Pure Fonte Ltée

Financial Statements
June 30, 2021

Pure Fonte Ltée

Balance Sheet

As at June 30, 2021

	2021 $	2020 $
Assets		
Current assets		
Cash	17,178	4,617
Long-term assets		
Project development costs (note 5)	2,924,644	2,924,644
	2,941,822	2,929,261
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	86,479	90,460
Due to related parties (note 6)	2,973,015	2,988,549
	3,059,494	3,079,009
Long-term debt (note 7)	768,402	565,233
	3,827,896	3,644,242
Equity		
Share capital (note 8)	90	90
Deficit	(886,164)	(715,071)
	(886,074)	(714,981)
	2,941,822	2,929,261

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, 2021

	2021 $	2020 $
Expenses		
Government assistance benefit (note 7)	(14,102)	-
Premium on recognition of long-term debt (note 7)	11,388	-
Interest and bank charges	147,570	101,696
Management and consulting fees	9,375	90,000
Professional fees	11,700	47,989
Rent and office expenses	2,005	2,622
Travel	3,157	56,095
Loss before deferred income taxes	171,093	298,402
Deferred income taxes (note 9)	-	-
Net loss and comprehensive loss for the year	171,093	298,402

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, 2021

	Share Capital $	Deficit $	2021 $	2020 $
Equity – Beginning of year	90	(715,071)	(714,981)	(416,579)
Net loss and comprehensive loss for the year	-	(171,093)	(171,093)	(298,402)
Equity – End of year	90	(886,164)	(886,074)	(714,981)

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

Pure Fonte Ltée

Statement of Cash Flows

For the year ended June 30, 2021

	2021 $	2020 $
Cash provided by (used in)		
Operating activities		
Net loss and comprehensive loss for the year	(171,093)	(298,402)
Items not affecting cash		
Government assistance program -CEBA	(14,102)	
Gain on initial recognition of long-term debt	11,388	-
Interest capitalized	35,091	33,383
Interest accretion	110,792	68,313
	(27,924)	(196,706)
Changes in non-cash working capital items		-
Accounts payable and accrued liabilities	(3,981)	(8,727)
	(31,905)	(205,433)
Financing activities		
Proceeds from long-term debt	60,000	-
Advances from related parties	26,600	271,895
Repayments to related parties	(42,134)	(61,880)
	44,466	210,015
Net change in cash during the year	12,561	4,582
Cash – Beginning of year	4,617	35
Cash – End of year	17,178	4,617

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

COMPILATION ENGAGEMENT REPORT

To Management of Pure Fonte Ltée

On the basis of information provided by management, we have compiled the balance sheet of Pure Fonte Ltée as at June 30,2021, the statements of loss and comprehensive loss, changes in equity,and cash flows for the year then ended, and note 2,which describes the basis of accounting applied in the preparation of the compiled financial information.

Management is responsible for the accompanying financial information, including the accuracy and completeness of the underlying information used to compile it and the selection of the basis of accounting.

We performed this engagement in accordance with Canadian Standard on Related Services (CSRS) 4200, Compilation Engagements, which requires us to comply with relevant ethical requirements. Our responsibility is to assist management in the preparation of the financial information.

We did not perform an audit engagement or a review engagement, nor were we required to perform procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an audit opinion or a review conclusion, or provide any form of assurance on the financial information.

Readers are cautioned that the financial information may not be appropriate for their purposes.

Metalo Manufacturing Inc.

December 1,2021

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 $17,178 (2020 – $4,617) and a working capital deficiency of $3,042,316 (2020 – $3,074,392). 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 20, 2021.

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.

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.

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, 2021 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.

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

	2021 $	2020 $
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

	2021 $	2020 $
Due to GRI	2,859,205	2,874,715
Due to NAIC	113.810	113,834
	2,973,015	2,988,549

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:

	2021 $	2020 $
Expenses		
Travel paid to an officer and director	3,157	56,095

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

	2021 $	2020 $
Term Loan		
Principal amount discounted	565,233	463,537
Accrued interest	35,091	33,383
Accretion expense	119,310	68,313
Balance, end of year	719,634	565,233
CEBA Loan		
Loan amount, beginning of year	-	-
Accretion expense	2,870	-
New Proceeds, net of government benefit	45,898	-
Balance, end of year	48,768	-
Total	768,402	565,233

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 on July 4, 2021. Negotiations are ongoing subsequent to year-end. 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%.

On January 22,2021, the Company received a combined interest-free loan of $60,000 pursuant to CEBA. The loan is forgivable (up to $20,000) if the Company 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.

8 Share capital

Authorized

Unlimited common shares without nominal or par value

Issued and outstanding

	2021 $	2020 $
900,000 common shares	90	90

9 Deferred income taxes

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

	2021 $	2020 $
Loss before income taxes	171,093	298,402
Combined Federal and Provincial tax rate	26.50%	26.50%
Expected recovery at statutory rate	45,340	79,077
Current year unrecognized temporary differences	(45,004)	(79,024)
Other	(336)	(53)
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, 2021 and 2020, the following deferred income tax assets have not been recognized:

	2021 $	2020 $
Non-capital losses	282,274	220,523
Other temporary differences	(2,714)	(14,778)
Unrecognized temporary differences	279,560	205,745

Expiry of unrecognized non-capital losses

2038	183,119
2039	418,953
2040	230,091
2041	61,751
	893,914

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, 2021, the Company's deficit was $886,164(2020 – $715,071). The Company is not exposed to any externally or internally imposed capital requirements or restrictions.

11. Subsequent event

On July 4,2021, the three year term loan of $621,000 advanced by Investissement Québec to the Company matured. Including accrued interest, the aggregate amount of $726,678 is now due, but the Company is currently in the process of negotiating an extension to the maturity date or the conversion of the amount due into shares of the Company.