Metalo Manufacturing Inc.

Consolidated Financial Statements

For the year ended June 30, 2021

(expressed in Canadian dollars)

Management's Responsibility for Financial Reporting

The consolidated financial statements are the responsibility of management of Metalo Manufacturing Inc. (the Corporation) and have been approved by the Board of Directors.

The 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 ensure that the Corporation's assets are appropriately accounted for and adequately safeguarded, and that the 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 consolidated financial statements. 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 consolidated financial statements and reports its findings to the Board of Directors for its consideration when approving the consolidated financial statements for issuance to the shareholders.

"Francis H. MacKenzie"

Francis H. MacKenzie
President and Chief Executive Officer

December 1, 2021

Independent auditor's report

To the Shareholders of Metalo Manufacturing Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Metalo Manufacturing Inc. and its subsidiaries (together, the Corporation) as at June 30, 2021 and 2020 and July 1, 2019, and its financial performance and its cash flows for the years ended June 30, 2021 and 2020 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited
The Corporation's consolidated financial statements comprise:

- the consolidated statements of financial position as at June 30, 2021 and 2020 and July 1, 2019;
- the consolidated statements of loss and comprehensive loss for the years ended June 30, 2021 and 2020;
- the consolidated statements of changes in equity (deficiency) for the years ended June 30, 2021 and 2020;
- the consolidated statements of cash flows for the years ended June 30, 2021 and 2020; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

PricewaterhouseCoopers LLP
Cogswell Tower, 2000 Barrington Street, Suite 1101, Halifax, Nova Scotia, Canada B3J 3K1
T: +1 902 491 7400, F: +1 902 422 1166

Material uncertainty related to going concern

We draw attention to Note 1 in the consolidated financial statements, which describes events or conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Corporation's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

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

Auditor’s responsibilities for the audit of the consolidated financial statements

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

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

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

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

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

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

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Halifax, Nova Scotia
December 1, 2021

Metalo Manufacturing Inc.
Consolidated Statements of Financial Position
As at June 30, 2021 and 2020 and July 1, 2019
(Amounts presented in Canadian dollars)

	June 30, 2021 $	June 30, 2020 $ (Adjusted – note 3)	July 1, 2019 $ (Adjusted – note 3)
Assets			
Current assets			
Cash	47,705	325,513	7,138
Other receivables	4,842	9,297	15,241
Prepaids and deposits	-	-	29,031
Investments	806	2,800	2,800
	53,353	337,610	54,210
Non-current assets			
Project development costs (note 4)	1,462,322	1,462,322	1,462,322
Property and equipment (note 5)	10,368	14,187	16,821
	1,472,690	1,476,509	1,479,143
	1,526,043	1,814,119	1,533,353
Liabilities and Shareholders' Deficiency			
Current liabilities			
Trade and other payables	961,822	860,835	922,540
Short-term loans (note 6)	6,812,819	8,692,604	4,892,256
	7,774,641	9,553,439	5,814,796
Non-current liabilities			
Long-term debt (note 7)	3,671,246	1,001,993	3,045,388
	11,445,887	10,555,432	8,860,184
Shareholders' Deficiency			
Share capital (note 8)	9,487,978	9,387,978	9,273,978
Equity component of convertible debenture	649,593	649,593	649,593
Stock-based payment reserve	1,284,000	1,284,000	1,284,000
Deficit	(15,240,205)	(14,635,271)	(13,863,804)
Deficiency attributable to shareholders	(3,818,634)	(3,313,700)	(2,656,233)
Non-controlling interests	(6,101,210)	(5,427,613)	(4,670,598)
	(9,919,844)	(8,741,313)	(7,326,831)
	1,526,043	1,814,119	1,533,353

Nature of operations and going concern (note 1)
Commitments and contingencies (note 14)
Subsequent events (note 17)

Approved on behalf of the Board

David J. Hennigar

Francis H. MacKenzie

December 1, 2021

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

Metalo Manufacturing Inc.
Consolidated Statements of Loss and Comprehensive Loss
For the years ended June 30, 2021 and 2020
(Amounts presented in Canadian dollars)

	2021 $	2020 $ (Adjusted – note 3)
Expenses		
Operating expenses (note 11)	528,666	481,102
Depreciation (note 5)	3,819	3,606
Interest and bank charges	756,096	827,056
Interest accretion	275,170	228,840
Government assistance benefit (note 7)	(47,536)	(12,122)
Gain on modification of debt instruments (note 7)	(239,352)	-
Realized loss on investments	1,021	-
Unrealized loss on investments	647	-
Net loss and comprehensive loss for the year	1,278,531	1,528,482
Net loss and comprehensive loss attributable to:		
Shareholders of the Corporation	604,934	771,467
Non-controlling interest	673,597	757,015
	1,278,531	1,528,482
Basic and diluted loss per share	($0.03)	($0.04)
Weighted average number of shares outstanding	19,043,155	18,349,944

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

Metalo Manufacturing Inc.

Consolidated Statements of Changes in Equity (Deficiency)

For the years ended June 30, 2021 and 2020

(Amounts presented in Canadian dollars)

	Number of shares issued	Share capital $	Equity component of convertible debenture $	Stock-based payment reserve $	Retained earnings (deficit) $	Total shareholders' equity (deficiency) $	Non-controlling interests $	Total equity (deficiency) $
Balance, July 1, 2019 (as originally stated)	18,053,395	9,273,978	649,593	1,284,000	6,756,960	17,964,531	26,899,892	44,864,423
Cumulative effect of change in accounting policy for resource properties (note 3)	-	-	-	-	(20,620,764)	(20,620,764)	(31,570,490)	(52,191,254)
Balance, July 1, 2019 (adjusted)	18,053,395	9,273,978	649,593	1,284,000	(13,863,804)	(2,656,233)	(4,670,598)	(7,326,831)
Net loss and comprehensive loss for the year (note 3)	-	-	-	-	(771,467)	(771,467)	(757,015)	(1,528,482)
Shares issued for convertible debt term extension (note 6)	200,000	14,000	-	-	-	14,000	-	14,000
Shares issued in payment of interest (note 8)	577,420	100,000	-	-	-	100,000	-	100,000
Balance, June 30, 2020	18,830,815	9,387,978	649,593	1,284,000	(14,635,271)	(3,313,700)	(5,427,613)	(8,741,313)
Net loss and comprehensive loss for the year	-	-	-	-	(604,934)	(604,934)	(673,597)	(1,278,531)
Share issued in payment of interest (note 8)	693,211	100,000	-	-	-	100,000	-	100,000
Balance, June 30, 2021	19,524,026	9,487,978	649,593	1,284,000	(15,240,205)	(3,818,634)	(6,101,210)	(9,919,844)

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

Metalo Manufacturing Inc.
Consolidated Statements of Cash Flows
For the years ended June 30, 2021 and 2020
(Amounts presented in Canadian dollars)

	2021 $	2020 $ (Adjusted – note 3)
Cash provided by (used)		
Net loss for the year	(1,278,531)	(1,528,482)
Items not involving cash:		
Depreciation	3,819	3,606
Gain on modification of debt instruments	(239,352)	-
Interest capitalized on short-term loans and long-term debt	551,186	582,540
Realized loss on investments	1,021	-
Unrealized loss on investments	647	-
Interest paid by issuance of shares	100,000	114,000
Interest accretion	275,170	228,840
Government assistance benefit	(47,536)	(12,122)
	(633,576)	(611,618)
Changes in non-cash operating working capital		
Other receivables	4,455	5,944
Prepaids and other deposits	-	29,031
Trade and other payables	100,987	(61,705)
	(528,134)	(638,348)
Financing activities		
Proceeds from sale of investments	326	-
Repayments of short-term loans	-	(657,305)
Proceeds from short-term and long-term debt	250,000	1,615,000
	250,326	957,695
Investing activities		
Purchase of property and equipment	-	(972)
Change in cash during the year	(277,808)	318,375
Cash – Beginning of year	325,513	7,138
Cash – End of year	47,705	325,513

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

1 Nature of operations and going concern

Metalo Manufacturing Inc. (the Corporation or MMI) 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 Labrador Sands Inc. (previously North Atlantic Iron Corporation, which changed its name on June 11, 2021) (LSI), a company incorporated in Newfoundland and Labrador, 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 in December 2017 under Chapter 7 of the United States Bankruptcy Code in the United States Bankruptcy Court, Eastern District of Pennsylvania.

The 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 has cash on hand of $47,705 (June 30, 2020 – $325,513) and has a working capital deficiency of $7,721,288 (June 30, 2020 – $9,215,829). The Corporation has had recurring negative cash flows from operations and will require additional financing to fund its pig iron project and exploration of mineral deposits. These uncertainties cast significant doubt upon the Corporation's ability to continue as a going concern. Subsequent to year-end, the Corporation raised debt financing of $575,000. The Corporation is also in negotiations to extend the maturity date of certain of its short-term loans which matured subsequent to June 30, 2021, totaling $3,746,413. 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 consolidated statement of financial position 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 Summary of significant accounting policies

a) Basis of presentation and statement of compliance

The consolidated financial statements are prepared on the historical cost basis except for certain financial assets that are measured at fair value.

The 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.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and were approved and authorized for issuance by the Board of Directors on December 1, 2021.

b) Basis of consolidation

These financial statements include the accounts of the Corporation, GRI, LSI, and PFL, as well as FSM (note 14). 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

During the year, the Corporation voluntarily changed its accounting policy relating to its resource properties (note 3).

Following the change in accounting policy, exploration and evaluation expenditures relating to the acquisition of rights to explore, geological studies, exploratory drilling and other activities in relation to evaluating the technical feasibility and commercial viability of extracting a mineral resource are recognized as incurred in the consolidated statement of loss and comprehensive loss. Once technical feasibility and commercial viability has been reached, subsequent exploration costs will be capitalized to the consolidated statement of financial position.

e) Intangible assets

Intangible assets comprise 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 obligations

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 are 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 equipment	30%
Office equipment	20%
Industrial equipment	20%

h) Impairment of non-financial assets

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 shares 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 consolidated statement 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 measurement of monetary items at year end exchange rates are recognized in the consolidated 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.

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 consolidated statement of financial position 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 consolidated statement of loss and comprehensive loss 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 compensation

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 assume 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 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:

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 statement 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 $806 (2020 – $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.

ii) Impairment of financial assets

At each reporting date, the Corporation assesses, on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

n) Provisions

A provision is recognized in the consolidated statement of financial position 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.

o) Loss per share

Basic earnings per share amounts are calculated by dividing net income (loss) 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 income (loss) 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 ended June 30, 2021 and 2020, all dilutive instruments are anti-dilutive. As a result, basic and diluted earnings are the same.

p) Amendments to accounting standards not yet adopted by the Corporation

The IASB issued the following standards that have not been applied in preparing these consolidated financial statements as their effective dates fall within periods beginning subsequent to the current reporting period. The Corporation is currently assessing the financial impact of these amendments.

On January 23, 2020, the IASB issued an amendment to IAS 1 - Presentation of Financial Statements providing a more general approach to the classification of liabilities. The amendment clarifies that the classification of liabilities as current or non-current depends on the rights existing at the end of the reporting period as opposed to the expectations of exercising the right for settlement of the liability. The amendments further clarify that settlement refers to the transfer of cash, equity instruments, other assets, or services to the counterparty. The amendments are effective for annual periods beginning on or after January 1, 2023 and are to be applied retrospectively, with early adoption permitted.

The IASB has published 'Property, Plant and Equipment - Proceeds before Intended Use (Amendments to IAS 16)' regarding proceeds from selling items produced while bringing an asset into the location and condition necessary for it to be capable of operating in the manner intended by management. The amendments are effective for annual periods beginning on or after January 1, 2022.

q) 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.

i) 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%.

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

iii) 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.

3 Change in accounting policy

The Corporation has historically capitalized all expenses relating to exploration and evaluation activities under IFRS 6 – Exploration and evaluation of mineral resources. During the year ended June 30, 2021, the Company voluntarily changed its accounting policy regarding exploration and evaluation expenditures. The new accounting policy indicates that all such expenditures will be recognized as incurred in the consolidated statement of loss and comprehensive loss.

The Corporation has determined that this voluntary change in accounting policy will provide more relevant consolidated financial statements while bringing the Corporation in line with its peers with a similar accounting approach. Under IAS 8 – *Accounting policies, changes in accounting estimates and errors*, the change in accounting policy was applied retrospectively and the comparable information was adjusted for all periods presented, as if the policy had always been in place.

The following table outlines the impact of the change in accounting policy for the financial statements line item adjusted on the consolidated statements of financial position, loss and comprehensive loss and cash flows:

Consolidated statement of financial position

	As at July 1, 2019		
	As previously stated $	**Adjustment $**	**Adjusted $**
Assets			
Resource properties	57,175,474	(57,175,474)	-
Total assets	58,708,917	(57,175,474)	1,533,443
Liabilities			
Deferred taxes	4,984,310	(4,984,310)	-
Total liabilities	13,844,494	(4,984,310	8,860,184
Shareholders' equity (deficiency)			
Retained earnings (deficit)	6,756,960	(20,620,764)	(13,863,804)
Non-controlling interest	26,899,892	(31,570,490)	(4,670,598)
Total equity (deficiency)	44,864,423	(52,191,254)	(7,326,831)

	As at June 30, 2020		
	As previously stated $	**Adjustment $**	**Adjusted $**
Assets			
Resource properties	57,210,600	(57,210,600)	-
Total assets	59,024,719	(57,210,600)	1,814,119
Liabilities			
Deferred taxes	4,518,332	(4,518,332)	-
Total liabilities	15,073,764	(4,518,332)	10,555,432
Shareholders' equity (deficiency)			
Retained earnings	6,183,444	(20,818,715)	(14,635,271)
Non-controlling interest	26,445,940	(31,873,553)	(5,427,613)
Total equity (deficiency)	43,950,955	(52,692,268)	(8,741,313)

Consolidated statement of loss and comprehensive loss

	For the year ended June 30, 2020		
	As previously stated $	**Adjustment $**	**Adjusted $**
Interest accretion	193,804	35,036	228,840
Net loss before taxes	1,493,446	35,036	1,528,482
Income tax recovery	(465,978)	465,978	-
Net loss and comprehensive loss	1,027,468	501,014	1,528,482
Basic and diluted loss per share	0.03	0.01	0.04

The financial statements line items impacted by the change in accounting policy on the consolidated statement of cash flows were all within operating activities and therefore, there were no cumulative impact to the cash outflows from operating activities.

Labrador mineral sands

The Labrador mineral sands relate to licenses held by LSI, which include land on the north side of the Churchill River and to the west of Happy Valley-Goose Bay. Commencing in 2015, LSI 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, LSI made the decision to abandon further evaluation of the iron ore with the objective to pursue the accessory minerals only. LSI 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.

4 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:

	2021 $	**2020 $**
Balance – Beginning and end of year	1,462,322	1,462,322

5 Property and equipment

	Computer equipment $	Industrial equipment $	Office equipment $	Total $
For the year ended June 30, 2021				
Opening net book value	2,006	12,000	181	14,187
Depreciation	(774)	(3,001)	(44)	(3,819)
Net book value	1,232	8,999	137	10,368
As at June 30, 2021				
Cost	3,250	18,751	282	22,283
Accumulated depreciation	(2,018)	(9,752)	(145)	(11,915)
Net book value	1,232	8,999	137	10,368

6 Short-term loans

The loan balances in the following table include interest accrued.

	2021 $	2020 $
Term loan from a third party at 6% interest rate, due December 31, 2022 (note 7 (i))	-	314,611
Short-term loan from a third party at 10% interest rate, due October 16, 2021 (i)	1,000,000	1,000,000
Short-term loan from related party at 6% interest rate, due on demand (ii)	3,067,667	2,889,158
Short-term loan from a related party at 10% interest rate, due October 28, 2021 (iii)	26,779	-
Short-term loan from related party at 10% interest, due December 22, 2021 (iv)	26,239	-
Convertible term loan from a third party at 5% interest rate, due on July 5, 2021 (v)	719,634	-
Term loan form a related part at 10% interest rate, due on August 31, 2022 (note 7 (ii))	-	2,488,835
Convertible debentures (vi)	1,972,500	2,000,000
	6,812,819	8,692,604

(i) 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 9) 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. During the year ended June 30, 2021, the loan maturity date was extended from April 16, 2021 to October 16, 2021. In consideration for the extension, the Corporation issued 50,000 share purchase warrants to the lender entitling the holder to purchase one common share, for each warrant, of the Corporation at an exercise price of $0.15 for a period of two years. The Corporation is currently in negotiation with the lender to further extend the maturity date of this loan.

(ii) On September 29, 2016, 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 (note 9) exercisable on or before 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 subsequently 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, 2022. Including accrued interest, the balance outstanding as at June 30, 2021 totaled $3,067,667.

(iii) On October 28, 2020, LSI received from a related party a one-year term loan of $25,000 bearing interest at 10% per annum, with interest accruing monthly. Including accrued interest, the balance outstanding at June 30, 2021 totaled $26,779. The Corporation is currently in negotiation with the lender to further extend the maturity date of this loan.

(iv) On December 22, 2020, LSI received from a related party a one-year term loan of $25,000 bearing interest at 10% per annum, with interest accruing monthly. Including accrued interest, the balance outstanding at June 30, 2021 totaled $26,239.

(v) 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, it is subject to a 15% penalty. The value of the loan has been discounted using an effective interest rate of 20% which was in-line with the Corporation cost of borrowing at the time the loan was issued. The Corporation is currently in negotiation with the lender to further extend the maturity date of this loan.

(vi) 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. During the year, the debenture maturity date was extended from November 1, 2020 to August 31, 2021 and bears interest at 5% per annum payable quarterly (the Amended Debenture). The Amended Debenture is convertible at $1.00 per common share, at the option of the holder, into common shares of the Corporation on or prior to 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 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 Corporation at the time the Amended 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 Amended Debenture. The Corporation is currently in negotiation with the lender to further extend the maturity date of this loan.

7 Long-term debt

	2021 $	2020 $
Term loan from a third party at 6% interest rate, due December 31, 2022 (i)	334,988	-
Term loan from a related party at 12% interest rate, due August 31, 2022 (ii)	2,804,022	-
Convertible term loan from a third party at 5% interest rate, due July 5, 2021 (note 6 (v))	-	565,233
ACOA loan (iii)	337,267	408,536
CEBA loans (iv)	194,969	28,224
	3,671,246	1,001,993

(i) On August 25, 2016, GRI borrowed $250,000 from a third party for 90 days with interest at 6% per annum, accruing monthly, plus 50,000 common share purchase warrants (note 9) 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, 2022 and the warrant expiry date has been extended to December 31, 2022. Including accrued interest, the balance outstanding as at June 30, 2021 totaled $334,988.

(ii) On August 31, 2017, GRI received from a related party, a loan of $2,000,000, bearing interest at 12% per annum. 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. During the year ended June 30, 2021, a loan extension was signed extending the payment of principal, without penalty, to on or before August 31, 2022. Including accrued interest, the balance outstanding as at June 30, 2021, totaled $2,804,022.

(iii) In fiscal 2012, LSI 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, 2023 and repayments will commence in December 31, 2023.

(iv) 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. 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 year.

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 year.

On January 26, 2021, MMI received a second 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. A government assistance benefit of $4,701 was recognized during the year.

On January 8, 2021, LSI received an interest-free loan of $40,000 pursuant to CEBA. Also, on January 26, 2021, LSI received a second interest-free loan of $20,000 pursuant to CEBA. A third of the loans are forgivable (up to $20,000) if LSI repays the loans on or before December 31, 2022. If the loans are not repaid by that date, the loans can be converted to a three-year term loan bearing interest of 5% per annum. A government assistance benefit of $14,102 was recognized during the year.

On January 22, 2021, PFL received a combined interest-free loan of $60,000 pursuant to CEBA. The loan is forgivable (up to $20,000) if PFL repays the loan on or before December 31, 2022. If the loan is not repaid by that date, the combined loan can be converted to a three-year term loan bearing interest of 5% per annum. A government assistance benefit of $14,102 was recognized during the year.

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

	$
2022	-
2023	3,379,010
Thereafter	500,000

8 Share capital

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 Amended 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 Amended 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.

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 ended 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 the Amended 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.

On May 1, 2020, the Corporation issued 200,000 common shares to FLH. This represents consideration paid for a maturity date extension and was made at a deemed price of $0.07 per share representing the market value as at April 30, 2020.

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 Amended 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.

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 Amended 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.

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 Amended Debenture and was made at a deemed price of $0.0951 per share, which is the volume-weighted trading price for 20 trading days ended January 11, 2021. The securities are subject to a four-month hold period following the date of issuance.

On May 3, 2021, the Corporation issued 145,154 common shares to FLH. This represents interest due May 1, 2021 in the aggregate amount of $25,000 on the Amended Debenture and was made at a deemed price of $0.17 per share, which is the volume-weighted trading price for 20 trading days ended April 5, 2021. 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	693,211	100,000
Issued and outstanding, June 30, 2021	19,524,026	9,487,978

9 Warrants

The following is a summary of the warrants outstanding of MMI as at June 30, 2021:

	Outstanding and exercisable as at June 30, 2021			
	Number #	**Exercise price** $	**Expiry date**	**Issuance date** $
MMI warrants (note 7 (i))	100,000	0.15	April 16, 2022	April 16, 2020
MMI warrants (note 7(i))	50,000	0.15	April 16, 2023	April 16, 2021
	150,000			

As at June 30, 2021, there are 100,000 warrants of GRI outstanding (notes 6 (ii) and 7 (i)). The warrants have an exercise price of $0.01 and expire on December 31, 2022.

10 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 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 (2020 – 3,450,203) common shares pursuant to the stock option plan. There are 1,682,000 (2020 – 2,034,000) options to acquire common shares outstanding under the plan as at June 30, 2021. Any unexercised options that expire or are forfeited become available again for issuance under the plan.

No stock options were exercised, forfeited or expired for the year ended June 30, 2021.

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
1,682,000		0.77	1,682,000

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 and expire five years from the date of the grant.

GRI has reserved 2,376,933 (2020 – 2,376,933) common shares pursuant to the stock option plan. There are Nil (2020 – 150,000) options to acquire common shares outstanding under the plan as at June 30, 2021. The 150,000 options issued on May 27, 2016 expired on May 27, 2021. There were no additional GRI stock options issued during the year.

Continuity of stock options issued and outstanding

	June 30, 2021		June 30, 2020	
	Number of stock options #	Weighted average exercise price $	Number of options exercisable $	Weighted average exercise price $
Beginning balance	150,000	2.50	598,000	2.50
Expired	(150,000)	2.50	(448,000)	2.50
Ending balance	-	-	150,000	2.50

11 Expenses by nature

	2021 $	2020 $
Operating expenses		
Utilities	6,676	7,005
Dues and fees	29,635	21,526
Feasibility study	6,270	-
Foreign exchange (gain) loss	(13,309)	7,950
General and administrative	7,912	21,159
Insurance	-	1,458
Management and consulting fees	235,450	145,408
Professional fees	114,562	141,159
Rental	3,796	3,878
Travel	22,399	82,761
Salaries and wages	115,275	48,798
	528,666	481,102

12 Related party transactions

In addition to the related party loans described in notes 6 and 7, the Corporation has the following related party transactions. The compensation expense associated with key management, directors and employees for services is as follows:

	2021 $	2020 $
Management fees	213,600	224,511
Consulting fees	30,000	12,600
Directors' fees	10,150	14,000
Salaries and benefits	115,275	48,798
Operating expenses	369,025	299,909

The Corporation has issued shares in lieu of payment of interest on a related party loan as described in note 6.

13 Income taxes

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

	2021 $	2020 $ (Adjusted – note 3)
Loss before income taxes	(1,278,531)	(1,528,482)
Combined federal and provincial tax rate	31%	31%
Expected recovery at statutory rates	(396,344)	(473,829)
Subsidiaries rate differential	1,448	(577)
Non-deductible expenses	1,311	164
Unrecognized tax assets	393,585	474,242
Deferred tax recovery	-	-

The following deductible temporary differences and non-capital losses, tax effected, have not been recognized:

	2021 $	2020 $
Non-capital losses	6,973,077	6,590,685
Investments	1,782	1,289
Property and equipment	1,087	577
Short-term loans and long-term debt	26,395	42,218
	7,002,341	6,634,769

The Corporation has non-capital losses of approximately $25.3 million to be carried forward and applied against future taxable income. The non-capital losses start to expire in 2028.

14 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 (now LSI) 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 their position. Several motions have been filed and the matter is ongoing.

15 Management of capital

The Corporation defines capital that it manages as the aggregate of its long-term debt and shareholders' equity attributable to the Corporation. 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 (note 1).

	2021 $	2020 $
Long-term debt	3,671,246	1,001,993
Share capital	9,487,978	9,387,978
Equity component of debentures	649,593	649,593
Stock-based payment reserve	1,284,000	1,284,000
Deficit	(15,240,205)	(14,635,271)
	(147,388)	(2,311,707)

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, 2020.

16 Financial instruments

The carrying amounts reported on the consolidated financial statements for cash, amounts 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 institutions and in reliable trust accounts 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 7 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.

17 Subsequent events

On August 2, 2021, the Corporation issued 163,342 common shares to FLH. This represents interest due August 1, 2021 in the aggregate amount of $25,000 on the Amended Debenture and was made at a deemed price of $0.1531 per share, which is the volume-weighted trading price for the 20 trading days ending July 12, 2021. The securities are subject to a four-month hold period following the date of issuance.

On August 5, 2021, LSI received from a related party a one-year term loan of $20,000 bearing interest at 10% per annum, with interest accruing monthly.

On August 30, 2021, LSI received from a related party a one-year term loan of $25,000 bearing interest at 10% per annum, with interest accruing monthly.

On October 1, 2021, LSI received from a related party a one-year term loan of $30,000 bearing interest at 10% per annum, with interest accruing monthly.

On October 28, 2021, GRI received from an unrelated party a one-year term loan of $100,000 bearing interest at 8% per annum, with interest payable monthly. In addition, warrants to purchase 50,000 common shares of GRI were granted at an exercise price of $2.00 per share with an expiry date of October 28, 2023.

On November 2, 2021, the Corporation issued 57,508 common shares to FLH. This represents interest due November 1, 2021 in the aggregate amount of $25,000 on a convertible debenture and was made at a deemed price of $0.437 per share, which is the volume-weighted trading price for the 20 trading days ending October 8, 2021. The securities are subject to a four-month hold period following the date of issuance.

On November 2, 2021, the Corporation completed a non-brokered private placement of a convertible debenture for proceeds of up to $400,000, $200,000 of which was advanced immediately with an unrelated party. The convertible debenture bears interest at a rate of 12% per annum and matures on November 1, 2022. In addition, warrants to purchase 40,000 common shares of the Issuer were granted at an exercise price of $0.55 per share with an expiry date of November 2, 2023.

18 Segmented information

As at June 30, 2021, the Corporation has two operating business segments:

1. LSI, 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 is 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		LS		PFL		Total	
	2021 $	2020 $	2021 $	2020 $ (note 3)	2021 $	2020 $	2021 $	2020 $ (note 3)
Operating expenses	(405,631)	(394,083)	(62,498)	(24,941)	(60,737)	(62,078)	(528,666)	(481,102)
Depreciation	(1,064)	(926)	(2,755)	(2,680)	-	-	(3,819)	(3,606)
Interest and bank charges	(702,031)	(692,721)	(17,285)	(824)	(36,780)	(133,511)	(756,096)	(827,056)
Interest accretion	(118,539)	(125,491)	(34,456)	(35,036)	(122,175)	(68,313)	(275,170)	(228,840)
Gain on debt modifications	130,000	-	109,352	-	-	-	239,352	-
Loss on investments	(1,668)	-	-	-	-	-	(1,668)	-
Government assistance benefit	19,332	12,122	14,102	-	14,102	-	47,536	12,122
Segment income (loss) before taxes	(1,079,401)	(1,201,099)	6,460	(63,481)	(205,590)	(263,902)	(1,278,531)	(1,528,482)

The Corporation's Board of Directors will evaluate in due course 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).