

# **Oceanic Iron Ore Corp.**

**Condensed Interim Consolidated Financial Statements**  
**For the three and nine months ended September 30, 2021 and 2020**  
(Unaudited - Expressed in Canadian Dollars, unless otherwise noted)

**NOTICE OF DISCLOSURE OF NON-AUDITOR REVIEW OF THE CONDENSED INTERIM  
CONSOLIDATED FINANCIAL STATEMENTS**

Pursuant to National-Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities administrators, if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of Oceanic Iron Ore Corp. (the "Company") for the interim period ended September 30, 2021, have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board applicable to the preparation of interim financial statements including International Accounting Standard 34 - Interim Financial Reporting and are the responsibility of the Company's management.

The Company's independent auditor, PricewaterhouseCoopers LLP, has not performed a review of these condensed interim consolidated financial statements.

# Oceanic Iron Ore Corp.

## Condensed Interim Consolidated Statements of Financial Position (Unaudited – Expressed in Canadian Dollars)

|                                                  | Notes  | As at<br>September 30, 2021 | As at<br>December 31, 2020 |
|--------------------------------------------------|--------|-----------------------------|----------------------------|
| <b>Assets</b>                                    |        |                             |                            |
| <b>Current</b>                                   |        |                             |                            |
| Cash and cash equivalents                        |        | \$ 418,854                  | \$ 46,632                  |
| Receivables                                      |        | 8,352                       | 2,762                      |
| Prepaid expenses and deposits                    |        | 14,861                      | 9,779                      |
|                                                  |        | <b>442,067</b>              | <b>59,173</b>              |
| Mineral properties                               | 3      | <b>43,806,920</b>           | 43,605,303                 |
| <b>Total assets</b>                              |        | <b>\$ 44,248,987</b>        | <b>\$ 43,664,476</b>       |
| <b>Liabilities</b>                               |        |                             |                            |
| <b>Current</b>                                   |        |                             |                            |
| Accounts payable and accrued liabilities         |        | \$ 270,620                  | \$ 348,541                 |
| Due to related parties                           | 7      | 188,708                     | 501,613                    |
| Current portion of advance royalty payable       | 3      | 300,000                     | 372,355                    |
|                                                  |        | <b>759,328</b>              | <b>1,222,509</b>           |
| Non-current portion of advance royalty payable   | 3      | <b>493,794</b>              | 425,537                    |
| Convertible debentures                           | 4      | <b>5,692,603</b>            | 5,548,487                  |
| <b>Total liabilities</b>                         |        | <b>6,945,725</b>            | <b>7,196,533</b>           |
| <b>Shareholders' equity</b>                      |        |                             |                            |
| Share capital                                    | 5a,b,c | <b>61,333,048</b>           | 61,318,043                 |
| Reserves                                         | 5b,c,d | <b>11,165,295</b>           | 11,108,190                 |
| Deficit                                          |        | <b>(35,195,081)</b>         | (35,958,290)               |
| <b>Total shareholders' equity</b>                |        | <b>37,303,262</b>           | <b>36,467,943</b>          |
| <b>Total liabilities and shareholders equity</b> |        | <b>\$ 44,248,987</b>        | <b>\$ 43,664,476</b>       |

|                                        |   |
|----------------------------------------|---|
| Nature of operations and going concern | 1 |
| Commitments                            | 6 |
| Subsequent event                       | 9 |

### Approved by the Board:

|                 |          |
|-----------------|----------|
| " Steven Dean " | Director |
| " Gordon Keep " | Director |

# Oceanic Iron Ore Corp.

## Condensed Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)

(Unaudited – Expressed in Canadian Dollars, except per share amounts)

|                                                                         | Notes | Three months ended<br>September 30, 2021 | Three months ended<br>September 30, 2020 | Nine months ended<br>September 30, 2021 | Nine months ended<br>September 30, 2020 |
|-------------------------------------------------------------------------|-------|------------------------------------------|------------------------------------------|-----------------------------------------|-----------------------------------------|
| <b>Expenses</b>                                                         |       |                                          |                                          |                                         |                                         |
| Consulting and management fees                                          | 7     | \$ 58,750                                | \$ 58,750                                | \$ 176,250                              | \$ 176,250                              |
| Directors' fees                                                         | 7     | 7,500                                    | 11,500                                   | 22,500                                  | 26,500                                  |
| Investor relations and corporate development                            |       | -                                        | 8,137                                    | -                                       | 8,137                                   |
| License and insurance                                                   |       | 8,058                                    | 6,551                                    | 23,874                                  | 19,216                                  |
| Office and general                                                      |       | 2,864                                    | 2,344                                    | 9,999                                   | 8,243                                   |
| Professional fees expense                                               |       | 20,433                                   | (7,978)                                  | 56,437                                  | 12,271                                  |
| Rent                                                                    |       | 2,540                                    | 2,802                                    | 7,621                                   | 8,407                                   |
| Share-based compensation                                                | 5b,c  | 7,608                                    | 88,045                                   | 69,730                                  | 242,057                                 |
| Transfer agent and regulatory                                           |       | 3,129                                    | 4,384                                    | 12,421                                  | 13,199                                  |
| Wages and benefits                                                      | 7     | 16,975                                   | 16,975                                   | 57,060                                  | 52,417                                  |
| <b>Loss from operations</b>                                             |       | <b>(127,857)</b>                         | <b>(191,512)</b>                         | <b>(435,892)</b>                        | <b>(566,697)</b>                        |
| <b>Other income (expenses)</b>                                          |       |                                          |                                          |                                         |                                         |
| Gain (loss) on non-cash derivative liabilities                          | 4     | 1,013,687                                | (507,102)                                | 1,461,920                               | (864,112)                               |
| Convertible debenture accretion expense                                 | 4     | (96,461)                                 | (57,533)                                 | (262,819)                               | (169,801)                               |
| <b>Net income (loss) and comprehensive income (loss) for the period</b> |       | <b>\$ 789,369</b>                        | <b>\$ (756,147)</b>                      | <b>\$ 763,209</b>                       | <b>\$ (1,600,610)</b>                   |
| <b>Income (loss) per common share</b>                                   |       |                                          |                                          |                                         |                                         |
| Basic and diluted                                                       |       | \$ 0.01                                  | \$ (0.01)                                | \$ 0.01                                 | \$ (0.02)                               |
| <b>Weighted average number of common shares outstanding</b>             |       |                                          |                                          |                                         |                                         |
| Basic                                                                   |       | 93,972,967                               | 92,735,847                               | 93,940,051                              | 92,674,753                              |
| Diluted                                                                 |       | 134,492,025                              | 92,735,847                               | 134,459,109                             | 92,674,753                              |

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

# Oceanic Iron Ore Corp.

Condensed Interim Consolidated Statements of Changes in Equity  
(Unaudited – Expressed in Canadian Dollars, except number of shares)

|                                                 | Notes | Shares            | Share capital        | Reserves             | Deficit                | Total equity         |
|-------------------------------------------------|-------|-------------------|----------------------|----------------------|------------------------|----------------------|
| <b>Balance - January 1, 2021</b>                |       | <b>93,867,068</b> | <b>\$ 61,318,043</b> | <b>\$ 11,108,190</b> | <b>\$ (35,958,290)</b> | <b>\$ 36,467,943</b> |
| Share-based payments - stock options            | 5c    | -                 | -                    | 69,730               | -                      | 69,730               |
| Shares issued on settled restricted share units | 5b    | 93,999            | 8,460                | (8,460)              | -                      | -                    |
| Exercise of stock options                       | 5c    | 11,900            | 6,545                | (4,165)              | -                      | 2,380                |
| Net income for the period                       |       | -                 | -                    | -                    | 763,209                | 763,209              |
| <b>Balance - September 30, 2021</b>             |       | <b>93,972,967</b> | <b>\$ 61,333,048</b> | <b>\$ 11,165,295</b> | <b>\$ (35,195,081)</b> | <b>\$ 37,303,262</b> |

  

|                                                 |    | Shares            | Share capital        | Reserves             | Deficit                | Total equity         |
|-------------------------------------------------|----|-------------------|----------------------|----------------------|------------------------|----------------------|
| <b>Balance - January 1, 2020</b>                |    | <b>92,555,849</b> | <b>\$ 61,101,843</b> | <b>\$ 10,810,683</b> | <b>\$ (31,377,790)</b> | <b>\$ 40,534,736</b> |
| Share-based payments - stock options            | 5c | -                 | -                    | 242,057              | -                      | 242,057              |
| Shares issued on settled restricted share units | 5b | 179,998           | 16,200               | (16,200)             | -                      | -                    |
| Net loss for the period                         |    | -                 | -                    | -                    | (1,600,610)            | (1,600,610)          |
| <b>Balance - September 30, 2020</b>             |    | <b>92,735,847</b> | <b>\$ 61,118,043</b> | <b>\$ 11,036,540</b> | <b>\$ (32,978,400)</b> | <b>\$ 39,176,183</b> |

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

# Oceanic Iron Ore Corp.

## Condensed Interim Consolidated Statements of Cash Flows

(Unaudited – Expressed in Canadian Dollars)

|                                                           |       | Three months ended<br>September 30, 2021 | Three months ended<br>September 30, 2020 | Nine months ended<br>September 30, 2021 | Nine months ended<br>September 30, 2020 |
|-----------------------------------------------------------|-------|------------------------------------------|------------------------------------------|-----------------------------------------|-----------------------------------------|
|                                                           | Notes |                                          |                                          |                                         |                                         |
| <b>Operating activities</b>                               |       |                                          |                                          |                                         |                                         |
| Net income (loss) for the period                          |       | \$ 789,369                               | \$ (756,147)                             | \$ 763,209                              | \$ (1,600,610)                          |
| Adjustments for:                                          |       |                                          |                                          |                                         |                                         |
| Share-based payments                                      | 5b,c  | 7,608                                    | 88,045                                   | 69,730                                  | 242,057                                 |
| (Gain) loss on convertible debenture derivative liability | 4     | (1,013,687)                              | 507,102                                  | (1,461,920)                             | 864,112                                 |
| Convertible debenture accretion expense                   | 4     | 96,461                                   | 57,533                                   | 262,819                                 | 169,801                                 |
| Net changes in non-cash working capital balances:         |       |                                          |                                          |                                         |                                         |
| Prepaid expenses and deposits                             |       | 9,782                                    | 10,863                                   | (5,083)                                 | (11,954)                                |
| Receivables                                               |       | 782                                      | 1,453                                    | (2,250)                                 | 16,759                                  |
| Accounts payable and accrued liabilities                  |       | 7,657                                    | (1,501)                                  | (76,943)                                | 31,500                                  |
| Due to related parties                                    |       | 61,076                                   | 68,949                                   | (312,905)                               | 169,381                                 |
| Cash used in operating activities                         |       | \$ (40,952)                              | \$ (23,703)                              | \$ (763,343)                            | \$ (118,954)                            |
| <b>Investing activities</b>                               |       |                                          |                                          |                                         |                                         |
| Mineral property expenditures                             | 3b    | (48,782)                                 | (3,868)                                  | (110,033)                               | (90,131)                                |
| Cash used in investing activities                         |       | (48,782)                                 | (3,868)                                  | (110,033)                               | (90,131)                                |
| <b>Financing activities</b>                               |       |                                          |                                          |                                         |                                         |
| Exercise of stock options                                 | 5c    | -                                        | -                                        | 2,380                                   | -                                       |
| Interest paid on convertible debenture                    | 4     | (67,044)                                 | (33,947)                                 | (176,016)                               | (101,841)                               |
| Proceeds from convertible debenture net of issuance costs |       | -                                        | -                                        | 1,519,234                               | -                                       |
| Settlement of advance royalty payable                     |       | -                                        | -                                        | (100,000)                               | -                                       |
| Cash (used in) provided by financing activities           |       | (67,044)                                 | (33,947)                                 | 1,245,598                               | (101,841)                               |
| Change in cash and cash equivalents during the period     |       | (156,778)                                | (61,518)                                 | 372,222                                 | (310,926)                               |
| Cash and cash equivalents, beginning of period            |       | 575,632                                  | 173,380                                  | 46,632                                  | 422,788                                 |
| Cash and cash equivalents, end of period                  |       | \$ 418,854                               | \$ 111,862                               | \$ 418,854                              | \$ 111,862                              |

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

# Oceanic Iron Ore Corp.

## Notes to the Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020

*(Unaudited – Expressed in Canadian Dollars – unless otherwise noted)*

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### 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.

While these financial statements have been prepared on the basis that the Company will continue as a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due, certain conditions and events result in a material uncertainty casting significant doubt on the validity of this assumption. For the nine months ended September 30, 2021, the Company had an accumulated deficit of \$35,195,081 and a working capital deficit of \$317,261. While the Company completed a non-brokered private placement in the amount of \$1,557,548 during the nine months ended September 30, 2021 (see Note 4), the Company will need to raise additional funds in order to meet its current obligations and to finance ongoing exploration, development and administrative expenses over the coming 12 months. The Company continues to pursue a number of options to improve its financial capacity, including securing a strategic partner to further advance the Hopes Advance project, and obtaining cash flow through other forms of financing. The success of raising such funds cannot be assured.

Factors that could affect the availability of financing include the Company’s performance, the state of international debt and equity markets which may be adversely impacted by uncertainty arising from the ongoing novel coronavirus (“COVID-19”) pandemic, 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 PREPARATION

#### Statement of compliance

These condensed interim consolidated financial statements (“Interim Financial Statements”) have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to the preparation of Interim Financial Statements, including International Auditing Standard 34, *Interim Financial Reporting* (“IAS 34”) as issued by the International Accounting Standards Board and interpretations by the International Financial Reporting Interpretations Committee. These Interim Financial Statements do not include all disclosures required for annual audited financial statements. Accordingly, they should be read in conjunction with the notes to the Company’s audited annual consolidated financial statements (the “Annual Financial Statements”) for the year ended December 31, 2020. The accounting policies followed in these Interim Financial Statements are the same as those applied in note 3 of the Company’s annual financial statements.

# **Oceanic Iron Ore Corp.**

## **Notes to the Interim Consolidated Financial Statements**

**For the three and nine months ended September 30, 2021 and 2020**

***(Unaudited – Expressed in Canadian Dollars – unless otherwise noted)***

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### **2. BASIS OF PREPARATION (continued)**

#### **Basis of preparation and measurement**

The Interim Financial Statements have been prepared on a historical cost basis, except for certain financial instruments which have been measured at fair value. In addition, these Interim Financial Statements have been prepared using the accrual basis of accounting, except for cash flow information. These Interim Financial Statements are presented in Canadian dollars, which is the Company's functional currency.

These Interim Financial Statements were approved by the board of directors on November 16, 2021.

#### **Use of estimates and judgements and COVID-19**

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, and contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable in the circumstances. Uncertainty about these judgments, estimates and assumptions could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The Company has assessed the economic impacts of the COVID-19 pandemic on its Interim Financial Statements including the valuation of the Company's non-cash derivative liability associated with its convertible debentures. As at September 30, 2021, management has determined that its general operation of business and the value of the Company's assets and liabilities are not 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.

While we have not experienced any significant negative impact to date, the extent to which COVID-19 impacts future business activity or financial results, and the duration of any such negative impact, will depend on future developments, which are highly uncertain and unknown at this time.

# Oceanic Iron Ore Corp.

## Notes to the Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020

(Unaudited – Expressed in Canadian Dollars – unless otherwise noted)

### 3. MINERAL PROPERTIES - UNGAVA BAY

#### a) Acquisition costs

|                                                | Nine months ended<br>September 30, 2021 | Year ended<br>December 31, 2020 |
|------------------------------------------------|-----------------------------------------|---------------------------------|
| <b>Acquisition costs - beginning of period</b> | \$ 19,671,816                           | \$ 19,470,891                   |
| <b>Additions during the period</b>             |                                         |                                 |
| Additional advance royalty payable             | -                                       | 76,678                          |
| Accretion of advance royalty payable           | 95,902                                  | 124,247                         |
| <b>Acquisition costs - end of period</b>       | <b>\$ 19,767,718</b>                    | <b>\$ 19,671,816</b>            |

#### b) Exploration costs

|                                                           | Nine months ended<br>September 30, 2021 | Year ended<br>December 31, 2020 |
|-----------------------------------------------------------|-----------------------------------------|---------------------------------|
| <b>Cumulative exploration costs - beginning of period</b> | \$ 23,933,487                           | \$ 23,854,010                   |
| <b>Expenditures during the period</b>                     |                                         |                                 |
| Permitting & claims                                       | 65,629                                  | 14,707                          |
| Fieldwork and Geology                                     | 14,935                                  | -                               |
| Consultants                                               | 3,720                                   | 56,359                          |
| Equipment, supplies & rentals                             | 6,806                                   | 6,000                           |
| Office and accommodation                                  | 7,435                                   | 2,411                           |
| Transportation                                            | 7,190                                   | -                               |
| Exploration expenditures for the period                   | 105,715                                 | 79,477                          |
| <b>Cumulative exploration costs - end of period</b>       | <b>\$ 24,039,202</b>                    | <b>\$ 23,933,487</b>            |
| <b>Grand total - mineral properties</b>                   | <b>\$ 43,806,920</b>                    | <b>\$ 43,605,303</b>            |

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

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

The total estimated future undiscounted NSR payments as at September 30, 2021 totalled \$1,100,000 (December 31, 2020 - \$1,200,000) (Note 6). For the three and nine months ended September 30, 2021, accretion of the advance royalty payable totaled \$33,565 and \$95,902, respectively (three and nine months ended September 30, 2020 - \$33,513 and \$95,753), respectively. At September 30, 2021, the total advance royalty payable was \$793,794 (December 31, 2020 - \$797,892), with \$300,000 (December 31, 2020 - \$372,355) recognized as a current liability and \$493,794 recognized as a long-term liability (December 31, 2020 - \$425,537).

# Oceanic Iron Ore Corp.

## Notes to the Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020

(Unaudited – Expressed in Canadian Dollars – unless otherwise noted)

### 4. CONVERTIBLE DEBENTURES

|                                                           | 2017<br>Debentures  | 2018<br>Debentures  | 2021<br>Debentures  | Total               |
|-----------------------------------------------------------|---------------------|---------------------|---------------------|---------------------|
| Opening balance - January 1, 2020                         | \$ 1,122,092        | \$ 760,168          | \$ -                | \$ 1,882,260        |
| Interest expense and accretion                            | 120,551             | 100,354             | -                   | 220,905             |
| Amortization of transaction costs                         | 3,226               | 4,196               | -                   | 7,422               |
| Interest payments                                         | (64,600)            | (71,188)            | -                   | (135,788)           |
| Loss due to fair value adjustment on derivative liability | 1,511,458           | 2,062,230           | -                   | 3,573,688           |
| <b>Balance - December 31, 2020</b>                        | <b>\$ 2,692,727</b> | <b>\$ 2,855,760</b> | <b>\$ -</b>         | <b>\$ 5,548,487</b> |
| Proceeds received                                         | -                   | -                   | 1,557,548           | 1,557,548           |
| Transaction costs allocated                               | -                   | -                   | (38,314)            | (38,314)            |
| Interest expense and accretion                            | 98,330              | 78,090              | 76,363              | 252,783             |
| Amortization of transaction costs                         | 2,418               | 3,147               | 4,471               | 10,036              |
| Interest payments                                         | (48,450)            | (53,391)            | (74,176)            | (176,017)           |
| Gain due to fair value adjustment on derivative liability | (642,551)           | (524,984)           | (294,385)           | (1,461,920)         |
| <b>Balance - September 30, 2021</b>                       | <b>\$ 2,102,474</b> | <b>\$ 2,358,622</b> | <b>\$ 1,231,507</b> | <b>\$ 5,692,603</b> |

On March 10, 2021, the Company completed a non-brokered private placement financing in the amount of \$1,557,548 by way of issuance of convertible debentures (the “2021 Debentures”). The 2021 Debentures bear interest at 8.5% per annum over a five-year term. The 2021 Debentures are convertible at the option of the subscribers into units at a price of \$0.19 per unit. Each unit entitles the holder to one common share and one share purchase warrant, the latter which is exercisable into common shares at a price of \$0.19 per warrant until March 10, 2026.

Similar to the 2017 Debentures and 2018 Debentures, the conversion option associated with the 2021 Debentures is treated as a derivative liability and fair valued each reporting period, creating an accounting unrealized gain or loss. The convertible debentures are recognized as having two separate liability components. Firstly, the units which are recognized as a derivative liability and fair valued each reporting period, and secondly the convertible debenture liability, which is fair valued at the time of issue, and then accounted for at amortized cost and accreted to the face value over the life of the convertible debentures. At inception, the Company recognized a deferred unrealized loss in the amount of \$2,188,272, which was the difference between the fair value of the combined liability and the proceeds received. The deferred unrealized loss has been recorded against the convertible debentures on the balance sheet and will be amortized over the life of the warrants on a straight-line basis. Any subsequent fair value changes are recognized in the Statement of Income (Loss) and Comprehensive Income (Loss). For the three and nine months ended September 30, 2021, the Company recognized unrealized gains of \$1,013,687 and \$1,461,920 (for the three and nine months ended September 30, 2020 unrealized losses of \$507,102 and \$864,112) respectively, that was recognised in the Statement of Income (Loss) and Comprehensive Income (Loss).

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-

# Oceanic Iron Ore Corp.

## Notes to the Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020

*(Unaudited – Expressed in Canadian Dollars – unless otherwise noted)*

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### 4. CONVERTIBLE DEBENTURES (continued)

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 convertible debentures and non-cash derivative liabilities have a combined carrying value of \$5,692,603, representing the discounted face value of the debentures of \$579,117 and the fair value of the non-cash embedded derivative liability of \$5,113,486. However, the total future cash outflows associated with the repayment of the principal of the 2017 Debentures (\$760,000), 2018 Debentures (\$837,500) and 2021 Debentures (\$1,557,548) cannot exceed the combined amount of principal of \$3,155,048 plus any accrued interest. Furthermore, provided that the Company's share price trade at levels in excess of the prevailing conversion price of the 2017 Debentures (\$0.10/unit) and the 2018 Debentures (\$0.10/unit), management expects that the 2017 Debentures and 2018 Debentures will be converted into units (comprised of one common share and one share purchase warrant each) and that the future cash outflows associated with the redemption of convertible debentures would be as low as \$1,557,548 plus any accrued interest.

The fair value of the non-cash embedded derivative does not represent a future cash liability to the Company.

The Company uses an option pricing model to fair value the derivative liability components contained in the 2017 Debentures, 2018 Debentures and 2021 Debentures.

### 5. EQUITY

#### a) *Authorized share capital*

Unlimited common and preferred shares without par value.

#### b) *Restricted share units ("RSUs")*

A summary of the changes in RSUs is as follows:

|                                              | Number of RSUs |
|----------------------------------------------|----------------|
| Balance - January 1, 2020                    | 634,157        |
| Settled                                      | (179,998)      |
| <b>RSUs outstanding - December 31, 2020</b>  | <b>454,159</b> |
| Settled                                      | (93,999)       |
| <b>RSUs outstanding - September 30, 2021</b> | <b>360,160</b> |

RSU expense for the three and nine months ended Sep 30, 2021 and 2020 was \$nil.

# Oceanic Iron Ore Corp.

## Notes to the Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020

(Unaudited – Expressed in Canadian Dollars – unless otherwise noted)

### 5. EQUITY (continued)

#### c) Stock options

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

|                                                 | Number of options | Weighted average<br>exercise price |
|-------------------------------------------------|-------------------|------------------------------------|
| Options outstanding - January 1, 2020           | 5,235,950         | \$ 0.16                            |
| Granted                                         | 3,405,000         | 0.14                               |
| Forfeited                                       | (642,350)         | 0.18                               |
| <b>Options outstanding - December 31, 2020</b>  | <b>7,998,600</b>  | <b>\$ 0.15</b>                     |
| Granted                                         | 150,000           | 0.22                               |
| Exercised                                       | (11,900)          | 0.20                               |
| Forfeited                                       | (388,700)         | 0.20                               |
| <b>Options outstanding - September 30, 2021</b> | <b>7,748,000</b>  | <b>\$ 0.15</b>                     |
| <b>Options exercisable - September 30, 2021</b> | <b>7,648,000</b>  | <b>\$ 0.14</b>                     |

Total share-based payments recognized during the three and nine months ended September 30, 2021 was \$7,608 and \$69,730 (three and nine months ended September 30, 2020 - \$88,045 and \$242,057) respectively, which was recorded within share-based compensation expense in the Statement of Income (Loss) and Comprehensive Income (Loss).

The following table summarizes information about stock options outstanding at September 30, 2021:

| Number of<br>options<br>outstanding | Exercise<br>price | Expiry Date       | Number of<br>options<br>exercisable |
|-------------------------------------|-------------------|-------------------|-------------------------------------|
| 202,500                             | \$ 0.20           | December 16, 2021 | 202,500                             |
| 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                           |
| 3,405,000                           | \$ 0.14           | June 29, 2030     | 3,405,000                           |
| 150,000                             | \$ 0.22           | April 28, 2031    | 50,000                              |
| <b>7,748,000</b>                    |                   |                   | <b>7,648,000</b>                    |

# Oceanic Iron Ore Corp.

## Notes to the Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020

(Unaudited – Expressed in Canadian Dollars – unless otherwise noted)

### 5. EQUITY (continued)

#### c) Stock options (continued)

During the three and nine months ended September 30, 2021, the Company granted nil and 150,000 stock options which was estimated to have a grant-date fair value of nil and \$24,090 (during the three and nine months ended September 30, 2020 – nil and 3,405,000 stock options were granted with an estimated grant-date fair value of \$nil and \$352,179), respectively. The fair value was determined using a Black Scholes option pricing model and was based on the following assumptions:

|                        | For the three and nine<br>months ended<br>September 30, 2021 | For the three and nine<br>months ended<br>September 30, 2020 |
|------------------------|--------------------------------------------------------------|--------------------------------------------------------------|
| Annualized volatility  | 70%                                                          | 70%                                                          |
| Expected life in years | 10                                                           | 10                                                           |
| Dividend rate          | 0.00%                                                        | 0.00%                                                        |
| Risk-free rate         | 0.52%                                                        | 1.31%                                                        |
| Forfeiture rate        | 0.00%                                                        | 0.00%                                                        |

#### d) Share purchase warrants

As at September 30, 2021 the Company had a total of 20,125,000 share purchase warrants outstanding with a weighted exercise price of \$0.05. 625,000 warrants expire on September 30, 2022 (exercise price of \$0.10 per warrant) and 19,500,000 warrants expire on November 23, 2023 (exercise price of \$0.05 per warrant).

### 6. COMMITMENTS

As part of the acquisition of the Ungava Bay mineral properties, commencing on November 30, 2011, Oceanic must pay advance net smelter royalty ("NSR") payments of \$200,000 per year, which will be credited against all future NSR payments payable from production (Note 3(b)).

The Company's undiscounted contractual commitments were as follows:

the Company's undiscounted contractual commitments were as follows:

| September 30, 2021                          |                  |              |              |              |  |
|---------------------------------------------|------------------|--------------|--------------|--------------|--|
|                                             | Less than 1 year | 1 - 3 years  | 4 - 5 years  | Total        |  |
| Accounts payable and accrued liabilities    | \$ 270,620       | \$ -         | \$ -         | \$ 270,620   |  |
| Due to related parties                      | 188,708          | -            | -            | 188,708      |  |
| Convertible debenture - liability component | 67,045           | 2,045,032    | 1,847,359    | 3,959,437    |  |
| Advance royalty payable                     | 300,000          | 200,000      | 600,000      | 1,100,000    |  |
|                                             | \$ 826,373       | \$ 2,245,032 | \$ 2,447,359 | \$ 5,518,765 |  |
| December 31, 2020                           |                  |              |              |              |  |
|                                             | Less than 1 year | 1 - 3 years  | 4 - 5 years  | Total        |  |
| Accounts payable and accrued liabilities    | \$ 348,541       | \$ -         | \$ -         | \$ 348,541   |  |
| Due to related parties                      | 501,613          | -            | -            | 501,613      |  |
| Convertible debenture - liability component | 135,788          | 1,780,249    | -            | 1,916,038    |  |
| Advance royalty payable                     | 400,000          | 400,000      | 400,000      | 1,200,000    |  |
|                                             | \$ 1,385,942     | \$ 2,180,249 | \$ 400,000   | \$ 3,966,192 |  |

Additionally, in order to maintain current rights of tenure to exploration tenements, the Company is expected to incur expenditures of \$10,699 in respect of claim renewal fees and minimum work requirements for the remainder of the year ending December 31, 2021.

# Oceanic Iron Ore Corp.

## Notes to the Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020

*(Unaudited – Expressed in Canadian Dollars – unless otherwise noted)*

### 7. RELATED PARTY TRANSACTION AND KEY MANAGEMENT COMPENSATION

#### a) Key management compensation

Key management includes the Company's directors, Chief Executive Officer and Chief Financial Officer Compensation awarded to key management, for the three and nine months ended September 30, 2021 and 2020 comprised the following:

|                       | Three months ended<br>September 30, 2021 | Three months ended<br>September 30, 2020 | Nine Months ended<br>September 30, 2021 | Nine Months ended<br>September 30, 2020 |
|-----------------------|------------------------------------------|------------------------------------------|-----------------------------------------|-----------------------------------------|
| Wages and benefits    | \$ 15,000                                | \$ 15,000                                | \$ 45,000                               | \$ 45,000                               |
| Directors' fees       | 7,500                                    | 11,500                                   | 22,500                                  | 26,500                                  |
| Share-based payments* | 1,585                                    | 76,885                                   | 51,874                                  | 232,796                                 |
|                       | \$ 24,085                                | \$ 103,385                               | \$ 119,374                              | \$ 304,296                              |

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

#### b) Payments for services by related parties

During each of the three and nine months ended September 30, 2021 and 2020, the Company incurred corporate consulting fees to Sirocco Advisory Services Ltd., a company controlled by a director and officer of the Company, of \$28,750 and \$86,250, respectively. As at September 30, 2021, the Company owed \$67,083 to Sirocco relating to unpaid consulting fees (December 31, 2020 - \$268,333).

During each of the three and nine months ended September 30, 2021 and 2020, the Company incurred corporate consulting fees to Sinocan Consultant Hong Kong Ltd., a company controlled by an officer of the Company, of \$15,000 and \$45,000, respectively. As at September 30, 2021, the Company owed \$5,000 to Sinocan Consultant Hong Kong Ltd. (December 31, 2020 - \$5,000).

As at September 30, 2021, the Company owed \$45,000 in directors' fees to certain directors of the Company (December 31, 2020 - \$66,500). As at September 30, 2021, the Company owed unpaid salaries and benefits of \$35,000 to an officer of the Company (December 31, 2020 - \$140,000).

During the three and nine months ended September 30, 2021, the Company was charged corporate overhead expenses by Artemis Gold Inc. ("Artemis"), a company with common management and directors, in the amounts of \$4,515 and \$14,138 (three and nine months ended September 30, 2020 - \$5,190 and \$15,103, respectively). As at September 30, 2021, the Company owed \$36,625 to Artemis (December 31, 2020 - \$21,779).

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

### 8. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is based on available public market information or, when such information is not available, estimated using fair valuation techniques (incl. 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 and cash equivalents, accrued interest receivable, restricted cash, accounts payable, accrued liabilities and due to related parties approximate their fair values due to their short-term nature.

# **Oceanic Iron Ore Corp.**

Notes to the Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020

*(Unaudited – Expressed in Canadian Dollars – unless otherwise noted)*

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## **9. SUBSEQUENT EVENT**

Subsequent to September 30, 2021, the Company settled its 2020 and 2021 advance royalty payments of \$200,000 payable to 154619 Canada Inc. through the issuance of 1,800,000 common shares at a deemed price of approximately \$0.1111 per common share. The Company also settled its 2021 advance royalty payment of \$100,000 payable to SPG Royalties Inc. through the issuance of 900,000 common shares at a deemed price of approximately \$0.1111 per common share.