Metalo Manufacturing Inc.

Consolidated Financial Statements
June 30, 2022 and 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 Company) 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 that reflect management’s best estimates and judgments based on current available information. The Company maintains systems of internal accounting and administrative controls in order to ensure that the Company’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 fulfills 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

October 27, 2022

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 Company) as at June 30, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at June 30, 2022 and 2021;
- the consolidated statements of loss and comprehensive loss for the years then ended;
- the consolidated statements of changes in equity (deficiency) for the years then ended;
- the consolidated statements of cash flows for the years then ended; 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 Company 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.

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 Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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 Company'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 Company'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 Company 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 Company 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
October 27, 2022

Metalo Manufacturing Inc.

Consolidated Statements of Financial Position

As at June 30, 2022 and 2021

(expressed in Canadian dollars)

	2022 $	2021 $
Assets		
Current assets		
Cash	56,874	47,705
Other receivables	19,177	4,842
Investments	-	806
	76,051	53,353
Project development costs (note 3)	1,462,322	1,462,322
Property and equipment (note 4)	6,549	10,368
	1,544,922	1,526,043
Liabilities and Shareholders' Deficiency		
Current liabilities		
Accounts payable and accrued liabilities	1,038,282	961,822
Short-term loans (note 5)	9,228,303	6,812,819
	10,266,585	7,774,641
Long-term debt (note 6)	1,995,326	3,671,246
	12,261,911	11,445,887
Shareholders' deficiency		
Share capital (note 7)	9,587,978	9,487,978
Equity component of convertible debentures	31,500	649,593
Contributed surplus	2,428,593	1,284,000
Deficit	(16,229,637)	(15,240,205)
Deficiency attributable to shareholders	(4,181,566)	(3,818,634)
Non-controlling interests	(6,535,423)	(6,101,210)
	(10,716,989)	(9,919,844)
	1,544,922	1,526,043

Nature of operations and going concern (note 1)

Commitments and contingencies (note 13)

Subsequent events (note 16)

Approved on Behalf of the Board

David J. Hennigar, Director

Francis H. MacKenzie, Director

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

Metalo Manufacturing Inc.

Consolidated Statements of Loss and Comprehensive Loss

For the years ended June 30, 2022 and 2021

(expressed in Canadian dollars)

	2022 $	2021 $
Expenses		
Operating expenses (note 10)	552,019	528,666
Depreciation (note 4)	3,819	3,819
Interest and bank charges	857,274	756,096
Interest accretion	99,897	275,170
Government assistance benefit (note 6(iii))	(57,525)	(47,536)
Gain on modification of debt instruments (note 6(i))	(32,000)	(239,352)
Realized loss on investments	161	1,021
Unrealized loss on investments	-	647
Net loss and comprehensive loss for the year	1,423,645	1,278,531
Net loss and comprehensive loss attributable to:		
Shareholders of the Company	989,432	604,934
Non-controlling interest	434,213	673,597
	1,423,645	1,278,531
Basic and diluted loss per share	(0.05)	(0.03)
Weighted average number of shares outstanding	19,769,025	19,043,155

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

Metalo Manufacturing Inc.

Consolidated Statements of Changes in Equity (Deficiency)

For the years ended June 30, 2022 and 2021

(expressed in Canadian dollars)

	Number of shares issued	Share capital $	Equity component of convertible debentures $	Contributed surplus $	Deficit $	Total shareholders' equity (deficiency) $	Non-controlling interests $	Total equity (deficiency) $
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)
Shares issued in payment of interest (note 7)	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)
Net loss and comprehensive loss for the year	-	-	-	-	(989,432)	(989,432)	(434,213)	(1,423,645)
Settlement of convertible debentures (note 6)	-	-	(649,593)	649,593	-	-	-	-
Equity component of convertible debentures (note 5(vii))	-	-	26,500	-	-	26,500	-	26,500
Equity component and discount on initial recognition of convertible debentures (note 6(ii))	-	-	5,000	495,000	-	500,000	-	500,000
Shares issued in payment of interest (note 7)	526,400	100,000	-	-	-	100,000	-	100,000
Balance – June 30, 2022	20,050,426	9,587,978	31,500	2,428,593	(16,229,637)	(4,181,566)	(6,535,423)	(10,716,989)

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

Metalo Manufacturing Inc.

Consolidated Statements of Cash Flows

For the years ended June 30, 2022 and 2021

(expressed in Canadian dollars)

	2022 $	2021 $
Cash provided by (used in)		
Operating activities		
Net loss for the year	(1,423,645)	(1,278,531)
Items not involving cash		
Depreciation	3,819	3,819
Gain on modification of debt instruments	(32,000)	(239,352)
Interest capitalized on short-term loans and long-term debt	621,337	551,186
Realized loss on investments	161	1,021
Unrealized loss on investments	-	647
Interest paid by issuance of shares	100,000	100,000
Interest accretion	99,897	275,170
Government assistance benefit	(57,525)	(47,536)
	(687,956)	(633,576)
Changes in non-cash operating working capital		
Other receivables	(14,335)	4,455
Accounts payable and accrued liabilities	76,460	100,987
	(625,831)	(528,134)
Financing activities		
Proceeds from sale of investments	-	326
Proceeds from short-term and long-term debt	635,000	250,000
	635,000	250,326
Change in cash during the year	9,169	(277,808)
Cash – Beginning of year	47,705	325,513
Cash – End of year	56,874	47,705

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

(expressed in Canadian dollars)

1 Nature of operations and going concern

Metalo Manufacturing Inc. (the Company or MMI) was incorporated on October 4, 2000 under the laws of Alberta. Through its subsidiaries, it is involved in the mining and exploration sector and the manufacturing sector. The Company's Head Office is located at 120 Adelaide Street West, Suite 2500, Unit 112, Toronto, ON, M5H 1T1.

The Company owns 43.9% of Grand River Ironsands Incorporated (GRI), a company incorporated in Nova Scotia. GRI owns 90% of Labrador Sands Inc. (LSI), a company incorporated in Newfoundland and Labrador. LSI 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.

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Company 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 Company has cash on hand of $56,874 (June 30, 2021 – $47,705) and has a working capital deficiency of $10,190,534 (June 30, 2021 – $7,721,288). The Company has had recurring negative cash flows from operations and will require additional financing to fund its pig iron project and the exploration of mineral deposits. These uncertainties cast significant doubt upon the Company's ability to continue as a going concern. Subsequent to year-end, the Company raised debt financing of $23,000. The Company is also in negotiations to extend the maturity date of certain of its short-term loans that matured prior or subsequent to June 30, 2022, totalling $1,757,409. Management plans to raise additional debt and/or equity financing in order to continue operations. Although the Company 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 Company. 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 Company was unable to realize its assets and settle its liabilities as a going concern in the normal course of operations, and such adjustments could be material.

2 Summary of significant accounting policies

Basis of presentation and statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and were approved and authorized for issuance by the Board of Directors on October 27, 2022.

(expressed in Canadian dollars)

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 Company's functional currency and the functional currency of its Canadian subsidiaries. The functional currency of the US subsidiary is the US dollar.

Basis of consolidation

These consolidated financial statements include the accounts of the Company, GRI, LSI and PFL. All inter-company transactions and balances have been eliminated on consolidation.

Business combinations and non-controlling interests

The Company applies the acquisition method to account for business combinations. 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 Company. 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.

Cash

Cash includes cash on hand and deposits held with banks.

Resource properties

As at June 30, 2022, the Company holds licences of 181 mineral claim deposits in Newfoundland and Labrador.

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.

Intangible assets

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

(expressed in Canadian dollars)

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.

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:

	%
Computer equipment	30
Office equipment	20
Industrial equipment	20
Automotive equipment	30

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.

(expressed in Canadian dollars)

Share issuance cost

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

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.

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 that 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.

Stock-based compensation

Stock-based payment awards that are direct awards of stock to employees or directors 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.

(expressed in Canadian dollars)

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 Company rebuts this presumption because it cannot estimate reliably the fair value of the goods or services received. The Company 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.

Financial instruments

a) Financial assets and liabilities

The Company 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 Company recognizes a financial asset or a financial liability when, and only when, it becomes a party to the contractual provisions of the instrument. Such financial assets or financial liabilities are initially recognized at fair value and the subsequent measurement depends on their classification. Transaction costs that are directly attributable to the acquisition or issue of financial instruments, other than financial instruments at FVTPL, are added to or deducted from the fair value of the financial instrument, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial instruments at FVTPL are recognized immediately in net 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 classified as amortized cost are subsequently measured at amortized cost using the effective interest rate method.

(expressed in Canadian dollars)

The Company's financial assets include cash, investments and other receivables. The Company's financial liabilities include accounts payable and accrued liabilities, 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
Accounts payable and accrued liabilities	Amortized cost
Short-term loans	Amortized cost
Long-term debt	Amortized cost

Financial assets are derecognized when the Company's rights to cash flows from the respective assets have expired or have been transferred and the Company 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 Company categorizes its financial assets and liabilities measured at fair value into one of three different levels depending on the observability of the inputs used in the measurement.

- Level 1: This level includes assets and liabilities measured at fair value based on unadjusted quoted prices for identical assets and liabilities in active markets that are accessible at the measurement date.
- Level 2: This level includes valuations determined using directly or indirectly observable inputs other than quoted prices included within Level 1. Derivative instruments in this category are valued using models or other standard valuation techniques derived from observable market inputs.
- Level 3: This level includes valuations based on inputs that are less observable, unavailable or where the observable data does not support a significant portion of the instrument's fair value.

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

b) Impairment of financial assets

At each reporting date, the Company 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.

(expressed in Canadian dollars)

Provisions

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

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, 2022 and 2021, all dilutive instruments are anti-dilutive. As a result, basic and diluted earnings are the same.

Amendments to accounting standards not yet adopted by the Company

The IASB issued the following standard that has relevance to the Company. It has not been applied in preparing these consolidated financial statements as its effective date falls within a period beginning subsequent to the current reporting period. The Company is currently assessing the financial reporting impact of this amendment.

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.

Critical accounting estimates and judgments

The preparation of consolidated financial statements under IFRS requires the Company 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.

(expressed in Canadian dollars)

- 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 Company has de facto control over GRI and its subsidiaries. The Company has the practical ability to direct the relevant activities of GRI and its subsidiaries. The Company directly owns 43.9% of GRI, with the remaining shareholders being widely dispersed, each holding less than 3%.

- Recoverability of project development costs

  Project development costs that are not yet available for use are subject to an annual impairment assessment. The recoverable amount is estimated at the greater of an asset's (or CGU) value-in-use or fair value less costs to sell and the excess of the carrying amount over the recoverable amount is recorded as an impairment charge in the period.

  Value-in-use is based on the expected future cash flows of an asset or CGU, discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risk specific to the asset or CGU. Management has prepared a discounted cash flow model, based on detailed forecasts of expected revenue, expenses and capital requirements, using the bankable feasibility study obtained in 2016 as the basis for the inputs mode and updated to reflect current market conditions.

  Key areas of estimation uncertainty include management's forecast and the discount rate. Actual results could vary from these estimates which may cause significant adjustment to the Company's project development costs carrying amount in subsequent periods.

3 Project development costs

The Company is planning the development of a North American producer of foundry grade pig iron. The costs incurred to date relate primarily to a bankable feasibility study.

Costs incurred to date are as follows:

	2022 $	2021 $
Balance – Beginning and end of year	1,462,322	1,462,322

(expressed in Canadian dollars)

4 Property and equipment

	Computer equipment $	Industrial equipment $	Office equipment $	Total $
For the year ended June 30, 2022				
Opening net book value	1,232	8,999	137	10,368
Depreciation	(773)	(2,999)	(47)	(3,819)
Net book value	459	6,000	90	6,549
As at June 30, 2022				
Cost	3,250	18,751	282	22,283
Accumulated depreciation	(2,791)	(12,751)	(192)	(15,734)
Net book value	459	6,000	90	6,549

5 Short-term loans

The loan balances in the following table include accrued interest:

	2022 $	2021 $
Short-term loan from a third party at 12% interest rate, due October 16, 2022 (i)	1,000,000	1,000,000
Promissory note from a related party at 10% interest rate, due on demand (ii)	3,316,817	3,067,667
Promissory note from a related party at 10% interest rate, due on demand (iii)	139,966	-
Short-term loans from a related party at 10% interest rate, settled during the year (iii)	-	53,018
Promissory note from a related party at 10% interest rate, due on demand (iv)	3,160,669	-
Term loan from a third party at 6% interest rate, due on December 31, 2022 (v)	354,646	-
Short-term loan from a third party at 8% interest rate, due on October 28, 2022 (vi)	105,421	-
Convertible debenture from a related party (note 6(ii))	-	1,972,500
Convertible debenture from a related party at 12% interest rate, due on November 2, 2022 (vii)	393,375	-
Convertible term loan from a third party at 5% interest rate due on July 5, 2022 (viii)	757,409	719,634
	9,228,303	6,812,819

(expressed in Canadian dollars)

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 8), with each warrant entitling the lender to acquire one common share of the Company 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. During the year ended June 30, 2022, the loan was further extended twice, from October 16, 2021 to April 16, 2022, then to October 16, 2022. The interest rate was increased from 10% to 12% as part of the April 16, 2022 extension. In consideration for the extensions, the Company issued 150,000 share purchase warrants to the lender entitling the holder to purchase one common share, for each warrant, of the Company at an exercise price of $0.16 for a period of two years. As at June 30, 2022, the lender held 150,000 warrants, which expire between April 2023 and April 2024. The Company 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 Company, for 90 days with interest at 6% per annum, accruing monthly, plus 50,000 common share purchase warrants (note 8) 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.

   On June 30, 2022, the demand note agreement was amended. The new promissory note agreement includes a fixed interest rate of 10%, with the promissory note being due on the demand. The balance outstanding as at June 30, 2022 totalled $3,316,817.

iii) During the years ended June 30, 2021, and 2022, LSI received short-term loans from a related party bearing interest at 10% per annum, with interest accruing monthly. On June 30, 2022, these loans were settled, and a new promissory note in the amount of $139,966 was issued. The promissory note carries a 10% fixed interest rate and is due on demand.

iv) 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. On June 30, 2022, the existing loan was settled, and a new promissory note was issued in the amount of $3,160,669. The promissory note carries a 10% fixed interest rate and is due on demand.

(expressed in Canadian dollars)

v) 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 8) exercisable on or before August 25, 2019, at an exercise price of $0.01 per share. During the year ended June 30, 2021, the repayment date in the original loan agreement was extended to December 31, 2022, and the warrant expiry date was extended to December 31, 2022. Including accrued interest, the balance outstanding as at June 30, 2022 totalled $354,646.

vi) On October 28, 2021, GRI received from a third party a one-year term loan of $100,000 bearing interest at 8% per annum, with interest accruing monthly. The maturity date is October 28, 2022. Including accrued interest, the balance outstanding at June 30, 2022 totalled $105,421.

vii) On November 2, 2021, the Company completed a non-brokered private placement of an unsecured convertible debenture for $400,000 with a related party. The maturity date of the convertible debenture is November 2, 2022, and it bears interest at a rate of 12% per annum payable monthly. The debenture is convertible, at the option of the holder, into common shares of the Company on or prior to the maturity date. The conversion price is $0.55 per common share. In addition, warrants to purchase 40,000 shares of the Company were granted at an exercise price of $0.55 per share with an expiry date of November 2, 2023 (note 8). On initial recognition, an equity component of $26,500 was recognized directly within equity, which is the residual value of the convertible debenture instrument after the recognition of the liability component at fair value. The liability component will be accreted to face value over time.

viii) On July 5, 2018, an unsecured loan in the amount of $621,000 was provided to PFL by a third party. The loan bears interest at a rate of 5% per annum and matures three years from the date of receipt. During the year ended June 30, 2022, the maturity date was extended to July 5, 2022. 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 Company is currently in negotiation with the lender to further extend the maturity date of this loan.

6 Long-term debt

	2022 $	2021 $
Atlantic Canada Opportunity Agency (ACOA) loan (i)	336,267	337,267
Convertible debentures from a related party at 5% interest rate, due August 2024 (ii)	1,500,000	-
Term loan from a third party at 6% interest rate, due December 31, 2022 (note 5(v))	-	334,988
Term loan from a related party at 12% interest rate, due August 31, 2022 (note 5(iv))	-	2,804,022
CEBA loans (iii)	159,059	194,969
Balance – End of year	1,995,326	3,671,246

(expressed in Canadian dollars)

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

	$
2023	-
2024	-
2025	2,100,000
2026	340,000
2027	100,000
Thereafter	200,000

i) 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 instalments 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, 2024 and repayments will commence on December 31, 2024. A gain, due to the modification of the timing of future cash flows, of $32,000 was recognized during the year ended June 30, 2022.

ii) On May 1, 2015, the Company completed a non-brokered private placement of unsecured convertible debentures for proceeds of $2,000,000 with a related party. The debenture maturity date was subsequently extended to August 31, 2021 and bore interest at 5% per annum payable quarterly. On June 30, 2022, the convertible debentures were subsequently amended to extend the maturity date to August 1, 2024 (the Amended Debentures). The Amended Debentures are convertible at $1.00 per common share, at the option of the holder, into common shares of the Company on or prior to the maturity date. At the option of the Company, quarterly interest may be converted into common shares of the Company 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. Given the original convertible debentures had reached maturity, the Amended Debentures are considered a new instrument. On initial recognition, a discount of $495,000 was recognized within equity given the terms of the Amended Debentures were considered below market terms. In addition, an equity component of $5,000 was recognized directly within equity, which is the residual value of the convertible debenture instrument after the recognition of the liability component at fair value. The liability component will be accreted to the face value over time.

iii) During the years ended June 30, 2022 and 2021, GRI, MMI, PFL and LSI received respective interest-free loans of $60,000 each, pursuant to the terms of the Canada Emergency Business Account (CEBA). These loans were created by the federal government to assist businesses during the COVID-19 pandemic. $20,000 of the individual loans are forgivable if the loan is repaid on or before December 31, 2023. If the loan is not repaid by that date, the loan can be converted to a two-year term loan bearing interest of 5% per annum. A government assistance benefit of $57,525 (2021 – $47,536) was recognized during the year.

(expressed in Canadian dollars)

7 Share capital

During the year ended June 30, 2022, the Company issued 526,400 common shares (2021 – 693,211) to FLH, representing the quarterly interest payments in full of $25,000 as outlined in note 6(ii). The securities are subject to a four-month hold period following the date of issuance.

	Number of shares #	Amount $
Common stock outstanding		
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
Issued in payment of interest	526,400	100,000
Issued and outstanding June 30, 2022	20,050,426	9,587,978

8 Warrants

The following is a summary of the warrants outstanding as at June 30, 2022:

	Number #	Exercise price $	Expiry date	Issuance date $
MMI warrants (note 5(i))	50,000	0.15	April 16, 2023	April 16, 2021
MMI warrants (note 5(i))	50,000	0.175	October 16, 2023	October 16, 2021
MMI warrants (note 5(i))	50,000	0.16	April 16, 2024	April 16, 2022
MMI warrants (note 5(vi))	40,000	0.55	November 2, 2023	November 2, 2021
	190,000			
GRI warrants (note 5(v))	50,000	0.01	December 31, 2022	August 25, 2016

All of the outstanding warrants were issued in conjunction with debt instruments. On initial measurement, no proceeds were assigned to the warrants that are outstanding as at June 30, 2022.

(expressed in Canadian dollars)

9 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 Company. 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 Company has reserved 3,504,614 (2021 – 3,450,203) common shares pursuant to the stock option plan. There are 1,610,000 (2021 – 1,682,000) options to acquire common shares outstanding under the plan as at June 30, 2022. Any unexercised options that expire or are forfeited become available again for issuance under the plan.

During the year ended June 30, 2022, 40,000 options were issued at an exercise price of $0.16. The options vested on issuance and expire on May 18, 2027. The Company used the Black-Scholes model to value its stock options on initial issuance. The fair value of the options issued during the year was $nil. 112,000 options also expired during the year.

Number of options outstanding	Exercise price $	Expiry date	Number of options exercisable
350,000	0.65	November 30, 2022	350,000
815,000	0.85	December 6, 2023	815,000
405,000	0.75	December 8, 2024	405,000
40,000	0.16	May 18, 2027	40,000
1,610,000			1,610,000

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 (2021 – 2,376,933) common shares pursuant to the stock option plan. There are nil (2021 – 150,000) options to acquire common shares outstanding under the plan as at June 30, 2022. 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.

(expressed in Canadian dollars)

10 Expenses by nature

	2022 $	2021 $
Operating expenses		
Utilities	12,085	6,676
Dues and fees	27,631	29,635
Feasibility study	-	6,270
Foreign exchange loss (gain)	5,117	(13,309)
General and administrative	12,152	7,912
Management and consulting fees	219,850	235,450
Professional fees	107,830	114,562
Rental	3,840	3,796
Travel	44,080	22,399
Salaries and wages	119,434	115,275
	552,019	528,666

11 Related party transactions

In addition to the related party loans described in notes 5 and 6, the Company has the following related party transactions. The compensation expense associated with key management, directors and employees for services is as follows:

	2022 $	2021 $
Management fees	209,000	213,600
Consulting fees	-	30,000
Directors' fees	10,850	10,150
Salaries and benefits	119,434	115,275
Operating expenses	339,284	369,025

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

(expressed in Canadian dollars)

12 Income taxes

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

	2022 $	2021 $
Loss before income taxes	(1,423,645)	(1,278,531)
Combined federal and provincial tax rate	29%	31%
Expected recovery at statutory rates	(412,857)	(396,344)
Subsidiaries rate differential	3,168	1,448
Non-deductible expenses	-	1,311
Unrecognized tax assets	409,689	393,585
Deferred tax recovery	-	-

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

	2022 $	2021 $
Non-capital losses	6,710,455	6,973,077
Investments	-	1,782
Property and equipment	1,000	1,087
Short-term loans and long-term debt	215,955	26,395
	6,927,410	7,002,341

The Company has non-capital losses of approximately $23.1 million to be carried forward and applied against future taxable income. The non-capital losses start to expire in 2028.

13 Commitments and contingencies

The Company was advised that on February 8, 2019, the trustee for the estate of Forks Specialty Metals Inc. (FSM), a previously controlled subsidiary, has filed an adversary complaint in the United States Bankruptcy Court for the Eastern District of Pennsylvania against the Company, Grand River Ironsands Incorporated, North Atlantic Iron Company (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.

(expressed in Canadian dollars)

14 Management of capital

The Company defines capital that it manages as the aggregate of its long-term debt and shareholders' equity attributable to the Company. Its objective when managing capital is to ensure that the Company will continue as a going concern, so that it can provide returns to its shareholders (note 1).

	2022 $	2021 $
Long-term debt	1,995,326	3,671,246
Share capital	9,587,978	9,487,978
Equity component of debentures	31,500	649,593
Contributed surplus	2,428,593	1,284,000
Deficit	(16,229,637)	(15,240,205)
	(2,186,240)	(147,388)

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

The Company 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 Company's overall strategy with respect to management of capital remains unchanged from the year ended June 30, 2021.

15 Financial instruments

The carrying amounts reported on the consolidated financial statements for cash, amounts receivable, accounts payable and accrued liabilities 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 Company's financial instruments could be exposed to are credit risk, liquidity risk, foreign exchange risk and interest rate risk.

Credit risk

The Company's credit risk is primarily attributable to its cash. The Company 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.

(expressed in Canadian dollars)

Liquidity risk

The Company'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 Company's reputation. To the extent that the Company does not believe it has sufficient liquidity to meet these obligations, management will consider securing additional funds through debt or equity transactions. The Company manages its liquidity risk by continuously monitoring forecasted and actual cash flows from operations. In recent years, additional loans from directors/shareholders and new equity financing have provided the necessary liquidity required. Refer to note 1 for further details on the Company's liquidity risk.

Foreign currency risk

The Company has limited US dollar exposure; however, it 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

All of the Company's debt instruments have a fixed interest rate. The Company is exposed to interest rate risk on the renewal of its debt coming due.

16 Subsequent events

On July 28, 2022, GRI received a $15,000 term loan from a related party bearing interest of 6% with interest accruing monthly.

On August 2, 2022, the Company issued 171,875 common shares to FLH. This represents interest due August 1, 2022 in the aggregate amount of $25,000 on a convertible debenture and was made at a deemed price of $0.14545 per share, which is the volume-weighted trading price for the 20 trading days ending July 4, 2022. The securities are subject to a four-month hold period following the date of issuance.

On September 7, 2022, LSI received an $8,000 term loan from a related party bearing interest of 10% with interest accruing monthly.

(expressed in Canadian dollars)

17 Segmented information

As at June 30, 2022, the Company has two operating business segments:

i) 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.

ii) PFL is a federally incorporated private entity created under the Canada Business Corporations Act and is registered extra-provincially in Quebec to be engaged in the production of pig iron.

	MMI		LSI		PFL		Total	
	2022 $	**2021 $**	**2022 $**	**2021 $**	**2022 $**	**2021 $**	**2022 $**	**2021 $**
Operating expenses	(414,997)	(405,431)	(109,904)	(62,498)	(27,118)	(60,737)	(552,019)	(528,666)
Depreciation	(1,064)	(1,064)	(2,755)	(2,755)	-	-	(3,819)	(3,819)
Interest and bank charges	(796,236)	(702,031)	(20,913)	(17,285)	(40,125)	(36,780)	(857,274)	(756,096)
Interest accretion	(57,767)	(118,539)	(35,612)	(34,456)	(6,518)	(122,175)	(99,897)	(275,170)
Gain on debt modifications	-	130,000	32,000	109,352	-	-	32,000	239,352
Loss on investments	(161)	(1,668)	-	-	-	-	(161)	(1,668)
Government assistance benefit	45,551	19,332	5,987	14,102	5,987	14,102	57,525	47,536
Segment income (loss) before taxes	(1,224,674)	(1,079,401)	(131,197)	6,460	(67,774)	(205,590)	(1,423,645)	(1,278,531)

The Company's Board of Directors will evaluate in due course the performance of these segments and allocates resources to them based on certain performance measures. Segment earnings correspond to each business' earnings from operations.