Pure Fonte Ltée

Financial Statements
June 30, 2020

Independent auditor's report

To the Shareholder of Pure Fonte Ltée

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Pure Fonte Ltée (the Company) as at June 30, 2020 and its financial performance and its cash flows for the year 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 financial statements comprise:

- the balance sheet as at June 30, 2020;
- the statement of loss and comprehensive loss for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the 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 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 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 financial statements, which describes matters and 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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Responsibilities of management and those charged with governance for the financial statements

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

In preparing the 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 financial statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Halifax, Nova Scotia
January 5, 2021

Pure Fonte Ltée

Balance Sheet

As at June 30, 2020

	2020 $	2019 $
Assets		
Current assets		
Cash	4,617	35
Long-term assets		
Project development costs (note 5)	2,924,644	2,924,644
	2,929,261	2,924,679
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	90,460	99,187
Due to related parties (note 6)	2,988,549	2,778,534
	3,079,009	2,877,721
Long-term debt (note 7)	565,233	463,537
	3,644,242	3,341,258
Equity		
Share capital (note 8)	90	90
Deficit	(715,071)	(416,669)
	(714,981)	(416,579)
	2,929,261	2,924,679

Nature of operations and going concern (note 1)

Approved by the Board of Directors

________________________________ Director ________________________________ Director

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

Pure Fonte Ltée

Statement of Loss and Comprehensive Loss

For the year ended June 30, 2020

	2020 $	2019 $
Expenses		
Gain on initial recognition of long-term debt (note 7)	-	(234,526)
Interest and bank charges	101,696	80,194
Management and consulting fees	90,000	236,426
Professional fees	47,989	35,000
Rent and office expenses	2,622	7,617
Travel	56,095	108,839
Loss before deferred income taxes	298,402	233,550
Deferred income taxes (note 9)	-	-
Net loss and comprehensive loss for the year	298,402	233,550

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

Pure Fonte Ltée

Statement of Changes in Equity

For the year ended June 30, 2020

	Share Capital $	Deficit $	2020 $	2019 $
Equity – Beginning of year	90	(416,669)	(416,579)	(183,029)
Net loss and comprehensive loss for the year	-	(298,402)	(298,402)	(233,550)
Equity – End of year	90	(715,071)	(714,981)	(416,579)

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

Pure Fonte Ltée

Statement of Cash Flows

For the year ended June 30, 2020

	2020 $	2019 $
Cash provided by (used in)		
Operating activities		
Net loss and comprehensive loss for the year	(298,402)	(233,550)
Items not affecting cash		
Gain on initial recognition of long-term debt	-	(234,526)
Interest capitalized	33,383	31,504
Interest accretion	68,313	45,559
	(196,706)	(391,013)
Changes in non-cash working capital items		
Decrease in prepaids	-	50,000
Increase in accounts payable and accrued liabilities	(8,727)	99,187
	(205,433)	(241,826)
Financing activities		
Proceeds from long-term debt	-	621,000
Advances from related parties	271,895	282,850
Repayments to related parties	(61,880)	(662,298)
	210,015	241,552
Net change in cash during the year	4,582	(274)
Cash – Beginning of year	35	309
Cash – End of year	4,617	35

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

1 Nature of operations and going concern

Pure Fonte Ltée (the "Company") is a private company, incorporated under the Canada Business Corporation Act. The Company is pursuing the development of a pig iron facility in the Province of Quebec. It is a wholly-owned subsidiary of Grand River Ironsands Incorporated ("GRI").

The Company has not yet determined whether the development of a pig iron facility will occur. The recoverability of project development costs is dependent upon the ability of the Company to obtain necessary financing from shareholders, investors and lenders to complete the development, and upon future profitable production or proceeds from the disposition thereof.

These financial statements were 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 $4,617 (2019 - $35) and a working capital deficiency of $3,074,392 (2019 - $2,877,686). The Company has had recurring negative cash flows from operations and will require additional financing to fund its development of a foundry grade pig iron manufacturing plant and cover its administrative costs. These matters and conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Management plans to raise additional debt and/or equity financing in order to continue operations. Although the Company and GRI have 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 financial statements do not reflect adjustments in the carrying values of the assets and liabilities, the reported expenses, and the balance sheet classifications used, that would be necessary if the 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.

The Company's principal place of business is in Saguenay, Quebec. These financial statements were authorized for issuance by the board of directors on December 23, 2020.

COVID-19

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 Company's operations and its financial results. This has resulted in significant economic uncertainty, the potential impact of which on the Company's future financial results is difficult to reliably measure.

2 Basis of preparation and statement of compliance

The financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles as set out in the Chartered Professional Accountants of Canada Handbook – Part 1 which incorporates International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"). The financial statements have been prepared under the historic cost convention, except for certain financial instruments that are recognized at fair value.

The preparation of these financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity are disclosed in note 4.

3 Summary of significant accounting policies

Income taxes

Deferred tax is recognized using the liability method on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

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.

Foreign currency translation

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

Cash

Cash consists of cash held with a financial institution.

3 Summary of significant accounting polices (continued)

Intangible assets

Intangible assets are comprised of the project development costs that have been incurred related to the future investment in a manufacturing facility that management expects to construct. Depreciation will commence once the project is completed. Project development costs 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. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment losses may be reversed 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 been recognized.

Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provision of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Initial recognition and measurement: Financial instruments are initially measured at fair value. Transactions costs that are directly attributable to the acquisition or issue of financial instruments, other than financial instruments at fair value through profit and loss ("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 the statement of loss and comprehensive loss.

Classification and subsequent measurement: A financial asset is subsequently measured at:

- Amortized cost using the effective interested rate method 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;

- Fair value through other comprehensive income ("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 not 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 in the on different bases.

3 Summary of significant accounting polices (continued)

Financial instruments (continued)

Liabilities carried at amortized cost will continue to be measured as outlined in measurement methods above.

Impairment of financial assets: Financial assets which are measured subsequent to initial recognition at amortized cost are assessed for indicators of impairment at the end of each reporting period. The amount of the impairment loss, if any, is the difference between the asset's carrying amounts and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. The Company's financial assets carried at amortized costs consist only of cash.

The Company's financial assets include cash. The Company's financial liabilities include accounts payable and accrued liabilities, amounts due to related parties and long-term debt. All of the Company's financial instruments as at June 30, 2020 are classified as 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 Company categorizes its financial assets and liabilities measured at fair value into one of three different levels depending on the observability of the inputs used in the measurement.

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

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

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

Financial assets and liabilities are offset and the net amount presented in the balance sheet 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.

3 Summary of significant accounting polices (continued)

Financial instruments (continued)

New accounting standards adopted by the Company

IFRS 16, *Leases* ("IFRS 16")

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

Effective July 1, 2019, the Company adopted IFRS 16 using the modified retrospective transition method. As at the transaction date, the Company had no leases with terms of twelve months or more and, therefore, there was no impact to the financial statements.

4 Critical accounting estimates and assumptions

The preparation of these financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the amounts reported in the financial statements and notes to the financial statements. These estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future. Significant estimates include those related to the recoverability of deferred income taxes and the recoverability of the project development costs. Actual results may differ from those estimates.

Deferred income taxes

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

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

Recoverability of project development costs

Project development costs are classified as intangible assets and are currently not amortized as the related project is not yet completed. Therefore, management assesses project development costs for impairment annually. In assessing for impairment, management estimates the recoverable amount based on expected future cash flows. When measuring expected future cash flows, management makes assumptions about future 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.

5 Project development costs

	2020 $	2019 $
Project development costs	2,924,644	2,924,644

The Company 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.

6 Related party transactions and accounts

	2020 $	2019 $
Due to GRI	2,874,715	2,664,700
Due to NAIC	113,834	113,834
	2,988,549	2,778,534

The amounts due to related parties have no set terms of repayment and are non-interest bearing.

During the year, the following amounts were paid or payable to related parties and included in operating expenses:

	2020 $	2019 $
Expenses		
Travel paid to an officer and director	56,095	108,839

The above transactions were incurred during normal course of operations and measured at the exchange amount, which is the amount agreed to by the related parties.

7 Long-term debt

	2020 $	2019 $
Principal amount discounted	463,537	386,474
Accrued interest	33,383	31,504
Accretion expense	68,313	45,559
	565,233	463,537

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

8 Share capital

Authorized

Unlimited common shares without nominal or par value

Issued and outstanding

	2020 $	2019 $
900,000 common shares	90	90

9 Deferred income taxes

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

	2020 $	2019 $
Loss before income taxes	298,402	233,550
Combined Federal and Provincial tax rate	26.50%	26.75%
Expected recovery at statutory rate	79,077	62,475
Current year unrecognized temporary differences	(79,024)	(61,891)
Other	(53)	(584)
Deferred tax expense	-	-

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. As at June 30, 2020 and 2019, the following deferred income tax assets have not been recognized:

	2020 $	2019 $
Non-capital losses	220,523	161,365
Other temporary differences	(14,778)	(41,885)
Unrecognized temporary differences	205,745	119,480

Expiry of unrecognized non-capital losses

	$
2038	183,119
2039	418,953
2040	230,091
	832,163

10 Financial risk management objectives and policies

The Company's principal financial instruments are comprised of cash, accounts payable and accrued liabilities, amounts due to related parties and long-term debt. The carrying amounts reported on the financial statements for cash, accounts payable and accrued liabilities and amounts due to related parties approximates their fair value due to their short-term nature. Management believes the carrying amount of its long-term debt also approximate fair value as the effective interest rate used by management in determining the carrying value of the long-term debt continues to be appropriate.

Risk exposures and responses

The Company manages its exposure to key financial risks in accordance with the Company's financial risk management policy. The objective of the policy is to support the delivery of the Company's financial targets while protecting future financial security. Management reviews policies for managing each of these risks.

Credit risk

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

Foreign currency risk

The Company is not currently exposed to foreign currency risk as its transactions are in Canadian dollars.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. 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 forecasts and actual cash flows from operations. See note 1.

Interest rate risk

The Company is not currently exposed to interest rate fluctuations as its long-term debt bears a fixed interest rate.

Capital management

The primary objective of the Company's capital management is to maintain adequate levels of funding to pursue the development of a pig iron plant in Quebec and to maintain the necessary corporate and administrative functions to facilitate these objectives. This is done through financing provided by GRI.

The Company's capital structure consists of share capital, net of its deficit. As at June 30, 2020, the Company's deficit was $715,071 (2019 - $416,669). The Company is not exposed to any externally or internally imposed capital requirements or restrictions.