Financial statement of
Tata Steel Minerals Canada Ltd.

March 31, 2019

Tata Steel Minerals Canada Ltd.

Balance sheet

As at March 31, 2019

(In U.S. dollars)

	Notes	2019	2018
		$	$
Assets			
Current assets			
Cash		**2,307,112**	7,384,096
Sales taxes receivable, other receivables and prepaid expenses	3	**9,614,780**	11,467,703
		11,921,892	18,851,799
Deposits on contracts		**17,924,411**	19,817,272
Mineral properties	4	**720,012,071**	663,906,532
Property, plant and equipment	5	**536,115,834**	509,709,334
Other assets	6	**6,335,334**	9,920,118
		1,292,309,542	1,222,205,055
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		**101,256,949**	92,183,034
Current portion of obligation under capital lease	7	**1,609,406**	1,501,911
		102,866,355	93,684,945
Non-current liabilities			
Obligation under capital lease	7	**27,994,579**	30,680,786
Long-term debt and loans payable	6	**182,632,690**	111,717,019
Asset retirement obligations	8	**7,607,480**	7,884,190
Preferred shares	15	**290,000,000**	290,000,000
		611,101,104	533,966,940
Shareholders' equity			
Capital stock	9	**878,123,182**	878,123,182
Cumulative translation adjustment		**(49,852,640)**	(49,852,640)
Deficit		**(147,062,104)**	(140,032,427)
		681,208,438	688,238,115
		1,292,309,542	1,222,205,055

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

Approved by the Board

____, Director

____, Director

Tata Steel Minerals Canada Ltd.

Statement of loss

Year ended March 31, 2019

(In U.S. dollars)

		2019	2018
		$	$
Expenses			
Salaries and benefits		**21,411,726**	15,408,536
Depreciation of property, plant and equipment		**7,243,945**	7,283,708
Interest expenses and borrowing cost		**10,198,294**	5,410,043
Professional fees		**290,315**	429,792
Foreign exchange gain		**(2,455,210)**	(601,725)
Rent		**394,325**	373,869
Travelling expenses		**2,014**	3,362
Write-off advances		**3,849,556**	12,233,328
Other general expenses		**3,584,496**	3,523,143
Loss before investment income		**44,519,461**	44,064,055
Interest income		**(239,464)**	(224,687)
		44,279,997	43,839,368
Less: amounts transferred to long-term assets	12	**(37,250,320)**	(27,463,451)
Net earnings (loss)		**(7,029,677)**	(16,375,917)

Transfer to long term assets capitalization Interest $ 10,198,293, Depreciation $ 6,209,826, Salaries $ 17,571,446.

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

Tata Steel Minerals Canada Ltd.
Statement of deficit
Year ended March 31, 2019
(In U.S. dollars)

	2019	2018
	$	$
Balance, beginning of year	**(140,032,427)**	(123,656,510)
Net earnings (loss)	**(7,029,677)**	(16,375,917)
Balance, end of year	**(147,062,104)**	(140,032,427)

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

Tata Steel Minerals Canada Ltd.

Statement of cash flows

Year ended March 31, 2019

(In U.S. dollars)

	Notes	2019	2018
		$	$
Operating activities			
Net earnings (loss)		**(7,029,677)**	(16,375,917)
Unrealized foreign exchange loss		**(2,549,896)**	1,025,983
Non-cash items			
Depreciation of property, plant and equipment		**898,718**	938,481
		(8,680,855)	(14,411,453)
Changes in working capital items	11	**1,852,923**	6,987,700
		(6,827,932)	(7,423,753)
Investing activities			
Decrease in deposits on contracts		**1,892,861**	5,582,724
Acquisition of property, plant and equipment	4	**(12,698,610)**	(12,351,550)
Additions to mineral properties	3	**(58,330,158)**	(52,338,726)
Proceeds from pre-commercial production revenue			
Decrease in other assets		**-**	-
		(69,135,907)	(59,107,552)
Financing activities			
Increase in long-term debt		**72,366,599**	44,159,849
Repayment of loans payable		**(122,616)**	-
Repayment of obligation under capital lease		**(1,357,127)**	(1,357,128)
Issuance of class C shares	9	**-**	-
		70,886,856	42,802,722
Decrease in cash and cash equivalents		**(5,076,984)**	(23,728,583)
Cash and cash equivalents, beginning of year		**7,384,096**	31,112,679
Cash and cash equivalents, end of year		**2,307,112**	7,384,096

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

1. Nature of operations

Tata Steel Minerals Canada Ltd. (the "Company" or "TSMC") was incorporated pursuant to the provisions of the *British Columbia Business Corporations Act* on October 13, 2010, for the purpose of acquiring, exploring and developing the Direct Shipping Ore ("DSO") project from mineral licenses located in Northern Quebec and Western Labrador, Newfoundland and Labrador, Canada. The Company began its operations on December 1, 2010.

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 Canadian 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 and income taxes 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 capitalizes costs, net of tax credits, mining duties credit and accumulated impairment losses, relating to the acquisition, exploration and development of mineral properties on an area of interest basis. These expenses will be charged against revenue, through unit of production depletion, when properties are developed until the stage of commercial production. If an area of interest is abandoned, or management determines that there is a permanent and significant decline in value, the related costs are charged to operations. 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 is recognized.

2. Accounting policies (continued)

Mineral properties (continued)

The recoverability of amounts shown for mineral properties is dependent upon the ability of the Company to obtain necessary financing to complete the exploration and development of economically recoverable reserves in the mineral properties, upon the renewal of the underlying mineral claims, maintaining of the Company's interest in the underlying mining titles and compliance with filing obligations, and upon future profitable production of these reserves or sufficient proceeds from the disposition thereof.

During the construction and commissioning period of the mine, revenue from saleable material produced as part of test production is recorded against the cost of the asset until the mine achieving its level of production and completely operational.

Property, plant and equipment

Items of property, plant and equipment are recognized at cost less accumulated depreciation and accumulated impairment losses. 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 will be amortized using the units-of-production basis. The transportation infrastructure and equipment is 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. Rolling stock is depreciated on a declining balance of 30% per year.

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.

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.

Financial instruments

(a) *Measurement of financial instruments*

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

(In U.S. dollars)

2. Accounting policies (continued)

(b) Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net loss. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is not greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net loss.

(c) Transaction costs

The Company recognizes its transaction costs in net loss 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.

(d) Hedge accounting

The Company holds forward contracts on iron ore to protect against changes in market price of iron ore based on anticipated transactions. As at March 31, 2019, and March 31, 2018, the Company had no designated any derivate financial instruments as hedges for accounting purposes and accounts for these contracts at their fair value.

Asset retirement obligations

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 will be capitalized as mineral properties and the corresponding liability will be increased accordingly. The carrying value will then be amortized over the life of the related assets on a unit-of-production basis and the related liabilities will accrete to the original value estimate.

Foreign currency translation

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.

3 Sales taxes receivable, other receivables and prepaid expenses

	2019	2018
	$	$
Sales taxes receivable	**1,269,340**	536,557
Trade receivable IOC	**3,761,320**	3,916,004
Receivable from shareholder corporation	**542,837**	559,909
Interest receivable	**4,011**	4,157
Advances, deposits and other	**4,037,272**	6,451,077
	9,614,780	11,467,703

(In U.S. dollars)

The amounts due from shareholder corporation are non-interest bearing and due on demand.

4 Mineral properties

	2019	2018
	$	$
Balance, beginning of year	**663,906,532**	573,246,874
Additions	**139,231,940**	187,245,983
Revenue from sale of Ore	**(83,126,401)**	(96,586,325))
Balance, end of year	**720,012,071**	663,906,532

(In U.S. dollars)

4 Mineral properties (continued)

In December 2011, the Company completed the purchase from New Millennium Iron Corp. ("NML") of 782 DSO claims covering 303.9 km^2 in Newfoundland and Labrador and Quebec. This purchase committed the Company to several agreements that NML has signed on behalf of the DSO Project including Impact and Benefit Agreements ("IBAs") and royalty agreements. These properties are in isolated claim blocks, extending from 15km southeast of Schefferville to the Goodwood area approximately 50km northwest of Schefferville.

5 Property, plant and equipment

			2019	2018
	Cost	**Accumulated depreciation**	**Net book value**	Net book value
	$	**$**	**$**	$
Ore processing plant	**279,440,691**	**3,193,791**	**276,246,900**	242,074,130
Transportation, infrastructure and equipment	**96,652,901**	**15,073,533**	**81,579,368**	94,200,229
Buildings and mine camp	**190,677,147**	**14,201,638**	**176,475,509**	170,863,423
Office equipment and furniture	**4,361,543**	**2,652,171**	**1,709,372**	2,420,004
Rolling stock	**532,392**	**427,707**	**104,685**	151,547
	571,664,674	**35,548,840**	**536,115,834**	509,709,334

Property, plant and equipment under construction with a cost of $ 455,820,287 ($422,271,449 in 2018) have not been amortized in 2019.

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 FY19. The Company's buy-in for this agreement amounts to $9,571,952 of which $4,960,059 (50%) was disbursed in July 2012 and the remainder in July 2013. Because of these payments, the Company will receive favourable shipping rates at the dock facility.

(In U.S. dollars)

6 Long-term debt and loans payable

	2019	2018
	$	$
Loan from Investissement Quebec bearing interest at 6.00%, due on Sept 30, 2023.	**40,983,252**	40,014,304
Loan from parent company TSMUK bearing interest at 6% Interest incurred on this loan during the year is $ 993,693 and it is included in the balance as at March 31, 2019	**25,546,793**	
Loan from parent company TSGP bearing interest at 7% Interest incurred on this loan during the year is $ 2,384,794 and it is included in the balance as at March 31,2019	**40,000,000**	
Loan from a shareholder company bearing interest at 6.0% and due on September 30, 2023. Interest incurred on this loan during the year is $ 4,399,930 and is included in the balance as at March 31, 2019	**76,102,645**	71,702,714
	182,632,690	111,717,018

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

	$
2020	
2021	
2022	
2023	
More than 5 years	182,632,690
Total	182,632,690

(In U.S. dollars)

7 Obligations under capital lease

	2019	2018
	$	$
Rail segment lease, 10.53%, maturing in October 2030	**29,603,985**	32,182,697
Current portion	**(1,609,406)**	(1,501,911)
	27,994,579	30,680,786

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

	$
2020	4,650,902
2021	4,650,902
2022	4,650,902
2023	4,650,902
Subsequently	32,227,842
	50,831,449
Interest included in minimum payments	(21,227,464)
	29,603,985

8 Asset retirement obligations

The Company accrued an estimated liability related to the mine rehabilitation and closure plan of the DSO Project based on the total future remediation cost using a 2.35% (1.86% in 2017) 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.

9 Capital stock

1. *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

   Preferred

Issued

	2019	2018
	$	$
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

(In U.S. dollars)

10 Income taxes

The Company has had a net loss every year since incorporation with the exception of the last year. 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:

	2019		2018
		$	$
Net earning (loss)		**()**	(16,375,917)
Expected tax expense (recovery) at combined tax rate of 28.34% (29.19% in 2017)		**()**	(4,640,935)
Tax effect on conversion of debt to equity	**-**		-
Tax effect of non-deductible expenses for tax purposes	**()**		(93,214)
Tax effect of other temporary differences		**-**	28,293,713
Tax effect of temporary difference related to foreign exchange loss	**-**		-
Tax effect of non-capital tax losses to be carried forward and not recognized as an asset		**(-)**	(23,559,564)
Income tax expense	**-**		-

The entity has unused Canadian Exploration Expenses of $289,886,439 and unused Canadian Development Expenses of $49,888,280.

The Company has earned cumulative Federal investment tax credits ("ITCs") of $ 50,775,859 ($ 50,790,752 in 2017) 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	16,413,513	**50,775,859**

(In U.S. dollars)

10 Income taxes (continued)

The Company has $ 289,886,447 ($231,624,924 in 2017) 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	83,544,555
	289,886,447

11 Additional information relating to the statement of cash flows

The changes in working capital items are detailed as follows:

	2019	2018
	$	$
Sales taxes receivable, other receivables and prepaid expenses	**(6,827,932)**	6,987,700

Included in the accounts payable and accrued liabilities is an amount of $ 44,127,794 ($49,937,197 in 2018) pertaining to additions to mineral properties and $ 57,129,155 ($42,245,837 in 2018) pertaining to acquisitions of property, plant, and equipment.

12 Amounts transferred to long-term assets

During the year transfer to long term assets, capitalization expenses such as Interest $ 10,198,293, Depreciation $ 6,209,826 and Salaries $ 17,571,446

13 Related party transactions and balances

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

	2019	2018
	$	$
Balance sheet accounts		
Accounts payable and accrued liabilities	**-**	6,317
Receivable from a shareholder corporate (NML)	**548,413**	483,327
Advance payable to TS Canada Capital Ltd.	**3,223,622**	3,250,634
Loan payable to TSMUK Ltd.	**76,102,645**	71,702,714
Preference shares issued to TSMCUK Ltd.	**290,000,000**	290,000,000

(In U.S. dollars)

Interest payable to TSCC (U$492.6k) TSGMH(U$198.9k)	**691,563**	691,562
Accrued liability Commodity/Foreign exchange Hedging payable	**2,723,386**	989,765
Tata Steel	**365,943**	203,277
Hedging TSGP	**5,655,802**	479,696
Interest expense capitalized	**4,399,930**	4,145,545

These transactions, concluded in the normal course of operations, are for goods and services provided by companies under common control and a shareholder. These amounts have been recorded at the exchange amounts.

14 Commitments and contingency

The Company has entered into IBAs with four First Nations. These “life of mine” agreements promote and govern a mutually beneficial development of the DSO 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 this lease are as follows:

	$
2020	3,291,217
2021	4,055,188
2022	3,191,962
2023	3,321,073
	13,859,440

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 estimates, amounts due in each of the next five years and subsequent under these agreements are as follows:

	$
2020	36,611,114
2021	18,527,488
2022	20,266,762
2023	26,925,391
2024	1,822,195
Subsequent	29,155,129

14 Commitments and contingency (continued)

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, earnings or cash flows.

15 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:

Exchange risk

Exchange risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Most of the Company's expenditures are transacted in Canadian dollars; however, there are foreign currency transactions. Consequently, some assets and liabilities are exposed to foreign exchange fluctuations.

On March 31, 2018, the Company had in cash, CAN$ 3,027,596 (CAN$ 889,463 in 2018); and CAN $ 50,000,000 (CAN $ 50,000,000 in 2018) in long-term debt and loans payable, which have been translated into US dollars at the exchange rate on March 31, 2019.

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 in determining 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. The future exploration, development, mining, and processing may require additional financing by way of private or public offerings of equity or debt or sale of part of project. TSMC has support from the Tata Steel Group to provide the necessary support to the Company to enable it to fund the ongoing funding for the DSO project

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 are 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 rate based long-term debt.

Market Risk

The company is also exposed to market on shipments of iron-ore. The company is committed, under outstanding forward contracts from a company under common control, to sell 0.55 million tons of iron-ore swap at prices ranging from US$ 70/ton to USD $72/ton. These contracts are designed to hedge the market risk of movements on the spot price of iron ore. However, the company does not apply hedge accounting. Since the company does not use hedge accounting for its forward contracts, these contracts are recorded on the balance sheet at fair value. The fair value is $ 4.33 million as at March 31,2018 and the fair value is based on information received from the counterparty who is a company under common control with whom those instruments are negotiated and is included in mineral properties financial statement line item.