development of mineral properties, an inherently risky business, and there is no assurance that an economic mineral deposit will ever be discovered and subsequently put into production. Most exploration projects do not result in the discovery of commercially mineable ore deposits. The Company will seek to counter these risks to the extent possible by selecting exploration areas on the basis of their recognized geological potential to host economic deposits.

The Company depends on the business and technical expertise of its management team and there is little possibility that this dependence will decrease in the near term.

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Financial Instruments and Other Instruments

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, investments and accounts payable and accrued liabilities.

Cash and cash equivalents and marketable securities are designated as held-for-trading and therefore carried at fair value, with the unrealized gain or loss recorded in interest income. Receivables are designated as loans and receivables and are measured at amortized cost. Investments are designated as available-for-sale and therefore carried at fair value, with the unrealized gain or loss recorded in other comprehensive income. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

The fair values of cash and cash equivalents, marketable securities, receivables, investments and accounts payable and accrued liabilities approximate their book values because of the short-term nature of these instruments.

Financial Instrument Risk Exposure

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

Credit Risk

Credit risk arises from the potential for non-performance by counterparties of contractual financial obligations. The Company's exposure to credit risk is on its cash and cash equivalents. The Company reduces its credit risk by maintaining its bank accounts and term deposits at a large international financial institution. The maximum exposure to credit risk is equal to the fair value or carrying value of the financial assets.

Liquidity Risk

The Company's cash and cash equivalents are invested in business accounts and term deposits which are available on demand. Management has concluded that the Company has adequate financial resources to settle obligations as at December 31, 2010.

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 and investments. The Company manages market risk by investing in diverse industries and companies. The Company also has set thresholds on purchases of investments.

The Company 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 fixed rate instruments.

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Commitment

Effective September 1, 2010, the Company entered into a financial advisory and office rental agreement with Endeavour Administration Services Ltd. ("Endeavour"). Endeavour charges \$10,000 per month for the advisory services and \$1,000 per month for the rent, and may also earn success fees on certain transactions. The initial term of the agreement is for one year after which it will continue in force on a month-to-month basis.

Related Party Transactions and Amounts Due

No related party transactions occurred during the nine month periods ended December 31, 2010 and 2009.

Outstanding Share Data

As at the date of this report, there were 142,291,217 common shares issued and outstanding.

As at the date of this report, there were 11,990,514 stock options and 58,929,750 common share purchase warrants outstanding.

Management's Report on Internal Control over Financial Reporting

In connection with National Instrument ("NI") 52-109 (Certification of Disclosure in Issuer's Annual and Interim Filings) adopted in December 2008 by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to the financial information contained in the unaudited interim financial statements and the audited annual financial statements and respective accompanying Management's Discussion and Analysis.

The Venture Issuer Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109.

Outlook

Oceanic's senior management team was brought on board in early January 2011 and is currently developing a drill program, expected to commence in early March 2011, which will be focused on bringing the historical work up to current NI 43-101 standards with the commissioning of three drill rigs initially, and an additional two drill rigs to be added mid-year.

This drill program will initially be focused primarily on the Hopes Advance area, and is targeted to bring approximately 1 billion tonnes of the historical resource to an inferred and / or indicated category, meeting NI 43-101 standards, by the end of Q4 of 2011.

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Forward Looking Statements

This document includes certain "Forward-Looking Statements" as that term is used in applicable securities law. All statements included herein, other than statements of historical fact, including, without limitation, statements regarding potential mineralization and resources, exploration results, and future plans and objectives of the Company, are forward-looking statements that involve various risks and uncertainties. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "scheduled", "believes", or variations of such words and phrases or statements that certain actions, events or results "potentially", "may", "could", "would", "might" or "will" be taken, occur or be achieved. There can be no assurance that such statements will prove to be accurate, and actual results could differ materially from those expressed or implied by such statements. Forward-looking statements are based on certain assumptions that management believes are reasonable at the time they are made. In making the forward-looking statements in this presentation, the Company has applied several material assumptions, including, but not limited to, the assumption that: (1) there being no significant disruptions affecting operations, whether due to labour/supply disruptions, damage to equipment or otherwise; (2) permitting, development, expansion and power supply proceeding on a basis consistent with the Company's current expectations; (3) certain price assumptions for iron ore; (4) prices for availability of natural gas, fuel oil, electricity, parts and equipment and other key supplies remaining consistent with current levels; (5) the accuracy of current mineral resource estimates on the Company's property; and (6) labour and material costs increasing on a basis consistent with the Company's current expectations. Important factors that could cause actual results to differ materially from the Company's expectations are disclosed under the heading "Risk Factors" in the Company's Filing Statement dated November 22, 2010 (a copy of which is publicly available on SEDAR at www.sedar.com under the Company's profile) and elsewhere in documents filed from time to time, including MD&A, with the Toronto Stock Exchange and other regulatory authorities. Such factors include, among others, risks related to the ability of the Company to obtain necessary financing and adequate insurance; the economy generally; fluctuations in the currency markets; fluctuations in the spot and forward price of iron ore or certain other commodities (e.g., diesel fuel and electricity); changes in interest rates; disruption to the credit markets and delays in obtaining financing; the possibility of cost overruns or unanticipated expenses; employee relations. Accordingly, readers are advised not to place undue reliance on Forward-Looking Statements. Except as required under applicable securities legislation, the Company undertakes no obligation to publicly update or revise Forward-Looking Statements, whether as a result of new information, future events or otherwise.

Additional information relating to the Company is available on SEDAR at www.sedar.com.