

Oceanic Iron Ore Corp.

Condensed Interim Consolidated Financial Statements
For the three and six months ended June 30, 2020 and 2019
(Unaudited - Expressed in Canadian Dollars)

**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 June 30, 2020, 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 June 30, 2020	As at December 31, 2019
Assets			
Current			
Cash and cash equivalents		\$ 173,380	\$ 422,788
Receivables		9,327	20,736
Prepaid expenses and deposits		20,457	5,903
		<u>203,164</u>	<u>449,427</u>
Mineral properties	3	43,460,243	43,324,901
		<u>\$ 43,663,407</u>	<u>\$ 43,774,328</u>
Liabilities			
Current			
Accounts payable and accrued liabilities		\$ 295,031	\$ 279,555
Due to related parties	7	381,241	280,810
Current portion of advance royalty payable	3b	387,204	369,529
		<u>1,063,476</u>	<u>929,894</u>
Non-current portion of advance royalty payable	3b	472,003	427,438
Convertible debentures	4	2,283,644	1,882,260
		<u>3,819,123</u>	<u>3,239,592</u>
Shareholders' equity			
Share capital	5a,b	61,118,043	61,101,843
Contributed surplus	5b,c,d	10,948,495	10,810,683
Deficit		(32,222,254)	(31,377,790)
		<u>39,844,284</u>	<u>40,534,736</u>
		<u>\$ 43,663,407</u>	<u>\$ 43,774,328</u>
Nature of operations and going concern			
Commitments	6		

Approved by the Board:

" Steven Dean "

" Gordon Keep "

Director

Director

Oceanic Iron Ore Corp.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss (Unaudited – Expressed in Canadian Dollars, except share amounts)

	Notes	Three months ended June 30, 2020	Three months ended June 30, 2019	Six months ended June 30, 2020	Six months ended June 30, 2019
Expenses					
Consulting and management fees		\$ 58,750	\$ 58,750	\$ 117,500	\$ 117,500
Directors' fees		7,500	7,500	15,000	15,000
License and insurance		6,709	3,368	12,665	8,893
Office and general		2,718	3,633	5,898	9,451
Professional fees		7,647	17,172	20,249	21,484
Rent		2,654	8,939	5,605	17,875
Share-based payments	5b, c	146,742	41,427	154,012	125,866
Transfer agent and regulatory		5,194	1,849	8,815	5,997
Wages and benefits		18,467	26,175	35,442	49,589
Loss from operations		(256,381)	(168,813)	(375,186)	(371,655)
Other expenses					
Loss on convertible debenture derivative liability	4	(573,086)	(695,591)	(357,010)	(1,472,872)
Convertible debenture accretion expense	4	(56,586)	(82,167)	(112,268)	(163,124)
Net loss and comprehensive loss for the period		\$ (886,053)	\$ (946,571)	\$ (844,464)	\$ (2,007,651)
Loss per common share - basic and diluted		\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.03)
Weighted average number of common shares outstanding					
Basic		92,731,891	69,055,849	92,643,870	69,055,849
Diluted		92,731,891	69,055,849	92,643,870	69,055,849

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 share amounts)

	Notes	Shares	Share Capital	Contributed surplus	Deficit	Total Equity
Balance - January 1, 2020		92,555,849	\$ 61,101,843	\$ 10,810,683	\$ (31,377,790)	\$ 40,534,736
Share-based payments - stock options	5c	-	-	154,012	-	154,012
Shares issued on settled restricted share units	5b	179,998	16,200	(16,200)	-	-
Net income for the period		-	-	-	(844,464)	(844,464)
Balance - June 30, 2020		92,735,847	\$ 61,118,043	\$ 10,948,495	\$ (32,222,254)	\$ 39,844,284

		Shares	Share Capital	Contributed surplus	Deficit	Total Equity
Balance - January 1, 2019		69,055,849	\$ 60,091,231	\$ 10,354,193	\$ (30,538,298)	\$ 39,907,126
Share-based payments - stock options	5c	-	-	89,948	-	89,948
Shares issued on settled restricted share units	5b	-	-	35,918	-	35,918
Net loss for the period		-	-	-	(2,007,651)	(2,007,651)
Balance - June 30, 2019		69,055,849	\$ 60,091,231	\$ 10,480,059	\$ (32,545,949)	\$ 38,025,341

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)

	Notes	Three Months ended June 30, 2020	Three Months ended June 30, 2019	Six months ended June 30, 2020	Six months ended June 30, 2019
Operating activities					
Net loss for the period		\$ (886,053)	\$ (946,571)	\$ (844,464)	\$ (2,007,651)
Adjustments for:					
Share-based payments	5c	146,742	41,427	154,012	125,866
Loss on convertible debenture derivative liability	4	573,086	695,591	357,010	1,472,872
Convertible debenture interest expense	4	56,586	82,165	112,268	163,122
Net changes in non-cash working capital balances:					
Prepaid expenses and deposits		16,518	(2,464)	(22,817)	(10,477)
Receivables		4,261	9,485	15,306	16,101
Accounts payable and accrued liabilities		3,913	(3,832)	33,002	8,495
Due to related parties		38,302	6,599	100,432	81,834
		<u>(46,644)</u>	<u>(117,599)</u>	<u>(95,251)</u>	<u>(149,838)</u>
Investing activities					
Mineral property expenditures	3	<u>(61,615)</u>	<u>(183,003)</u>	<u>(86,263)</u>	<u>(173,864)</u>
		<u>(61,615)</u>	<u>(183,003)</u>	<u>(86,263)</u>	<u>(173,864)</u>
Financing activities					
Interest paid on convertible debenture	4	<u>(33,947)</u>	<u>(54,667)</u>	<u>(67,894)</u>	<u>(109,262)</u>
		<u>(33,947)</u>	<u>(54,667)</u>	<u>(67,894)</u>	<u>(109,262)</u>
Change in cash during the period		(142,206)	(355,269)	(249,407)	(432,965)
Cash, beginning of period		315,587	1,281,812	422,788	1,359,508
Cash, end of period		<u>\$ 173,381</u>	<u>\$ 926,543</u>	<u>\$ 173,381</u>	<u>\$ 926,543</u>

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 six months ended June 30, 2020 and 2019

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

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 activity on the Property.

While these financial statements have been prepared on the basis that the Company will continue as a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due, certain conditions and events result in a material uncertainty casting significant doubt on the validity of this assumption. For the six months ended June 30, 2020, the Company reported a net loss of \$844,464 and as at that date had an accumulated deficit of \$32,222,254 and a working capital deficit of \$860,312. The Company will need to raise additional funds in order 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 have recently been adversely impacted by uncertainty arising from the 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. 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, 2019. The accounting policies followed in these Interim Financial Statements are the same as those applied in note 4 of the Company’s annual financial statements for the year ended December 31, 2019.

Oceanic Iron Ore Corp.

Notes to the Interim Consolidated Financial Statements

For the three and six months ended June 30, 2020 and 2019

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

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 financial statements were approved by the board of directors on August 18, 2020.

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 novel coronavirus ("COVID-19") pandemic on its Interim Financial Statements including the valuation of the Company's derivative liability. As at June 30, 2020, 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 six months ended June 30, 2020 and 2019

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

3. MINERAL PROPERTIES - UNGAVA BAY

a) Acquisition costs

	Six months ended June, 30 2020	Year ended December 31, 2019
Acquisition Costs - beginning of period	\$ 19,470,891	\$ 19,193,453
Additions during the period		
Additional advance royalty payable	-	157,254
Accretion of advance royalty payable	62,240	120,184
Acquisition Costs - end of period	\$ 19,533,131	\$ 19,470,891

b) Exploration costs

	Six months ended June, 30 2020	Year ended December 31, 2019
Cumulative exploration costs - beginning of period	\$ 23,854,010	\$ 23,388,259
Expenditures during the period		
Permitting & claims	14,707	50,680
Consultants	54,025	403,466
Equipment, supplies & rentals	3,000	9,179
Office and accommodation	1,370	2,426
Exploration expenditures for the period	73,102	465,751
Cumulative exploration costs - end of period	\$ 23,927,112	\$ 23,854,010
Grand total - mineral properties	\$ 43,460,243	\$ 43,324,901

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. ("SPG"). 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 June 30, 2020 total \$1,200,000 (December 31, 2019: \$1,200,000) (Note 6). For the three and six months ended June 30, 2020, accretion of the advance royalty payable totaled \$31,891 and \$62,240, respectively (June 30, 2019 - \$31,851 and \$58,263). At June 30, 2020, the total advance royalty payable was \$859,207 (December 31, 2019: \$796,967), with \$387,204 (December 31, 2019: \$369,529) recognized as a current liability and \$472,003 recognized as a long-term liability (December 31, 2019: \$427,438).

Oceanic Iron Ore Corp.

Notes to the Interim Consolidated Financial Statements

For the three and six months ended June 30, 2020 and 2019

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

4. CONVERTIBLE DEBENTURES

	Convertible debenture - 2017 Debentures	Convertible debenture - 2018 Debentures	Total
Opening balance - January 1, 2019	\$ 1,030,222	\$ 2,029,279	\$3,059,501
Interest expense and accretion	110,509	205,396	315,905
Amortization of transaction costs	2,759	28,447	31,206
Interest payments	(64,600)	(145,978)	(210,578)
Settlement of convertible debenture	-	(1,087,501)	(1,087,501)
(Gain) loss due to fair value adjustment on derivative liability	43,202	(269,475)	(226,273)
Balance - December 31, 2019	\$ 1,122,092	\$ 760,168	\$1,882,260
Interest expense and accretion	58,889	49,669	108,558
Amortization of transaction costs	1,612	2,098	3,710
Interest payments	(32,300)	(35,594)	(67,894)
Loss due to fair value adjustment on derivative liability	195,879	161,131	357,010
Balance - June 30, 2020	\$ 1,346,172	\$ 937,472	\$2,283,644

5. EQUITY

a) Authorized share capital

Unlimited common and preferred shares without par value.

As at June 30, 2020 there were 92,735,847 common shares outstanding.

b) Restricted share units ("RSUs")

A summary of the changes in RSUs is as follows:

	Number of RSUs
Balance - January 1, 2019	-
Granted	684,157
Expired	(50,000)
RSUs outstanding - December 31, 2019	634,157
Settled	(179,998)
RSUs outstanding - June 30, 2020	454,159

RSU expense for the three and six months ended June 30, 2020 was \$nil and \$nil, respectively (June 30, 2019 - \$7,696 and \$35,918, respectively) which was recorded within share-based payment expense in the statements of loss and comprehensive loss.

On April 7, 2020, the company issued \$179,998 common shares of the Company on fully vested RSUs resulting in a \$16,200 reclass from Contributed surplus to Share Capital.

Oceanic Iron Ore Corp.

Notes to the Interim Consolidated Financial Statements

For the three and six months ended June 30, 2020 and 2019

(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:

	Options	Weighted average exercise price
Options outstanding - January 1, 2019	3,375,950	0.19
Granted	1,990,000	0.09
Forfeited	(130,000)	0.09
Options outstanding - December 31, 2019	5,235,950	\$ 0.16
Granted	3,405,000	0.14
Forfeited	(250,000)	0.16
Options outstanding - June 30, 2020	8,390,950	\$ 0.15
Options exercisable - June 30, 2020	6,120,950	\$ 0.16

On June 29, 2020, the Company granted 3,405,000 stock options with a fair value of \$352,187 to employees of the Company with an exercise price of \$0.14, expiring on January 29, 2030.

Total share-based payments recognized during the three and six months ended June 30, 2020 was \$146,742 and \$154,012, respectively (June 30, 2019 - \$33,731 and \$89,948, respectively) which was recorded within share-based payment expense in the statement of loss and comprehensive loss.

The following table summarizes information about stock options outstanding at June 30, 2020:

Number of Options outstanding	Exercise Price CAD	Expiry Date	Options Exercisable
392,350	0.200	November 30, 2020	392,350
250,000	0.200	January 5, 2021	250,000
30,000	0.200	January 11, 2021	30,000
10,000	0.200	April 5, 2021	10,000
110,600	0.200	May 18, 2021	110,600
205,000	0.200	December 16, 2021	205,000
183,000	0.200	January 18, 2023	183,000
765,000	0.155	November 25, 2024	765,000
25,000	0.155	December 15, 2024	25,000
570,000	0.150	December 2, 2025	570,000
835,000	0.250	January 20, 2027	835,000
1,610,000	0.090	March 19, 2029	1,610,000
3,405,000	0.140	June 29, 2030	1,135,000
8,390,950			6,120,950

Oceanic Iron Ore Corp.

Notes to the Interim Consolidated Financial Statements

For the three and six months ended June 30, 2020 and 2019

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

5. EQUITY (continued)

d) Share purchase warrants

As at June 30, 2020 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 and 19,500,000 warrants expire on November 23, 2023.

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

	Number	Weighted average exercise price
Balance - January 1, 2019	625,000	0.10
Issued	19,500,000	0.05
Balance - December 31, 2019 and June 30, 2020	20,125,000	\$ 0.05

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 3b).

The committed charges for the Company are as follows:

June 30	NSR payments
2020	\$ 400,000
2021	200,000
Thereafter	600,000
	\$ 1,200,000

Oceanic Iron Ore Corp.

Notes to the Interim Consolidated Financial Statements

For the three and six months ended June 30, 2020 and 2019

(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 six months ended June 30, 2020 comprised the following:

	Three months ended June 30, 2020	Three months ended June 30, 2019	Six months ended June 30, 2020	Six months ended June 30, 2019
Wages and benefits	\$ 15,000	\$ 15,000	\$ 30,000	\$ 30,000
Directors' fees	7,500	7,500	15,000	15,000
Share-based payments*	145,318	36,966	155,911	112,845
	\$ 167,818	\$ 59,466	\$ 200,911	\$ 157,845

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

b) Payments for services by related parties

During the three and six months ended June 30, 2020, the Company incurred corporate consulting fees of \$28,750 and \$57,500, respectively (June 30, 2019 - \$28,750 and \$57,500, respectively), to Sirocco Advisory Services Ltd., a company controlled by a director and officer of the Company. As at June 30, 2020, the Company owed \$210,833 to Sirocco relating to unpaid consulting fees (December 31, 2019: \$153,333).

During the three and six months ended June 30, 2020, the Company incurred corporate consulting fees of \$15,000 and \$30,000, respectively (June 30, 2019 - \$15,000 and \$30,000, respectively) to Sinocan Consultant Hong Kong Ltd., a company controlled by an officer of the Company. As at June 30, 2020, the Company owed \$nil to Sinocan Consultant Hong Kong Ltd. (December 31, 2019 - \$nil).

As at June 30, 2020, the Company owed \$47,500 in directors' fees to certain directors of the Company (December 31, 2019 - \$42,500). As at June 30, 2020, the Company owed unpaid salaries and benefits of \$110,000 to an officer of the Company (December 31, 2019 - \$80,000).

During the three and six months ended June 30, 2020, the Company was charged \$4,806 and \$10,407, respectively, on corporate overhead expenses by Artemis Gold Inc, a company with common management and directors. As at June 30, 2020, the Company owed \$10,928 to Artemis Gold Inc. (December 31, 2019: net receivable \$8,764).

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 present value techniques and assumptions concerning the amount and timing of future cash flows and discount rates which factor in the appropriate credit risk. The carrying values of cash and cash equivalents, accrued interest receivable, restricted cash, accounts payable, accrued liabilities, and due to related parties approximate their fair values due to their short-term nature.