METALO MANUFACTURING INC.

Unaudited Interim Condensed Consolidated Financial Statements

For the three and nine months ended March 31, 2020

(expressed in Canadian dollars)

NOTICE OF NO AUDITORS REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instruments 51-102, part 4, subsection 4.3(3)(a), 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 interim condensed financial statements of Metalo Manufacturing Inc. have been prepared by and are the responsibility of the Company's management. The company's independent auditor has not performed a review of these financial statements.

Management's Responsibility for Financial Information

The interim condensed consolidated financial statements, the notes thereto and other financial information contained in the management's discussion and analysis are the responsibility of management of Metalo Manufacturing Inc. (the "**Corporation**") and have been approved by the Board of Directors.

The interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and, where necessary, include amounts which reflect management's best estimates and judgments based on current available information. The Corporation maintains systems of internal accounting and administrative controls in order to provide reasonable assurance that the Corporation's assets are appropriately accounted for and adequately safeguarded, and that financial information is accurate and reliable.

The Board of Directors, through its Audit Committee, is responsible for ensuring that management fulfils its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the interim condensed consolidated financial statements and the accompanying management's discussion and analysis.

The Audit Committee is composed of three non-management, independent directors and meets periodically with management and the independent auditors to review internal accounting controls, auditing matters and financial reporting issues, and to satisfy itself that all parties are properly discharging their responsibilities. The Audit Committee also reviews the interim condensed consolidated financial statements and the management's discussion and analysis of financial results and reports its findings to the Board of Directors for its consideration when approving the interim condensed consolidated financial statements for issuance to the shareholders.

"Francis H. MacKenzie"

Francis H. MacKenzie

President and Chief Executive Officer

May 29, 2020

Metalo Manufacturing Inc.

Financial Information

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Metalo Manufacturing Inc.
Consolidated Statements of Financial Position
(Amounts presented in Canadian Dollars)

	31-Mar 2020 $	30-Jun 2019 $
Assets		
Current assets:		
Cash	61,387	7,138
Other receivable	22,140	15,241
Prepaid and other deposits	100,976	29,031
Investments (Note 4)	2,480	2,800
	186,983	54,210
Non-current assets:		
Resource properties (Note 5)	57,201,545	57,175,564
Project development costs (Note 6)	1,462,322	1,462,322
Property and equipment (Note 7)	14,528	16,821
	58,678,395	58,654,707
	58,865,378	58,708,917
Liabilities and Shareholders' Equity		
Current liabilities:		
Trade and other payables	1,113,047	922,540
Short-term loans (Note 8)	8,149,126	4,892,256
	9,262,173	5,814,796
Non-current liabilities:		
Long-term debt (Note 9)	937,368	3,045,388
Deferred taxes (Note 15)	4,605,601	4,984,310
	5,542,969	8,029,698
	14,805,142	13,844,494
Shareholders' equity		
Share capital (Note 10)	9,348,978	9,273,978
Equity component convertible debenture	649,593	649,593
Stock based payment reserve	1,284,000	1,284,000
Retained earnings	6,241,397	6,756,960
Equity attributable to shareholders	17,523,968	17,964,531
Non-controlling interests	26,536,268	26,899,892
	44,060,236	44,864,423
	58,865,378	58,708,917

Note 1 - Nature of operations and going concern
Note 16 - Commitments and contingencies
Note 19 - Subsequent events
The accompanying notes form an integral part of these consolidated financial statements

Approved on behalf of the Board:

David J. Hennigar

Francis H. MacKenzie

May 29, 2020

Metalo Manufacturing Inc.
Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)
For the three and nine months ended March 31, 2020 and March 31, 2019
(Amounts presented in Canadian Dollars)

	3 months ended		9 months ended	
	31-Mar-20	**31-Mar-19**	**31-Mar-20**	**31-Mar-19**
	$		**$**	$
Operating expenses (Note 12)	**(126,078)**	(138,372)	(553,641)	(828,964)
Depreciation(Note 7)	**(889)**	(280)	(2,651)	(2,525)
Interest and bank changes	**(190,069)**	(139,179)	(525,023)	(418,089)
Interest accretion	**(61,368)**	(38,059)	(176,261)	(110,316)
Unrealized (loss) on investments (Note 4)	**-**	(1,120)	(320)	(1,520)
Net income (loss) before taxes	**(378,404)**	(317,010)	(1,257,896)	(1,361,414)
Income tax recovery expense (Note 15)	**114,942**	93,081	378,709	384,298
Net income (loss) and comprehensive incom	**(263,462)**	(223,929)	(879,187)	(977,116)
Net income (loss) attributable to:				
Shareholders of the Corporation	**(155,266)**	(136,396)	(515,563)	(557,016)
Non-controlling interest	**(108,196)**	(87,533)	(363,624)	(420,100)
Net income (loss) and comprehensive incom	**(263,462)**	(223,929)	(879,187)	(977,116)
Net income (loss) per share (Note 14)	**($0.01)**	**($0.01)**	($0.03)	($0.03)
Weighted average number of shares outstanding (Note 10)	**18,470,304**	17,740,239	18,470,304	17,740,239

Net income (loss) and comprehensive income (lo	**(263,462)**	(223,929)	(879,187)	(977,116)
Other comprehensive income				
Cumulative translation adjustments	**-**	-	-	-
Comprehensive income (loss)	**(263,462)**	(223,929)	(879,187)	(977,116)
Comprehensive income (loss) attributable to:				
Shareholders of the Corporation	**(232,406)**	(136,396)	(515,563)	(557,016)
Non-controlling interest	**(31,056)**	(87,533)	(363,624)	(420,100)
Comprehensive income (loss)	**(263,462)**	(223,929)	(879,187)	(977,116)

The accompanying notes form an integral part of these consolidated financial statements

Metalo Manufacturing Inc.

Consolidated Statement of Changes in Equity

For the nine months ended March 31, 2020 and March 31, 2019

(Amounts presented in Canadian Dollars)

	Number of Shares Issued	Share Capital	Equity Component Convertible Debenture	Stock based payment reserve	Retained Earnings	Accumulated Other Comprehensive Income	Total Shareholders Equity	Non-controlling interest	Total Equity
		$	$	$	$	$	$	$	$
Balance June 30, 2018	17,697,637	9,173,978	649,593	1,284,000	7,152,898	-	18,260,470	27,505,422	45,765,891
Net income and comprehensive income for the period	-	-	-	-	(557,016)		(557,016)	(420,100)	(977,116)
Shares issued in payment of interest (Note 10)	222,859	75,000	-	-	-	-	75,000	-	75,000
Balance March 31, 2019	17,920,496	9,248,978	649,593	1,284,000	6,595,882	-	17,778,454	27,085,322	44,863,775
Balance June 30, 2019	18,053,395	9,273,978	649,593	1,284,000	6,756,960	-	17,964,531	26,899,892	44,864,423
Net income (loss) and comprehensive (loss) for the period	-	-	-	-	(515,563)	-	(515,563)	(363,624)	(879,187)
Shares issued in payment of interest (Note 10)	416,909	75,000	-	-	-	-	75,000	-	75,000
Balance March 31, 2020	18,470,304	9,348,978	649,593	1,284,000	6,241,397	-	17,523,968	26,536,268	44,060,236

The accompanying notes form an integral part of these consolidated financial statements

Metalo Manufacturing Inc.

Consolidated Statements of Cash Flows

For the nine months ended March 31 , 2020 and March 31,2019

(Amounts presented in Canadian Dollars)

	3 months ended		9 months ended	
	31-Mar-20	**19-Mar-31**	**31-Mar-20**	**31-Mar-19**
			$	$
Cash flows generated from operating activities:				
Net Income (Loss)	(263,462)	(223,929)	(879,187)	(977,116)
Items not involving cash:				
Depreciation	889	280	2,651	2,525
Interest capitalized on term note and loans	125,695	8,125	371,607	23,438
Unrealized gain on investments	-	1,120	320	1,520
Interest paid by issuance of shares	25,000	25,000	75,000	75,000
Interest accretion	61,368	38,059	176,261	110,316
Deferred taxes	(114,942)	(93,082)	(378,709)	(384,298)
Changes in non-cash operating working capital				
Other receivables	14,470	6,722	(6,899)	1,458
Prepaid and other deposits	31,453	3,470	(71,945)	(1,168)
Trade and other payables	2,120	109,013	190,508	229,141
	(117,409)	(125,222)	(520,393)	(919,184)
Cash flow generated from financing activities:				
Proceeds (repayments) of short term borrowings	-	119,578	575,000	287,446
Proceeds from term note			-	621,000
	-	119,578	575,000	908,446
Cash				
Purchase of computer equipment	(358)	-	(358)	-
	(358)	-	(358)	-
Decrease in cash during the period	(117,767)	(5,645)	54,249	(10,738)
Cash, beginning of period	179,154	23,054	7,138	28,148
Cash, end of period	61,387	17,410	61,387	17,410

The accompanying notes form an integral part of these consolidated financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN

Metalo Manufacturing Inc. (the "**Corporation**") was incorporated on October 4, 2000 under the laws of the Province of Alberta pursuant to the provisions of the *Business Corporations Act*. Through its direct and indirect subsidiaries, it is involved in the mining and exploration sector and the manufacturing sector. The Corporation's Head Office is located at 1400 – 141 Adelaide Street West, Toronto, ON M5H 3L5.

The Corporation's partially owned subsidiary, Grand River Ironsands Incorporated ("**GRI**"), has its principal place of business is Nova Scotia. GRI's majority owned subsidiary, North Atlantic Iron Corporation ("**NAIC**"), has its principal place of business in Newfoundland and Labrador and GRI's subsidiary, Pure Fonte Ltée ("PFL"), is federally incorporated and has its principal place of business in Quebec.

These unaudited interim condensed consolidated financial statements have been prepared on a going concern basis, which assumes that the Corporation will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

The Corporation and its subsidiaries have not yet determined whether the properties contain mineral reserves that are economically recoverable. The recoverability of amounts shown for mineral properties and related deferred expenditures is dependent upon the discovery of economically recoverable reserves, confirmation of the subsidiary's interest in the underlying mining claims, the ability of the Corporation and its subsidiaries to obtain necessary financing from shareholders, investors and lenders to complete the development, and upon future profitable production or proceeds from the disposition thereof.

The Corporation has cash on hand of $61,387 (June 30, 2019 - $7,138), and has a working capital deficiency of $9,075,190 (June 30, 2019 - $5,760,586). The Corporation has had recurring negative cash flows from operations and will require additional financing to fund its continuing exploration efforts. These uncertainties cast significant doubt upon the Corporation's ability to continue as a going concern. Management plans to raise additional debt and/or equity financing in order to continue operations. Although the Corporation has been successful in raising funds to date, there can be no assurance that adequate funding will be available in the future, or available under terms favourable to the Corporation. The consolidated financial statements do not reflect adjustments in the carrying values of the assets and liabilities, the reported expenses, and the balance sheet classifications used, that would be necessary if the Corporation was unable to realize its assets and settle its liabilities as a going concern in the normal course of operations, and such adjustments could be material.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation and Statement of Compliance

These unaudited interim condensed consolidated financial statements are prepared in accordance with IAS 34 Interim Financial Reporting ("**IAS34**") using accounting policies consistent with the International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board ("**IASB**") and Interpretations of the International Financial Reporting Interpretations Committee ("**IFRIC**"). They do not include all financial information required for full annual financial statements and should be read in conjunction

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of Presentation and Statement of Compliance (continued)

with the audited annual financial statements of the Corporation for the year ended June 30, 2019.

These unaudited interim condensed consolidated financial statements were authorized for issue by the Board of Directors on May 29, 2020.

These unaudited interim condensed consolidated financial statements are prepared on the historical cost basis except for certain assets, liabilities and financial instruments which are measured at their fair values, as explained in the relevant accounting policies.

These unaudited interim condensed consolidated financial statements are presented in Canadian dollars which is also the Corporation's functional currency and the functional currency of its Canadian subsidiaries. The functional currency of the US subsidiary is the US dollar.

(b) Basis of Consolidation

These financial statements include the accounts of the Corporation and the following entities:

- 43.9% (2018 – 43.9%) of GRI - A company incorporated in Nova Scotia engaged in the exploration and development of mineral deposits indirectly which owns:
    - 100% (2018 – 100%) of Forks Specialty Metals Inc. ("**FSM**") - a company incorporated in Pennsylvania engaged in iron ore smelting that filed for bankruptcy under Chapter 7 of the United States Bankruptcy Code in the United States Bankruptcy Court, Eastern District of Pennsylvania. (Note 3)
    - 90% (2018 – 90%) of NAIC - a corporation incorporated in Newfoundland and Labrador engaged in the exploration and development of mineral deposits. (Note 3)
    - 100% (2018 – 100%) of PFL - A corporation incorporated in Canada expected to be engaged in nodular pig iron manufacturing (Note 3)

In March, 2018 a restructuring transaction occurred between Petmin Limited ("**Petmin**") and GRI resulting in significant changes in the ownership of NAIC. Refer to Investment in Subsidiaries – Note 3 – for additional explanation.

All inter-company transactions and balances have been eliminated on consolidation.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Business combinations, goodwill and non-controlling interests

The acquisition method of accounting is used to account for the acquisition of subsidiaries and businesses as follows:

- Cost is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange;
- Identifiable assets acquired and liabilities assumed are measured at their fair values at the acquisition date;
- The excess of acquisition cost over the fair value of the identifiable net assets acquired is recorded as goodwill;
- If the acquisition cost is less than the fair value of the net assets acquired, the difference is recognized as gain directly in the income statement; and
- Transaction costs are expensed as incurred.

For each business combination, the acquirer measures the non-controlling interest in the acquiree at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are expensed and included in administrative expenses.

When the Corporation acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition period.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is re-measured to its fair value as at the acquisition date through profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Corporation's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Transactions with non-controlling interests are treated as transactions with equity owners of the Corporation. For purchases from non-controlling interests that do not involve loss of control, the difference between the fair value of the consideration paid and the share of the carrying value of net assets acquired is recorded in equity. Similarly, gains or losses on disposals to non-controlling interests, which do not involve loss of control, are computed and recorded in equity.

(d) Resource properties

Mineral property expenses and mining reserves are stated at cost by capitalizing related expenditures until they are ready for commercial production. Upon commercial viability,

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Resource Properties (continued)

depletion commences on a unit-of-sale basis over the estimated recoverable measured and indicated reserves.

Pre-exploration costs are generally expensed unless management considers it probable that future economic benefits can be identified. Other general exploration expenses are charged to operations as incurred. The cost of mineral properties abandoned or sold and their related deferred exploration costs are charged to operations in the year the disposition or abandonment occurs.

The value associated with resources and exploration potential is allocated at acquisition and is classified as non-depletable until such time as it is transferred to the depletable category, generally as a result of the conversion of resource or exploration potential into reserves. On transfer, the asset is tested for impairment.

(e) Intangible assets

Intangible assets are comprised of the project development costs that have been incurred related to the future investment in a manufacturing facility that management expects to construct. Depreciation will commence once the project is completed.

(f) Restoration, rehabilitation and environmental obligation

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises.

(g) Property and Equipment

Property and Equipment is recorded at cost less accumulated depreciation and any impairment. The cost of an item of property and equipment consists of the purchase price and any cost directly attributable to bringing the asset to the location and condition necessary for its intended use. Depreciation is provided using the declining balance method at the following annual rates:

Assets	Rates
Computer hardware	30%
Office furniture and equipment	20%
Industrial equipment	20%
Automotive equipment	30%

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Impairment of Non-Financial Assets

Resource properties that are not subject to amortization, property and equipment and other non-current assets with definite useful lives, are tested for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Project development costs, that are not yet available for use, are subject to an annual impairment assessment. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value (less costs to sell) is the amount obtainable from the sale of the asset or group of assets in an arm's length transaction between knowledgeable and willing parties, less costs to sell. Value in use is equal to the present value of future cash flows expected to be derived from the use and sale of the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "**cash-generating unit**" or "**CGU**").

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit on a pro rata basis.

Impairment losses may be reversed, except for goodwill, in a subsequent period where the impairment no longer exists or has decreased. The carrying amount after a reversal must not exceed the carrying amount (net of depreciation) that would have been determined had no impairment loss been recognized.

(i) Share Issuance Cost

Costs incurred for the issuance of common share are deducted from share capital.

(j) Foreign Currency

Foreign currency transactions are initially recorded in the functional currency at the transaction date exchange rate. At the balance sheet date, monetary assets and liabilities denominated in a foreign currency are translated into the functional currency at the reporting date exchange rate. Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items at year-end exchange rates are recognized in the income statement.

Non-monetary items measured at historical cost are translated using the historical exchange rate. Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Foreign Currency (continued)

Financial statements of subsidiaries, affiliates and joint ventures for which the functional currency is not the Canadian dollar are translated into Canadian dollar as follows: all asset and liability accounts are translated at the balance sheet exchange rate and all earnings and expense accounts and cash flow statement items are translated at average exchange rates for the year. The resulting translation gains and losses are recorded as foreign currency translation adjustments in other comprehensive income and recorded in the currency translation reserve in equity. On disposal of a foreign operation the cumulative translation differences recognized in equity are reclassified to the income statement and recognized as art of the gain or loss on disposal.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognized in other comprehensive income in the translation reserve.

(k) Income Taxes

Income taxes are calculated using the liability method. Temporary differences arising from the difference between the tax basis of an asset or liability and its carrying amount on the balance sheet are used to calculate deferred income tax liabilities or assets. Deferred income tax liabilities or assets are calculated using the substantively enacted rates and laws that are expected to be in effect in the periods that the temporary differences are expected to reverse. The effect of changes in rates is included in the statement of comprehensive income in the year which included the substantive enactment date. A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(l) Stock based Payments

Stock based payment awards that are direct awards of stock to employees or directors, call for settlement in cash or other assets, or are stock appreciation rights that call for settlement by issuing equity instruments, are accounted for using the Black-Scholes option pricing model. The cost is recognized on a straight-line graded method basis adjusted for expected forfeitures as an employee or director expense with a corresponding increase to equity in stock-based payment reserve. Consideration paid by employees or directors on the exercise of stock options is recorded as share capital.

Stock based payments with parties other than employees, assumes a rebuttable presumption that the fair value of the goods or services received can be estimated reliably. In certain circumstances, the Corporation rebuts this presumption because it cannot estimate reliably the fair value of the goods or services received. The Corporation then measures the goods or services received, and the corresponding increase in equity, indirectly, by reference to the fair

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Stock based Payments (continued)

value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders service.

(m) Financial Instruments

(i) Financial Assets and Liabilities

The Company has applied IFRS 9 and classifies its financial instruments in the following measurement categories: fair value through profit and loss (FVTPL); fair value through other comprehensive income (FVOCI); or amortized cost. Management determines the classification of its financial instruments at initial recognition.

The accounting policies from July 1, 2018 related to these financial assets and liabilities are as follows: The Company recognizes a financial asset or a financial liability when, and only when, it becomes a party to the contractual provisions of the instrument. Such financial assets or financial liabilities are initially recognized at fair value and the subsequent measurement depends on their classification. Transaction costs that are directly attributable to the acquisition or issue of financial instruments, other than financial instruments at FVTPL are added to or deducted from the fair value of the financial instrument, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial instruments at FVTPL are recognized immediately in net earnings.

Financial asset is subsequently measured at:

- Amortized cost if it is held for the purposes of collecting contractual cash flows with such cash flows solely comprising payments of principal and interest on the principal amount outstanding;
- FVOCI if it is: held for the purposes of collecting contractual cash flows and selling financial assets with such cash flows solely comprising payments of principal and interest on the principal amount outstanding; or irrevocably designated as such upon initial recognition; and
- FVTPL if it is: neither classified as subsequently measured at amortized cost nor capital FVOCI; or irrevocably designated as such upon initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

All financial liabilities that are initially recognized at fair value plus, in the case of loans and borrowings, are directly attributable transaction costs. Financial liabilities that are classified as amortized cost are subsequently measured using the effective interest rate method.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Financial Instruments (continued)

(i) Financial Assets and Liabilities (continued)

The Company's financial assets include cash investments and other receivables. The Corporation's financial liabilities include trade and other payables, short term loans and long-term debt. Classification of these financial instruments is as follows:

Asset/Liability	Classification
Cash	Amortized cost
Investments	FVTPL
Other Receivables	Amortized cost
Trade and other payables	Amortized cost
Short-term loans	Amortized cost
Long-term debt	Amortized cost

Financial assets are derecognized when the Corporation's rights to cash flows from the respective assets have expired or have been transferred and the Corporation has neither exposure to the risks inherent in those assets nor entitlement to rewards from them. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statements of loss and comprehensive loss.

The Company categorizes its financial assets and liabilities measured at fair value into one of three different levels depending on the observability of the inputs used in the measurement.

Level 1: This level includes assets and liabilities measured at fair value based on unadjusted quoted prices for identical assets and liabilities in active markets that are accessible at the measurement date.

Level 2: This level includes valuations determined using directly or indirectly observable inputs other than quoted prices included within Level 1. Derivative instruments in this category are valued using models or other standard valuation techniques derived from observable market inputs.

Level 3: This level includes valuations based on inputs which are less observable, unavailable or where the observable data does not support a significant portion of the instruments' fair value.

Only investments stay measured at fair value and are considered Level 1 (shares in public company) with a book value of $2,800 (2019 - $2,800).

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Financial Instruments (continued)

(i) Financial Assets and Liabilities (continued)

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(ii) Impairment of Financial Assets

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. A significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If such evidence exists, the Company recognizes an impairment loss, as follows:

- Financial assets carried at amortized cost: The loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.
- FVTPL financial assets: The impairment loss is the difference between the original cost of the asset and its fair value at the measurement date, less any impairment losses previously recognized in the statement of income. This amount represents the cumulative loss in accumulated other comprehensive income (loss) that is reclassified to net income.

Impairment losses on financial assets carried at amortized costs are reversed in subsequent years if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized. Impairment losses on FVTPL equity instruments are not reversed.

(n) New Accounting Standards Adopted by the Company

IFRS 16 *"Leases"*

In January 2016, the IASB issued IFRS 16, "Leases" ("**IFRS 16**") effective for annual periods beginning on or after January 1, 2019, with early adoption permitted for entities that have also adopted IFRS 15. IFRS 16 provides a comprehensive model for the measurement, presentation and disclosure of leases and supersedes IAS 17, "Leases". The adoption of IFRS 16 will result in substantially all lessee leases being recorded on the balance sheet as an asset with a corresponding liability with both current and long-term portions. Effective July 1, 2019, the Corporation adopted IFRS 16 "Leases" using the modified retrospective transition method. The Corporation has elected to apply the exemption for short term leases and for when the underlying asset is a low value lease. As at March 31, 2020, the Corporation only had leases that met the exemptions elected, as a result the implementation of the standard had no impact on its Balance Sheet upon transition.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Critical Accounting Estimates and Judgments

The preparation of consolidated financial statements under IFRS requires the Corporation to make estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of expenses during the year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable. Actual results may differ materially from these estimates. The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying value of assets and liabilities are as follows:

Recoverability of Resource Properties

At the end of each reporting year, the Corporation assesses each of its resource properties to determine whether any indication of impairment exists. Judgment is required in determining whether indicators of impairment exist, including factors such as, the year for which the Corporation has the right to explore, expected renewals of exploration rights, whether substantive expenditures on further exploration and evaluation of resource properties are budgeted and results of exploration and evaluation activities on the exploration and evaluation assets.

Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. The impairment analysis requires the use of estimates and assumptions, such as long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance. Fair value of mineral assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. Cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. If the Corporation does not have sufficient information about a particular mineral resource property to meaningfully estimate future cash flows, the fair value is estimated by management through the use of, where available, comparison to similar market assets and, where available, industry benchmarks. Actual results may differ materially from these estimates.

Other non-financial assets

Management assesses impairment of non-financial assets such as intangible assets and property and equipment. In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit (“CGU”) based on expected future cash flows. When measuring expected future cash flows, management makes assumptions about future growth of profits which relate to future events and circumstances. Actual results could vary from these estimated future cash flows. Estimation uncertainty relates to assumptions about future operating results and the application of an appropriate discount rate.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Critical Accounting Estimates and Judgments (continued)

Deferred Income Taxes

The Corporation is periodically required to estimate the tax base of assets and liabilities. Where applicable tax laws and regulations are either unclear or subject to varying interpretations, it is possible that changes in these estimates could occur that materially affect the amounts of deferred income tax assets and liabilities recorded in the consolidated financial statements. Changes in deferred tax assets and liabilities generally have a direct impact on earnings in the year of changes.

Each year, the Corporation evaluates the likelihood of whether some portion or all of each deferred tax asset will not be realized. This evaluation is based on historic and future expected levels of taxable income, the pattern and timing of reversals of taxable temporary timing differences that give rise to deferred tax liabilities, and tax planning initiatives. Levels of future taxable income are affected by, among other things, the market price for gold, production costs, quantities of proven and probable reserves, interest rates, and foreign currency exchange rates.

Share-based Payments

The Corporation makes certain estimates and assumptions when calculating the estimated fair values of stock options granted and warrants issued. The significant assumptions used include estimates of expected volatility, expected life, expected dividend rate and expected risk-free rate of return. Changes in these assumptions may result in a material change to the expense recorded for grants of stock options and the issuance of warrants.

(p) Provisions

A provision is recognized in the consolidated balance sheets when the Corporation has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(q) Earnings (Loss) Per Share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to common shareholders by the weighted average number of common shares outstanding during the year. Diluted earnings per share amounts are calculated by dividing the net profit attributable to common shareholders by the weighted average number of shares outstanding during the year plus the weighted average number of shares that would be issued on the conversion of all the potential dilutive ordinary shares into common shares.

3. INVESTMENT IN SUBSIDIARY COMPANIES

In March, 2018 GRI, NAIC, PFL and Petmin agreed to complete a restructuring transaction summarized as follows, most of which has been completed. Prior to the restructuring, Petmin Limited was a 40% shareholder of NAIC and it is now a 10% shareholder of NAIC.

Petmin purchased from NAIC the right to the use of the "Tenova Process" which was classified as an Intangible Asset. At the time of the restructuring Petmin had loans and accumulated management fees and expenses outstanding in the amount of $2,472,324. Petmin was paid $693,181 and the balance of $1,779,143 was offset against current year expenses, with the remaining balance in the amount of $1,653,310 reflected as a transaction with an owner and accordingly has been charged directly to equity. The agreement permits either party to construct a pig iron facility in specified locations, Ohio, US for Petmin and Quebec, Canada for GRI. These exclusive rights will expire in the event either of the parties have not commenced the construction of a pig iron facility within three years of the date of the agreement. NAIC transferred 100% its investment and ownership position in the proposed pig iron facility in Quebec (PFL- a wholly-owned subsidiary of GRI) in consideration of reduction of a portion of its debt owing to GRI. NAIC will retain 100% ownership of the mineral resources at Goose Bay, with GRI holding 90% of its shares and Petmin holding a 10% dilutable ownership position in NAIC. This change of ownership resulted in an increase in controlling interest and a corresponding increase in consolidated retained earnings in the amount of $3,428,747 at June 30, 2018 with offsetting reduction in non-controlling interest in the amount of ($5,487,152) and total shareholders' equity being reduced by ($2,058,405).

On December 28, 2017, FSM, a wholly owned subsidiary of Grand River Ironsands Incorporated, filed for bankruptcy under Chapter 7 of the United States Bankruptcy Code in the United States Bankruptcy Court, Eastern District of Pennsylvania. The bankruptcy proceedings are on hold pending the result of an adversary complaint filed on February 8, 2019 in the United States Bankruptcy Court for the Eastern District of Pennsylvania by the trustee for the estate of FSM against the Corporation, GRI, NAIC and Francis MacKenzie (collectively, the "**Defendants**"). The trustee is alleging that the Defendants are responsible for the debts of Forks. The Defendants maintain that the suit has no merit and have retained local counsel to defend its position. Several motions have been filed and the matter is ongoing.

(Amounts presented in Canadian Dollars)

4. INVESTMENTS

The Corporation has the following holdings and disposition of investments:

	three months ended		nine months ended	
	31-Mar-20	31-Mar-19	31-Mar-20	31-Mar-19
	$	$	$	$
Market value of investment end of period	2,480	1,680	2,480	1,680
Cost of investments beginning of period	5,708	6,950	5,708	6,950
Disposals	-	-	-	-
Cost of investment end of period	5,708	6,950	5,708	6,950
Unrealized (loss) end of period	(3,228)	(5,270)	(3,228)	(5,270)
Unrealized gain (loss) beginning of period	(3,228)	(4,150)	(2,908)	(3,750)
Change in unrealized (loss) during the period	-	(1,120)	(320)	(1,520)

5. RESOURCE PROPERTIES

March 31, 2019			
	Balance 30-Jun-18	Interest Accretion	Balance 31-Mar-19 Restated
	$	$	$
Labrador Mineral Sands	57,170,334	25,617	57,195,951

March 31,2020			
	Balance 30-Jun-19	Interest Accretion	Balance March 31,2020
	$	$	$
Labrador Mineral Sands	57,175,564	25,981	57,201,545

The Labrador Mineral Sands relate to licenses held by NAIC, which include land on the north side of the Churchill River and to the west of Happy Valley-Goose Bay. Additions to resource properties includes accretion on the ACOA loan (Note 9).

Commencing in 2015, NAIC began pursuing the evaluation of accessory minerals associated with the Labrador Mineral Sands properties. These minerals primarily include feldspar, garnets, iron ores and silica quartz. In 2017, NAIC made the decision to abandon further evaluation of the iron ore with the objective to pursue the accessory minerals only. NAIC expects to commission a market feasibility study in the near term to further understand the development potential associated with the accessory minerals in the properties. In determining the recoverable amount of the resource properties, NAIC has made estimates regarding the quantity of accessory minerals to be extracted, the accessory mineral prices expected to be in place at the time of extraction, the direct costs associated with mining these minerals and total project capital expenditures. Based on this analysis, NAIC believes the need to further investigate minerals of value, the economic case and market interest. Given the uncertainty associated with each of the above assumptions, it is reasonably possible that outcomes which differ

(Amounts presented in Canadian Dollars)

5. RESOURCE PROPERTIES (continued)

from these assumptions could require material adjustment to the carrying amount of the resource properties in the future.

6. PROJECT DEVELOPMENT COSTS

The Corporation is planning the development of a low cost North American producer of foundry grade pig iron. The costs incurred to date relate primarily to a Bankable Feasibility Study.

Costs incurred and disposals to date are as follows:

	31-Mar-20 $	31-Mar-19 $
Balance beginning of period	1,462,322	1,462,322
Balance end of period	1,462,322	1,462,322

7. PROPERTY AND EQUIPMENT

	Computer equipment $	Industrial equipment $	Office equipment $	Total $
For the period ended March 31, 2020				
Opening net book value	1,595	15,000	226	16,821
Additions (Disposals)	358			358
Depreciation	(366)	(2,250)	(33)	(2,651)
Net Book Value	1,586	12,750	192	14,528
As at March 31, 2020				
Cost	2,636	18,751	282	21,669
Accumulated depreciation	(1,050)	(6,001)	(90)	(7,141)
Net Book Value	1,586	12,750	192	14,528

8. SHORT TERM LIABILITIES

On August 25, 2016, GRI borrowed $250,000 from an unrelated party for 90 days with interest at 6% per annum, accruing monthly, plus 50,000 common share purchase warrants exercisable on or before August 25, 2019 at an exercise price of $0.01 per share. The repayment date in the original loan agreement has been extended to December 31, 2020 and the warrant expiry date has been extended to December 31, 2020. Including accrued interest, the balance outstanding at March 31, 2020 totaled $309,964.

On September 29, 2016, GRI borrowed $250,000 from Forest Lane Holdings Limited ("**FLH**"), a company controlled by a director and officer of the Corporation, for 90 days with interest at 6% per annum, accruing monthly, plus 50,000 common share purchase warrants exercisable on or before

8. SHORT TERM LIABILITIES (continued)

September 29, 2019 at an exercise price of $0.01 per share. FLH also extended a line of credit facility bearing interest at 6% per annum, accruing monthly, to GRI in the amount of $2,105,000. The loan and line of credit have been combined into a demand note, with no fixed terms of repayment, for $2,355,000 with interest at 6% per annum accruing monthly. The original loan amount was increased by an additional $14,000 on March 14, 2019, bringing the total loan amount to $2,369,000. The warrant expiry time was also extended to December 31, 2020. Including accrued interest the balance outstanding at March 31, 2020 totaled $2,846,483.

Convertible Debenture

On May 1, 2015, the Corporation announced that it had completed a non-brokered private placement of an unsecured convertible debenture for proceeds of $2,000,000 with FLH. On May 1, 2020, the parties entered into an amending agreement (the "**Amending Agreement**") which extended the maturity date to November 1, 2020 (previously May 1, 2020). The remaining terms remain unchanged and the debenture still bears interest at a rate of 5% per annum payable quarterly. In previous years it was reflected in long-term debt. The debenture is convertible, at the option of the holder, into common shares of the Corporation on or prior to the maturity date. The conversion price will be $1.00 per common share

As consideration for the extension to the maturity date, 200,000 common shares of the Corporation have been issued to FHL at market value of $ 0.07/share on May 1, 2020. A four-month hold will apply on the issuance. The Amending Agreement and share issuance were approved unanimously by independent members of the Board of Directors.

At the option of the Corporation, quarterly interest may be converted into common shares of the Corporation at a conversion price equal to the volume-weighted average trading price of the shares for the 20 consecutive trading days ending on the fifth trading day preceding the determination date. The determination date is 15 business days prior to the payment date. The debenture will not be listed on the CSE, however the common shares issuable upon any conversion will be listed and will be subject to a four month hold period from the date of issuance. See Note 10.

The debenture is a compound financial instrument and as such has been recorded as a liability and as equity. The liability component was valued first and the difference between the proceeds of the debenture and the fair value of the liability was assigned to the equity component. The present value of the liability was calculated using a discount rate of 14% which approximated the interest rate that would have been applicable to non-convertible debt of the Company at the time the debenture was issued. The liability component will be accreted to the face value of the liability using the effective interest method. The accretion of the liability is charged at an effective interest rate of 14% such that at maturity the liability component is equal to the face value of the outstanding debenture. The balance of the liability component is shown in the table below.

Six-month Loan

On September 18, 2019, a short-term loan, guaranteed by the Corporation, in the amount of $575,000, was provided to GRI by a non-related party. The loan was repaid in full on May 1, 2020.

(Amounts presented in Canadian Dollars)

8. SHORT TERM LIABILITIES (continued)

Term Loan

On August 31, 2017, GRI received from David J. Hennigar, Chairman of the Corporation, a loan of $2,000,000 bearing interest at 12% per annum payable monthly. This loan was previously reflected in short-term debt, however, subsequent to year end, a loan extension was signed extending the payment of principal, without penalty, on or before August 31, 2020, and the holder has the option to convert the principal of the loan and the interest accrued on the loan to common shares at a conversion rate of $2.10 per share. Including accrued interest the balance outstanding at March 31, 2020 totaled $2,416,031.

The loan balances in the table following include interest accrued.

	31-Mar-20 $	30-Jun-19 $
Short term loan from unrelated party interest at 6% due December 31, 2020	309,964	296,309
Short term loan from related party interest at 6% due on demand	2,846,483	2,721,090
Convertible debenture		
Amount outstanding beginning of year	1,874,857	1,725,134
Accretion expense	126,791	149,722
Balance end of year	2,001,648	1,874,857
Short term loan from unrelated party interest at 24% due on April 1, 2020	575,000	-
Short term Loan from related party interest at 12% due on August 31, 2020	2,416,031	-
Balance end of period	8,149,126	4,892,256

9. LONG TERM DEBT

ACOA Loan

In fiscal 2012, NAIC received an interest-free repayable loan from ACOA, a government agency, in the amount of $500,000 related to resource properties. The loan is repayable in five annual equal and consecutive installments commencing six months after the end of the fiscal year in which 'Project Success' is achieved. It is anticipated that project success will be achieved in the fiscal year ending June 30, 2020 and repayments will commence in December 2020.

(Amounts presented in Canadian Dollars)

9. LONG TERM DEBT (continued)

Term Note

On July 5, 2018 an unsecured loan in the amount of $621,000 was provided to PFL by a non-related party. The loan bears interest at a rate of 5% per annum and matures three years from the date of receipt. The interest shall accrue and will be capitalized to the end of term. The principal and accumulated interest can be converted into shares at the option of the holder discounted by 25%. The loan can be paid in advance, however, is subject to a 15% penalty. The value of the loan has been discounted using an effective interest rate of 20% which is in-line with the corporation cost of borrowing.

	31-Mar-20	30-Jun-19
	$	**$**
ACOA Loan		
Loan amount beginning of year	373,497	368,267
Accretion adjustment related to loan extension	-	(26,802)
Accretion capitalized to resource properties	25,983	32,032
Balance end of year	399,480	373,497
Short term Loan		
Loan amount beginning of year	-	2,000,000
Accrued interest	-	208,354
Balance end of year	-	2,208,354
Term Loan		
Principal amount discounted	463,537	386,474
Accretion expense	49,470	45,559
Accrued interest	24,881	31,504
	537,888	463,537
Total	937,368	3,045,388

The future minimum payments associated with the above debt instruments are as follows:

Loan repayments	C$
2021	677,385
2022	100,000
Thereafter	400,000

10. SHARE CAPITAL

On November 1, 2018, the Corporation issued 65,789 common shares to FLH. This represents interest due November 1, 2018 in the aggregate amount of $25,000 on the convertible debenture and was made at a deemed price of $0.38 per share, which is the volume-weighted trading price for the 20 trading days ending October 3, 2018.

(Amounts presented in Canadian Dollars)

10. SHARE CAPITAL (continued)

On February 1, 2019, the Corporation issued 87,719 common shares to FLH. This represents interest due February 1, 2018 in the aggregate amount of $25,000 on the convertible debenture and was made at a deemed price of $0.2850 per share, which is the volume-weighted trading price for the 20 trading days ending January 4, 2019.

On May 1, 2019, the Corporation issued 132,899 common shares to FLH. This issuance represents interest due May 1, 2018 in the aggregate amount of $25,000 on the convertible debenture and was made at a deemed price of $0.1881 per share, which is the volume-weighted trading price for the 20 trading days ending April 4, 2019.

On August 1, 2019, the Corporation issued 85,749 common shares to FLH. This represents interest due August 1, 2018, in the aggregate amount of $25,000 on the convertible debenture and was made at a deemed price of $0.2915 per share, which is the volume-weighted trading price for the 20 trading days ending July 11, 2019.

On November 1, 2019, the Corporation issued 90,171 common shares to FLH. This represents interest due November 1, 2019, in the aggregate amount of $25,000 on the convertible debenture and was made at a deemed price of $ 0.2773 per share, which is the volume-weighted trading price for the 20 trading days ended October 31, 2019. The securities are subject to a four month hold period following the date of issuance.

On February 1, 2020, the Corporation issued 240,989 common shares to FLH. This represents interest due February 1, 2020 in the aggregate amount of $25,000 on the convertible debenture and was made at a deemed price of $0.1037 per share, which is the volume-weighted trading price for the 20 trading days ending January 6, 2020. The securities are subject to a four month hold period following the date of issuance.

COMMON STOCK OUTSTANDING	Number of Shares	Amount
Authorized: Unlimited number of common shares without par value	$	$
Issued and outstanding June 30, 2018	17,697,637	$ 9,173,978
Issued in payment of interest	355,758	100,000
Issued and outstanding June 30, 2019	18,053,395	$ 9,273,978
Issued in payment of interest	416,909	75,000
Issued and outstanding March 31, 2020	18,470,304	$ 9,348,978

11. STOCK BASED COMPENSATION PLAN

The Board of Directors has established a stock option plan under which options to purchase common shares are granted to directors, officers, and key employees of the Corporation. Options to acquire common shares are granted at option prices which shall be not less than the fair market value of the shares at the time the option is granted. Fair market value shall be deemed to be the average between the highest and lowest prices at which the common shares are traded on the day the option is granted and if not so traded, the average between the closing bid and asked prices thereof as reported for the

(Amounts presented in Canadian Dollars)

11. STOCK BASED COMPENSATION PLAN (continued)

day on which the option is granted. Options expire between one and ten years from the date of the grant.

The Corporation has reserved 3,450,203 (2019 – 3,450,203) common shares pursuant to the stock option plan. There are 2,114,000 (2019 – 2,114,000) options to acquire common shares outstanding under the plan as at June 30, 2019. Any unexercised options that expire or are forfeited become available again for issuance under the plan.

No stock options were issued for the nine months ended March 31, 2020

Options Outstanding and Exercisable

Number of options outstanding	Expiry Date	Exercise Price $	Number of options exercisable
144,000	28-May-2022	0.65	144,000
450,000	30-Nov-2022	0.65	450,000
985,000	6-Dec-2023	0.85	985,000
535,000	8-Dec-2024	0.75	535,000
2,114,000		0.77	2,114,000

GRI Stock Option Plan

Board of Directors of GRI has established a stock option plan under which options to purchase common shares are granted to directors, officers, and key employees of GRI. Options to acquire common shares are granted at prices as determined by the Board of Directors. Options expire five years from the date of the grant.

GRI has reserved 2,376,933 (2019- 2,376,933) common shares pursuant to the stock option plan. There are 150,000 (2019- 548,000) options to acquire common shares outstanding under the plan as at June 30, 2019. Any unexercised options that expire or are forfeited become available again for issuance under the plan.

On May 27, 2016, GRI granted 150,000 options to directors, officers, employees and consultants of GRI under the stock purchase plan at an exercise price of $2.50. These options vested immediately and expire in 5 years. The fair value of these option was estimated at the date of grant using the Black-Scholes pricing model with the following weighted average assumptions; risk free interest rates of 0.78%; dividend yields of nil; volatility factor of 164.02%; share prices of $2.07; and a weighted average expected life of the option of 5 years.

Options Outstanding and Exercisable -March 31, 2020

Number of options outstanding	Expiry Date	Exercise Price $	Number of options exercisable
150,000	27-May-2021	2.50	150,000
150,000		2.50	150,000

(Amounts presented in Canadian Dollars)

12. EXPENSES BY NATURE

	3 months ended		year-to-date	
	31-Mar-20	**31-Mar-19**	**31-Mar-20**	**31-Mar-19**
Operating expenses				
Utilities	2,048	268	4,058	2,046
Dues and fees	370	4,129	13,290	16,215
Foreign exchange gain	13,716	(2,163)	14,692	2,054
General and administrative	10,316	596	25,328	17,410
Insurance	-	583	1,458	2,333
Management and consulting fees	41,274	108,550	261,451	501,376
Professional fees	28,271	11,577	112,584	48,327
Rental	1,186	822	2,896	23,645
Travel	25,738	3,734	85,119	118,798
Salaries and wages	3,159	10,276	32,765	96,761
	126,078	138,372	553,641	828,964

13. RELATED PARTY TRANSACTIONS

In addition to the related party loans described in Notes 8 and 9 the Corporation has the following related party transactions. The compensation expense associated with key management, directors and employees for services is as follows:

	3 months ended		9 months ended	
	31-Mar-20	31-Mar-19	31-Mar-20	31-Mar-19
	$	$	$	$
Management fees	39,977	77,550	237,977	233,450
Consulting fees	-	52,500	-	164,000
Directors fees	3,500	3,150	12,950	11,550
Salaries and benefits	(0)	10,276	41,765	96,761
Operating expenses	43,477	143,476	292,692	505,761

The Corporation has issued shares in lieu of payment of interest on a related party loan as described in Note 9, see Note 10 for details.

14. EARNINGS (LOSS) PER SHARE

Earnings (loss) per share is calculated by dividing the net income (loss) per financial statements by the weighted average number of common shares outstanding for the year. The Company has an income in the current year and a loss in prior years and the options effect is anti-dilutive.

(Amounts presented in Canadian Dollars)

15. INCOME TAXES

The Corporation's income taxes have been calculated as follows:

	three months ended		nine months ended	
	31-Mar-20	31-Mar-19	31-Mar-20	31-Mar-19
	$	$	$	$
Income (loss) before income taxes	(378,403)	(317,010)	(1,257,896)	(1,361,414)
Combined Federal and Provincial tax rate	31%	31%	31%	31%
Expected expense (recovery) at statutory rates	(117,305)	(98,273)	(389,948)	(422,038)
Unrecognized tax assets	-	-	-	-
Subsidiary rate differential	142,576	15,754	275,006	13,370
Non -taxable items related to restructuring	-	-	-	-
Other	(140,213)	(10,562)	(263,768)	(24,370)
Deferred tax recovery expense	(114,942)	(93,081)	(378,710)	(384,298)

Deferred tax liability consists of:

	31-Mar-20	30-Jun-19
	$	$
Non-capital losses	6,599,232	6,220,523
Iron interests	(11,281,283)	(11,281,283)
Property and equipment	1,824	1,824
Long-term Debt	75,494	75,494
Investment	(868)	(868)
	(4,605,601)	(4,984,310)

	2019	2018
Expiry of Non-Capital Losses	$	$
2028	22,819	22,819
2029	25,260	285,264
2030	22,113	68,825
2031	145,349	145,349
2032	110,470	110,470
2033	410,027	646,454
2034	981,628	1,260,627
2035	4,247,769	1,289,976
2036	7,090,725	8,003,481
2037	7,483,943	7,483,943
2038	1,638,931	1,638,931
2039	1,582,738	-
	23,761,772	20,956,139

(Amounts presented in Canadian Dollars)

16. COMMITMENTS AND CONTINGENCIES

The Corporation was advised that on February 8, 2019, the trustee for the estate of FSM has filed an adversary complaint in the United States Bankruptcy Court for the Eastern District of Pennsylvania against the Corporation, Grand River Ironsands Incorporated, North Atlantic Iron Corporation and Francis MacKenzie (collectively, the "**Defendants**"). The trustee is alleging that the Defendants are responsible for the debts of FSM. The Defendants maintain that the suit has no merit and have retained local counsel to defend its position. Several motions have been filed and the matter is ongoing.

17. MANAGEMENT OF CAPITAL

The Corporation defines capital that it manages as the aggregate of its long-term debt, share capital, equity component convertible debenture, stock-based payment reserve, accumulated other comprehensive income, retained earnings and non-controlling interest. Its objective when managing capital is to ensure that the Corporation will continue as a going concern, so that it can provide returns to its shareholders. See note 1.

	31-Mar-20	30-Jun-19
	$	**$**
Long term debt	937,368	3,045,388
Share capital	9,348,978	9,273,978
Equity component convertible debenture	649,593	649,593
Stock based payment reserve	1,284,000	1,284,000
Retained earnings	6,241,397	6,756,960
Non-controlling interest	26,536,268	26,899,892
	44,997,603	47,909,811

The Corporation manages its capital structure and makes adjustments to it in light of economic conditions. The Corporation, upon approval from its Board of Directors, will make changes to its capital structure as deemed appropriate under the specific circumstances.

The Corporation is not subject to any externally imposed capital requirements or debt covenants, and does not presently utilize any quantitative measures to monitor its capital. The Corporation's overall strategy with respect to management of capital remains unchanged from the year ended June 30, 2019.

18. FINANCIAL INSTRUMENTS

The carrying amounts reported on the financial statements for cash, accounts receivable, trade and other payables and short-term loans all approximate their fair values due to their immediate or short-term nature. Management believes the carrying amounts of long-term debt also approximate their fair values, as they believe the effective interest rates used by management in determining the carrying values of long-term debt continue to be appropriate.

18. FINANCIAL INSTRUMENTS (continued)

Risk Disclosures

The main risks the Corporation's financial instruments could be exposed to are credit risk, liquidity risk, foreign exchange risk, and interest rate risk.

Credit Risk

Trade and other payables are due in the next 12 months. The Corporation's credit risk is primarily attributable to its cash. The Corporation places its cash with high quality financial institution and in reliable trust account in Canada, and as result, believes its exposure to credit risk is minimal.

Liquidity Risk

The Corporation's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Corporation's reputation. To the extent that the Corporation does not believe it has sufficient liquidity to meet these obligations, management will consider securing additional funds through debt or equity transactions. The Corporation manages its liquidity risk by continuously monitoring forecast and actual cash flows from operations. In recent years, additional loans from directors/shareholders, and new equity financing have provided the necessary liquidity required. Trade and other payables are due within 12 months. See Note 9 for contracted payments of long-term debt.

Foreign Currency Risk

The Corporation limited US dollar exposure, however, maintains some US denominated bank accounts to settle trade payables denominated in US dollars and a five percent change in the US dollar to Canadian dollar exchange rate would not have a significant impact on their carrying values.

Interest Rate Risk

The Corporation is exposed to interest rate price risk to the extent that a portion of the long-term debt is at a fixed interest rate.

19. SUBSEQUENT EVENTS

- On April 16, 2020, the Corporation entered into a loan agreement with an arms-length lender in the amount of $ 1,000,000 with interest of 10% that will mature on April 16, 2021. 100,000 share purchase warrants were also issued to the lender, with each warrant entitling the holder to purchase one common share of the Corporation at an exercise price of $0.15 for a period of two years.

- On May 1, 2020, the Corporation issued 160,511 common shares to FLH. This represents interest due May 1, 2020 in the aggregate amount of $25,000 on a convertible debenture and was made at a deemed price of $0.1558 per share, which is the volume-weighted trading price for the 20 trading days ending April 2, 2020. The securities are subject to a four month hold period following the date of issuance.

(Amounts presented in Canadian Dollars)

19. SUBSEQUENT EVENTS (continued)

- On May 1, 2020, the Corporation also issued 200,000 common shares of the Corporation at a deemed value of $0.07 per share (the closing market price the day before the issuance) to FLH as consideration for the extension of the maturity date of a convertible debenture to November 1, 2020.

- On May 1, 2020, a six-month loan obtained by GRI and guaranteed by the Corporation in the amount of $575,000 was repaid in full.

20. SEGMENTED INFORMATION

As at March 31, 2020 the Corporation had a corporate head office and three operating business segments;

1. GRI, a private corporation, incorporated under the *Companies Act* of Nova Scotia, is engaged, through its subsidiaries, in the process of exploring its mineral properties, and developing foundry grade pig iron manufacturing plant. held indirectly through its majority-owned subsidiary North Atlantic Iron Corporation.

2. NAIC, a private corporation, incorporated under the *Corporations Act* of Newfoundland and Labrador, is a development stage enterprise in the process of exploring its mineral properties in Newfoundland and Labrador, Canada. GRI is its majority owned shareholder.

3. PFL a federally incorporated private entity created under the *Canada Business Corporations Act* and registered extra-provincially in Quebec to be engaged in the manufacturing of pig iron. GRI is its only shareholder.

	Corporate		GRI		NAIC		Pure Fonte		Eliminations		Consolidated	
	31-Mar-20	31-Mar-19	31-Mar-20	31-Mar-19	31-Mar-20	31-Mar-19	31-Mar-20	31-Mar-19	31-Mar-20	31-Mar-19	31-Mar-20	31-Mar-19
	$	$	$	$	$	$	$	$	$	$	$	$
Revenue - intersegment	13,303	-	-	-	-	-	-	-	(13,303)	-	-	-
Operating expenses	(145,935)	(104,737)	(226,765)	(455,304)	(18,305)	1,160	(162,637)	(270,083)	-	-	(553,641)	(828,963)
Depreciation and Amortization	-	-	(660)	(840)	(1,991)	(1,685)	-	-	-	-	(2,651)	(2,525)
Interest and bank charges	(75,048)	(135,382)	(437,691)	(330,430)	(675)	(535)	(24,912)	(26,558)	13,303	-	(525,023)	(492,906)
Interest accretion	(126,791)	(35,500)	-	-	-	-	(49,470)	-	-	-	(176,261)	(35,500)
Gain (loss) on subsidiary debt	-	-	-	-	-	-	-	-	-	-	-	-
Valuation discount on term loan							-	-	-	-	-	-
Gain on slae of intangible asset	-	-	-	-	-	-	-	-	-	-	-	-
Impairment of property & equipment	-	-	-	-	-	-	-	-	-	-	-	-
Loss on sale of property & equipment	-	-	-	-	-	-	-	-	-	-	-	-
Realized gain (loss) on investments	-	-	-	-	-	-	-	-	-	-	-	-
Unrealized gain on investments	-	-	(320)	(1,520)	-	-	-	-	-	-	(320)	(1,520)
	(334,471)	(275,619)	(665,436)	(788,094)	(20,971)	(1,059)	(237,020)	(296,641)	13,303	-	(1,257,896)	(1,361,413)
Segment income (loss) before taxes	(347,774)	(275,619)	(665,436)	(788,094)	(20,971)	(1,059)	(237,020)	- (296,641)	-	-	(1,257,896)	(1,361,413)
Total assets	5,237,389	5,265,140	6,415,194	5,454,847	57,690,017	57,006,139	3,029,358	2,977,172	(13,506,577)	(12,770,097)	58,865,378	58,760,828
Total liabilities	6,879,435	7,252,626	6,838,830	5,501,406	804,346	540,699	3,569,122	3,456,841	(3,286,589)	(2,655,233)	14,805,142	13,706,630

The Corporation's Board of Directors evaluates the performance of these segments and allocates resources to them based on certain performance measures (mainly earnings from operations and cash flow from operations). Segment earnings correspond to each business' earnings from operations. The Corporation's management reporting system evaluates performance based on a number of factors; however, the primary profitability measure is the earnings from operations before depreciation, amortization, net financing income or expense and income taxes ("**EBITDA**").

(Amounts presented in Canadian Dollars)

20. SEGMENTED INFORMATION (continued)

Geographical segments

The above segments are managed on a worldwide basis, but operate in two principal geographical areas, namely, Canada and the United States. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets. Revenue from external customers for the year ending March 31, 2020 was $ nil. (2019 $ nil)

	31-Mar-20 $	31-Mar-19 $
Canada	58,865,378	58,760,828
United States of America	-	-
Total non-current assets	58,865,378	58,760,828