CONSOLIDATED FINANCIAL STATEMENTS

For the years ended
December 31, 2022 and 2021

Expressed in Canadian Dollars, unless otherwise noted

OCEANIC
IRON ORE CORP

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Oceanic Iron Ore Corp.

Opinion

We have audited the consolidated financial statements of Oceanic Iron Ore Corp. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2022, and the consolidated statements of income (loss) and comprehensive income (loss), changes in shareholders' equity, and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company had no revenues, had negative cash flows from operations, incurred a net loss of $1,059,907 during the year ended December 31, 2022 and, as of that date, the Company had a working capital deficit of $1,113,662 and an accumulated deficit of $33,923,085. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

We have determined that there are no key audit matters to communicate in our report.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Management's Discussion and Analysis, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter of when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Other Matter

The consolidated financial statements of the Company for the year ended December 31, 2021 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on April 26, 2022.

Saturna Group Chartered Professional Accountants LLP

Vancouver, Canada

April 26, 2023

Oceanic Iron Ore Corp.

Consolidated Statements of Financial Position
As at December 31, 2022 and 2021

	Notes		**As at December 31, 2022**		As at December 31, 2021
Assets					
Current					
Cash		**$**	**662,818**	$	293,162
Receivables			**5,869**		3,753
Prepaid expenses and deposits			**6,976**		13,613
			675,663		310,528
Mineral properties	*4*		**44,178,442**		43,910,645
Total assets		**$**	**44,854,105**	$	44,221,173
Liabilities					
Current					
Accounts payable and accrued liabilities		**$**	**346,651**	$	236,230
Due to related parties	*9*		**197,149**		309,335
Current portion of advance royalty payable	*4*		**169,529**		172,355
Current portion of convertible debentures	*5*		**1,075,996**		1,164,238
			1,789,325		1,882,158
Non-current portion of advance royalty payable	*4*		**423,221**		423,220
Non-current portion of convertible debentures	*5*		**3,433,997**		1,940,759
Total liabilities			**5,646,543**		4,246,137
Shareholders' equity					
Share capital	*6*		**61,886,678**		61,633,048
Reserves	*6*		**11,243,969**		11,205,166
Deficit			**(33,923,085)**		(32,863,178)
Total shareholders' equity			**39,207,562**		39,975,036
Total liabilities and shareholders equity		**$**	**44,854,105**	$	44,221,173

Nature of operations and going concern	*1*
Commitments	*8*
Subsequent events	*12*

Approved by the Board:

" Steven Dean " Director

" Gordon Keep " Director

Oceanic Iron Ore Corp.

Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)
For the years ended December 31, 2022 and 2021

	Notes	Year ended December 31, 2022	Year ended December 31, 2021
Expenses			
Consulting and management fees	*9*	**$ 235,000**	$ 235,000
Directors' fees	*9*	**30,000**	30,000
License and insurance		**27,831**	31,932
Office and general		**28,118**	19,937
Professional fees		**102,286**	88,527
Rent		**10,484**	10,162
Share-based compensation	*6*	**50,388**	109,601
Transfer agent and regulatory		**23,860**	25,358
Wages and benefits	*9*	**72,927**	74,034
Loss from operations		**(580,894)**	(624,551)
Other (expenses) income			
(Loss) gain on non-cash derivative liabilities	*5*	**(24,558)**	4,080,126
Convertible debenture accretion expense	*5*	**(454,455)**	(360,463)
Total other (expenses) income		**(479,013)**	3,719,663
Net (loss) income and comprehensive (loss) income for the year		**$ (1,059,907)**	$ 3,095,112
(Loss) income per common share			
Basic		**$ (0.01)**	$ 0.03
Diluted		**$ (0.01)**	$ 0.02
Weighted average number of common shares outstanding			
Basic		**97,134,682**	94,281,224
Diluted		**97,134,682**	127,675,647

Oceanic Iron Ore Corp.

Consolidated Statements of Changes in Shareholders' Equity
For the years ended December 31, 2022 and 2021

	Notes	Shares		Share capital		Reserves		Deficit		Total equity
Balance - January 1, 2022		**96,672,967**	**$**	**61,633,048**	**$**	**11,205,166**	**$**	**(32,863,178)**	**$**	**39,975,036**
Share-based payments - stock options	6c	-		-		50,388		-		50,388
Shares issued on settled restricted share units	6b	132,669		11,585		(11,585)		-		-
Shares issued on settled debenture interest	5	838,052		67,045		-		-		67,045
Settlement of advance royalty payment	4	2,083,333		175,000		-		-		175,000
Net loss for the year		-		-		-		(1,059,907)		(1,059,907)
Balance - December 31, 2022		**99,727,021**	**$**	**61,886,678**	**$**	**11,243,969**	**$**	**(33,923,085)**	**$**	**39,207,562**

		Shares		Share capital		Reserves		Deficit		Total equity
Balance - January 1, 2021		**93,867,068**	**$**	**61,318,043**	**$**	**11,108,190**	**$**	**(35,958,290)**	**$**	**36,467,943**
Share-based payments - stock options	6c	-		-		109,601		-		109,601
Shares issued on settled restricted share units	6b	93,999		8,460		(8,460)		-		-
Exercise of stock options	6c	11,900		6,545		(4,165)		-		2,380
Settlement of advance royalty payment	4	2,700,000		300,000		-		-		300,000
Net income for the year		-		-		-		3,095,112		3,095,112
Balance - December 31, 2021		**96,672,967**	**$**	**61,633,048**	**$**	**11,205,166**	**$**	**(32,863,178)**	**$**	**39,975,036**

Oceanic Iron Ore Corp.

Consolidated Statements of Cash Flows
For the years ended December 31, 2022 and 2021

	Notes	Year ended December 31, 2022	Year ended December 31, 2021
Operating activities			
Net (loss) income		$ (1,059,907)	$ 3,095,112
Adjustments for:			
Share-based payments	6c	50,388	109,601
Loss (gain) on convertible debenture derivative liability	5	24,558	(4,080,126)
Convertible debenture accretion expense	5	454,455	360,463
Net changes in non-cash working capital balances:			
Receivables		(1,873)	(867)
Prepaid expenses and deposits		7,270	(3,834)
Accounts payable and accrued liabilities		(41,642)	(45,826)
Due to related parties		(52,825)	(251,639)
Cash used in operating activities		$ (619,576)	$ (817,116)
Investing activities			
Mineral property expenditures	4	(62,254)	(114,907)
Cash used in investing activities		(62,254)	(114,907)
Financing activities			
Exercise of stock options		-	2,380
Interest paid on convertible debenture	5	(134,090)	(243,061)
Proceeds from convertible debentures	5	1,220,000	1,557,548
Transaction costs on convertible debentures	5	(9,424)	(38,314)
Settlement of advance royalty payable	4	(25,000)	(100,000)
Cash provided by financing activities		1,051,486	1,178,553
Change in cash		369,656	246,530
Cash, beginning of year		293,162	46,632
Cash, end of year		$ 662,818	$ 293,162

Non-cash investing and financing activities		
Accretion of royalty liability	120,497	121,005
Recognition of additional advance royalty payable	76,678	76,678
Settlement of convertible debenture interest	67,045	-
Settlement of advance royalty payable	175,000	300,000
Issuance of shares for settlement of restricted share units	11,585	8,460
Transaction costs on convertible debentures included in accounts payable	83,458	-

1. NATURE OF OPERATIONS AND GOING CONCERN

Oceanic Iron Ore Corp. ("Oceanic" or the "Company") is an exploration-stage company engaged in the acquisition and exploration of iron ore properties in Québec, Canada. The Company was incorporated on March 8, 1986 under the British Columbia Business Corporations Act. The Company maintains its head office at 595 Burrard Street, Suite 3083, Vancouver, British Columbia. The Company's registered/records office is located at 1500 – 1055 West Georgia Street, Vancouver, British Columbia. Its common shares are traded on the TSX Venture Exchange under the symbol "FEO".

The Company acquired a 100% interest in certain mining claims (the "Property") located near Ungava Bay, Québec, Canada, in November 2010. The Company is currently conducting exploration activities on the Property. The Property comprises three project areas: Hopes Advance (also referred to as the "Hopes Advance Project" throughout), Morgan Lake and Roberts Lake, which cover over 35,999 hectares of iron formation and are located within 20 – 50 km of tidewater. The Company operates as a single reportable segment, being the exploration of the Property. All of the Company's non-current assets are located in Canada.

While these consolidated financial statements have been prepared on the basis that the Company will continue as a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due, certain conditions and events result in a material uncertainty casting significant doubt on the validity of this assumption. For the year ended December 31, 2022, the Company has no revenues, incurred a net loss of $1,059,907, and had negative cash flows from operations. As at December 31, 2022, the Company had an accumulated deficit of $33,923,085 and a working capital deficit of $1,113,662.

While the Company has completed a non-brokered convertible debenture financing in the amount of $1,220,000 during the year ended December 31, 2022 (see Note 5), the Company's ability to continue on a going concern basis for and beyond the next twelve months depends on its ability to successfully raise additional financing for continued operations and for the necessary capital expenditures required to achieve planned principal operations. The Company continues to pursue a number of options to improve its financial capacity, including securing a strategic partner to further advance the Hopes Advance project. While the Company 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.

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

These consolidated financial statements were approved by the board of directors on April 26, 2023.

3. SIGNIFICANT ACCOUNTING POLICIES

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 amortized over the life of the property based on estimated economic reserves. If a property is abandoned, the acquisition costs will be written off to operations. Recorded costs of mineral properties are not intended to reflect present or future values of the properties. The recorded costs are subject to measurement uncertainty and it is reasonably possible, based on existing knowledge, that changes in future conditions could require a material change in the recognized amounts. Although the Company has taken steps that it considers adequate to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title.

Once the rights to explore an area have been secured, expenditures on exploration and evaluation activities are capitalized to exploration and evaluation assets and classified as a component of mineral properties. Exploration expenditures relate to the initial search for deposits with economic potential and to detailed assessments of deposits or other projects that have been identified as having economic potential.

Impairment of mineral properties

Mineral properties are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable at year-end. 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 recoverability during the exploration and evaluation phase requires judgment in determining whether future economic benefits from future exploitation, sale or otherwise are likely. Evaluations may be more complex where activities have not reached a stage which permits a reasonable assessment of the existence of reserves or resources. Management must make certain estimates and assumptions about future events or circumstances including, but not limited to, the interpretation of geological, geophysical and seismic data, the Company's intention to continue exploration and evaluation activities, the impact of government legislation and political stability in the region, and the impact of current and expected future iron ore prices on potential reserves.

Investment tax credits

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Asset retirement obligations (continued)

A liability for an asset retirement obligation is recognized in the period in which it is incurred and when a reasonable estimate of the value of the liability can be made, with the corresponding asset retirement cost recognized by increasing the carrying amount of the related long-lived asset. The asset retirement cost is subsequently allocated in a rational and systematic method over the underlying asset's useful life. The initial fair value of the liability is accreted, by charges to operations, to its estimated future value. The Company had no asset retirement obligations at December 31, 2022 and 2021.

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.

Earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing income (loss) attributable to common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted earnings per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the year. As at December 31, 2022 and 2021, the Company has potentially issuable shares relating to its conversion feature on convertible debentures, stock options, RSUs, and share purchase warrants, and those issuable shares are considered to be anti-dilutive.

Share issue costs

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

Share-based payments

Share-based payments to employees and others providing similar services are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest. Consideration received on the exercise of stock options and share purchase warrants is recorded as share capital and the related contributed surplus is transferred to share capital. Charges for stock options and Restricted Share Units ("RSUs") that are forfeited before vesting are reversed from contributed surplus.

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,

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Current and deferred taxes (continued)

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 assets and liabilities are determined based on the differences between the tax basis of assets and liabilities and the amounts reported in the consolidated financial statements. The deferred tax assets or liabilities are calculated using the tax rates enacted or substantially enacted for the periods in which the differences are expected to be settled. Deferred tax assets are recognized to the extent that they are considered more likely than not to be realized.

Financial instruments

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

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

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

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

However, on the day of acquisition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as fair value through other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

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

Convertible debentures

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

Use of estimates and judgments and COVID-19

The preparation of the consolidated 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 assessment of going concern and mineral property impairment indicators. Areas of estimates include measurement of advance royalty payables, fair value of share-based compensation, deferred income taxes, and the fair value of the embedded derivative liabilities related to the convertible debentures (Level 3 financial instruments). Actual results may differ from these estimates.

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

The Company has assessed the economic impacts of the COVID-19 pandemic on its consolidated financial statements including the valuation of the Company's derivative liability. As at December 31, 2022, management has determined that the Company's results of operations and financial position have not been materially impacted. In making this judgment, management has assessed various criteria including, but not limited to, existing laws, regulations, orders, disruptions and potential disruptions in commodity prices and capital markets.

IFRS 16 - Leases

The Company evaluates whether the contract involves the use of an identified asset, whether the Company has the right to obtain substantially all of the economic benefits from use of the asset during the term of the arrangement and if the Company has the right to direct the use of the asset.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 16 – Leases (continued)

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

As a lessee, the Company recognizes a right-of-use asset, which is included in property, plant and equipment, and a lease liability at the commencement date of a lease.

The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, less any lease incentives received.

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

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

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

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

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

4. MINERAL PROPERTIES - UNGAVA BAY

a) Acquisition costs

		Year ended December 31, 2022		Year ended December 31, 2021
Acquisition costs - beginning of period	**$**	**19,869,499**	$	19,671,816
Additions during the period				
Additional advance royalty payable		**76,678**		76,678
Accretion of advance royalty payable		**120,497**		121,005
Acquisition costs - end of period	**$**	**20,066,674**	$	19,869,499

b) Exploration costs

		Year ended December 31, 2022		Year ended December 31, 2021
Cumulative exploration costs - beginning of period	**$**	**24,041,146**	$	23,933,487
Expenditures during the period				
Permitting and claims		**45,620**		65,629
Fieldwork and geology		**13,398**		14,935
Consultants		**2,963**		4,920
Equipment, supplies & rentals		**6,480**		6,806
Office and accommodation		**2,161**		7,915
Transportation		**-**		7,454
Exploration expenditures for the period		**70,622**		107,659
Cumulative exploration costs - end of period	**$**	**24,111,768**	$	24,041,146
Total - mineral properties	**$**	**44,178,442**	$	43,910,645

Under the terms of the acquisition of the Property, the Company must pay advance net smelter royalty (“NSR”) payments of $200,000 per year until the commencement of commercial production. The aggregate advance NSR payments will then be credited against all future NSR payments payable from production. The advance NSR payments included in the purchase price represent the present value of advance payments to the royalty holders until the estimated date of commencement of commercial production.

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

The total estimated future undiscounted NSR payments as at December 31, 2022 was $1,000,000 ($1,000,000). For the year ended December 31, 2022, accretion of the advance royalty payable totaled $120,497 (2021 - $121,005). At December 31, 2022, the total advance royalty payable was $592,750 (2021: $595,575), with $169,529 (2021: $172,355) recognized as a current liability and $423,221 recognized as a long-term liability (2021: $423,220).

4. MINERAL PROPERTIES - UNGAVA BAY (continued)

On December 1, 2022, the Company settled its 2022 advance royalty payment of $100,000 payable to 154619 through a cash payment of $25,000 and through the issuance of 833,333 common shares of the Company, at a price of $0.09 per share. On December 1, 2022, the Company settled its 2022 advance royalty payment of $100,000 payable to SPG through the issuance of 1,250,000 common shares of the Company, at a price of $0.08 per common share.

On November 5, 2021, the Company settled its 2020 and 2021 advance royalty payment of $200,000 payable to 154619 through the issuance of 1,800,000 common shares of the Company, at a price of approximately $0.1111 per share, as well as settled its 2021 advance royalty payment of $100,000 payable to SPG through the issuance of 900,000 common shares of the Company, at a price of approximately $0.1111 per common share.

5. CONVERTIBLE DEBENTURES

	Series A Debentures	Series B Debenture	Series C Debentures	Series D Debentures	Total
Opening balance - January 1, 2021	$ 2,692,727	$ 2,855,760	$ -	$ -	$ 5,548,487
Proceeds received	-	-	1,557,548	-	1,557,548
Transaction costs	-	-	(38,314)	-	(38,314)
Interest expense and accretion	132,826	104,710	109,120	-	346,656
Amortization of transaction costs	3,224	4,196	6,387	-	13,807
Interest settlements	(64,600)	(71,188)	(107,273)	-	(243,061)
Gain due to fair value adjustment on derivative liability	(1,599,939)	(1,491,154)	(989,033)	-	(4,080,126)
Balance - December 31, 2021	1,164,238	1,402,324	538,435	-	3,104,997
Proceeds received	-	-	-	1,220,000	1,220,000
Transaction costs	-	-	-	(92,882)	(92,882)
Interest expense and accretion	141,459	109,716	130,955	51,852	433,982
Amortization of transaction costs	2,419	4,199	7,663	6,192	20,473
Interest settlements	(48,450)	(53,391)	(99,294)	-	(201,135)
Loss (gain) due to fair value adjustment on derivative liability	435,688	(386,852)	222,887	(247,165)	24,558
Balance - December 31, 2022	1,695,354	1,075,996	800,646	937,997	4,509,993

On September 26, 2022, the Company completed a non-brokered financing in the amount of $1,220,000 by way of issuance of convertible debentures (the “Series D Debentures”) which earn interest at a rate of 8.5% per annum over a 60-month term (the “Term”), payable quarterly in cash or common shares in the capital of the Company, at the election of the Company. In the event that the Company elects to settle interest in common shares of the Company, the number of common shares shall be determined at the market price of the common shares at the time of settlement.

The principal amount of the Series D Debentures will be convertible to units (each a “Unit”) during the Term at the election of the subscriber. The conversion price during the first year of the term is $0.07 per Unit, increasing to $0.10 per Unit for the remainder of the term. Each Unit will consist of 1 common share of the Company and 1 common share purchase warrant of the Company, with each whole warrant entitling the holder to purchase one common share at a price of $0.07 per common share for a period of 5 years after closing of the financing.

The Series D Debentures are secured with a first ranking charge at any time against the assets of the Company, ranking pari-passu with the current secured debenture holders and holders of the Replacement Debentures (as defined below).

5. CONVERTIBLE DEBENTURES (continued)

Similar to the 2018 Debenture ("Series B Debenture") and 2021 Debentures ("Series C Debentures"), the conversion option associated with the Series D Debentures are treated as a derivative liability and fair valued each reporting period, resulting in an accounting unrealized gain or loss being reflected in the Company's consolidated financial statements. The convertible debentures are recognized as having two separate liability components. Firstly, the units which are recognized as a derivative liability and fair valued each reporting period, and secondly the convertible debenture liability, which is fair valued at the time of issue, and then accounted for at amortized cost and accreted to the face value over the life of the convertible debentures. At inception, the Company recognized a deferred unrealized loss in the amount of $1,850,715, which was the difference between the fair value of the combined liability and the proceeds received. The deferred unrealized loss has been recorded against the convertible debentures on the consolidated statements of financial position and will be amortized over the Term on a straight-line basis.

The Company entered into agreements with holders of the previously issued Series A convertible debentures (the "Previous Series A Debentures") to replace the Previous Series A Debentures with new debentures (the "Series A Debentures") maturing on September 26, 2027.

The Previous Series A Debentures were convertible to units (each a "Series A Unit") at the election of the holder at a price of $0.10 per Series A Unit. Each Series A Unit consists of 1 common share and 1 common share purchase warrant of the Company, with each whole warrant entitling the holder to purchase one common share of the Company at a price of $0.10 per common share.

The terms of the Series A Debentures are the same as the Previous Series A Debentures, other than (i) the conversion price during the first year of the term is $0.07 per Unit, increasing to $0.10 per Unit for the remainder of the term; (ii) the warrant exercise price will be $0.07 per share; (iii) the maturity date, which is September 26, 2027; and (iv) accrued interest payable under the Series A Debentures may be settled in cash or common shares quarterly, at the election of the Company, at the market price of the common shares at the time of settlement.

The Company amended the previously issued Series B and C convertible debentures (the "Series B and C Debentures") on September 26, 2022. The terms of the amended Series B and C Debentures are the same as the previously issued Series B and C Debentures, other than the accrued interest payable under the amended Series B and C Debentures may be settled in cash or Common Shares quarterly, at the election of the Company, at the market price of the Common Shares at the time of settlement.

The Series B Debenture and Series C Debentures mature on November 29, 2023 and March 10, 2026, respectively.

The Series B Debenture is convertible into units at a conversion price of $0.10 per unit. Each unit will be comprised of one common share and one share purchase warrant exercisable into one common share of the Company at a price of $0.05 per common share. The Series B Debenture bears interest at 8.5% per annum over a five-year term.

The Series C Debentures are convertible into units at a conversion price of $0.19 per unit. Each unit will be comprised of one common share and one share purchase warrant exercisable into one common share of the Company at a price of $0.19 per common share. The Series C Debentures bear interest at 8.5% per annum over a five-year term.

5. CONVERTIBLE DEBENTURES (continued)

In accordance with IFRS 9 – Financial Instruments ("IFRS 9"), it has been determined that the respective convertible debentures are, for IFRS purposes, hybrid debt instruments which contain non-cash embedded derivative liabilities associated with the conversion features of the debentures into Units. IFRS 9 further determines that the debenture is to be measured at amortized cost and the non-cash embedded derivative is to be measured at fair value.

The Company uses a binomial option pricing model to fair value the derivative liability components contained in the Series A Debentures, Series B Debenture, Series C Debentures and Series D Debentures. The inputs in the option pricing model as at December 31, 2022 are as follows:

	December 31, 2022			
	Series A Debentures	**Series B Debentures**	**Series C Debentures**	**Series D Debentures**
Volatility	111.48%	88.41%	108.03%	111.48%
Stock price	$ 0.07	$ 0.07	$ 0.07	$ 0.07
Exercise price of units	$ 0.07	$ 0.10	$ 0.19	$ 0.07
Exercise price of warrants	$ 0.10	$ 0.05	$ 0.19	$ 0.07
Interest rate	3.44%	3.76%	3.76%	3.44%
Time to maturity (years)	4.7	0.9	3.2	4.7
Dividend yield	0.00%	0.00%	0.00%	0.00%

6. SHARE CAPITAL

a) Share Capital

Unlimited common and preferred shares without par value.

b) Restricted Share Units ("RSUs")

The Company has a restricted share unit plan ("RSU Plan") whereby restricted share units ("RSUs") may be granted to Directors, officers, and key employees of the Company. Such RSUs may be redeemed by the holder in shares or cash, at the option of the Company. A summary of the changes in RSUs is as follows:

	Number of RSUs
Balance - January 1, 2021	454,159
Settled	(93,999)
RSUs outstanding - December 31, 2021	**360,160**
Settled	(132,669)
RSUs outstanding - December 31, 2022	**227,491**

RSU expense recorded within share-based compensation expense in the consolidated statements of income (loss) and comprehensive income (loss) for the year ended December 31, 2022 was $nil (2021: $6,341).

6. SHARE CAPITAL (continued)

c) Stock options

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

	Number of options		Weighted average exercise price
Options outstanding - December 31, 2020	7,998,600	$	0.15
Granted	1,045,000		0.13
Exercised	(11,900)		0.20
Forfeited	(616,200)		0.20
Options outstanding - December 31, 2021	**8,415,500**	**$**	**0.14**
Granted	-		-
Exercised	-		-
Forfeited	-		-
Options outstanding and exercisable - December 31, 2022	**8,415,500**	**$**	**0.14**

Stock option expense recorded within share-based compensation expense in the consolidated statements of income (loss) and comprehensive income (loss) for the year ended December 31, 2022 was $50,388 (December 31, 2021 - $103,260). The fair value of stock options granted during the ended December 31, 2022 was $nil (2021: $104,734). The weighted-average share price for the stock options exercised was $nil (2021: $0.32 per share).

The Company used a Black Scholes option valuation model to determine the grant-date fair value of stock options, applying the following assumptions:

	Year ended December 31, 2022	Year ended December 31, 2021
Risk-free interest rate	-	1.47%
Expected life	-	10.00
Annualized volatility	-	70%
Dividend rate	-	0.00%
Forfeiture rate	-	0.00%

The following table summarizes information about stock options outstanding at December 31, 2022:

Number of options outstanding		**Exercise price**	**Expiry Date**	**Number of options exercisable**
180,500	$	0.20	January 18, 2023	180,500
750,000	$	0.16	November 25, 2024	750,000
505,000	$	0.15	December 2, 2025	505,000
745,000	$	0.25	January 20, 2027	745,000
1,810,000	$	0.09	March 19, 2029	1,810,000
3,380,000	$	0.14	June 29, 2030	3,380,000
150,000	$	0.22	April 28, 2031	150,000
895,000	$	0.12	December 10, 2031	895,000
8,415,500	$	0.14		8,415,500

6. SHARE CAPITAL (continued)

d) Share purchase warrants

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

	Number of share purchase warrants		Weighted average exercise price
Balance - January 1, 2020	625,000	$	0.10
Issued	19,500,000		0.05
Balance - December 31, 2021	**20,125,000**	**$**	**0.05**
Expired	(625,000)		0.10
Balance - December 31, 2022	**19,500,000**	**$**	**0.05**

As at December 31, 2022, all outstanding share purchase warrants expire on November 29, 2023 and had a weighted average remaining life of 0.9 years (2021: 1.9 years).

7. 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:

		Year ended December 31, 2022		Year ended December 31, 2021
(Loss) income before income taxes	$	(1,059,907)	$	3,095,112
Canadian federal and provincial income tax rates		26.50%		26.50%
Expected Income tax (recovery) expense		(280,875)		820,205
Increase (decrease) due to:				
Non-deductible expenses (income) and other		60,141		(1,031,848)
Losses not recognized		220,734		211,643
Income tax recovery	$	-	$	-

7. INCOME TAXES (continued)

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

		Year ended December 31, 2022		Year ended December 31, 2021
Deferred income tax assets				
Non-capital losses	$	3,175,174	$	3,233,181
Share and debt issue costs		-		222
Equipment		122,898		122,898
Total deferred income tax assets	$	3,298,072	$	3,356,301
Deferred income tax liabilities				
Share and debt issue costs		4,046		-
Mineral property costs		3,294,026		3,356,301
Deferred income tax liabilities	$	3,298,072	$	3,356,301
Deferred income tax liability, net	**$**	**-**	$	-

The composition of deferred tax recovery is as follows:

		Year ended December 31, 2022		Year ended December 31, 2021
Non-capital losses	$	58,007	$	60,323
Share and debt issue costs		4,268		2,463
Mineral property costs		(62,275)		(62,786)
	$	**-**	$	-

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

		Year ended December 31, 2022		Year ended December 31, 2021
Non-capital losses	$	2,091,705	$	1,870,971
Capital losses		233,793		233,793
Donations		133		133
	$	**2,325,631**	**$**	**2,104,897**

The Company has loss carry-forwards of $19,875,015 (December 31, 2021: $19,260,952). These tax losses may be available for tax purposes and expire between 2026 and 2042.

8. COMMITMENTS

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 (Note 4(b)). These payments are estimated to continue for a rolling five year period.

The Company's undiscounted contractual commitments were as follows:

December 31, 2022

	< 1 year	1 -3 years	> 4 years	Total
Accounts payable and accrued liabilities	$ 346,651	$ -	$ -	$ 346,651
Due to related parties	197,149	-	-	197,149
Convertible debenture - liability component	1,297,553	601,384	3,840,113	5,739,050
Advance royalty payable	200,000	400,000	400,000	1,000,000
	$ 2,041,353	$ 1,001,384	$ 4,240,113	$ 7,282,850

December 31, 2021

	< 1 year	1 -3 years	> 4 years	Total
Accounts payable and accrued liabilities	$ 295,591	$ -	$ -	$ 295,591
Due to related parties	249,974	-	-	249,974
Convertible debenture - liability component	1,011,365	1,166,058	1,714,967	3,892,390
Advance royalty payable	200,000	400,000	400,000	1,000,000
	$ 1,756,930	$ 1,566,058	$ 2,114,967	$ 5,437,955

Additionally, in order to maintain current rights of tenure to exploration tenements, the Company is expected to incur expenditures of $47,963 in respect of claim renewal fees and minimum work requirements in the year ending December 31, 2023.

9. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

a) Key Management Compensation

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

		Year ended December 31, 2022		Year ended December 31, 2021
Wages and benefits	**$**	**60,000**	$	60,000
Directors' fees		**30,000**		30,000
Share-based payments*		**43,100**		84,246
	$	**133,100**	$	174,246

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

b) Payments for services by related parties

During the year ended December 31, 2022, the Company incurred corporate consulting fees of $115,000 (2021: $115,000), to Sirocco Advisory Services Ltd. ("Sirocco"), a company controlled by a director and officer of the Company. As at December 31, 2022, the Company owed $28,750 (2021: $95,834) to Sirocco relating to unpaid consulting fees.

During the year ended December 31, 2022, the Company incurred corporate consulting fees of $60,000 (2021: $60,000) to Sinocan Consultant Hong Kong Ltd. ("Sinocan"), a company controlled by an officer of the Company. As at December 31, 2022, the Company owed $10,000 (2021: $10,000) to Sinocan relating to unpaid consulting fees.

As at December 31, 2022, the Company owed $57,500 (2021: $52,500) in directors' fees to certain directors of the Company. As at December 31, 2022, the Company owed unpaid salaries and benefits of $15,000 (2021: $50,000) to a former officer of the Company.

The Company was charged shared lease, overhead, and service costs by Artemis Gold Inc. ("Artemis"), a company with common management and directors. For the year ended December 31, 2022, the Company incurred $27,957 (2021: $41,640) in shared lease, overhead, and service costs. As at December 31, 2022, the Company owed $69,598 (2021: $41,641) to Artemis.

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

10. 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, accounts payable and accrued liabilities, convertible debentures (comprised of an embedded derivative and the host contract), advance royalty payable and amounts due to related parties.

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. 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 is invested in business accounts which are available on demand. The Company manages liquidity risk by preparing and maintaining cash forecasts, which illustrate cash spent to date and the Company's cash needs over the short term.

Contractual undiscounted cash flow requirements for financial liabilities as at December 31, 2022 and 2021 are presented in Note 8.

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

Market risk

Market risk is the risk that the fair market value of the Company's financial instruments will significantly fluctuate due to changes in market prices. The value of the financial instruments and convertible debentures 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. The Company manages market risk by investing funds with a reputable financial institution that provides competitive rates of return.

10. FINANCIAL RISK MANAGEMENT (continued)

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.

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 an immaterial impact on the Company's net income (loss) and comprehensive income (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.

Fair value is based on available public market information or, when such information is not available, estimated using fair valuation techniques (including option pricing models and present value models) which include assumptions concerning the amount and timing of future cash flows and/or debt conversions, discount rates which factor in the appropriate credit risk, as well as historical volatility rate assumptions as applicable. The carrying values of cash, accrued interest receivable, deposits, accounts payable and accrued liabilities and amounts due to related parties approximate their fair values due to their short-term nature.

The derivative liabilities included in the convertible debentures are measured at level 3.

11. MANAGEMENT OF CAPITAL

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions and also taking into consideration externally imposed capital requirements. The annual and updated budgets are approved by the board of directors as needed. As a matter of carrying out the Company's objectives, the Company may issue new equity or incur debt.

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

The Company's investment policy is to limit investments to guaranteed investment certificates, banker's acceptance notes, investment savings accounts or money market funds with high quality financial institutions in Canada and treasury bills, selected with regards to the expected timing of expenditures from continuing operations. The Company has no externally imposed capital requirements as at December 31, 2022. Further information relating to management of capital is disclosed in Note 1.

12. SUBSEQUENT EVENTS

a) On January 3, 2023, the Company elected to settle an aggregate of $94,107 in accrued interest payable under the Company's previously issued convertible debentures through the issuance of 1,344,374 common shares of the Company, at a price of $0.07 per share.

b) Subsequent to year-end, the Company settled its 227,491 RSUs outstanding in exchange for 227,491 common shares.

c) On March 31, 2023, the Company elected to settle an aggregate of $92,970 in accrued interest payable under the Company's previously issued convertible debentures through the issuance of 1,093,760 common shares of the Company, at a price of $0.085 per share.