



## Condensed Consolidated Interim Financial Statements of Metalto Manufacturing Inc.

(Stated in Canadian Dollars)  
December 31, 2020  
(Unaudited)

### ***NOTICE TO READER***

Revised interim financial statements have been refiled to provide comparative financial information on the “Consolidated Statement of Changes in Equity” for the corresponding six-month period ended December 31, 2019. The Issuer also confirms the interim statements were prepared in accordance with IAS 34 (See Note 2). These were the only changes made to the prior filing of these statements on February 26, 2020.

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



	31-Dec 2020 \$	30-Jun 2020 \$
<b>Assets</b>		
<b>Current assets:</b>		
Cash	91,476	325,513
Other receivable	15,286	9,297
Investments	1,600	2,800
	<u>108,362</u>	<u>337,610</u>
<b>Non-current assets:</b>		
Resource properties (Note 4)	57,154,185	57,210,600
Project development costs (Note 5)	1,462,322	1,462,322
Property and equipment (Note 6)	12,278	14,187
	<u>58,628,785</u>	<u>58,687,109</u>
	<u>58,737,147</u>	<u>59,024,719</u>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current liabilities:</b>		
Trade and other payables	881,145	860,835
Short-term loans (Note 7)	8,994,977	8,692,604
	<u>9,876,122</u>	<u>9,553,439</u>
<b>Non-current liabilities:</b>		
Long-term debt (Note 8)	1,052,116	1,001,993
Deferred taxes (Note 14)	4,304,359	4,518,332
	<u>5,356,475</u>	<u>5,520,325</u>
	<u>15,232,597</u>	<u>15,073,764</u>
<b>Shareholders' equity</b>		
Share capital (Note 9)	9,437,978	9,387,978
Equity component convertible debenture	649,593	649,593
Stock based payment reserve	1,284,000	1,284,000
Retained earnings	5,930,289	6,183,444
Equity attributable to shareholders	17,301,860	17,505,015
Non-controlling interests	26,202,690	26,445,940
	<u>43,504,550</u>	<u>43,950,955</u>
	<u>58,737,147</u>	<u>59,024,719</u>

*Note 1 - Nature of operations and going concern*

*Note 15 - Commitments and contingencies*

*Note 18 - 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

February 26, 2021

**Metalo Manufacturing Inc.**  
**Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)**  
**(Amounts presented in Canadian Dollars)**



	Three months ended		Six months ended	
	31-Dec-20	31-Dec-	31-Dec-20	31-Dec-19
	\$		\$	\$
Operating expenses (Note 12)	(176,832)	(223,847)	(304,777)	(427,563)
Depreciation (Note 6)	(954)	(881)	(1,909)	(1,762)
Interest and bank charges	(189,173)	(183,661)	(373,212)	(334,954)
Interest accretion	(23,569)	(58,716)	(43,695)	(114,893)
Government assistance benefit (Note 8)	14,631	-	14,631	-
Unrealized (loss) on investments	(400)	(720)	(1,200)	(320)
Net income (loss) before taxes	(376,297)	(467,825)	(710,162)	(879,492)
Income tax recovery expense (Note 14)	112,589	140,213	213,757	263,767
Net income (loss) and comprehensive income	(263,708)	(327,612)	(496,405)	(615,725)
<b>Net income (loss) attributable to:</b>				
Shareholders of the Corporation	(138,388)	(200,444)	(253,155)	(360,297)
Non-controlling interest	(125,320)	(127,168)	(243,250)	(255,428)
Net income (loss) and comprehensive income	(263,708)	(327,612)	(496,405)	(615,725)
Net income (loss) per share	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.02)
Weighted average number of shares outstanding (Note 9)	18,635,073	18,229,315	18,635,073	18,229,315

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

**Metalco Manufacturing Inc.**

**Consolidated Statement of Changes in Equity**  
(Amounts presented in Canadian Dollars)



	Number of Shares Issued	Equity			Stock based payment reserve	Retained Earnings	Total Shareholders Equity	Non-controlling interest	Total Equity
		Share Capital	Convertible Debtenture	Component					
	\$	\$	\$	\$	\$	\$	\$	\$	
<b>Balance June 30, 2019</b>	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 and comprehensive income for the period	-	-	-	-	(360,297)	(360,297)	(255,428)	(615,725)	
Shares issued in payment of interest (Note 7)	175,920	50,000	-	-	-	50,000	-	50,000	
<b>Balance December 31, 2019</b>	18,229,315	9,323,978	649,593	1,284,000	6,396,663	17,654,234	26,644,464	44,298,698	
<b>Balance June 30, 2020</b>	18,830,815	9,387,978	649,593	1,284,000	6,396,663	17,505,015	26,445,940	43,950,955	
Net income (loss) and comprehensive (loss) for the period	-	-	-	-	(253,155)	(253,155)	(243,250)	(496,405)	
Shares issued in payment of interest (Note 7)	285,129	50,000	-	-	-	50,000	-	50,000	
<b>Balance December 31 2020</b>	19,115,944	9,437,978	649,593	1,284,000	6,143,508	17,301,860	26,202,690	43,504,550	

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

**Metalo Manufacturing Inc.**  
**Consolidated Statements of Cash Flows**  
For the three and six months ended December 31, 2020  
(Amounts presented in Canadian Dollars)



	Three months ended		Six months ended	
	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19
	\$	\$	\$	\$
<b>Cash flows generated from operating activities:</b>				
Net Income (Loss)	(263,708)	(327,612)	(496,405)	(615,725)
Items not involving cash:				
Depreciation	954	881	1,909	1,762
Government assistance benefit	(14,631)	-	(14,631)	-
Interest capitalized on term note and loans	137,199	124,388	269,629	245,912
Unrealized loss on investments	400	720	1,200	320
Interest paid by issuance of shares	25,000	25,000	50,000	50,000
Interest accretion	23,569	58,716	43,695	114,893
Deferred taxes recovery	(112,589)	(140,213)	(213,757)	(263,767)
Changes in non-cash operating working capital				
Other receivables	(7,421)	(11,540)	(5,989)	(21,369)
Prepaid and other deposits	-	(61,003)	-	(103,398)
Trade and other payables	89,102	162,502	20,310	188,388
	(122,125)	(168,161)	(344,037)	(402,984)
<b>Cash flow generated from financing activities:</b>				
Proceeds (repayments) of short term borrowings	50,000	-	50,000	575,000
Proceeds from long term debt	60,000	-	60,000	-
	110,000	-	110,000	575,000
Decrease in cash during the period	(12,483)	(168,161)	(234,037)	172,016
Cash, beginning of period	103,959	347,315	325,513	7,138
Cash, end of period	91,476	179,154	91,476	179,154

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

## NOTICE TO READER

Under National Instrument 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 condensed consolidated interim financial statements of Metalo Manufacturing Inc. (the “**Corporation**”) have been prepared by and are the responsibility of the Corporation’s management.

The Corporation’s independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity’s auditor.

The condensed consolidated interim financial statements, the notes thereto and other financial information contained in the management’s discussion and analysis are the responsibility of management of the Corporation and have been approved by the Board of Directors.

The condensed consolidated interim 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 a majority of 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”*

President and Chief Executive Officer

February 26, 2021



## 1. CORPORATE INFORMATION

Metalo Manufacturing Inc. (the “**Corporation**”) was incorporated on October 4, 2000 under the laws of Alberta. 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 Suite 2002, 145 Richmond St. W., Toronto, ON, M5H 2L2.

The Corporation owns 43.9% of Grand River Ironsands Incorporated (“**GRI**”), a company incorporated in Nova Scotia. GRI owns 90% of North Atlantic Iron Corporation (“**NAIC**”), a company incorporated in Newfoundland and Labrador and is engaged in the exploration and development of mineral deposits. GRI’s wholly owned subsidiary, Pure Fonte Ltée (“**PFL**”), is a company federally incorporated with its place of business in Quebec. PFL is expected to engage in nodular pig iron manufacturing. Forks Specialty Metals Inc. (“**FSM**”) was a wholly owned subsidiary of GRI, incorporated in Pennsylvania, which filed for bankruptcy under Chapter 7 of the United States Bankruptcy Code in the United States Bankruptcy Court, Eastern District of Pennsylvania

The consolidated interim 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 partially owned 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 \$91,476 (June 30, 2020 - \$325,513), and has a working capital deficiency of \$9,984,484 (June 30, 2020 - \$9,215,829). 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 interim 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.

On March 11, 2020, the World Health Organization declared a pandemic following the emergence and rapid spread of a novel strain of coronavirus (“**COVID-19**”). The continued spread of COVID-19 and the actions being taken by governments, businesses, and individuals may adversely impact the Corporation’s operations and its financial results. This has resulted in significant economic uncertainty, of which the potential impact on the Corporation’s future financial results is difficult to reliably measure.

## 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”) in effect for the period ended December 31, 2020. They do not include all financial information required for full annual financial statements and should be read in conjunction with the audited annual financial statements of the Corporation for the year ended June 30, 2020.

These unaudited interim condensed consolidated financial statements were authorized for issue by the Board of Directors on February 26, 2021.

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, GRI, NAIC, and PFL (see Note 3), as well FSM (see Note 15). All inter-company transactions and balances have been eliminated on consolidation.

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

The Corporation applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition dates. Acquisition related costs are expensed as incurred.

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



## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (d) Resource properties (continued)

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. As at the statements of financial position 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 re-measurement of monetary items at year-end exchange rates are recognized in the statement of loss and comprehensive loss.

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 part 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

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (l) Stock-based Payments (continued)

services received, and the corresponding increase in equity, indirectly, by reference to the fair 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 Corporation 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 Corporation 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 income (loss).

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

The Corporation’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:



2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Financial Instruments (continued)

(i) Financial Assets and Liabilities (continued)

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

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 Corporation 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).

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Corporation 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (m) Financial Instruments (continued)

#### (ii) Impairment of Financial Assets

At each reporting date, the Corporation 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 Corporation 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 loss and comprehensive loss.

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 Corporation

#### IFRS 16 "*Leases*"

IFRS 16 effective for annual periods beginning on or after January 1, 2019. IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is twelve months or less or the underlying asset has a low value. As a lessee, an entity recognizes a right-of-use asset representing its right-to-use the underlying asset and a lease liability representing its obligation to make lease payments.

Effective July 1, 2019, the Corporation adopted IFRS 16 using the modified retrospective transition method. As at the transition date, the Corporation had no leases in place and therefore, there was no impact to the financial statements.

### (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

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (o) Critical accounting estimates and judgments (continued)

other factors, including expectations of future events that are believed to be reasonable. Actual results may differ materially from these estimates.

#### *Control of subsidiaries*

The determination of control of subsidiaries involves significant judgment. *De facto* control exists in circumstances when an entity owns less than 50% voting rights in another entity but has control for reason other than voting rights or contractual and other statutory means. The consolidated financial statements include the results of GRI and its subsidiaries as management has determined that the Corporation has *de facto* control over GRI and its subsidiaries. The Corporation has the practical ability to direct the relevant activities of GRI and its subsidiaries. The Corporation directly owns 43.9% of GRI, with the remaining shareholders being widely dispersed, each holding less than 3%.

#### *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 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



## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (o) Critical accounting estimates and judgments (continued)

flows. Estimation uncertainty relates to assumptions about future operating results and the application of an appropriate discount rate.

#### *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, market prices for iron ore, 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. For the years





2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Earnings (Loss) Per Share

ended June 30, 2020 and 2019, all dilutive instruments are anti-dilutive. As a result, basic and diluted earnings are the same.

3. INVESTMENT IN SUBSIDIARY COMPANIES

In March, 2018, GRI, NAIC, PFL and Petmin Limited (“**Petmin**”) agreed to complete a restructuring transaction summarized as follows. Prior to the restructuring, Petmin Limited was a 40% shareholder of NAIC and it is now a 10% shareholder of NAIC. On February 13, 2019, GRI and Petmin agreed to release their option on each other’s projects.

During the year ended June 30, 2018, Petmin purchased from NAIC the rights to the use of the “Tenova Process” which was classified as an intangible asset. The agreement permits either party to construct a pig iron facility in specified locations, Ohio, USA 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. Following the transaction with Petmin, NAIC transferred 100% of its investment and ownership position in the proposed pig iron facility to PFL in consideration of reduction of a portion of its debt owing to GRI. NAIC retained 100% ownership of the mineral resources at Goose Bay, NL, with GRI holding 90% of its shares and Petmin holding a 10% dilutable ownership position in NAIC.

4. RESOURCE PROPERTIES

	December 31, 2019			
	Balance 30-Jun-19	Interest Accretion	Accretion Adjustment	Balance 31/Dec/19
	\$	\$	\$	\$
Labrador Mineral Sands	57,175,564	17,126		57,192,690

  

	December 31, 2020			
	Balance 30-Jun-20	Interest Accretion	Accretion Adjustment	Balance 31-Dec-20
	\$	\$	\$	\$
Labrador Mineral Sands	57,210,600	15,437	(71,852)	57,154,185

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 8).

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



**4. RESOURCE PROPERTIES (continued)**

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

**5. 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/Dec/20	31/Dec/19
	\$	\$
Balance beginning of period	1,462,322	1,462,322
Balance end of period	1,462,322	1,462,322

**6. PROPERTY AND EQUIPMENT**

	Computer equipment	Industrial equipment	Office equipment	Total
	\$	\$	\$	\$
<b>For the period ended December 31, 2020</b>				
Opening net book value	2,006	12,000	181	14,187
Depreciation	(387)	(1,500)	(22)	(1,909)
Net Book Value	1,619	10,500	159	12,278
<b>As at December 31, 2020</b>				
Cost	3,250	18,751	282	22,283
Accumulated depreciation	(1,631)	(8,251)	(123)	(10,005)
Net Book Value	1,619	10,500	159	12,278

## 7. SHORT TERM LIABILITIES

On August 25, 2016, as amended, 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 December 31, 2020 at an exercise price of \$0.01 per share. The repayment date in the original loan agreement has been extended to December 31, 2022 and the warrant expiry date is being negotiated. Including accrued interest, the balance outstanding at December 31, 2020 totaled \$324,221. The terms of an extension to the warrant are in negotiations.

On September 29, 2016, an amended, GRI borrowed \$250,000 from Forest Lane Holdings Limited (“FLH”), a Company controlled by a Director 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 December 30, 2020 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 and extension is currently in negotiations. Including accrued interest the balance outstanding at December 31, 2020 totaled \$2,977,409.

### Convertible debenture

The Corporation completed a non-brokered private placement of an unsecured convertible debenture for proceeds of \$2,000,000 on May 1, 2015 with FLH, as amended on May 1, 2020 and February 1, 2021 (collectively, the “**Amended Debenture**”). The Amended Debenture matured on November 1, 2020, but was extended to August 1, 2021. The material terms of the Amended Debenture remain unchanged and bears interest at a rate of 5% per annum payable quarterly and in previous years 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 \$0.80 per common share if exercised within 12 months of closing and will increase by \$0.05 per common share on the anniversary date each year thereafter until the maturity date.

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.

The Amended 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.



**7. SHORT TERM LIABILITIES (continued)**

On April 16, 2020, MMI received from a third party, a loan of \$1,000,000 bearing interest at 10% per annum payable monthly with interest payments of \$ 8,333. The loan agreement includes the issuance of 100,000 warrants (Note 10) with each warrant entitling the lender to acquire one common share of the Corporation at an exercise price of \$0.15 per share for a period of two years.

On August 31, 2017, GRI received from a related party, a loan of \$2,000,000 bearing interest at 12% per annum. This loan was previously reflected in short-term debt, however, subsequent to year end on September 1, 2020, a loan extension was signed extending the payment of principal, without penalty, to on or before August 31, 2022, 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 December 31, 2020 totaled \$2,642,807.

A related party also advanced two loans each in the amount of \$25,000 on October 28, 2020 and December 22, 2020 to NAIC. They bear an interest rate of 10% per annum accruing monthly with a one-year maturity date.

	31-Dec-20	30-Jun-20
	\$	\$
(i) Short term loan from unrelated party interest at 6% due December 31, 2020	324,221	314,611
(ii) Short term loan from unrelated party interest at 10% due April 16,2021	1,000,000	1,000,000
(iii) Short term loan from related party interest at 6% due on demand	2,977,409	2,889,158
(iv) Short term loan from a related party, interest at 10% due October 28, 2021	25,540	-
(v) Short term loan from a related party, interest at 10% due December 22, 2021	25,000	-
(vi) Convertible debenture		
Amount outstanding beginning of year	2,000,000	2,000,000
Accretion expense (Note 18)	-	-
Balance end of period	2,000,000	2,000,000
(vii) Short term Loan from related party interest at 12% due on August 31, 2020	2,642,807	2,488,835
Balance end of period	8,994,977	8,692,604

**8. 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, 2022 and repayments will commence in December 2022.



**Term loan**

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.

**CEBA loans**

On May 5, 2020, GRI received an interest-free loan of \$40,000 pursuant to the terms of the Canada Emergency Business Account (“CEBA”). This loan was created by the Federal Government to assist businesses during the COVID-19 pandemic. 25% of the loan is forgivable (up to \$10,000) if GRI repays the loan on or before December 31, 2022. If the loan is not repaid by that date, the loan can be converted to a three-year term loan bearing interest of 5% per annum. A government assistance benefit of \$12,122 was recognized during the prior year.

On December 22, 2020, GRI received a second interest-free loan of \$20,000 pursuant to CEBA. This loan is on top of the initial \$40,000 loan received. 50% of the loan is forgivable (up to \$10,000) if GRI repays the loan on or before December 31, 2022. If the loan is not repaid by that date, the loan can be converted to a three-year term loan bearing interest of 5% per annum. A government assistance benefit of \$4,877 was recognized during the quarter.

On December 22, 2020, MMI received an interest-free loan of \$40,000 pursuant to CEBA. 25% of the loan is forgivable (up to \$10,000) if MMI repays the loan on or before December 31, 2022. If the loan is not repaid by that date, the loan can be converted to a three-year term loan bearing interest of 5% per annum. A government assistance benefit of \$9,754 was recognized during the quarter.

	31-Dec-20	30-Jun-20
	\$	\$
<b>ACOA loan</b>		
Loan amount beginning of year	408,538	373,497
Accretion adjustment related to loan extension	(71,852)	-
Accretion capitalized to resource properties	15,435	35,039
Balance end of year	352,121	408,538
<b>Term loan</b>		
Principal amount discounted	565,233	463,537
Accretion expense	41,605	68,313
Accrued interest	17,471	33,383
Balance, end of year	624,309	565,233
<b>CEBA loans</b>		
Loan amount, beginning of year	28,226	27,878
Accrued interest	2,091	348
New Proceeds-net of government benefit	45,369	-
Balance, end of year	75,686	28,226
Total	1,052,116	1,001,993



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

	C\$
2021	-
2022	621,000
2023	100,000
Thereafter	500,000

## **9. 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.

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.

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 \$0.1158 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.

On May 1, 2020, the Corporation also entered into an amending agreement with FLH, to extend the term of the Debenture. The maturity date of the Debenture has been extended to November 1, 2020.



**9. SHARE CAPITAL (continued)**

As consideration for the extension to the Maturity Date, 200,000 common shares in the capital stock of the Corporation were issued at the market value as at April 30, 2020. (\$ 0.07 per share).

On August 4, 2020, the Corporation issued 127,660 common shares to FLH. This represents interest due August 1, 2020 in the aggregate amount of \$25,000 on the convertible debenture and was made at a deemed price of \$ 0.1958 per share, which is the volume-weighted trading price for the 20 trading days ended July 13, 2020. The securities are subject to a four-month hold period following the date of issuance.

On November 1, 2020, the Corporation issued 157,469 common shares to FLH. This represents interest due November 1, 2020 in the aggregate amount of \$ 25,000 on the convertible debenture and was made at a deemed price of \$ 0.1588 per share, which is the volume-weighted trading price for 20 trading days ended October 12, 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, 2019	18,053,395	\$ 9,273,978
Issued in payment of interest	777,420	114,000
Issued and outstanding June 30, 2020	18,830,815	\$ 9,387,978
Issued in payment of interest	285,129	50,000
Issued and outstanding December 31, 2020	19,115,944	\$ 9,437,978

**10. WARRANTS**

	Outstanding and exercisable as at December 31, 2020			
	Number #	Exercise price \$	Expiry date	Issuance date
GRI warrants (Note 7(i))	50,000	0.01	December 31, 2020	August 25, 2016
GRI warrants (Note 7 (iii))	50,000	0.01	December 31, 2020	September 29, 2016
MMI warrants (Note 7(ii))	100,000	0.15	April 16, 2022	April 16, 2020
	200,000	0.13		

**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



10. STOCK BASED COMPENSATION PLAN (continued)

the closing bid and asked prices thereof as reported for the day on which the option is granted. Options expire between one and ten years from the date of the grant. The Corporation has reserved 3,540,614 (2019 – 3,540,614) common shares pursuant to the stock option plan. There are 1,682,000 (2019 – 2,034,000) options to acquire common shares outstanding under the plan as at December 31, 2020. Any unexercised options that expire or are forfeited become available again for issuance under the plan.

No stock options were issued for the six-month period ended December 31, 2020.

Options Outstanding and Exercisable			
Number of options outstanding	Expiry Date	Exercise Price \$	Number of options exercisable
112,000	28-May-2022	0.65	112,000
350,000	30-Nov-2022	0.65	350,000
815,000	6-Dec-2023	0.85	815,000
405,000	8-Dec-2024	0.75	405,000
<b>1,682,000</b>		<b>0.77</b>	<b>1,682,000</b>

**GRI Stock Option Plan**

The 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- 598,000) options to acquire common shares outstanding under the plan as at December 30, 2020. Any unexercised options that expire or are forfeited become available again for issuance under the plan. There were no GRI stock options issued during the year.

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 -December 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





## 12. EXPENSES BY NATURE

	Three months ended		Six months ended	
	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19
Operating expenses	-	-	-	-
Utilities	4,008	1,873	6,225	2,010
Dues and fees	14,483	10,034	21,344	12,920
Feasibility Study	-	-	6,270	-
Foreign exchange gain	(5,345)	(1,964)	(8,945)	976
General and administrative	2,966	13,340	4,541	15,012
Insurance	-	583	-	1,458
Management and consulting fees	106,200	112,927	148,700	220,177
Professional fees	18,784	43,697	41,755	84,313
Rental	936	855	1,860	1,710
Travel	6,993	28,660	19,601	59,381
Salaries and wages	27,807	13,842	63,426	29,606
	176,832	223,847	304,777	427,563

## 13. RELATED PARTY TRANSACTIONS

In addition to the related party loans described in Notes 7 and 8, the Corporation has the following related party transactions. The compensation expense associated with key management, directors and employees for services is as follows:

	Three months ended		Six months ended	
	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19
	\$	\$	\$	\$
Management fees	79,700	95,250	118,700	198,000
Directors fees	2,100	9,450	5,600	9,450
Salaries and benefits	28,695	22,069	64,314	42,333
Operating expenses	110,495	126,769	188,614	249,783

The Corporation has issued shares in lieu of payment of interest on a related party loan as described in Note 7.

## 14. INCOME TAXES

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

	Three months ended		Six months ended	
	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19
	\$		\$	\$
Income (loss) before income taxes	(376,297)	(467,825)	(710,162)	(879,492)
Combined Federal and Provincial tax rate	31%	31%	31%	31%
Expected expense (recovery) at statutory rates	(116,652)	(145,026)	(220,150)	(272,643)
Subsidiary rate differential	4,063	4,813	6,393	8,876
Deferred tax recovery expense	(112,589)	(140,213)	(213,757)	(263,767)



Expiry of Non-Capital Losses	2020 \$
2028	22,819
2029	25,260
2030	22,113
2031	145,349
2032	110,470
2033	1,141,074
2034	2,169,465
2035	2,328,885
2036	7,090,725
2037	7,483,943
2038	1,581,843
2039	1,710,077
2040	1,312,419
	25,144,442

## 15. COMMITMENTS AND CONTINGENCIES

The Corporation was advised that on February 8, 2019, the trustee for the estate of Forks 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 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.

## 16. 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-Dec-20 \$	30-Jun-20 \$
Long term debt	1,052,116	1,001,993
Share capital	9,437,978	9,387,978
Equity component convertible debenture	649,593	649,593
Stock based payment reserve	1,284,000	1,284,000
Retained earnings	5,930,289	6,183,444
Non-controlling interest	26,202,690	26,445,940
	44,556,666	44,952,948

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.

## 17. 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.

### *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 8 for contracted payments of long-term debt. See note 1.

**17. FINANCIAL INSTRUMENTS (continued)**

**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.

**18. SUBSEQUENT EVENTS**

On January 1, 2021, GRI entered into an agreement with an unrelated party extending the maturity date of a \$250,000 loan to December 31, 2022.

On January 8, 2021, NAIC received an interest -free loan of \$40,000 pursuant to the terms of the Canada Emergency Business Account (“CEBA”). This loan was created by the federal government to assist businesses during the COVID-19 pandemic. On January 26, 2021, NAIC received an additional loan of \$20,000. 33.3% of the loan is forgivable (up to \$20,000) if NAIC repays the loan on or before December 31, 2022. If the loan is not repaid by that date, the loan can be converted to a three-year term loan bearing interest of 5% per annum.

On January 22, 2021, PFL received an interest-free loan of \$60,000 from the Canada Emergency Business Account. This loan was created by the federal government to assist businesses during the COVID-19 pandemic. 33.3% of the loan is forgivable (up to \$20,000) if GRI repays the loan on or before December 31, 2022. If the loan is not repaid by that date, the loan can be converted to a three-year term loan bearing interest of 5% per annum.

On January 26, 2021, MMI received an additional interest-free loan of \$20,000 pursuant to CEBA. 50% of the loan is forgivable (up to \$10,000) if MMI repays the loan on or before December 31, 2022. If the loan is not repaid by that date, the loan can be converted to a three-year term loan bearing interest of 5% per annum.

On February 1, 2021, the Corporation reached an agreement with FLH to extend the maturity date of its \$2,000,000 Convertible debenture to August 1, 2021.

On February 1, 2021, the Corporation issued 262,928 common shares to FLH. This represents interest due February 1, 2021 in the aggregate amount of \$25,000 on the convertible debenture and was made at a deemed price of \$0.0951 per share, which is the volume-weighted trading price for the 20 trading days ending January 4, 2021. The securities are subject to a four month hold period following the date of issuance.



## 19. SEGMENTED INFORMATION

As at December 31, 2020 the Corporation has two operating business segments;

1. 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. It is a majority owned subsidiary of GRI.
2. PFL, a federally incorporated private entity created under the *Canada Business Corporations Act* and registered extra-provincially in Quebec to be engaged in the production of pig iron.

	Corporate		NAIC		Pure Fonte		Consolidated	
	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue - intersegment	-	-	-	-	-	-	-	-
Operating expenses	(195,797)	(275,089)	(57,318)	(7,714)	(51,662)	(144,760)	(304,777)	(427,563)
Depreciation and Amortization	(532)	(440)	(1,377)	(1,322)	-	-	(1,909)	(1,762)
Interest and bank charges	(346,019)	(318,202)	(8,036)	(247)	(19,158)	(16,504)	(373,212)	(334,954)
Interest accretion	(2,090)	(83,048)	-	-	(41,605)	(31,845)	(43,695)	(114,893)
Unrealized gain on investments	(1,200)	(320)	-	-	-	-	(1,200)	(320)
Government assistance benefit	14,631	-	-	-	-	-	14,631	-
	(531,007)	(677,099)	(66,731)	(9,283)	(112,424)	(193,110)	(710,162)	(879,492)
Segment income (loss) before taxes	(531,007)	(677,099)	(66,731)	(9,283)	(112,424)	(193,110)	(710,162)	(879,492)
Total assets	3,373,793	3,557,870	53,896,863	53,896,863	1,466,491	1,566,011	58,737,147	59,020,744
Total liabilities	14,215,621	13,709,138	380,379	425,787	636,597	587,121	15,232,597	14,722,046

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")

### 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 December 31, 2020 was \$ nil. (2019 \$ nil)

	31/Dec/20	31/Dec/19
	\$	\$
Canada	58,737,147	59,020,744
United States of America	-	-
Total assets	58,737,147	59,020,744