# NEW MILLENNIUM IRON CORP.

## Consolidated Financial Statements

**Years ended**
**December 31, 2018 and 2017**

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## Consolidated Financial Statements

Years ended December 31, 2018 and 2017

MNP LLP

# Independent Auditor's Report

To the Shareholders of New Millennium Iron Corp.:

**Opinion**

We have audited the consolidated financial statements of New Millennium Iron Corp. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and December 31, 2017, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2018 and December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

**Basis for Opinion**

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Other Information**

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis ("MD&A"). The other information also comprises the information included in the Annual Report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained the MD&A and Annual Report prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Michael Dimitriou.

MNP LLP

Ottawa, Ontario — Chartered Professional Accountants

March 26, 2019 — Licensed Public Accountants

# NEW MILLENNIUM IRON CORP.

## Consolidated Statements of Financial Position

As at December 31, 2018 and 2017

(in Canadian dollars)

| | Note | December 31 2018 | December 31 2017 |
|---|---|---|---|
| | | $ | $ |
| **Assets** | | | |
| **Current assets:** | | | |
| Cash | 5 | 6,997,065 | 986,920 |
| Marketable securities | 7 | 9,411,009 | 12,590,342 |
| Sales tax and other receivables | 6 | 47,819 | 63,950 |
| Prepaid expenses | | 10,780 | - |
| **Total current assets** | | 16,466,673 | 13,641,212 |
| **Non-current assets:** | | | |
| Due from Tata Steel | 8 | - | 1,763,137 |
| Tax credits and mining duties receivable | 9 | 428,384 | 4,843,790 |
| Long-term investment | 11 | 9,585,000 | 10,148,595 |
| Property and equipment | 12 | 343,371 | 343,371 |
| **Total non-current assets** | | 10,356,755 | 17,098,893 |
| **Total assets** | | 26,823,428 | 30,740,105 |
| **Liabilities and Equity** | | | |
| **Current liabilities:** | | | |
| Trade and other payables | 13 | 199,100 | 174,241 |
| **Total current liabilities** | | 199,100 | 174,241 |
| **Non-current liabilities:** | | | |
| Trade and other payables | 13 | 716,527 | 623,202 |
| Mining duties payable | 9 | 88,441 | 1,373,490 |
| **Total non-current liabilities** | | 804,968 | 1,996,692 |
| **Total liabilities** | | 1,004,068 | 2,170,933 |
| **Equity:** | | | |
| Share capital | 14 | 177,584,512 | 177,584,512 |
| Contributed surplus | | 22,432,336 | 22,432,336 |
| Deficit | | (173,382,039) | (171,686,027) |
| Accumulated other comprehensive loss | | (1,053,800) | - |
| **Total equity attributable to owners of the parent company** | | 25,581,009 | 28,330,821 |
| Non-controlling interest | | 238,351 | 238,351 |
| **Total equity** | | 25,819,360 | 28,569,172 |
| **Total liabilities and equity** | | 26,823,428 | 30,740,105 |

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

These consolidated financial statements were approved and authorized for issue by the Board of Directors on March 26 2019.

| (S) Mario Caron | (S) Dean Journeaux |
|---|---|
| Director | Director |

# NEW MILLENNIUM IRON CORP.

## Consolidated Statements of Income (Loss) and Comprehensive Loss

Years ended December 31, 2018 and 2017

(in Canadian dollars)

| | Note | December 31 2018 | December 31 2017 |
|---|---|---|---|
| | | $ | $ |
| **Expenses:** | | | |
| General and administrative expenses | 16 | 1,025,179 | 1,634,827 |
| Mineral exploration and evaluation | 15 | (2,316,952) | (195,730) |
| Impairment (reversal of impairment) of other assets | 10 | (4,384,245) | 38,502,545 |
| Change in fair value of long-term investment | 11 | (1,149,000) | - |
| Write-down of tax credits and mining duties receivable | 9 | 4,445,369 | - |
| Write-down of due from Tata Steel | 8 | 3,843,972 | - |
| Derecognition of mining duties payable | 9 | (1,285,049) | - |
| | | 179,274 | 39,941,642 |
| **Other items:** | | | |
| Investment income | | 843,987 | 667,350 |
| Change in fair value of marketable securities | 7 | (364,830) | 276,842 |
| | | 479,157 | 944,192 |
| **Net income (loss)** | | 299,883 | (38,997,450) |
| **Other comprehensive loss:** | | | |
| Change in fair value of fixed rate investments | 7 | (1,337,100) | - |
| **Other comprehensive loss net of tax** | | (1,337,100) | - |
| **Total comprehensive loss** | | (1,037,217) | (38,997,450) |
| **Net income (loss) attributable to:** | | | |
| Shareholders of New Millennium Iron Corp. | | 299,883 | (38,997,450) |
| Non-controlling interest | | - | - |
| | | 299,883 | (38,997,450) |
| **Other comprehensive loss attributable to:** | | | |
| Shareholders of New Millennium Iron Corp. | | (1,337,100) | - |
| Non-controlling interest | | - | - |
| | | (1,337,100) | - |
| **Net income (loss) and comprehensive loss attributable to:** | | | |
| Shareholders of New Millennium Iron Corp. | | (1,037,217) | (38,997,450) |
| Non-controlling interest | | - | - |
| | | (1,037,217) | (38,997,450) |
| **Weighted average number of common shares outstanding** | | 181,054,146 | 181,054,146 |
| **Basic and diluted loss per share:** | | 0.00 | (0.22) |

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

# NEW MILLENNIUM IRON CORP.

## Consolidated Statements of Changes in Equity

Years ended December 31, 2018 and 2017

(in Canadian dollars)

| | Note | Number of shares outstanding | Share capital | Contributed surplus | Deficit | Accumulated other comprehensive income (loss) | Total attributable to the owners of the parent company | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| | | | $ | $ | $ | $ | $ | $ | $ |
| **Balance as at December 31, 2017** | | 181,054,146 | 177,584,512 | 22,432,336 | (171,686,027) | - | 28,330,821 | 238,351 | 28,569,172 |
| IFRS 9 transition adjustment | 3.2 | | | | (283,300) | 283,300 | - | - | - |
| IFRS 9 transition adjustment | 3.2 | | | | (1,712,595) | | (1,712,595) | - | (1,712,595) |
| Adjusted balance as at December 31, 2017 | | 181,054,146 | 177,584,512 | 22,432,336 | (173,681,922) | 283,300 | 26,618,226 | 238,351 | 26,856,577 |
| Net income (loss) and comprehensive loss for the year | | | | | 299,883 | (1,337,100) | (1,037,217) | - | (1,037,217) |
| **Balance as at December 31, 2018** | | 181,054,146 | 177,584,512 | 22,432,336 | (173,382,039) | (1,053,800) | 25,581,009 | 238,351 | 25,819,360 |
| | | | | | | | | | |
| **Balance as at December 31, 2016** | | 181,054,146 | 177,584,512 | 22,432,336 | (132,688,577) | - | 67,328,271 | 238,351 | 67,566,622 |
| Net loss and comprehensive loss for the year | | | | | (38,997,450) | | (38,997,450) | - | (38,997,450) |
| **Balance as at December 31, 2017** | | 181,054,146 | 177,584,512 | 22,432,336 | (171,686,027) | - | 28,330,821 | 238,351 | 28,569,172 |

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

## NEW MILLENNIUM IRON CORP.
### Consolidated Statements of Cash Flows
Years ended December 31, 2018 and 2017
(in Canadian dollars)

| | Note | December 31 2018 | December 31 2017 |
|---|---|---|---|
| | | $ | $ |
| **Operating activities:** | | | |
| Net income (loss) | | 299,883 | (38,997,450) |
| Adjustments for: | | | |
| Investment income | | (843,987) | (667,350) |
| Change in fair value of marketable securities | 7 | 364,830 | (276,842) |
| Decrease (increase) in due from Tata Steel | | (2,080,835) | 239,434 |
| Change in fair value of long-term investment | 11 | (1,149,000) | - |
| Write-down of tax credits and mining duties receivable | 9 | 4,445,369 | - |
| Write-down of due from Tata Steel | 8 | 3,843,972 | - |
| Derecognition of mining duties payable | 9 | (1,285,049) | - |
| Depreciation of property and equipment | 12 | - | 5,931 |
| Tax credits and mining duties recognized | | (239,152) | (81,046) |
| Gain on disposal of property and equipment | | - | (17,263) |
| Impairment of other assets | | - | 38,502,545 |
| Operating activities before changes in working capital items | | 3,356,031 | (1,292,041) |
| Change in sales taxes and other receivables | | 16,131 | 16,259 |
| Change in prepaid expenses | | (10,780) | - |
| Change in trade and other payables | | (9,034) | (1,558,270) |
| Change in working capital items | | (3,683) | (1,542,011) |
| **Cash flows from (used for) operating activities** | | 3,352,348 | (2,834,052) |
| **Financing activity:** | | | |
| Increase in long-term trade and other payables | | 93,325 | 623,202 |
| **Cash flows from financing activity** | | 93,325 | 623,202 |
| **Investing activities:** | | | |
| Redemption of marketable securities | | 5,519,575 | 14,006,163 |
| Purchase of marketable securities | | (4,063,301) | (14,374,631) |
| Net interest received | | 745,447 | 588,043 |
| Dividends received | | 119,669 | - |
| Proceeds from disposal of property and equipment | 12 | - | 20,000 |
| Tax credits and mining duties received | | 243,082 | 738,902 |
| **Cash flows from investing activities** | | 2,564,472 | 978,477 |
| **Net change in cash** | | 6,010,145 | (1,232,373) |
| **Cash, beginning of year** | | 986,920 | 2,219,293 |
| **Cash, end of year** | | 6,997,065 | 986,920 |

Additional disclosures of cash flows information (Note 18.).
The accompanying notes are an integral part of these consolidated financial statements.

## 1. Reporting entity:

The current principal activities of New Millennium Iron Corp. ("the Parent Company") and its subsidiaries ("the Company", "New Millennium" or "NML") are the exploration, evaluation and development of mineral properties. The Parent Company was incorporated pursuant to the provisions of the *Alberta Business Corporations Act* on August 8, 2003.

New Millennium is a company domiciled in Canada. New Millennium is a public company listed on the Toronto Stock Exchange ("TSX") and its trading symbol is "NML".

The address of the Company's executive office is 1000 Sherbrooke Street West, Suite 1120, Montréal, Québec, H3A 3G4 and its head, registered and records office is 520 3rd Avenue SW, Suite 1900, Calgary, Alberta, T2P 0R3 and its web site is www.nmliron.com.

## 2. Basis of preparation:

### 2.1 Statement of compliance:

These annual consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standard Board ("IASB"), applicable to the preparation of annual consolidated financial statements. The accounting policies applied in these consolidated financial statements are based on IFRS issued and in effect as at year end.

### 2.2 Basis of presentation:

The consolidated financial statements have been prepared on the basis that the Company will continue as 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.

### 2.3 Basis of measurement:

The consolidated financial statements have been prepared on the historical cost basis except for where IFRS requires recognition at fair value.

### 2.4 Functional and presentation currency:

These consolidated financial statements are presented in Canadian dollars ($), which is also the Company's functional currency and the functional currency of each of its subsidiaries.

### 2.5 Basis of consolidation:

These consolidated financial statements include the accounts of the parent and the entities controlled by the parent and its subsidiaries which include the following entities:

| Subsidiary | **Principal activity** | **Jurisdiction of Incorporation** | **% of Ownership** |
|---|---|---|---|
| LabMag Services Inc. | Provision of services to LLP | Canada | 100% |
| LabMag GP Inc. ("GP") | General partner of LLP | Canada | 80% |
| LabMag Limited Partnership ("LLP") | Exploration and evaluation of mineral properties | Canada | 80% |

In accordance with the LLP Partnership agreement between the Company, the Naskapi/LabMag Trust ("NNK Trust") and GP, the Company is responsible for providing and arranging for all capital in excess of the initial contributions of each partner and for the financing of all operating costs for exploration until commercial production commences.

The parent controls a subsidiary if it is exposed or has rights to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary.

All significant intercompany transactions and balances are eliminated upon consolidation, including unrealized gains and losses on transactions between NML entities. Amounts reported in the financial statements of the subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Company. All subsidiaries have annual reporting dates of December 31.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognized from the effective date of acquisition or up to the effective date of disposal, as applicable. There were no such activities in the year.

(in Canadian dollars)

## 2. Basis of preparation (continued):

### 2.5 Basis of consolidation (continued):

Where the Company controls a subsidiary whose equity (or a portion thereof) is not attributable directly or indirectly to the Company, the Company records a non-controlling interest equal to its original cost plus its' attributable share of changes in equity since the date of acquisition. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity of the shareholders of the parent Company. Consequently, the Company consolidates 100% of the assets, liabilities and losses of LLP and reflects the contribution of the Partner holding the 20% interest in the Partnership as a non-controlling interest.

Summarized financial information of LLP, before intragroup eliminations, is set out below:

| | December 31 2018 | December 31 2017 |
|---|---|---|
| | $ | $ |
| Current assets | 114,652 | 55,292 |
| Non-current assets | - | 1,220,299 |
| Total assets | 114,652 | 1,275,591 |
| Current liabilities | - | 321,602 |
| Non-current liabilities | 587,704 | 587,704 |
| Total liabilities | 587,704 | 909,306 |
| Partners' capital | (473,052) | 366,285 |

| | December 31 2018 | December 31 2017 |
|---|---|---|
| | $ | $ |
| Net loss and comprehensive loss attributable to NML | (1,239,337) | (5,934) |
| Net loss and comprehensive loss attributable to Non-controlling interest | - | - |
| Net loss and total comprehensive loss | (1,239,337) | (5,934) |

| | December 31 2018 | December 31 2017 |
|---|---|---|
| | $ | $ |
| Net cash used in operating activities | (1,592,337) | 281,819 |
| Net cash from financing activities | 400,000 | (449,621) |
| Net cash used in investing activities | 1,220,299 | 62,921 |
| Net cash inflow (outflow) | 27,962 | (104,881) |

### 2.6 Use of estimates and judgements:

The preparation of the consolidated financial statements requires management to undertake several judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from these judgments and estimates. These estimates and judgments are based on management's best knowledge of the events or circumstances and actions the Company may take in the future. The estimates are reviewed on an ongoing basis. Information about the significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed below.

**(a) Significant management judgment:**

The following are significant management judgments in applying the accounting policies of the Company that have the most significant effects on the financial statements.

**2. Basis of preparation (continued):**

**2.6 Use of estimates and judgements (continued):**

**(a) Significant management judgment (continued):**

*Recognition of deferred income tax assets and measurement of income tax expense*

Management continually evaluates the likelihood that its deferred tax assets could be realized. This requires management to assess whether it is probable that sufficient taxable income will exist in the future to utilize these losses within the carry-forward period. By its nature, this assessment requires significant judgment. To date, management has not recognized any deferred tax assets in excess of existing taxable temporary differences expected to reverse within the carry-forward period (see Note 17).

*Tax credits receivable*

Management continually evaluates the likelihood of recovering the tax credits receivable. The evaluation requires management to assess the interpretation of the Quebec tax regulations and the probability of the Company being successful in its actions. As at December 31, 2018, management believes that the Company will be successful in recovering the remaining amounts under dispute.

*Other assets*

Management continually evaluates the likelihood of recovering the other assets. The evaluation requires management to assess the probability of the Company using the shipping facilities, or assigning a portion of its shipping rights, to recover the carrying amount. As at December 31, 2017, management has recorded an impairment of $38,502,545 in other assets as the Company did not expected to be able to use the shipping facilities to recover the carrying amount as described in Note 10. During the current year, the Company reversed $4,384,245 of this amount on assigning a portion of its shipping rights to an arms length party.

*Provisions and contingent liabilities*

Judgments are made as to whether a past event has led to a liability that should be recognized in the consolidated financial statements or disclosed as a contingent liability. Quantifying any such liability often involves judgements and estimates These judgments are based on several factors including the nature of the claims or dispute, the legal process and potential amount payable, legal advice received, previous experience and the probability of a loss being realized.

Several of these factors are sources of estimation uncertainty.

To date, the Company has met all government regulations concerning reclamation requirements relating to the exploration and evaluation of its mineral properties on a progressive basis. Management believes that no additional environmental rehabilitation provisions are required at this time and no amount has been recorded in these consolidated financial statements.

**(b) Estimation uncertainty:**

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities and expenses is provided below. Actual results may be substantially different.

*Long-term investment, Tata Steel Minerals Canada Ltd. (“TSMC”)*

Management uses a special valuation technique to estimate the fair value of the investment in TSMC at each reporting period as TSMC's shares are not publicly traded. The fair value of the investment is determined as the present value of estimated cash flows discounted at a current market rate of return.

In estimating the present value management is required to make assumptions as to future events or circumstances. The calculation of the fair value amount includes, but is not limited to, the following key assumptions:

- Future funding requirements of TSMC and resulting dilution of NML’s ownership interest in TSMC;
- Cost of capital that is used for the current market rate of return;
- Market price of iron ore;
- The amount and timing of payment of dividends by TSMC;
- US dollar exchange rate; and
- Internal and external factors that may affect production and logistics.

(in Canadian dollars)

## 2. Basis of preparation (continued):

### 2.6 Use of estimates and judgements (continued):

#### (b) Estimation uncertainty (continued):

*Share-based compensation*

The estimation of share-based compensation costs requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Company has made estimates as to the volatility of its own share price, the probable life of share options granted and the time of exercise of those share options. The model used by the Company is the Black-Scholes valuation model.

## 3. Changes in accounting policy:

### 3.1 IFRS 2 Share-based payment:

On January 1, 2018, the Company adopted IFRS 2. On June 20, 2016, the IASB published final amendments to IFRS 2 that clarify the classification and measurement of share-based payment transactions.

These amendments deal with variations in the final settlement arrangements including; (a) accounting for cash-settled share-based payment transactions that include a performance condition, (b) classification of share-based payment transactions with net settlement features, as well as (c) accounting for modifications of share-based payment transactions from cash-settled to equity.

These changes are effective for annual periods beginning on or after January 1, 2018. The adoption of this new standard did not have a significant impact on the Company's financial statements.

### 3.2 IFRS 9 Financial Instruments:

On January 1, 2018, the Company initially applied the requirements of International Financial Reporting Standards ("IFRS") 9 Financial Instruments, which introduces new requirements for the classification and measurement of financial assets. IFRS 9 requires all recognized financial assets to be measured at amortized cost or fair value in subsequent accounting periods following initial recognition. Specifically, financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the outstanding principal are measured at amortized cost at the end of subsequent accounting periods. If the business model's objective is achieved by both collecting the contractual cash flows and selling the underlying financial asset, the financial asset is measured at fair value at the end of subsequent accounting periods, with any changes taken through other comprehensive income. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods, with any changes taken through profit and loss or other comprehensive income depending on certain criteria. The requirements for classification and measurement of financial liabilities largely carried forward existing requirements in International Accounting Standard ("IAS") 39 Financial Instruments – Recognition and Measurement, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income. IFRS 9 also amends the requirements with respect to hedge accounting, and introduces a single, forward-looking expected loss impairment model.

The Company's financial instruments are accounted for as follows under IFRS 9 as compared to the Company's previous policy in accordance with IAS 39.

| Financial asset/liability | IAS 39 Category | IFRS 9 Category |
|---|---|---|
| Cash | Loans and receivables | Amortized cost |
| Marketable securities: | | |
| • Equities | Fair value through profit or loss | Fair value through profit or loss |
| • Fixed rate investments | Fair value through profit or loss | Fair value through other comprehensive income or loss |
| Other receivables | Loans and receivables | Amortized cost |
| Due from Tata Steel | Loans and receivables | Amortized cost |
| Long-term investment, TSMC | Available for sale | Fair value through profit or loss |
| Trade and other payables, except sales tax payable | Financial liabilities at amortized cost | Amortized cost |

## 3. Change in accounting policy (continued):

### 3.2 IFRS 9 Financial Instruments (continued):

Under IFRS 9, an investment in an equity instrument that was previously accounted for at cost and that does not have a quoted price in an active market for an identical instrument shall be measured at fair value at the date of initial application. Consequently, the Company has determined the fair value of its long-term investment in TSMC (see Note 11 to be $8,436,000 as at January 1, 2018. The $1,712,595 difference between the previous carrying value and the fair value has been recognized in the opening deficit of the current period.

Furthermore, the fixed rate investments were reclassified from fair value through profit or loss to fair value through other comprehensive income or loss. On January 1, 2018, the previously recognized gain on change in fair value of $283,300 was reclassified from deficit to accumulated other comprehensive income on the statement of changes in equity.

IFRS 9 changes to the requirements for hedge accounting had no impact on the Company's financial statements as the Company does not use hedge accounting.

The adoption of the expected credit loss impairment model did not have a significant impact on the Company's financial statements.

### 3.3 IFRS 15 - Revenue from Contracts with Customers:

On January 1, 2018, the Company adopted IFRS 15. In May 2014, the IASB issued "IFRS 15". The new standard is effective for fiscal years beginning on or after January 1, 2018 and is to be applied retrospectively. Early adoption is permitted. IFRS 15 will replace IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers, and SIC 31 Revenue - Barter Transactions Involving Advertising Services. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. The adoption of this new standard did not have a significant impact on the Company's financial statements as it did not have significant revenues in the past.

### 3.4 IFRIC 22 Foreign Currency Transactions and Advance Consideration:

On January 1, 2018, the Company adopted IFRS 22. Issued by the IASB in December 2016 and provides guidance on the issue of the "date of the transaction" for the purpose of determining the exchange rate at the time of the transaction, to apply to transactions that are within the scope of IAS 21, Effects of Changes in Foreign Exchange Rates, which involve the receipt or payment of an advance consideration in a foreign currency. The interpretation applies for annual reporting periods beginning on or after January 1, 2018. The adoption of this new standard did not have a significant impact on the Company's financial statements.

## 4. Significant accounting policies:

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements and in preparing the statements of financial position, unless otherwise indicated.

### 4.1 Cash and cash equivalents:

Cash and cash equivalents comprise cash in bank and other short-term highly liquid investments having original maturities of three months or less from the acquisition date and that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

### 4.2 Marketable securities:

Marketable securities comprise of bonds and shares of other publicly trading companies and are recorded at fair value as of the date of the statement of financial position. The difference from the original cost base related to bonds is recorded as change in fair value in other comprehensive income while the difference from the original cost base related to share of other public trading companies is recorded in net loss.

## 4. Significant accounting policies (continued):

### 4.3 Tax credits and mining credits on duties:

Tax credits and mining credits on duties are recognized as a reduction of the mineral exploration and evaluation expenditures during the period in which the costs are incurred, provided that the Company is reasonably certain the amounts will be received. The tax credits and mining credits on duties claimed and recorded must be examined and approved by the government authorities so it is possible that the amount granted will differ from the amount recorded.

### 4.4 Property and equipment:

Property and equipment are carried at cost less accumulated depreciation and any impairment losses. Depreciation is recognized on a straight-line basis over the estimated useful life of the property and equipment. The periods generally applicable are as follows:

| Asset | Period |
|---|---|
| Office equipment and furnitures | 18 to 60 months |

The amortization expense for each period is recognized in profit or loss, within general and administrative expense, except for certain items of property and equipment related to exploration and evaluation activities where the amortization expense is included in mineral exploration and evaluation expenditures when it relates to a specific exploration and evaluation project. Depreciation of an asset ceases when it is classified as held for sale (or included in a disposal group that is classified as held for sale) or when it is derecognized.

Depreciation methods, useful lives and residual values are reviewed at each reporting period, and adjusted if appropriate. Any changes arising from the assessment are applied by the Company prospectively.

At December 31, 2017, the Company had disposed of all of its office furniture and equipment.

### 4.5 Mineral exploration and evaluation expenditures:

All the Company’s projects are currently in the exploration and evaluation phase or in preparation for a decision on their development.

Mineral exploration and evaluation expenditures are costs incurred during the initial search of mineral deposits before the technical feasibility and commercial viability of the extraction have been demonstrated.

The costs directly related to the acquisition of the mineral property rights and the exploration and evaluation expenditures incurred are expensed until a decision to develop a property.

The Company will capitalize expenditures related to mineral properties under property and equipment once a decision to develop a property has been made.

Although the Company has taken steps to verify title to the mining properties in which it holds an interest, in accordance with industry practices for the current stage of exploration and development of such properties, these procedures do not guarantee the validity of the Company’s titles. Property titles may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

### 4.6 Reclamation obligations:

The Company's operations are governed by government environment protection legislation. Environmental consequences are difficult to identify in terms of amounts, timetable and impact. As of the reporting date, management believes that the Company's operations are in compliance with the current laws and regulations. Site restoration costs currently incurred are negligible. When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated, a restoration provision will be recognized in the cost of the mining property when there is constructive commitment that has resulted from past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be measured with sufficient reliability.

### 4.7 Income taxes:

Income tax expense consists of the sum of current and deferred tax expense. Income tax expense is recognized in profit or loss except when they relate to items that are recognized outside profit or loss (i.e. directly in equity or other comprehensive income).

## 4. Significant accounting policies (continued):

### 4.7 Income taxes (continued):

Current income tax expense is the expected tax payable on the taxable profit or loss for the period which differs from profit or loss in the consolidated financial statements, using tax rates enacted or substantively enacted at the reporting date, adjusted for amendments to tax payable with regards to previous years.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to current or prior reporting periods.

Deferred taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax liabilities are always recognized in full.

A deferred tax asset is only recognized to the extent that it is probable that future taxable income 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 all or part of the related tax benefit will be realized. To the extent that an asset not previously recognized fulfills the criteria for recognition, a deferred tax asset is recorded.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as deferred tax expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

When the Company has renounced its tax deductions and has incurred its eligible expenditures, the sale of tax deductions is recognized in profit or loss as a reduction of deferred tax expense.

### 4.8 Basic and diluted loss per share:

Basic loss per share is calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is calculated by adjusting loss attributable to common shareholders of the Company, and the weighted average number of common shares outstanding, for the effects of all dilutive potential common shares which include options and warrants. Dilutive potential common shares are deemed to have been converted into common shares at the average market price at the beginning of the period or, if later, at the date of issue of the potential common shares. The diluted loss per share is equal to the basic loss per share as a result of the anti-dilutive effect of the outstanding warrants and share options.

**4. Significant accounting policies (continued):**

**4.9 Equity:**

Share capital represents the amount received on the issuance of shares, less issuance costs net of any underlying income tax benefit from these issuance costs.

Proceeds from unit placements are allocated between shares and warrants issued using the residual method. Proceeds are first allocated to shares according to the quoted price of existing shares at the time of issuance and any residual in the proceeds is allocated to warrants.

Issuance of flow-through shares represents in substance an issuance of common shares and the sale of the right to tax deductions to the investors. When the flow-through shares are issued, the sale of the right to tax deductions is deferred and presented as other liabilities in the consolidated statement of financial position. The proceeds received from flow-through placements are allocated between share capital and the liability using the residual method which means that the shares are valued at fair value of existing shares at the time of issuance and the residual proceeds are allocated to the liability. The liability component recorded initially on the issuance of shares is reversed on renunciation of the right to deductions to the investors and when eligible expenses are incurred and recognized in profit or loss in reduction of deferred tax expense.

Contributed surplus includes charges related to share options and warrants until such equity instruments are exercised, at which point the amounts are transferred to share capital. Options and warrants that expire unexercised remain in contributed surplus.

When shares are purchased for cancellation, the carrying amount of the shares is recognized as a deduction from share capital. The difference between the purchase price and the carrying amount of the shares is charged to contributed surplus.

Deficit includes all current and prior period retained income and losses.

Non-controlling interest consists of the subsidiaries' equity that the Company does not hold directly or indirectly.

**4.10 Share-based compensation:**

The Company operates an equity settled share-based remuneration plan. All goods and services received in exchange for the grant of any share-based payments are measured at their fair values unless that fair value cannot be estimated reliably. If the entity cannot estimate reliably the fair value of the goods or services received, the entity shall measure their value indirectly by reference to the fair value of the equity instruments granted. Where employees and third parties providing similar services are rewarded using share-based payments, the fair value of the services rendered by the party is determined indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions, is determined using the Black-Scholes valuation model and is recognized over the vesting period of such options at each reporting date up to the vesting date or the expected vesting period when options vest only if certain performance criteria is met. The estimate of the number of the awards likely to vest is reviewed and adjusted to reflect the actual awards issued. Any cumulative adjustment prior to vesting is recognized in the current period in profit or loss with a corresponding adjustment to contributed surplus.

The compensation expense for the period is recognized in general and administrative expenses, with a corresponding adjustment to contributed surplus. Share-based payments to the agents in respect of an equity financing are recognized as issuance cost of the equity instruments with a corresponding credit to contributed surplus.

When directors, officers, employees and consultants exercise their share options, the share capital is credited by the sum of the consideration paid together with the related portion previously credited to contributed surplus when compensation expenses were charged in profit or loss.

**4. Significant accounting policies (continued):**

**4.11 Financial instruments:**

**(a) Recognition and derecognition:**

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

**(b) Classification and initial measurement of financial assets:**

All financial assets are initially measured at fair value adjusted for transaction costs (where applicable). Financial assets are classified into the following categories:

- amortized cost;
- fair value through profit or loss ("FVTPL");
- fair value through other comprehensive income ("FVOCI").

The classification is determined by both:

- the entity's business model for managing the financial asset;
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognized in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

**(c) Subsequent measurement of financial assets:**

i) Financial assets at amortized cost:

Financial assets are measured at amortized cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows;
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortized cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Company's cash, other receivables and Due from Tata Steel fall into this category of financial instruments.

ii) Financial assets at fair value through profit or loss (FVTPL):

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

The category contains equity investments and long-term investment. The Company accounts for the investments at FVTPL and did not make the irrevocable election to account for the investment in TSMC and listed equity securities at fair value through other comprehensive income (FVOCI). The equity investment in TSMC was measured at cost in the comparative period under IAS 39. In the current financial year, the fair value was determined in line with the requirements of IFRS 9, which does not allow for measurement at cost.

Assets in this category are measured at fair value with gains or losses recognized in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

**4. Significant accounting policies (continued):**

**4.11 Financial instruments (continued):**

iii) Financial assets at fair value through other comprehensive income (FVOCI):

The Company accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective it is "hold to collect" the associated cash flows and sell; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Any gains or losses recognized in other comprehensive income (OCI) will be recycled upon derecognition of the asset.

Fixed rate investments fall within this category.

The Company's financial assets are classified and measured as follows:

| Financial assets | Measurement basis |
|---|---|
| Cash | Amortized cost |
| Marketable securities: | |
| • Equities | Fair value through profit or loss |
| • Fixed rate investments | Fair value through other comprehensive income or loss |
| Other receivables | Amortized cost |
| Due from Tata Steel | Amortized cost |
| Long-term investment, TSMC | Fair value through profit or loss |

**4.12 Impairment of financial assets:**

IFRS 9's impairment requirements use more forward-looking information to recognize expected credit losses – the 'expected credit loss (ECL) model'. This replaces IAS 39's 'incurred loss model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortized cost and FVOCI, trade receivables, contract assets recognized and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Company first identifying a credit loss event. Instead the Company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- Stage 1: financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk;
- Stage 2: financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low;
- Stage 3: there is objective evidence of impairment as at the reporting date (using the criteria currently included in IAS 39).

A 12-month expected credit losses' are recognized for the first category while 'lifetime expected credit losses' are recognized for the second category. Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

**4.13 Classification and measurement of financial liabilities:**

As the accounting for financial liabilities remains largely the same under IFRS 9 compared to IAS 39, the Company's financial liabilities were not impacted by the adoption of IFRS 9. However, for completeness, the accounting policy is disclosed below.

The Company's financial liabilities include trade and other payables.

## 4. Significant accounting policies (continued):

### 4.13 Classification and measurement of financial liabilities (continued):

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Company designated a financial liability at fair value through profit or loss. Subsequently, financial liabilities are measured at amortized cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognized in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments). All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

The Company's financial liabilities are classified and measured as follows:

| Financial liabilities | Measurement basis |
|---|---|
| Trade and other payables, except sales tax payable | Amortized cost |

### 4.14 Employee benefits:

The cost of short-term employee benefits (those payable within 12 months after the service is rendered, such as: paid vacation leave, maternity and paternal leave, sick leave, bonuses, and group insurance benefits) is recognized in the period in which the services are rendered.

The Company adopted an employee retirement benefit plan which represents a defined contribution plan. Contributions to the defined contribution plan are recognized in operations when they are due.

At December 31, 2018, the Company no longer had any employees and had wound up its employee retirement benefit plan.

### 4.15 Impairment of property and equipment:

Property and equipment are tested for impairment whenever events or changes in circumstances indicate that the amounts may not be recoverable.

An impairment loss is recognized in profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount of an asset is the higher of its fair value less cost to sell and its value in use. To determine the value in use, management estimates expected future cash flows from each asset, and then determines an appropriate interest rate for the calculation of the expected present value of the cash flows. Discount factors are determined individually for each asset and reflect their respective risk profiles as assessed by management. The impairment loss reduces the asset directly.

Assets that have suffered impairment losses are reviewed at each reporting date for possible indicators of reversal of the impairment.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior periods

### 4.16 Revenue:

Investment income is recorded on an accrual basis.

### 4.17 Foreign currency translation:

Monetary assets and liabilities denominated in foreign currency are translated to the Company's functional currency using the exchange rate in effect at the reporting date, whereas non-monetary items are translated at the historical rate. Revenue and expenses are translated to the functional currency using the average exchange rate in effect during the period, with the exception of revenue and expenses relating to non-monetary assets and liabilities, which are translated using the historical rate. Gains and losses on translation are recognized in profit or loss for the period.

**4. Significant accounting policies (continued):**

**4.18 Operating leases:**

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the period of the lease.

Any incentive received from the lessor is recognized as a reduction of rental expense over the lease term, on a straight-line basis.

**4.19 Provisions:**

Provisions represent liabilities to the Company for which the amount or timing is uncertain. Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligations, and the amounts can be reliably estimated. A present obligation arises from the presence of a legal or constructive commitment that results from past events, for example, legal disputes, decommissioning, restoration and similar liabilities, or onerous contracts.

The amount recognized as a provision is reviewed at each reporting date and is the best estimate of the consideration required to settle the present obligation based on the most reliable evidence at the reporting date taking into account the risks and uncertainties surrounding the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation.

In those cases where the possible outflow of economic resources as a result of a present obligation is considered improbable or remote, no liability is recognized unless it was assumed in the course of a business combination.

As at December 31, 2018 and December 31, 2017, the Company had determined that no provision was required.

**4.20 Segment reporting:**

The Company presents and discloses segment information based on information that is regularly reviewed by its chief operating decision makers i.e. the Board of Directors and Chief Executive Officer. These decision makers have joint responsibility for allocating resources to the Company's operating segments and assessing their performance.

The Company has determined that it has only one operating segment, the exploration and evaluation of mineral resources.

**4.21 New standards and interpretations that have not yet been adopted:**

At the statement date, several new standards, amendments to standards and interpretations have been issued but are not yet effective. Accordingly, they have not been applied in preparing these consolidated financial statements. The Company is currently assessing the impact that these standards will have on the consolidated financial statements.

Management anticipates that all the pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of each pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's consolidated financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have an impact on the Company's consolidated financial statements and are not listed.

**(i)** *IFRS 16 Leases:*

IFRS 16 replaces IAS 17 Leases and related interpretations. The core principle is that a lessee recognizes assets and liabilities for all leases with a lease term of more than 12 months. A lessee is required to recognize a right of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. The new standard is intended to provide a faithful representation of leasing transactions, in particular those that do not currently require the lessees to recognize an asset and liability arising from an operating lease. IFRS 16 is effective for annual periods beginning on January 1, 2019, with early adoption permitted for entities that would also apply IFRS 15 Revenue from Contracts with Customers. Management is in the process of evaluating the impacts of these changes on the Company but does not anticipate any material impact on adoption of these amendments as it did not have significant leases.

(in Canadian dollars)

**4. Significant accounting policies (continued):**

**4.22 New standards and interpretations that have not yet been adopted:**

**(ii)** *IFRIC 23 Uncertainty Over Income Tax Treatments:*

Issued by the IASB in June 2017 and provides guidance as to when it is appropriate to recognize a current tax asset when the taxation authority requires an entity to make an immediate payment related to an amount in dispute. This interpretation applies for annual reporting periods beginning on or after January 1, 2019. Management is in the process of evaluating the impacts of these changes on the Company but does not anticipate any material impact on adoption of these amendments.

**5. Cash:**

| | December 31 2018 | December 31 2017 |
|---|---|---|
| | $ | $ |
| Cash | 6,997,065 | 986,920 |
| | 6,997,065 | 986,920 |

**6. Sales tax and other receivables:**

| | December 31 2018 | December 31 2017 |
|---|---|---|
| | $ | $ |
| Sales tax receivable | 47,819 | 21,924 |
| Receivable from TSMC | - | 29,262 |
| Other | - | 12,764 |
| | 47,819 | 63,950 |

**7. Marketable securities:**

As at December 31, 2018, marketable securities include:

| Security | Carrying value | Face value | Maturity | Interest Rate on Face Value (per annum) |
|---|---|---|---|---|
| | $ | $ | | |
| GIC | 15,000 | 15,000 | March 2019 | 0.90% |
| Sherritt senior unsecured notes | 5,721,440 | 8,610,000 | Between November 2021 and October 2025 | 7.50% to 8.00% |
| **Shares** | | | | |
| AltaGas Ltd. (ALA/TSX) | 236,300 | | | |
| BCE Inc. (BCE/TSX) | 539,300 | | | |
| CI Financial Corp. (CIX/TSX) | 388,800 | | | |
| Diversified Royalty Corp. (DIV/TSX) | 240,550 | | | |
| Evertz Technologies Ltd. (ET/TSX) | 259,040 | | | |
| Hydro One Ltd. (H/TSX) | 506,250 | | | |
| Seaspan Corp. (SSW/US) | 480,510 | | | |
| General Motors Co. (GM/US) | 502,252 | | | |
| GlaxoSmithkline PLC (GSK/US) | 521,567 | | | |
| | 9,411,009 | | | |

The Sherritt International Corporation (“Sherritt”) notes included accrued interest of $153,941.

(in Canadian dollars)

**7. Marketable securities (continued):**

As at December 31, 2018, due to the fluctuations in the market value of the "Sherritt" notes, the Company has recorded in other comprehensive loss a change in fair value of fixed rate investments in the amount of $1,337,100.

The acquisition cost of the shares purchased during 2018 is detailed in the following table:

| | | | |
|---|---|---|---|
| BCE Inc. | 560,000 | Hydro One Ltd. | 489,715 |
| CI Financial Corp. | 506,902 | Seaspan Corp. | 514,032 |
| Diversified Royalty Corp. | 242,165 | General Motors Co. | 488,435 |
| Evertz Technologies Ltd. | 241,908 | GlaxoSmithkline PLC | 509,702 |

As at December 31, 2018, due to the fluctuations in the market value of the shares, the Company has recorded in comprehensive income a change in fair value of marketable securities in the amount of $364,830.

As at December 31, 2017, marketable securities include:

| Security | Carrying value | Face value | Maturity | Interest Rate on Face Value (per annum) |
|---|---|---|---|---|
| | $ | $ | | |
| GIC's | 5,045,261 | 5,024,132 | Between February and October 2018 | 0.55% to 1.62% |
| Sherritt senior unsecured notes | 7,058,541 | 8,610,000 | Between November 2021 and October 2025 | 7.50% to 8.00% |
| Shares of AltaGas Ltd. (ALA/TSX) | 486,540 | | | |
| | 12,590,342 | | | |

The Sherritt International Corporation ("Sherritt") notes were purchased for $6,621,300 plus accrued interest of $152,862.

The AltaGas Ltd. ("AltaGas") shares were purchased for $492,998.

At December 31, 2017, due to the fluctuations in the market value of the "Sherritt" notes and the shares of AltaGas, the Company has recorded a change in fair value of the marketable securities in the amount of $276,842.

**8. Due from Tata Steel:**

On March 6, 2011, the Company signed the Taconite Binding Heads of Agreement ("HOA") with Tata Steel Global Minerals Holdings PTE Ltd. ("Tata Steel") in respect of the LabMag Project and the KéMag Project (collectively referred to as the "Taconite Projects"). Under the Binding HOA, Tata Steel has participated in the development of the Company's feasibility study of these projects. In exchange for an option to own a portion of the Taconite Projects, Tata Steel will pay the Company an amount equal to 64% of the costs to complete the feasibility study. If Tata Steel exercises its option, then it will pay the Company 64% of the costs incurred prior to the feasibility study to advance the project(s).

The project(s) upon which Tata Steel exercises its option will be transferred to an entity in which Tata Steel will initially hold an 80% interest and the Company 20%, with this initial 20% interest bearing a "free carry" equity interest in that Tata Steel will be required to arrange funding in the entity for any capital expenditure requirements on behalf of the Company's interest up to a maximum of $4.85 billion. Also, the Company has an option to acquire an additional 16% paid equity interest and a right of first refusal to acquire another 4% paid equity interest should Tata Steel exercise its right to invite third party investors into the project.

(in Canadian dollars)

**8. Due from Tata Steel (continued):**

As at December 31, 2018, NML has received $27,810,000 (December 31, 2017 - $27,810,000) from Tata Steel on account of the option. As at December 31, 2018, $24,441,774 has been recorded as a reduction of mineral exploration and evaluation expenditures for which there was a $58,232 recovery related to expenditures and $2,022,603 relating to the reversal of the Mining Tax Credits receivable net of Mining Duties payable in the year ended December 31, 2018 (year ended December 31, 2017 - $Nil). An additional $7,212,198 has been recorded as a reduction of general and administrative expenses, with $Nil recorded during the year ended December 31, 2018 (year ended December 31, 2017 - $Nil). The amount receivable at December 31, 2018 of $3,843,972 (December 31, 2017 - $1,763,137) was recorded as Due from Tata Steel.

During the year, there were further discussions between NML and Tata Steel ("Tata") regarding the previously reported amount due from Tata with Tata advising the Company of disagreement with calculations making up the basis for the receivable. Upon review, the Company has not been provided with sufficient certainty to consider the amount due from Tata as collectible and accordingly has written down the full amount of the receivable. These advances are unsecured, non-interest bearing and the Company is currently in discussion with Tata Steel as to exact quantum that is owed and the expected payment date. The Company will continue to pursue collection of the $3,843,972 as the Company believes it is entitled to this amount.

| | $ |
|---|---|
| Amount due from Tata Steel as at December 31, 2016 | 2,002,571 |
| Decrease relating to Tata Steel's portion of mining tax credits repaid to the government | (239,434) |
| Amount due from Tata Steel as at December 31, 2017 | 1,763,137 |
| Increase in amount owing relating to amounts spent on the Taconite project | 58,232 |
| Increase in amount owing relating to the reversal of the Mining Tax Credits receivable net of Mining Duties payable | 2,022,603 |
| Amount due from Tata Steel as at December 31, 2018 before provision for impairment | 3,843,972 |
| Write-down of the amount owing as at December 31, 2018 | (3,843,972) |
| Balance Due from Tata Steel as at December 31, 2018 | - |

**9. Tax credits and mining duties receivable:**

Revenu Québec ("RQ"), based on its audit of several claims from the Company for mining credits, previously reduced the Company's claimed credits by $4,840,000 mainly for work on the Taconite Project Feasibility Study ("Study"). The Company thus filed an appeal with the Quebec Court. As this issue has been outstanding for several years and while management continues to negotiate a settlement with RQ, the Company is unable to predict the outcome of such negotiations and, accordingly, has written down the amount receivable based on a considered estimate of the outcome of the ongoing discussions with RQ as reviewed by legal counsel. As these tax credits and mining duties relate to the amount due from Tata Steel (Note 8), they are applied to Tata's 64% share of the Study therefore increasing the amount receivable from Tata Steel

Changes to the tax credits and mining duties receivable are as follows:

| | Tax credit relating to resources receivable | Mining duties payable | Net |
|---|---|---|---|
| | $ | $ | $ |
| Amount receivable or payable as at December 31, 2016 | 4,952,495 | (824,339) | 4,128,156 |
| Mining tax credits refused during government audit repaid by the Company | 361,266 | - | 361,266 |
| Tax credit relating to resources received | (469,971) | (549,151) | (1,019,122) |
| Amount receivable or payable as at December 31, 2017 | 4,843,790 | (1,373,490) | 3,470,300 |
| Reallocation of a 2014 R&D tax credit payable to trade and other payables | 33,893 | - | 33,893 |
| Tax credit relating to resources received | (3,930) | - | (3,930) |
| Amount receivable or payable as at December 31, 2018 before provision for impairment | 4,873,753 | (1,373,490) | 3,500,263 |
| Write-down of the amount owing as at December 31, 2018 | (4,445,369) | 1,285,049 | (3,160,320) |
| Amount receivable or payable as at December 31, 2018 | 428,384 | (88,441) | 339,943 |

## 10. Other assets:

On July 13, 2012, the Company entered into a contract with the Sept-Îles Port Authority (“PSI”) providing NML with access to a new multi-user deep-water dock facility (“multi-user dock”). As part of the contract, NML has a minimum annual shipping capacity of 15 million tonnes a year for 20 years, with options to renew for four more five-year terms. Construction of the facility is completed; however, the Company does not have legal or physical access to the multi-user dock, nor has it been provided information as to when it will have such access. NML’s buy-in for this contract was calculated at $38,372,000, which was paid, and the total amount was initially recorded in these consolidated financial statements as other assets. This buy-in constitutes an advance by the Company on future shipping fees. In addition, included in other assets is an amount of $130,545 which represents the cost of opening letters of credits required to guarantee the above payments to the PSI.

On May 9, 2016 the PSI notified the Company that it considered the multi-user dock to be delivered and operational. On May 11, 2016 the Company advised the PSI of its position that this notice was inappropriate without effect and invalid.

On June 28, 2016 the Company announced that it had sent the PSI a notice of termination of the contract.

On December 6, 2017, the Company announced that it had reached a settlement with PSI. Per the settlement, as a multi-user dock participant presently without shipping operations, NML will use the funds previously advanced, coupled with a mechanism for adjusting NML’s reserved dock capacity over the contractual period, to satisfy NML’s take-or-pay obligation. As such, the Company has no further funding requirements in respect of the take-or-pay obligation. Once the funds previously advanced are fully offset against the take-or-pay obligation, NML is expected to use its reserved capacity proportionately based on the remaining term of the Contract. In all other respects, NML retains all its rights under the Contract..

As a result of the PSI settlement, and in view of the low probability of NML shipping prior to having fully applied the previously advanced funds to its take-or-pay obligation, NML has taken as at December 31, 2017, an impairment on this asset in the amount of $38,502,545.

As at December 31, 2017, the Company has 15 million tonnes of reserved capacity at the multi-user deep water dock facility and $38,372,000 of buy-in-payment that can be applied against future shipments or take or pay obligations.

During the year ended December 31, 2018, the Company entered into an agreement with an arm’s length party, Tacora Resources Inc. (“Tacora”), where the Company sold 6.5 million tonnes of the Company’s multi-user wharf capacity to Tacora in exchange for $4 million upfront and $0.10 per ton shipped by Tacora through the Port. Due to the delay in closing the transaction on Tacora’s end, the Company charged Tacora additional amounts totalling $384,245. The Company received all these amounts during the year. As this agreement was a direct result of the Company’s agreement with the Port and relates to the “Other assets” written down in prior year, they are considered as a reversal of the impairment taken in prior year on the statement of loss and comprehensive loss.

## 11. Long-term investment:

As at December 31, 2017 the Company had an ownership interest in TSMC of 4.32% with a cost base of $10,148,595 that originated as follows:

* An initial acquisition of 19 Class B shares of TSMC at a cost of $19 and an additional Class B share that was received as part of the transfer of the DSO properties, valued at $31,542,586.

* As a result, the Company owns 20 Class B shares with an original cost of $31,542,605.

* In 2015, a loan receivable from TSMC of $5,404,579 was converted into equity and in 2016 the Company took an impairment on the investment of 26,798,589.

As at January 1, 2018, the Company adopted the new standard IFRS 9. The bases of recognition changed from cost to the fair market value. The Company determined the fair value of its investment in TSMC to be $8,436,000 resulting in a reduction of $1,712,595.

As at December 31, 2018, the Company determined the fair value of its investment in TSMC to be $9,585,000, resulting in an increase of $1,149,000 for the year then ended.

(in Canadian dollars)

**12. Property and equipment:**

| | Land | Office equipment and furnitures | Total |
|---|---|---|---|
| | $ | $ | $ |
| **Cost** | | | |
| As at December 31, 2016 | 343,371 | 283,684 | 627,055 |
| Acquisitions | - | - | - |
| Disposals and write-offs | - | (283,684) | (283,684) |
| As at December 31, 2017 | 343,371 | - | 343,371 |
| Acquisitions | - | - | - |
| Disposals and write-offs | - | - | - |
| As at December 31, 2018 | 343,371 | - | 343,371 |
| **Accumulated depreciation** | | | |
| As at December 31, 2016 | - | 275,016 | 275,016 |
| Depreciation | - | 5,931 | 5,931 |
| Disposals and write-offs | - | (280,947) | (280,947) |
| As at December 31, 2017 | - | - | - |
| Depreciation | - | - | - |
| Disposals and write-offs | - | - | - |
| As at December 31, 2018 | - | - | - |
| **Net book value** | | | |
| As at December 31, 2017 | 343,371 | - | 343,371 |
| As at December 31, 2018 | 343,371 | - | 343,371 |

**13. Trade and other payables:**

Trade and other payables recognized in the consolidated statements of financial position can be analyzed as follows:

| | December 31 2018 | December 31 2017 |
|---|---|---|
| | $ | $ |
| **Current** | | |
| Trade accounts payable | 32,952 | 30,810 |
| Accrued liabilities | 166,148 | 143,431 |
| | 199,100 | 174,241 |

| | December 31 2018 | December 31 2017 |
|---|---|---|
| | $ | $ |
| **Non-current** | | |
| Trade accounts payable to TSMC | 716,527 | - |
| Accrued liabilities to TSMC | - | 623,202 |
| | 716,527 | 623,202 |

The trade accounts payable and accrued liabilities to TSMC relate to services that TSMC provided for the Taconite Feasibility Study. These amounts are non-interest bearing and are not expected to be paid prior to January 1, 2020.

(in Canadian dollars)

## 14. Share capital and share-based compensation:

### (a) Authorized:

The Company is authorized to issue an unlimited number of common shares without par value and an unlimited number of preferred shares, without par value, issuable in series.

### (b) Issued and outstanding:

| | Number | Amount |
|---|---|---|
| | | $ |
| Balance as at December 31, 2016 | 181,054,146 | 177,584,512 |
| Issued | - | - |
| Balance as at December 31, 2017 | 181,054,146 | 177,584,512 |

| | Number | Amount |
|---|---|---|
| | | $ |
| Balance as at December 31, 2017 | 181,054,146 | 177,584,512 |
| Issued | - | - |
| Balance as at December 31, 2018 | 181,054,146 | 177,584,512 |

### (c) Share option plan:

The Company has adopted an incentive share-based compensation plan whereby options may be granted from time to time to directors, officers, employees and consultants of the Company with shares reserved for issuance as options not to exceed 10% of the issued and outstanding common shares. The exercise price of each option cannot be less than the exercise price permitted by the any stock exchange on which the Company's common shares are listed. The vesting period is determined by the Board of Directors and the maximum term of the options granted is five years.

The changes to the number of outstanding share options granted by the Company and their weighted average exercise price are as follows:

| | | December 31 2018 | | December 31 2017 |
|---|---|---|---|---|
| | Number of outstanding share options | Weighted average exercise price | Number of outstanding share options | Weighted average exercise price |
| | | $ | | $ |
| Outstanding at beginning | 2,133,000 | 0.67 | 4,958,917 | 0.93 |
| Expired | (1,024,000) | 0.89 | (1,605,000) | 1.35 |
| Forfeited | (114,000) | 0.64 | (1,220,917) | 0.83 |
| Outstanding at end | 995,000 | 0.44 | 2,133,000 | 0.67 |
| Exercisable at end | 995,000 | 0.44 | 2,133,000 | 0.67 |

There was no share-based compensation expense during the year ended December 31, 2018 ($Nil for December 31, 2017) to be included in general and administrative expenses.

No options were granted or exercised during the year ended December 31, 2018 (Nil for December 31, 2017).

The following table provides outstanding share options information as at December 31, 2018:

| | | | Share options outstanding | |
|---|---|---|---|---|
| Expiry date | Number of granted share options | Number of exercisable share options | Exercise price | Remaining life |
| | | | $ | (years) |
| May 21, 2019 | 970,000 | 970,000 | 0.44 | 0.4 |
| September 2, 2019 | 25,000 | 25,000 | 0.31 | 0.7 |
| | 995,000 | 995,000 | 0.44 | 0.4 |

(in Canadian dollars)

**14. Share capital and share-based compensation (continued):**

**(c) Share option plan (continued):**

The following table provides outstanding warrants information as at December 31, 2017:

| | | | Share options outstanding | |
|---|---|---|---|---|
| **Expiry date** | **Number of granted share options** | **Number of exercisable share options** | **Exercise price** | **Remaining life** |
| | | | $ | (years) |
| April 24, 2018 | 1,075,000 | 1,075,000 | 0.89 | 0.3 |
| May 21, 2019 | 1,033,000 | 1,033,000 | 0.44 | 1.4 |
| September 2, 2019 | 25,000 | 25,000 | 0.31 | 1.7 |
| | 2,133,000 | 2,133,000 | 0.67 | 0.9 |

For the year ended December 31, 2018, the share-based compensation recognized in the statement of comprehensive loss is $Nil ($Nil for the year ended December 31, 2017).

**15. Mineral exploration and evaluation expenditures:**

Mineral exploration and evaluation expenditures by properties are detailed as follows:

| | | | | | December 31 2018 |
|---|---|---|---|---|---|
| | **Mining rights** | **Mineral exploration & evaluation expenditures** | **Tax credits and mining duties** | **Tata Steel offset** | **Total** |
| | $ | $ | $ | $ | $ |
| **Properties:** | | | | | |
| KeMag | 8,088 | - | - | - | 8,088 |
| NuTac | - | - | (239,152) | - | (239,152) |
| Lac Ritchie | 1,058 | - | - | - | 1,058 |
| T-Kemag | - | - | - | (2,080,835) | (2,080,835) |
| LabMag | - | 1,109 | - | - | 1,109 |
| T-LabMag | - | (7,220) | - | - | (7,220) |
| | 9,146 | (6,111) | (239,152) | (2,080,835) | (2,316,952) |

| | | | | | December 31 2017 |
|---|---|---|---|---|---|
| | **Mining rights** | **Mineral exploration & evaluation expenditures** | **Tax credits and mining duties** | **Tata Steel offset** | **Total** |
| | $ | $ | $ | $ | $ |
| **Properties:** | | | | | |
| Lac Helluva | 3,544 | (6,289) | - | - | (2,745) |
| KeMag | 15,551 | (63,394) | (13,317) | - | (61,160) |
| Lac Ritchie | 11,769 | (3,934) | - | - | 7,835 |
| T-Kemag | - | (275,799) | - | 176,511 | (99,288) |
| LabMag | 25,600 | (5,352) | (29,514) | - | (9,266) |
| T-LabMag | - | (98,317) | - | 62,923 | (35,394) |
| Perault Lake | 4,750 | - | - | - | 4,750 |
| Howells Lake and Howells River North | 11,600 | - | - | - | 11,600 |
| Sheps Lake | 700 | - | - | - | 700 |
| Other | - | (12,762) | - | - | (12,762) |
| | 73,514 | (465,847) | (42,831) | 239,434 | (195,730) |

(in Canadian dollars)

## 15. Mineral exploration and evaluation expenditures (continued):

Exploration and evaluation expenditures by nature are detailed as follows:

| | December 31 2018 | December 31 2017 |
|---|---|---|
| | $ | $ |
| **Mineral exploration and evaluation expenditures:** | | |
| Mineral licenses | 9,146 | 73,514 |
| Resources evaluation recovered | (6,111) | (465,847) |
| Tax credits and mining duties | (239,152) | (42,831) |
| Tata Steel offset (Note 8) | (2,080,835) | 239,434 |
| | (2,316,952) | (195,730) |

## 16. General and administrative expenses by nature:

General and administrative expenses recognized in the net loss of the year is as follows:

| | December 31 2018 | December 31 2017 |
|---|---|---|
| | $ | $ |
| **Selling and administrative expenses:** | | |
| Salaries and employee benefit expense | (1,203) | 86,546 |
| Directors' fees | 144,269 | 245,246 |
| Management and consulting fees | 430,778 | 636,854 |
| Professional fees | 278,418 | 217,045 |
| Market development | 11,012 | 16,403 |
| Travel and meals | 6,307 | 24,779 |
| Registration, listing fees and shareholders information | 52,508 | 63,926 |
| Office and general | 50,985 | 97,390 |
| Rental costs | 52,447 | 137,924 |
| Restructuration costs (included an amount of $106,427 in salaries and benefit expense) | - | 119,915 |
| Exchange gain (loss) | (342) | 132 |
| Gain on disposal of equipment | - | (17,264) |
| Depreciation of property and equipment | - | 5,931 |
| | 1,025,179 | 1,634,827 |

## 17. Income taxes:

### (a) Relationship between expected tax expense and accounting profit or loss:

The effective income tax rate of the Company differs from the combined federal and provincial income tax rate in Canada. This difference results from the following items:

| | December 31 2018 | December 31 2017 |
|---|---|---|
| | $ | $ |
| Loss before income taxes | 299,883 | (38,997,450) |
| Expected tax expense calculated using the combined federal and provincial income tax rate in Canada | 26.70% | 26.80% |
| Expected income tax recovery | 80,069 | (10,451,317) |
| Write-down of tax credits and mining duties receivable | 1,186,914 | - |
| Write-down of due from Tata Steel | 1,026,341 | - |
| Derecognition of mining duties payable | (343,108) | - |
| Impairment (reversal of impairment) of other assets | (1,068,000) | 10,318,682 |
| Change in fair value of marketable securities | (560,526) | (74,193) |
| Losses used | (37,255) | - |
| Unrecognized tax items | (287,785) | (40,329) |
| Change in tax rate and other items | 3,350 | 247,157 |
| **Deferred income tax expense (recovery)** | - | - |

(in Canadian dollars)

**17. Income taxes (continued):**

**(b) Composition of deferred income taxes expense (recovery) in the statement of comprehensive loss:**

| | December 31 2018 | December 31 2017 |
|---|---|---|
| | $ | $ |
| Original and reversal of temporary differences | 287,785 | (206,828) |
| Changes in unrecognized deductible temporary differences | (287,785) | 31,640 |
| Adjustment in respect of prior years and change in tax rate | - | 175,188 |
| **Deferred income tax expense (recovery)** | - | - |

The Canadian federal corporate tax rate and the Quebec provincial tax rate are 15.0% and 11.7% for a combined tax rate of 26.7%. (2017 - 15% and 11.8% for a combined tax rate of 26.8%).

**(c) Movement in recognized deferred tax assets and liabilities during the year:**

| | December 31 2017 | Recognized in profit or loss | Recognized in equity | December 31 2018 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Non-capital loss carry-forward | - | - | - | - |
| Mining tax credits | - | - | - | - |
| | - | - | - | - |

| | December 31 2016 | Recognized in profit or loss | Recognized in equity | December 31 2017 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Non-capital loss carry-forward | - | - | - | - |
| Mining tax credits | - | - | - | - |
| | - | - | - | - |

**(d) Unrecognized deductible temporary differences:**

Unrecognized deductible differences for which the Company has not recognized a deferred tax asset are presented in the following tables. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize benefits therefrom.

| | December 31 2018 | December 31 2017 |
|---|---|---|
| | | $ |
| Limited Company losses through LLP | 2,832,000 | 2,832,000 |
| Property and equipment | 1,010,000 | 1,010,000 |
| Capital losses | 1,566,000 | 1,566,000 |
| Non-capital losses | 40,287,000 | 40,400,000 |
| Mineral exploration and evaluation expenditures | 66,005,000 | 62,173,000 |
| Marketable securities | 1,425,000 | - |
| Investment in TSMC | 1,259,000 | 695,000 |
| Other assets | 34,503,000 | 38,503,000 |
| | 148,887,000 | 147,179,000 |

(in Canadian dollars)

**17. Income taxes (continued):**

**(e) Non-capital losses:**

The Company has the following non-capital losses which are available to reduce income taxes in future periods, for which no deferred tax asset has been recognized in the consolidated statement of financial position, that can be carried over the following years:

| | |
|---|---|
| | **$** |
| 2027 | 609,000 |
| 2028 | 7,696,000 |
| 2029 | 3,241,000 |
| 2030 | 4,552,000 |
| 2032 | 241,000 |
| 2033 | 5,956,000 |
| 2034 | 5,835,000 |
| 2035 | 6,251,000 |
| 2036 | 4,921,000 |
| 2037 | 985,000 |
| | 40,287,000 |

The Company has a total of $4,962,000 of Federal ITC's that can be carried forward for 20 years and are expiring from 2028 to 2035.

**18. Supplemental cash flow information:**

The Company entered into the following transactions which had no impact on the cash flows:

| | **December 31 2018** | **December 31 2017** |
|---|---|---|
| | **$** | **$** |
| Non-cash operating activities: | | |
| Reclassification from non-current asset to current liabilities | 33,893 | - |

**19. Related party transactions:**

Related parties include the Company's joint key management personnel. Unless otherwise stated, balances are usually settled in cash. Key management includes directors and senior executives. The remuneration of key management personnel includes the following expenses:

| | **December 31 2018** | **December 31 2017** |
|---|---|---|
| | **$** | **$** |
| Management and consulting fees * | 222,895 | 309,400 |
| Salaries and director's fees | 144,269 | 310,423 |
| | 367,164 | 619,823 |

* As at December 31, 2018, trade and other payables include an amount of $9,000 ($16,600 as at December 31, 2017) due to the CEO and include an amount of $Nil ($3,500 as at December 31, 2017) due to the former CFO.

In addition to the related party transactions presented elsewhere in these financial statements, the following is a summary of other transactions:

For the year ended December 31, 2018, there was consulting fees for a total amount of $16,633 charged by a company in which an executive officer is a partner ($91,307 for the year ended December 31, 2017). There were no trade and other payables due to this related party as at December 31, 2018 ($45,500 as at December 31, 2017).

For the year ended December 31, 2018, there was consulting fees for a total amount of $14,220 charged by a company in which an executive officer is a partner ($Nil for the year ended December 31, 2017). As at December 31, 2018, trade and other payables include an amount of $14,220 ($Nil as at December 31, 2017) due to this related party.

(in Canadian dollars)

**19. Related party transactions (continued):**

For the year ended December 31, 2018, there were no consulting fees charged by a company controlled by a director ($43,050 for the year ended December 31, 2017). There were no trade and other payables due to this related party as at December 31, 2018 ($Nil as at December 31, 2017).

For the year ended December 31, 2018, there was rental fees for a total of $30,847 ($10,282 for 2017) and no mineral expenditures (recover of $14,442 for 2017) charged by TSMC in which NML is a minority shareholder. As at December 31, 2018, trade and other payables include an amount of $725,393 due to this related party ($623,002 as at December 31, 2017). In addition, there were no other receivable due from TSMC as at December 31, 2018 ($29,262 as at December 31, 2017).

These transactions, entered into the normal course of operations, are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

Unless otherwise stated, none of the transactions incorporated special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

**20. Financial assets and liabilities:**

Classification of financial assets and liabilities.

The carrying amounts of the financial instruments presented in the consolidated statement of financial position relate to the following categories of assets and liabilities:

| | | **December 31 2018** |
|---|---|---|
| | **Carrying amount** | **Fair value** |
| | $ | $ |
| **Financial assets** | | |
| Fair value through profit or loss (FVTPL) | | |
| Marketable securities - Equities | 3,674,569 | 3,674,569 |
| Long-term investment | 9,585,000 | 9,585,000 |
| | 13,259,569 | 13,259,569 |
| **Financial assets** | | |
| Fair value through other comprehensive income (FVTOCI) | | |
| Marketable securities - Fixed income | 5,736,440 | 5,736,440 |
| | 5,736,440 | 5,736,440 |
| **Financial assets** | | |
| Amortized cost | | |
| Cash | 6,997,065 | 6,997,065 |
| | 6,997,065 | 6,997,065 |
| **Financial liabilities** | | |
| Amortized cost | | |
| Trade and other payables | 915,627 | 915,627 |
| | 915,627 | 915,627 |

(in Canadian dollars)

**20. Financial assets and liabilities (continued):**

| | | December 31 2017 | |
|---|---|---|---|
| | Carrying amount | Fair value | |
| | $ | $ | |
| **Financial assets** | | | |
| Available-for-sale | | | |
| Long-term investment, TSMC | 10,148,595 | NA | (1) |
| | 10,148,595 | - | |
| **Financial assets** | | | |
| Held-for-trading investments | | | |
| Marketable securities - Equities | 7,545,081 | 7,545,081 | |
| Marketable securities - Fixed income | 5,045,261 | 5,045,261 | |
| | 12,590,342 | 12,590,342 | |
| **Financial assets** | | | |
| Loans and receivables | | | |
| Cash | 986,920 | 986,920 | |
| Other receivables (excluding sales tax receivable) | 42,026 | 42,026 | |
| Due from Tata Steel | 1,763,137 | 1,763,137 | |
| | 2,792,083 | 2,792,083 | |
| **Financial liabilities** | | | |
| Financial liabilities measured at amortized cost | | | |
| Trade and other payables | 797,443 | 797,443 | |
| | 797,443 | 797,443 | |

(1) As at December 31, 2017, the Long-term Investment, TSMC was measured at cost. Following the adoption of IFRS 9 as at January 1, 2018, it is now measured at fair market value.

The fair values of the marketable securities are $9,411,009 as at December 31, 2018 ($12,590,342 for 2017) and are determined by using the closing price for December 31, 2018 and December 31, 2017.

The following table presents the fair value hierarchy for the financial assets and liabilities measured at fair value in the consolidated statement of financial position and the financial instruments measured at amortized cost for which the fair value is disclosed in the consolidated financial statements. This hierarchy groups assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities at the reporting date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (that is, derived from prices).
- Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of input to the fair value measurement and are grouped into the fair value hierarchy as follows:

| | | | December 31 2018 |
|---|---|---|---|
| | Level 1 | Level 2 | Level 3 |
| | $ | $ | $ |
| **Marketable securities** | | | |
| Fair value through profit or loss (FVTPL) | 3,674,569 | - | - |
| Fair value through other comprehensive income (FVTOCI) | - | 5,736,440 | - |
| **Long-term investment** | | | |
| Fair value through profit or loss (FVTPL) (See Note 2.6 (b)) | - | - | 9,585,000 |
| | 3,674,569 | 5,736,440 | 9,585,000 |

(in Canadian dollars)

**20. Financial assets and liabilities (continued):**

| | | | December 31 2017 |
|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** |
| | $ | $ | $ |
| **Marketable securities** | | | |
| Held-for-trading investments | 7,545,081 | 5,045,261 | - |
| | 7,545,081 | 5,045,261 | - |

The fair value of financial assets and liabilities not traded in active markets that are based on unobservable inputs are classified as Level 3. A fair value measurement developed using a present value technique might be categorized within Level 3, depending on the inputs that are significant to the entire measurement and the level of the fair value hierarchy within which those inputs are categorized. If an observable input requires an adjustment using an unobservable input and that adjustment results in a significantly higher or lower fair value measurement, the resulting measurement would be categorized within Level 3 of the fair value hierarchy. The Company's Level 3 long-term investment in TSMC represents a 4.32% interest in that company. The main inputs for the Company's internally developed valuation for its long-term investment include:

- Future funding requirements of TSMC and resulting dilution of NML's ownership interest in TSMC;
- • Cost of capital that is used to reflect the current market required rate of return;
- Market price of iron ore;
- The amount and timing of payment of dividends by TSMC;
- US dollar exchange rate; and
- Internal and external factors that may affect production and logistics.

The valuation technique makes the maximum use of market inputs and relies as little as possible on entity-specific inputs. The valuation technique appropriately considers the availability of data with which to develop inputs that represent the assumptions that market participants would use when pricing the asset and the level of the fair value hierarchy within which the inputs are categorized. Some of the inputs to the valuation model may not be market observable. Accordingly, the fair value determination of the long-term investment follows a level 3 valuation methodology.

The Company uses a present value technique to estimate the fair value of the long-term investment. The Company uses expected cash flows (i.e., from operations of TSMC) that are not risk-adjusted, and a discount rate adjusted to include the risk premium that market participants require. The discount rate used for this technique is derived from observed rates of return for comparable assets or liabilities that are traded in the market plus equity risk premiums appropriate for this investment. Accordingly, the potential dividend payments for TMSC are discounted at an observed or estimated market rate. Under the valuation method used by the Company, the expected dividends from TMSC are not adjusted for market risk. Rather, the adjustment for that risk is included in the discount rate. Thus, the expected dividends are discounted at an expected rate of return of 24% (23.19% as at January 1, 2018), yielding a fair value of approximately $9,585,000 for the long-term investment as at December 31, 2018 ($8,436,000 as at January 1, 2018).

The aggregate fair value of the long-term investment decreases by approximately $591,000 ($584,000 as at January 1, 2018) for every 1% increment in the discount rate and increases by approximately $640,000 ($636,000 as at January 1, 2018) for every 1% decrement in the discount rate.

The income approach (i.e., a present value technique that takes into account the future cash flows that a market participant would expect to receive from holding the long-term investment as an asset) was used to determine the fair value of the long-term investment. The market approach (i.e., using prices and other relevant information generated by market transactions involving identical long-term investments) and the cost approach (i.e., the amount that would be required currently to acquire a 4.32% interest in TMSC) could not be used to determine the fair value of the long-term investment. The output of a model is always an approximation of a value that cannot be determined with certainty. Accordingly, the valuation technique employed may not fully reflect all factors relevant to the TSMC long-term investment owned by the Company.

There was no transfer from one level to another for marketable securities during the year ended December 31, 2018 while there was a transfer from cost to level 3 for the long-term investment.

**21. Capital management policies and procedures:**

The Company's capital management objectives are to ensure its ability to continue as a going concern and to maximize the return of its shareholders. The Company's definition of capital includes all components of equity. Capital for the reporting periods under review is summarized in Note 14 and in the consolidated statement of changes in equity. In order to meet its objectives, the Company monitors its capital structure and makes adjustments as required in light of changes in economic conditions and the risk characteristics of the underlying assets. These objectives will be achieved by identifying the right exploration projects, adding value to these projects and ultimately taking them through production and cash flow, either with partners or by the Company's own means.

**21. Capital management policies and procedures (continued):**

In order to maintain or adjust the capital structure, the Company may issue new shares. No changes were made in the objectives, policies and processes for managing capital during the year. The Company is not subject to any externally imposed capital requirements.

**22. Financial risk management, objectives and policies:**

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

**(a) Exchange risk:**

The Company's functional currency is the Canadian dollar and most expenditures are transacted in Canadian dollars. The Company funds foreign currency transactions by buying the foreign currency at the spot rate when required.

As at December 31, 2018 and 2017, the Company is exposed to currency risk through fluctuations in the foreign exchange rate with respect to the following financial asset:

| | December 31 2018 | December 31 2017 |
|---|---|---|
| | $ | $ |
| **Financial instruments denominated in USD** | | |
| Cash | 8,789 | - |
| Marketable securities | 750,050 | - |
| **Net exposure** | 758,839 | - |

Based on the above net exposure as at December 31, 2018 and assuming all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against USD would result in a change of $75,884 ($0 in 2017) in the Company's comprehensive loss and changes in equity.

There was no change in the risk exposures or objective, policies and processes from the previous period.

**(b) Interest rate risk:**

The GIC's and Sherritt notes bear interest at fixed rates and the Company is therefore exposed to the risk of changes in fair value resulting from interest rate fluctuations. The investments in the GIC's mitigate the risk because they have relatively short maturities and are backed by Canadian Federal and Provincial Governments or their Crown Corporations.

**(b) Interest rate risk (continued):**

The sensitivity analysis is based on the Company's financial assets which bear interest at fixed or variable rates. A 0.1% increase or decrease in interest rates would not have a material impact on comprehensive income or equity at December 31, 2018. The Company does not use derivative financial instruments to reduce its interest rate exposure.

There was no change in the risk exposures or objective, policies and processes from the previous period.

**(c) Liquidity risk:**

Management maintains sufficient amounts of cash to meet the Company's commitments. The Company establishes budgets and cash flow requirements monthly to ensure that it has the necessary funds to fulfill its obligations. The contractual maturities of trade and other payables are less than three months for all periods presented except for the amount due to TSMC (Note 13) which should be settled after the year ended December 31, 2019.

Over the past years, the Company has financed its working capital requirements and its exploration expense commitments through existing cash resources, equity financings, and previous payments from Tata Steel on account of its option on the Taconite Projects.

There was no change in the risk exposures or objective, policies and processes from the previous period.

**22. Financial risk management, objectives and policies (continued):**

**(d) Credit risk:**

Cash and marketable securities are held through two Canadian chartered banks and their subsidiaries and an independent investment dealer with high quality external credit ratings.

The Company is also exposed to credit risk relating to its Sherritt notes, receivable from TSMC, Due from Tata Steel, and other receivables. This credit risk is minimized by reviews of the third parties' credit worthiness. The Company's maximum exposure to credit risk is limited to the carrying amount of financial assets after deducting applicable allowances for loss recognized at the reporting date.

The Company's management considers that all of the above financial assets that are not impaired or past due for each of the reporting dates are of good credit quality.

Credit risk of other receivables and cash is considered negligible, since the counterparty which holds the cash is a reputable bank with excellent external credit rating and the amount of other receivables is guaranteed.

None of the Company's financial assets are secured by collateral or other credit enhancements.

There was no change in the risk exposures or objective, policies and processes from the previous period.

**(e) Market risk:**

The Company manages market risk by continually monitoring the ratings of its investees and overall market conditions.

The Company is exposed to the risk of changes in the fair value of its investments in Sherritt, shares of listed companies on the TSX and investment in TSMC resulting from changes in their operations, results, and overall market ratings.

The only change in the risk exposure from the previous period relates to the investment in TSMC which was recorded at cost in previous years.

Based on the fair value of the investment in TSMC as at December 31, 2018 and assuming all other variables remain constant, a 10% depreciation or appreciation of the fair value would result in a change of fair value of $958,500 in the Company's comprehensive loss and changes in equity.

**23. Commitments and contingency:**

**23.1 Commitments:**

**(i)** The Company is committed through LabMag Limited Partnership ("LLP") to pay aggregate royalties of 2% of gross revenue from mineral interests subject to the LLP Limited Partnership agreement.

**(ii)** The Company is liable to pay NNK Trust a proportion of dividends received from TSMC that relates to the mining during that year on DSO properties that the Company purchased from NNK Trust and subsequently sold to TSMC, as part of the sale described in Note 11.

As at December 31, 2018, the Company has a 4.32% (2017 – 4.32%) ownership interest in TSMC and in order to maintain this ownership level it will be required to contribute 4.32% of all funding requests to shareholders as approved by the Board of Directors of TSMC, in respect of those amounts required to be contributed by TSMC shareholders to fund amounts in excess of TSMC's first $1,342,782,000 of funding requirements. As at December 31, 2018, there are no outstanding funding requests made to the Company by TSMC.

**(iii)** In relation to the NML's agreement with the Sept-Îles Port Authority ("Port") relating to the new multi-user deep-water dock facility, the Company has a take-or-pay obligation based on a discounted rate applied on 50% of the 15 million tonnes minimum annual shipping capacity until 2032 and is payable even if NML does not use the facilities. The Company has reached an agreement with the Port whereby its $38,372,000 buy in payment and 15 million tonnes reserved annual capacity can be applied to meet its take-or-pay obligation such that by the end of the take-or-pay period in 2032 the Company will not be required to make any additional cash outlay, however at that time NML will no longer have a right to its buy-in-payment or reserved annual capacity.

(in Canadian dollars)

**23. Commitments and contingency:**

**23.1 Commitments:**

On November 19, 2018, NML closed a transaction under which 6.5 million tonnes of the 15 million tonnes of annual wharf capacity reserved by NML in a July 2012 contract with the Port, along with the associated rights and obligations, shipping rates and other terms in the July 2012 contract were sold to Tacora. Other than the reduction in NML's annual wharf capacity to 8.5 million tonnes, there will be no change to NML's existing arrangements with the Port regarding the rights and shipping rates related to the remaining reserved capacity and the Company will not be required to make any additional cash outlay to meet its take-or-pay obligation.

**(iv)** The Company has entered into long-term operating leases for premises and equipment amounting to $43,530, all expiring by August 2019. Included in operating leases is $36,330 related to the rental of office space from TSMC.

No sublease payments or contingent rent payments were made or received. The Company’s operating lease agreements do not contain any contingent rent clauses. No sublease income is expected as all assets held under lease agreements are used exclusively by the Company.

The minimum annual lease payments are as follows:

| | $ |
|---|---|
| 2019 | 38,764 |

**23.2 Contingency:**

In the ordinary course of business, the Company and its subsidiaries may become involved in various legal and regulatory actions. The Company establishes legal provisions when it becomes probable that the Company will incur a loss and the amount can be reliably estimated. The Company also estimates the aggregate range of reasonably possible losses (RPL) in its legal and regulatory actions (that is, those which are neither probable nor remote), in excess of provisions.

As at December 31, 2018, the Company is being sued by a former consultant in the amount of $1.5 million. The Company believes that the consultant was appropriately compensated and is contesting this claim.

The RPL is from zero to approximately $1.5 million plus legal costs. The Company's provisions and RPL represent the Company's best estimates and is based upon currently available information for the current action for which an estimate can be made, but there are several factors that could cause the Company's provision and/or RPL to be significantly different from its actual or RPL. For example, the Company’s estimate involves significant judgment due to the stage of the proceeding, the yet-unresolved issues in the proceeding, and the attendant uncertainty of the various potential outcomes of the proceeding.

In management’s opinion, based on its current knowledge and after consultation with counsel, the ultimate disposition of this action, will not have a material adverse effect on the consolidated financial condition or the consolidated cash flows of the Company. However, because of the factors listed above, as well as other uncertainties inherent in litigation, there is a possibility that the ultimate resolution of the legal action may be material to the Company’s consolidated results of operations for any reporting period.