Financial statements of
Tata Steel Minerals Canada Ltd.

Year ended March 31, 2021.

Tata Steel Minerals Canada Ltd.
Balance sheet
As at March 31, 2021
(In U.S. dollars)

	Notes	2021	2020
		$	$
Assets			
Current assets			
Cash and cash equivalent		**2,021,957**	448,116
Inventory		**57,115,300**	26,993,517
Sales taxes receivable, other receivables and advances	3	**12,393,077**	8,297,127
		71,530,334	35,738,760
Deposits on contracts		**13,950,132**	17,997,403
Mineral properties	4	**783,603,223**	795,655,562
Property, plant and equipment	5	**502,831,175**	546,197,810
Other assets	6	**6,341,461**	6,341,461
		1,378,256,325	1,401,930,996
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		**179,765,083**	155,487,922
Short-term debt	7	**12,636,364**	5,991,401
Current portion of obligation under capital lease	9	**7,867,228**	1,683,514
		200,268,675	163,162,837
Non-current liabilities			
Obligation under capital lease	9	**32,123,624**	24,685,103
Long-term debt and loans payable	8	**304,621,622**	244,934,702
Asset retirement obligations	10	**9,369,890**	7,165,627
Preferred shares	15	**290,000,000**	290,000,000
		836,383,811	729,948,269
Shareholders' equity			
Capital stock	11	**878,123,182**	878,123,182
Cumulative translation adjustment		**(49,852,640)**	(49,852,640)
Deficit		**(286,398,028)**	(156,287,815)
		541,872,514	671,982,727
		1,378,256,325	1,401,930,996

Approved by the Board of Directors

______________________________ Director   ______________________________ Director

Tata Steel Minerals Canada Ltd.

Statement of earnings and loss

Year ended March 31, 2021

(In U.S. dollars)

	Notes	2021	2020
		$	$
Sales	18	**108,085,028**	58,475,583
Cost of goods sold		**68,431,045**	62,414,136
Gross margin loss		**39,653,983**	3,938,553
Expenses			
Salaries and benefits		**25,515,283**	25,123,882
Depreciation of property, plant, and equipment		**58,895,365**	31,663,427
Interest expenses and borrowing cost		**17,546,157**	15,053,058
Professional fees		**2,716,086**	341,884
Foreign exchange gain		**16,330,967**	(7,410,447)
Hedge		**42,714,350**	
Rent		**1,063,576**	415,206
Travelling expenses		**4,496,554**	3,715
Insurance		**2,671,763**	-
Other general expenses		**18,481,768**	1,459,041
Loss before interest income and amounts transferred to long-term assets		**150,777,886**	70,588,319
Interest income		**(15,976)**	(105,540)
Loss before amounts transferred to long-term assets		**150,761,910**	70,482,779
Less: amounts transferred to long-term assets	14	**(20,2651,698)**	(61,257,068)
Net loss		**(130,110,212)**	(9,225,711)

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

	2021	2020
	$	$
Balance, beginning of year	**(156,287,815)**	(147,062,104)
Net loss	**(130,110,212)**	(9,225,711)
Balance, end of year	**(286,398,028)**	(156,287,815)

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

Tata Steel Minerals Canada Ltd.
Statement of cash flows
Year ended March 31, 2021
(In U.S. dollars)

	Notes	2021	2020
		$	$
Operating activities			
Net loss		**(130,110,213)**	(9,225,711)
Unrealized foreign exchange gain		**10,694,422**	(4,166,227)
Write-off of advances		**-**	-
Depreciation of property, plant and equipment		**49,099,902**	4,166,638
		(70,315,889)	(9,225,300)
Changes in working capital items	13	**(23,557,277)**	(28,483,536)
		(93,873,166)	(37,708,836)
Investing activities			
Decrease (increase) in deposits on contracts		**4,047,271**	(72,992)
Acquisition of property, plant and equipment	5	**(22,942,955)**	(79,656,475)
Movement in mineral properties	4	**58,747,230**	55,158,632
		39,851,946	(24,570,835)
Financing activities			
Increase in long-term debt		**62,471,797**	62,043,287
Repayment of obligation under capital lease		**(6,876,736)**	(1,622,612)
		55,595,061	60,420,675
Decrease in cash and cash equivalents		**1,573,841**	(1,858,996)
Cash and cash equivalents, beginning of year		**448,116**	2,307,112
Cash and cash equivalents, end of year		**2,021,957**	448,116

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

1. Nature of operations

TSMC (the Company) is a subsidiary of Tata Steel Limited (TSL) – 82% (through its step-down subsidiary, TSMUK Limited (TSMUK)). The other shareholders are the Government of Quebec (GoQ) (through Investissement Québec (IQ) – 18%. The Company's objective is to develop the iron ore mining project in the Menihek Region in Newfoundland and Labrador near Schefferville, Quebec, Canada and to set up a large beneficiation plant (also referred to as Concentrator Project) to beneficiate an average Fe grade of 58% to an Fe grade of 65% and meet the customer requirements of despatches of iron ore with high Fe content (at least >60% Fe content) (collectively, the Project).

The wet core circuit has demonstrated the desired technical and physical performance and has reached levels of consistency and stability of operations. Hence, management has declared Commercial Production of the wet core circuit from July 1, 2020.

The financial statements have been prepared in accordance with Canadian accounting standards for private enterprises ("ASPE") applicable to a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations.

2. Accounting policies

Basis of presentation

The financial statements are prepared in US dollars in accordance with ASPE and include the following significant accounting policies.

Accounting estimates

The preparation of financial statements in accordance with ASPE requires management to make estimates and assumptions that affect the amounts recorded in the financial statements and notes to financial statements. The estimates include the recoverability of mineral properties, the useful life of property, plant and equipment, asset retirement obligations, income tax related accounts and credits. These estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future. Actual results may differ from these estimates.

Cash and cash equivalents

Cash and cash equivalents include cash and highly liquid short-term investments having a term of three months or less from the acquisition date.

Mineral properties

The Company capitalized costs, net of tax credits and mining duties credit relating to the acquisition, exploration and development of mineral properties on an area of interest basis until June 30,2020. These expenses are amortized to operations through useful life of 25 years. The Company reviews the carrying values of mineral property interests on a yearly basis by reference to the Project economics, including the timing and effort of the exploration and/or development work, the work programs and exploration results experienced by the Company and others, and the extent to which options have committed, or are expected to commit to, exploration on a property. When it becomes apparent that the carrying value of a property exceeds its estimated net recoverable amount based on the foregoing criteria, an impairment test is performed as further described under Impairment of long-lived assets.

2. Accounting policies (continued)

Mineral properties (continued)

During the construction and commissioning period of the mine, revenue from saleable material produced as part of test production was recorded against the cost of the asset until June 30, 2020.

Property, plant and equipment

Items of property, plant and equipment are recognized at cost less accumulated depreciation. The initial cost of an asset consists of its purchase price or construction costs and any costs directly attributable to bringing the asset into operation.

The ore processing plant is amortized using the units-of-production basis. The transportation infrastructure and equipment are amortized using the units-of-production basis. The buildings and mine camp are amortized using the straight-line method over 10 years. Office equipment and furniture are depreciated on a straight-line basis over 18, 36 or 60 months.

The cost of an item of property, plant and equipment that is acquired, constructed, or developed over time includes carrying costs directly attributable to the acquisition, construction, or development activity.

Impairment of long-lived assets

Long-lived assets are tested for impairment whenever events or circumstances indicate that their carrying value may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value.

2 Accounting policies (continued)

Commercial production

Prior to reaching pre-determined levels of operating capacity intended by management, costs incurred were capitalized as part of mineral properties under development within property, plant and equipment, and proceeds from sales are offset against capitalized costs up to June 30,2020.

Revenue recognition

Revenue from sale of products is recognized when control of the products has been transferred, this being when the products are delivered to the customer. Delivery occurs when the product has been shipped or delivered to a specific location as the case may be, the risk of loss has been transferred and either the customer has accepted the products in concordance with the sales contract, or the group has objective evidence that all criteria for acceptance has been satisfied. Sales of product include related ancillary services if any.

Inventory

Inventories are stated at the lower of cost and net realizable value. Cost is ascertained on a weighted average basis. Cost comprises direct materials and where applicable direct labour costs and overheads that have been incurred in bringing the inventories to their present location and condition. Net realizable value is the price at which the inventories can be realized in the normal course of business after allowing for the cost of conversion from their existing state to a finished condition and for the cost of marketing.

Tax credits and mining duties

The tax credits and mining duties are recorded as a reduction of the mineral properties during the year in which the costs are incurred, provided that the Company is reasonably certain that the tax credits and mining duties will be received. The tax credits and mining duties claimed and recorded must be examined and approved by the tax authorities, and it is possible that the amount granted will differ from the amount recorded.

Income taxes

The Company applies the taxes payable method of accounting for income taxes.

2. Accounting policies (continued)

Financial instruments

(a) Measurement of financial instruments

The Company initially measures its financial assets and financial liabilities at fair value except for certain non-arm's-length transactions. Advances and receivable from shareholders are measured at cost.

(b) Transaction costs

The Company recognizes its transaction costs in operations in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

(c) Derivative financial instruments

The Company holds forward contracts on iron ore to protect against changes in the market price of iron ore based on anticipated transactions. As at March 31, 2021 and March 31, 2020, the Company has not designated any derivative instrument as off-setting hedges for accounting purposes and gain or loss on these contracts at fair value are recorded in the statement of earnings and loss.

Provisions

The Company recognizes the present provision when there is a legal obligation in the period in which it occurred, if a reasonable estimate of the obligation can be made. It is measured as the best estimate of the expenditure required to settle the obligation.

Asset retirement obligations

(In U.S. dollars)

During the course of acquiring and exploring potential mining properties, the Company must comply with government environmental regulations concerning reclamation requirements. The estimated costs of complying with these requirements are capitalized as mineral properties, and the corresponding liability is increased accordingly. The carrying value is then amortized over the life of the related assets on a unit-of-production basis, and the related liabilities are accreted to the original value estimate.

Foreign currency translation

The Company's currency of measurement and presentation is the U.S. dollar. Monetary assets and liabilities in foreign currency are translated at the exchange rate in effect at the balance sheet date, whereas non-monetary items are translated at the historical rate. Revenue and expenses are translated at the exchange rate in effect at the transaction date. Gains and losses are included in the net loss.

2. Accounting policies (continued)

Leases

The Company determines whether an arrangement contains a lease by assessing whether the fulfilment of a transaction is dependent on the use of a specific asset and whether the transaction conveys the right to use that asset to the Company in return for payment. Where this occurs, the arrangement is deemed to include a lease and is accounted for either as a capital lease or an operating lease. Leases are classified as capital leases where the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

3 Sales taxes receivable, other receivables and advances

	2021	2020
	$	$
Sales taxes receivable	**943,636**	153,552
Trade receivable from Iron Ore Company of Canada	**-**	-
Receivable from shareholder corporation	**1,808,408**	523,808
Interest receivable	**4,262**	3,778
Advances to operational and logistic suppliers	**9,636,771**	6,867,952
Others	**-**	748,038
	12,393,077	8,297,128

The amounts due from shareholder corporation (NML) are non-interest bearing and due on demand, transferred to TSMUK. Advances for operational and logistic expense are non-interest bearing.

(In U.S. dollars)

4 Mineral properties

	2021	2020
	$	$
Balance, beginning of year	795,655,562	720,012,071
Additions	12,182,813	85,628,479
Revenue from sale of ore	-	(9,984,988)
Balance, end of year	807,838,375	795,655,562

5 Property, plant and equipment

			2021	2020
	Cost	Accumulated depreciation	Net book value	Net book value
	$	$	$	$
Free hold land-roads	20,213,211	2,695,095	17,518,116	18,865,664
Ore processing plant	284,059,900	26,397,738	257,662,162	241,106,642
Transportation, infrastructure and equipment	69,094,388	21,189,204	47,905,184	84,637,174
Buildings and mine camp	223,741,075	44,414,275	179,326,800	200,461,1700
Office equipment and furniture	4,473,962	4,367,523	106,439	965,051
Rolling stock	958,218	645,743	312,475	162,110
	602,540,754	99,709,578	502,831,176	546,197,810

Property, plant and equipment under construction with a cost of $18,318,919 ($120,297,306 in 2020).

6 Other assets

In July 2012, the Company entered into an agreement with the Sept-Îles Port Authority providing the Company with access to a new multi-user deep-water dock facility. As part of the agreement, TSMC will have a minimum annual shipping capacity of 5 million tons a year for 20 years, with options to renew for four or five-year terms. Construction of the port facility is expected to be completed in FY21. The Company's buy-in for this agreement amounts to $6,341,461. Because of these payments, the Company will receive favourable shipping rates at the dock facility.

7 Short-term debt

TSMC has entered into a credit facility agreement with ICICI bank amounting to CA$16,000,000. As at March 31, 2021, TSMC has utilized CAD $15,200,000. The interest rate on utilization is 5.5% and on non-utilization, 0.75%.

(In U.S. dollars)

8 Long-term debt and loans payable

	2021	2020
	$	$
TSMUK – Advance against preferred shares	**84,822,877**	56,051,886
Loan from Investissement Québec bearing interest at 6.00%, due on Sept 30, 2023	**46,231,384**	40,978,336
Loan from TSMUK bearing interest at 6.00%. Interest incurred on this loan during the year is $1,572,033 and is included in the balance as at March 31, 2021	**27,118,826**	27,118,826
Loan from Tata Steel Global Procurement Company Pte. Ltd. (TSGP) bearing interest at 7.00%. Interest incurred on this loan during the year is $2,807,671 and is included in Accounts payable and accrued liabilities as at March 31, 2021	**40,000,000**	**40,000,000**
Loan TSGH $18.5M from shareholder company TSGH bearing interest at 6% per annum. Interest accrued in this loan as of March 31st, 2021 is $ 66,732 and it is included in accrued liabilities as at March 31,2021.	**18,452,381**	
Loan TSGH from shareholder company TSGP bearing interest at 6% per annum. Interest accrued in this loan as of March 31st, 2021 is $ 395,283 and it is included in accrued liabilities as at March 31,2021.	**7,210,500**	
Loan from a shareholder of TSMUK bearing interest at 6.00% and due on September 30, 2023. Interest incurred on this loan during the year is $4,683,009 and is included in the balance as at March 31, 2021.	**80,785,654**	80,785,654
	304,621,622	244,934,702

The estimated repayments for the following years ending March 31 are as follows:

	$
2023	29,776,563
2024	29,776,563
2025	29,776,563
2026	29,776,563
2027	29,776,563
Subsequently	70,915,931
Total	219,798,746

TSMUK holds 82% in TSMC. TSGP is a subsidiary of TSL.

(In U.S. dollars)

9 Obligation under capital lease

	2021	2020
	$	$
Rail segment lease, 10.53%, maturing in October 2030	**27,849,507**	26,368,617
Current portion	**(2,109,293)**	(1,683,514)
	25,740,214	24,685,103

HME leasing 3 years right to use equipment- unsecure borrowing, 8%, maturing in March 2023	**11,886,798**	-
Current portion	**(5,706,578)**	-
	6,180,221	-

Lease 5 years right to use trucks- unsecure borrowing, 9.0791%, start Dec 2020, maturing in November 2025	**254,547**	-
Current portion	**(51,357)**	-
	203,190	**-**

Minimum lease payments required in the next five years and subsequently under capital lease are as follows:

	$
2022	18,623,762
2023	11,184,185
2024	4,999,905
2025	4,970,105
2026	4,970,105
Subsequently	11,924,379
	56,672,441
Interest included in minimum payments	(16,681,589)
	39,990,852

10 Asset retirement obligations

The Company accrued an estimated liability related to the mine rehabilitation and closure plan of the Project based on the total future remediation cost using a 2.35% (2.35% in 2019) discount rate (10 Year Zero Coupon Bond Yield) and a 2.2% inflation rate. The carrying value will be amortized over the expected mine life of 15 years.

11 Capital stock

Authorized, unlimited number

Class A common, voting and participating shares of no-par value

Class B common, voting and participating shares of no-par value

Class C common, voting and participating shares of no-par value

(In U.S. dollars)

Issued

		2020	2019
		$	$
368.69	Class A common shares	**749,126,650**	749,126,650
20.52	Class B common shares	**35,566,530**	35,566,530
85.44	Class C common shares	**93,430,002**	93,430,002
		878,123,182	878,123,182

12 Income taxes

The Company has had a net loss every year since incorporation except for year 2016. As such, there is no tax payable and no tax provision to record in the financial statements.

Reconciliation of the effective income tax rate to the statutory rate:

	2021	2020
	$	$
Net loss	**(130,110,213)**	(9,225,711)
Expected tax recovery at combined tax rate of 28.30% (28.30% in 2020)	**-**	(2,610,876)
Tax effect of non-deductible expenses for tax purposes	**-**	608,392
Tax effect of other temporary differences & mining taxes	**-**	(15,938,120)
	-	(17,940,604)
Tax effect of non-capital tax losses to be carried forward and not recognized as an asset		17,940,604
Income tax expense	**-**	-

The entity has unused Canadian Exploration Expenses of $273,869,104 and unused Canadian Development Expenses of $57,107,184

The Company has earned cumulative Federal investment tax credits (“ITCs”) of $50,823,212 ($50,823,212 in 2020) which have not been recorded in these financial statements due to the uncertainty as to whether the Company will be able to utilize them. These ITCs can be carried forward for 20 years and expire as follows:

	$
2031	71,462
2032	1,486,977
2033	5,618,775
2034	6,988,194
2035	20,196,938
2036	16,460,866
	50,823,212

(In U.S. dollars)

12 Income taxes (continued)

The Company has $427,854,556 ($427,854,556 in 2020) in non-capital tax losses, which are available to reduce income taxes in future years and expire as follows:

	$
2031	1,176,871
2032	12,227,490
2033	7,193,119
2034	21,008,796
2035	12,428,851
2036	141,424,204
2037	10,882,561
2038	84,817,404
2039	73,127,579
2040	63,567,681
	427,854,556

13 Additional information relating to the statement of cash flows

The changes in working capital items are detailed as follows:

	2021	2020
	$	$
Sales taxes receivable, other receivables and prepaid expenses and payables	**(6,564,505)**	1,490,018
Inventories	**30,121,782**	26,993,518

Included in the accounts payable and accrued liabilities is an amount of $86,752,335 ($135,827,985 in 2020) pertaining to additions to mineral properties and $93,012,749 ($19,659,937 in 2020) pertaining to acquisitions of property, plant, and equipment.

14 Amounts transferred to long-term assets

During the year, certain expenses were transferred to long-term assets through capitalization, including interest in the amount of $ 3,704,448 depreciation of $ 9,795,464 salaries of $ 3,628,187 and expenses $ 3,523,599.

(In U.S. dollars)

15 Related party transactions and balances

During the year, the Company incurred transactions and had balances with companies under common control and a shareholder company:

	2021	2020
	$	$
Balance sheet accounts		
TSGH (Named before TSGMH)	**84,822,876**	56,081,886
Receivable from TSMUK	**569,803**	523,808
Advance payable to TS Canada Capital Ltd.	**3,244,939**	3,249,307
Loan payable to TSMUK Ltd.	**107,904,481**	107,904,481
Preferred shares issued to TSMUK Ltd.	**290,000,000**	290,000,000
Interest payable to TSCC ($492.6k) TSGMH ($198.9k)	**691,563**	691,563
Tata Steel Limited	**454,755**	454,258
TSGH	**58,452,381**	
TSGP Liability related to hedge	**71,372,719**	
TSGP	**7,210,500**	21,512,705

These transactions, concluded in the normal course of operations are for goods and services provided by TSL and its subsidiaries and NML.

16 Commitments and contingency

The Company has entered into Impact Benefit Agreements (IBA) with four First Nations. These “life of mine” agreements promotes and govern a mutually beneficial Project. The IBAs establish the processes and sharing benefits, whereby the First Nations will benefit through training, employment, business opportunities and financial participation in the Project.

The minimum lease payments required under these IBAs are as follows:

	$
2021	3,391,984
2022	3,529,184
2023	3,250,855
	10,172,023

16 Commitments and contingency (continued)

The Company has entered into various agreements for the development of the DSO Project to be paid as project milestones are met and has agreed to some take-or-pay obligations that the Company anticipates will be used by its future operations. Based on the Company's assessment, the minimum amounts due in each of the next four years and subsequently under these agreements are as follows:

	$
2021	12,448,223
2022	8,698,382
2023	21,245,726
2024	21,245,726
Subsequently	30,982,107

The Company is party to claims and lawsuits in the normal course of business. Management believes that the resolution of these claims and lawsuits will not have a material adverse effect on the Company's financial position, loss or cash flows.

17 Financial risk management objectives and policies

In the normal course of operations, the Company is exposed to and manages various financial risks.

The Company does not enter into financial instrument agreements including derivative financial instruments for speculative purposes.

The Company's main financial risks and policies are as follows:

Foreign exchange risk

Foreign exchange risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The functional currency is the US dollar, but most of the Company's expenditures are transacted in Canadian dollars. Consequently, some assets and liabilities are exposed to foreign exchange fluctuations.

On March 31, 2021, the Company had cash in the amount of C$1,840,661 (C$437,872 in 2020) which have been translated into US dollars at the exchange rate on March 31, 2021.

Liquidity risk

Liquidity risk is the risk that an entity will encounter financial difficulty in meeting obligations associated with financial liabilities.

The Company has a robust planning and budgeting process which supports the determination of the funds required for Company's operating requirements as well as exploration and development plans. The annual budget is approved by the Board of Directors. Future exploration, development, mining, and processing may require additional financing by way of private or equity offering or debt or sale of part of the Project. If needed, TSMC has access to financial support, as confirmed by a financial support letter, from TSGMH to provide the necessary support to the Company to enable it to fund the ongoing funding for the Project over the next 12 months.

17 Financial risk management objectives and policies (continued)

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Company manages credit risk through an emphasis on quality in its investment portfolio, which at year-end consists of cash, short-term investments and term deposits. The cash, short-term investments and term deposits are held through three Canadian chartered banks, and management believes the risk of loss to be remote.

Interest rate risk

Interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its LIBOR-based long-term debt.

Market risk

Market risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk.