Tacora Resources Inc.

Consolidated Financial Statements
For the year ended December 31, 2019

Independent auditor's report

To the Directors of Tacora Resources Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Tacora Resources Inc. and its subsidiaries (together, the Company) as at December 31, 2019 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated balance sheet as at December 31, 2019;
- the consolidated statements of loss and comprehensive loss for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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 IFRS, and for such internal control as management determines is necessary

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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 audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
April 30, 2020

Consolidated balance sheet

(expressed in thousands of US Dollars, except where otherwise noted)

	Notes	2019	2018
Current assets			
Cash	5	44,292	142,031
Restricted cash, escrow	5	254	242
Receivables	6	6,001	-
Inventories	7	4,161	-
Transportation deposits, current portion	12	6,998	3,332
Prepaid expenses and other current assets	8	10,848	10,875
Total current assets		72,554	156,480
Non-current assets			
Property, plant & equipment, net	10, 13	164,903	52,418
Intangible assets subject to amortization	11	24,389	10,582
Transportation deposits	12	11,221	11,855
Security Deposits	12	3,334	-
Deferred financing costs, net		-	882
Financial assurance deposit	13	6,266	26,938
Total non-current assets		210,113	102,675
TOTAL ASSETS		282,667	259,155
Current liabilities			
Current maturities of long-term debt	14	4,399	-
Current maturities of leased liabilities	14	6,809	-
Accounts payable		4,964	3,968
Accrued liabilities		16,206	1,682
Current derivative liability	18	38,726	2,732
Total current liabilities		71,104	8,382
Non-current liabilities			
Long-term debt, less current maturities	14	121,658	102,562
Leased liabilities, less current maturities	14	35,092	-
Long-term derivative liability	18	16,871	10,475
Rehabilitation obligation	13	31,706	26,231
Total Non-Current Liabilities		205,327	139,268
TOTAL LIABILITIES		276,431	147,650
NET ASSETS		6,236	111,505

Consolidated balance sheet

(expressed in thousands of US Dollars, except where otherwise noted)

	Notes	2019	2018
Shareholder's equity			
Capital stock	16	150,232	143,001
Accumulated deficit		(144,114)	(31,614)
Non-controlling interest		118	118
TOTAL SHAREHOLDERS EQUITY		6,236	111,505

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

The financial statements were approved by a directors' resolution on April 30, 2020 and ~~signed on~~ their behalf by:

David J Durrett
Chief Executive Officer

Joseph A. Broking II
Executive Vice President and Chief Financial Officer

Consolidated statements of loss and comprehensive loss

(expressed in thousands of US Dollars, except where otherwise noted)

	Notes	Years Ended	
		Dec 31, 2019	Dec 31, 2018 (Restated, Note 22)
Revenue		60,049	-
Cost of Sales	20	83,379	-
Depreciation		6,715	-
Gross profit (loss)		(30,045)	-
Other expenses			
Selling, general, and administrative expenses	21	11,325	8,196
Sustainability and other community expenses	21	521	279
Depreciation expense	10	170	277
Operating income (loss)		(42,061)	(8,752)
Other income/(expense)			
Other (losses) / gains		(135)	121
Write-off of prepaid royalties	17	(2,575)	
Loss on derivative instruments	18, 19	(54,725)	(13,207)
Unwinding of present value discount : ARO		(617)	-
Interest expense	14	(17,985)	(1,631)
Interest income		1,970	-
Foreign exchange gain / (loss)		4,068	(5,332)
Total other (expense) / income		(69,999)	(20,049)
Loss before income taxes		(112,060)	(28,801)
Income Taxes	15	440	14
Net loss and comprehensive loss		(112,500)	(28,815)

Should be read in conjunction with the notes to the condensed consolidated financial statements

Consolidated statement of changes in equity

(expressed in thousands of US Dollars, except where otherwise noted)

	Capital stock	Contributed surplus	Non-controlling interest	Accumulated deficit	Total
Balances at Dec 31, 2017	**51,001**	**-**	**118**	**(2,799)**	**48,320**
Net loss and comprehensive loss	-	-	-	(28,815)	(28,815)
Issuance of common shares	92,000	-	-	-	92,000
Balances at Dec 31, 2018	**143,001**	**-**	**118**	**(31,614)**	**111,505**
Balance at Dec 31, 2018	**143,001**	-	**118**	**(31,614)**	**111,505**
Issuance of common shares	7,231	-	-	-	7,231
Net loss and comprehensive loss	-	**-**	-	(112,500)	(112,500)
Balance at Dec 31, 2019	**150,232**	**-**	**118**	**(144,114)**	**6,236**

Should be read in conjunction with the notes to the condensed consolidated financial statements

Consolidated statement of cash flow

(expressed in thousands of US Dollars, except where otherwise noted)

	Notes	Years Ended Dec 31, 2019	Dec 31, 2018 (restated, note 21)
Cash Flows from operating activities			
Net loss		(112,500)	(28,815)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation	10	6,885	157
Amortization of intangible asset	11	434	-
Foreign exchange translation loss		625	2,158
Write-off of prepaid royalties	17	2,575	-
Loss from forward contracts	18, 19	54,726	13,207
Interest accretion of asset retirement obligation	13	617	
Gain on disposal of property and equipment	10	-	12
Changes in operating assets and liabilities:			
Trade accounts receivable	6	(6,001)	-
Inventory	7	(4,161)	-
Prepaid expenses and other	8	(5,882)	(6,063)
Accounts payable		4,825	(114)
Accrued expenses		11,076	133
Net cash (outflow) from operating activities		(46,781)	(19,325)
Cash Flows from investing activities			
Purchases of mining properties, land, plant & equipment	10, 13	(75,581)	(13,513)
Purchase of intangible assets subject to amortization	11	(14,241)	(10,582)
Transportation deposit	12	(3,032)	(12,845)
Commodity forward contract settlements	18	(8,252)	-
Financial assurance deposit	13	21,356	-
Net cash (outflow) from investing activities		(79,750)	(36,940)
Cash Flows from financing activities			
Proceeds from issuance of common shares	16	7,231	92,000
Proceeds from long-term borrowings	14	24,716	96,674
Principal payments on long-term debt, including vendor financed leases	14	(3,155)	-
Net cash inflow from financing activities		28,792	188,674
Net increase (decrease) in cash		(97,739)	132,409
Cash			
Beginning		142,031	9,622
Ending		44,292	142,031

Should be read in conjunction with the notes to the condensed consolidated financial statements

Notes to the consolidated financial statements

For the year ended December 31, 2019
(expressed in thousands of US Dollars, except where otherwise noted)

Note 1 - Corporate information

Tacora Resources Inc. along with its subsidiaries (collectively, the "Company" or "Tacora") are in the business of identifying, mining and processing iron ore mineral reserves and resources. The utilization of iron ore is Tacora's main strategic objective at this time; however, other revenue streams may be added in the future.

Tacora was formed under the *Business Corporations Act* (British Columbia) on January 12, 2017 and is incorporated in British Columbia, Canada. Tacora's registered office is located at Suite 1700, Park Place, 666 Burrard Street, Vancouver, BC V6C 2X8 Canada with its principal place of business located at 102 Northeast 3rd Street, Suite 120, Grand Rapids, MN 55744 United States. The controlling and ultimate parent of Tacora is Proterra M&M MGCA B.V.

On July 18, 2017, Tacora completed the acquisition (the "Acquisition") of substantially all of the assets associated with the Scully Mine located north of the Town of Wabush, Newfoundland and Labrador, Canada (the "Scully Mine"). The acquisition was made pursuant to an asset purchase agreement (the "APA") dated June 2, 2017 among Tacora, MagGlobal LLC, Wabush Iron Co. Limited, Wabush Resources Inc. and Wabush Lake Railway Company Limited pursuant to a court supervised process under the *Companies' Creditors Arrangement Act (Canada)* ("CCAA"). Tacora commenced commercial production of the Scully Mine as of June 30, 2019.

Note 2 – Summary of significant accounting policies

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The consolidated financial statements comply with IFRS, including all International Accounting Standards ("IAS") in force and all related interpretations issued by the International Financial Reporting Interpretations Committee.

The accounting policies set out below have been applied consistently to the year presented in these consolidated financial statements, unless otherwise stated.

The accompanying consolidated financial statements and notes of Tacora for the year ended December 31, 2019 were authorized for issuance on April 30, 2020.

Basis for preparation

The consolidated financial statements were prepared using the historical cost method. Transactions, balances, and unrealized gains on transactions between Tacora and its subsidiaries have been eliminated when preparing the consolidated financial statements.

The consolidated financial statements are presented in United States dollars ("USD") unless otherwise stated.

Use of estimates

The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. Certain amounts included in or affecting these consolidated financial statements and related disclosures must be estimated, requiring management to make certain assumptions with respect to values or conditions which cannot be known with certainty at the time the financial statements are prepared. Management evaluates these estimates on an ongoing basis, utilizing historical experience, consultation with experts and other methods it considers reasonable in the particular circumstances. Any effects on Tacora's business, financial position or results of operations resulting from revisions to these estimates are recorded in the period in which the facts that give rise to the revision become known.

(expressed in thousands of US Dollars, except where otherwise noted)

Consolidation

The consolidated subsidiaries are all entities over which Tacora has the power to govern financial and operating policies. Tacora controls an entity when it is exposed, or has the right to variable returns from its interest in the entity and is capable of affecting returns through its power over the entity. Where Tacora's participation in subsidiaries is less than 100%, the share attributed to outside shareholders is reflected as non-controlling interest.

Subsidiaries are consolidated in full from the date on which control is transferred to Tacora and up to the date it loses that control.

As at December 31, 2019, the subsidiaries included in the consolidated financial statements of Tacora were as follows:

	Country of incorporation	Ownership percentage %	Functional currency
Tacora Resources LLC	United States	100%	US Dollars
Knoll Lake Minerals Limited	Canada	58.2%	Canadian Dollars

As part of the acquisition in 2017, Tacora acquired common shares representing a 58.2% interest in Knoll Lake Minerals Limited ("Knoll Lake"). The common shares of Knoll Lake are not considered a core asset to the mining operations of the Scully Mine. The ownership interest in Knoll Lake relates to a legacy asset that was included as one of several ancillary assets acquired as part of the acquisition. Nil consideration was allocated to the common shares of Knoll Lake. For the year ended December 31, 2019 and 2018, Knoll Lake had no operating activities. Knoll Lake is not considered a material subsidiary of Tacora for the periods ended December 31, 2019 and 2018. Cumulative translation adjustments from foreign exchange translation of Knoll Lake's operations as of December 31, 2019 and 2018 are immaterial to the consolidated financial statements.

All intra-group assets and liabilities, revenues, expenses and cash flows relating to intra-group transactions are eliminated.

Revenue Recognition

The Company recognizes revenue from sales of concentrate when control of the concentrate passes to the customer, which occurs upon delivery to the vessel or stockpile. Revenue is recognized, at fair value of the consideration received or receivable to the extent that it is probable that economic benefits will flow to the Company and the revenue can be reliably measured, net of sale taxes.

For all the sales contracts, the sales price is determined provisionally at the date of sale, with the final pricing determined at a mutually agreed date (generally between 2 to 3 months from the date of the sale), at a quoted market price at that time. All subsequent mark-to-market adjustments are recorded in sales revenue up to the date of final settlement.

Price changes for shipments awaiting final pricing at year-end could have a material effect on future revenues. As at December 31, 2019, there was $55.9 million (December 31, 2018: nil) in revenues that were awaiting final pricing.

Cash and restricted cash

Cash consists of cash in bank and restricted cash held as collateral.

Inventories

Inventories of iron ore concentrate are measured and valued at the lower of average production cost and net realizable value. Net realizable value is the estimated selling price of the concentrate in the ordinary course of business based on the prevailing selling prices on the reporting date. Production costs that are inventoried include the costs directly related to bringing the inventory to its current condition and location, such as materials, labor and manufacturing overhead costs.

Supplies are valued at lower of cost or net realizable value.

Foreign currency translation

Functional and presentation currency

The amounts included in the consolidated financial statements are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in USD, which is Tacora's presentation currency and the functional currency of its operations.

Foreign currency translation

The financial statements of entities that have a functional currency different from USD are translated into USD as follows:

- assets and liabilities at the closing rate at the date of the balance sheet; and
- income and expenses at the average rate of the reporting period.

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in currencies other than the operator's functional currency are recognized in the statement of income.

Asset acquisition

If a transaction does not meet the definition of a "business" under IFRS, the transaction is recorded as an asset acquisition. Net identifiable assets acquired and liabilities assumed are measured at the fair value of the consideration paid, plus any transaction costs, based on their relative fair value at the acquisition. No goodwill and no deferred tax asset or liabilities arising from the assets acquired and liabilities assumed are recognized upon acquisition of the assets.

Intangible assets subject to amortization

Intangible assets are related to port access and are recorded at cost. The assets are amortized on a rate per tonne shipped from the port or over the useful life of the asset on a straight-line basis. The estimated useful life of the intangible assets are estimated to be between nine and twenty-five years.

Intangible assets are subject to impairment tests when events or circumstances indicate that carrying value is not recoverable. Impairment losses are recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount. Management determined that there were no indicators of impairment as of December 31, 2019 and 2018.

Financial assets and liabilities

Financial assets and Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities. Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest rate method, with interest expense recognized on an effective yield basis. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expenses over the corresponding year. The effective interest rate is the rate that exactly discounts estimated future cash payments over the expected life of the financial liability, or, where appropriate, a shorter year, to the net carrying amount on initial recognition.

The Company has classified accounts payable and accrued liabilities, long-term debt, leased liabilities and rehabilitation obligation as other financial liabilities.

Financial assets

Financial assets are classified as either financial assets at fair value through profit or loss, amortized cost, or fair value through other comprehensive income. The Company determines the classification of its financial assets at initial recognition.

a) Fair value through profit or loss – financial assets are classified as fair value through profit or loss if they do not meet the criteria of amortized cost or fair value through other comprehensive income. Changes in fair value are recognized in the statement of income (loss).

b) Amortized cost – financial assets are classified at amortized cost if both of the following criteria are met and the financial assets are not designated as at fair value through profit and loss: 1) the objective of the Company's business model for these financial assets is to collect their contractual cash flows; and 2) the asset's contractual cash flow represents solely payments of principal and interest.

The Company has classified cash, restricted cash and receivables as financial assets using amortized cost.

Derivatives

Derivative assets and liabilities, comprising the commodity forward contracts, do not qualify as hedges, or are not designated as hedges and, accordingly, are classified as FVTPL.

Derecognition of financial assets and liabilities

Financial assets are derecognized when the contractual rights to receive cash flows from the assets expire or when the Company no longer retains substantially all of the risks and rewards of ownership and does not retain control over the financial asset. Any interest in such derecognized financial assets that is created or retained by the Company is recognized as a separate asset or liability. Gains and losses on derecognition are generally recognized in the consolidated statement of operations, with the exception of gains and losses on equity instruments designated at FVOCI, which are not reclassified to the consolidated statement of operations upon derecognition.

For financial liabilities, derecognition occurs when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in the consolidated statement of operations.

Royalties

Tacora is party to a single amended and restated consolidation of mining leases (the "Mining Lease") with a lessor pursuant to which Tacora was granted the exclusive contractual right to explore, investigate, develop, produce, extract, remove by open pit or other method of mining, smelt, reduce and otherwise process, make merchantable, store, sell and ship all iron ore products from a mine on a parcel of land located near Wabush, Newfoundland and Labrador on which the Scully Mine is located. The Mining Lease is effective for a term extending to and including May 20, 2055; however, the Mining Lease may be cancelled by Tacora generally on six months' written notice.

At the commencement of shipping iron ore products, Tacora is required to pay an earned royalty fee per metric tonne ranging from 4.2% to 7.0% of Net Revenues less certain deductible expenses, in accordance with the calculation as defined in the Mining Lease. To the extent that Tacora has not commenced or ceases the shipping of iron ore products and the sum of the earned royalty fee in a given calendar quarter is less than $0.8 million Canadian dollars, Tacora is required to pay a minimum quarterly royalty of $0.8 million Canadian dollars (of which 20 percent is withheld and remitted to the Province of Newfoundland and Labrador). Any minimum quarterly royalty payments during the calendar years of 2017 and 2018 can be recovered against future earned royalties on sales of iron ore products from the leased land during the 2018 and 2019 calendar years. Any amount which Tacora shall pay the lessor related to minimum quarterly royalty payments subsequent to 2019, other than in payment of earned royalties, shall be recoverable against earned royalties in the same calendar year.

Exploration and evaluation

Exploration and evaluation expenditures comprises costs that are directly attributable to:

- researching and analyzing exploration data;
- conducting geological studies, exploratory drilling and sampling;
- examining and testing extraction and treatment methods; and/or
- compiling pre-feasibility and feasibility studies.

In accordance with IFRS 6 "Exploration for and Evaluation of Mineral Resources", the criteria for the capitalization of evaluation costs are applied consistently from period to period. Subsequent recovery of the carrying value for evaluation costs depends on successful development, sale or other partnering arrangements of the undeveloped project. If a project does not prove viable, all irrecoverable costs associated with the project net of any related impairment provisions are charged to the statement of profit and loss. No exploration or evaluation costs were capitalized in 2018 or 2019.

Property, plant, and equipment

Once a mining project has been determined to be commercially viable and approval to mine has been granted, expenditure other than that on land, buildings, plant, equipment and capital work in progress is capitalized under "Mining properties and leases". Mineral reserves may be asserted for an undeveloped mining project before its commercial viability has been fully determined. Evaluation costs may continue to be capitalized during the period between declaration of mineral reserves and approval to mine as further work is undertaken in order to refine the development case to maximize the project's returns.

Costs of evaluation of a processing plant or material processing equipment prior to approval to develop or construct are capitalized under "Construction in process", provided that there is a high degree of confidence that the project will be deemed to be commercially viable.

Costs which are necessarily incurred while commissioning new assets, in the period before they are capable of operating in the manner intended by management, are capitalized. Development costs incurred after the commencement of production are capitalized to the extent they are expected to give rise to a future economic benefit. Interest on borrowings related to construction or development projects is capitalized at the rate payable on project-specific debt, if applicable, or at Tacora's cost of borrowing until the point when substantially all the activities that are necessary to make the asset ready for its intended use are complete.

Property, plant, and equipment is recorded at historical cost, as defined in IAS 16, less accumulated depreciation (except for land, which is not depreciated) and accumulated impairment losses. Costs include expenses directly attributable to the asset acquisition. Depreciation is calculated over the estimated useful lives as follows:

Asset type	Useful lives
Vehicles	3 – 5 years
Right of use assets	3 – 10 years
Mining and processing equipment	5 – 20 years
Railcars and rails	5 – 20 years

Assets within operations for which production is not expected to fluctuate significantly from one year to another or which have a physical life shorter than the related mine are depreciated on a straight line basis.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when future economic benefits associated with the item are likely and the cost of the item can be reliably measured. The carrying amount of replaced parts are derecognized and charged to loss on disposal. Repairs and maintenance are recognized in the statement of profit or loss in the year they are incurred. Major improvements are depreciated over the remaining useful life of the related asset.

Property, plant, and equipment is subject to impairment tests when events or circumstances indicate that carrying value is not recoverable. Impairment losses are recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount. Management determined that there were no indicators of impairment as of December 31, 2019 and 2018.

Provisions

Provisions are recognized when Tacora has a present obligation, legal or constructive, as a result of a past event, that is likely required to be settled and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Provisions for legal claims are recognized when Tacora has a present obligation, legal or constructive, as a result of past events, an outflow of economic resources is likely to be required to settle the obligation and the amount can be reasonably estimated.

Environmental rehabilitation

Mining, extraction, and processing activities normally give rise to obligations for environmental rehabilitation. A provision for environmental rehabilitation is recognized at the time of environmental disturbance at the present value of expected rehabilitation work. Rehabilitation work can include decommissioning activities, removal or treatment of waste materials, land rehabilitation, as well as monitoring and compliance with environmental regulations. Tacora's provision is management's best estimate of the present value of the future cash outflows required to settle the liability and is dependent on the requirements of the relevant authorities and management's environmental policies.

Taxation

Tacora is subject to income tax in numerous jurisdictions. Income tax on the statement of profit or loss consists of current and deferred tax.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at period-end, adjusted for amendments to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities in the financial statements and the amount recorded for the computation of taxable income except when these differences arise on the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit. These temporary differences result in deferred tax assets and liabilities, which are included in the balance sheet. Tacora will recognize deferred tax assets for all deductible temporary differences, tax credits, and unused tax losses, to the extent that it is probable that future taxable profits will be available against which these can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Capital stock

Tacora's issued and outstanding common shares are classified as capital stock under equity. Incremental costs directly attributable to the issuance of new common shares are included in equity as a deduction from the consideration received, net of tax. Contributions for capital stock increases due to the issuance of new common shares are recognized directly as an integral part of capital.

Share-based compensation

The Company offers a stock option plan for certain employees. The stock options shall vest, and may be exercised in whole or in part, only upon a liquidity event as defined in the stock option agreement. The Company does not recognize compensation cost for the stock options until the liquidity is deemed probable.

Going concern

The consolidated financial statements have been prepared on a going concern basis. Tacora manages its capital to ensure that Tacora will be able to continue in operation as a going concern and acquire, explore, and develop mineral resource properties for the benefit of its stakeholders.

New accounting pronouncements adopted in 2019

IFRS 16 – Leases

The Company implemented the new standard, IFRS 16, 'Leases', as of January 1, 2019 which replaces the previous lease standard, IAS 17, 'Leases'.

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. It introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases but can elect to exclude those with a term of less than twelve months and for which the underlying asset is of low value.

The details of the Company's leasing activities and the new significant accounting policy for leases are set out below.

The Company leases its office premises.

Effective January 1, 2019, the Company assesses, at the inception of a contract, whether a contract is, or contains, a lease. A lease is a contract in which the right to control the use of an identified asset is granted for an agreed upon period of time in exchange for consideration. The Company recognizes a right-of-use asset and a lease liability at the lease commencement date.

Lease liabilities:

Lease liabilities are initially recorded as the present value of the non-cancellable lease payments over the lease term and discounted at the Company's incremental borrowing rate. Lease payments include fixed payments and such variable payments that depend on an index or a rate; less any lease incentives receivable.

The lease liability is subsequently measured at amortized cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of exercising a purchase, extension or termination option. When the lease liability is re-measured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, with any difference recorded in the consolidated statement of loss and comprehensive loss.

Right-of-use assets:

The right-of-use assets are measured at cost, which comprises the initial lease liability, lease payments made at or before the lease commencement date, initial direct costs and restoration obligations less lease incentives. The right-of-use assets are subsequently measured at amortized cost. The assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option.

Right-of-use assets are assessed for impairment in accordance with the requirements of IAS 36, 'Impairment of assets'.

The Company, on a lease by lease basis, also exercises the option available for contracts comprising lease components as well as non-lease components, not to separate these components. Extension and termination options exist for the Company's property lease of the premises. The Company re-measures the lease liability, when there is a change in the assessment of the inclusion of the extension option in the lease term, resulting from a change in facts and circumstances.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the consolidated statement of loss and comprehensive loss. Short-term leases are leases with a lease term of twelve months or less. Low-value assets comprise office equipment.

On January 1, 2019, the Company adopted IFRS 16 using the modified retrospective approach, and therefore the comparative information has not been restated. The change in accounting policy and the impact of its implementation of this standard on the Company's consolidated financial statements are described below.

(expressed in thousands of US Dollars, except where otherwise noted)

Practical expedients

The Company has elected to make use of the following practical expedients:

- the accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases;
- the accounting for operating leases with underlying value of assets being less than $5,000 USD as low dollar value leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application;
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease; and
- election, by class of underlying asset, not to separate non-lease components from lease components.

The Company has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Company relied on its assessment made by applying IAS 17 and IFRIC 4, 'Determining whether an Arrangement contains a Lease'.

Impact on adoption of IFRS 16

On adoption of IFRS 16, the Company determined that it did not have any leases resulting in the recognition of a right-of-use asset and lease liability

The following reconciliation to the opening balance for the lease liability as at January 1, 2019 is based upon the operating lease obligations as at December 31, 2018:

	January 1, 2019
Operating lease commitment as of December 31, 2018	277
Recognition exemption for:	
Leases of low value assets	(277)
Lease liability recognized at January 1, 2019	-

Note 3 - Critical accounting judgments and key sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience, consultation with experts and other methods management considers reasonable in the particular circumstances. Actual results may differ from these estimates.

The accounting policies discussed below are considered by management to be critical to an understanding of Tacora's financial statements as their application places the most significant demands on management's judgment.

Mineral reserves and resources

Estimates of the quantities of proven and probable mineral reserves and measured, indicated and inferred mineral resources form the basis for our life of mine plans, which are used for a number of important business and accounting purposes, including our impairment analysis. Mineral reserves and resources are based on engineering data, estimated future prices, estimated future capital spending and estimated future production rates. We estimate our iron ore mineral reserves and resources based on information compiled by "qualified persons" as defined in accordance with the requirements of the Canadian Securities Administrators' National Instrument 43-101 - *Standards of Disclosure for Mineral Projects*. These life of mine plans also include assumptions about our ability to obtain and renew our mining and operating permits. Tacora expects that, over time, its mineral reserves and resources estimates will be revised upward or downward based on updated information such as the results of future drilling, testing and production levels, and may be affected by changes in iron ore prices.

Environmental rehabilitation

Decommissioning and restoration costs are a normal consequence of mining. The majority of these expenditures are incurred at the end of the mine's life. In determining the provision, consideration is given to the future costs to be incurred, the timing of these future costs, and estimated cost of inflation. The cost of decommissioning and restoration is uncertain and can vary in response to many factors including changes to the relevant legal and regulatory requirements. The expected timing of expenditures can change in response to changes in the life of mine. These estimates are reviewed annually and adjusted where necessary to ensure that the most current data is used.

Functional currency

Given the currently significant role of the United States dollar in Tacora's affairs, the United States dollar is the currency in which financial results are presented both internally and externally. It is also the currency for financing Tacora's current operations. Borrowings and cash are predominantly denominated in United States dollars.

Note 4 - Financial risk management

Financial risk management objective

Tacora is exposed to a number of financial risks which are considered within the overall Tacora risk management framework. The key financial risks are foreign exchange risk, commodity price risk, credit risk, liquidity risk and capital management risk, which are each discussed in detail below. The Board of Directors and senior management look to ensure that Tacora has an appropriate capital structure which enables it to manage the risks faced by the organization through the commodities cycle. The general approach to financial risks is to ensure that the business is robust enough to enable exposures to float with the market. Tacora may, however, choose to fix some financial exposures when it is deemed appropriate to do so.

Foreign exchange risk

Tacora's operations and cash flows may be influenced by foreign currencies due to the geographic diversity of Tacora's operations and the locations of its operations. Operating costs may be influenced by the transactions denominated in currencies other than the USD.

In any particular year, currency fluctuations may have a significant impact on Tacora's financial results. A strengthening of the USD against the Canadian dollar has a positive effect on Tacora's underlying earnings. However, a strengthening of the USD also reduces the value of non-USD denominated net assets and consequently total equity.

The impact of a 10% change in the USD against the Canadian dollar as December 31, 2019 would have a $3.2 million impact on earnings.

Commodity price risk

Tacora has agreed to sell all of its production to one counterparty, Cargill International Trading Pte Ltd. (“Cargill”) with a term expiring December 31, 2024, with an option to extend the term until December 31, 2035 at Cargill’s sole discretion. Cargill is selling the Tacora product into the global seaborne iron ore market at prevailing market prices and incurring dry bulk freight costs to deliver the product to its intended destination at prevailing market freight rates. Therefore, Tacora will be exposed to fluctuations in iron ore market prices and dry bulk freight costs related to iron ore sales. Price decreases in the iron ore commodity market and/or cost increases for dry bulk freight rates could negatively affect net sales and therefore earnings.

Tacora believes commodity price hedging could provide a long-term benefit to shareholders. Therefore, Tacora may hedge certain commitments in the future with an emphasis on mitigating commodity price risk during the ramp up of the Scully Mine.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. In the future, Tacora may be exposed to credit risk from its customer receivables and from its financing activities, including deposits with banks and financial institutions, other short-term investments, interest rate and currency derivative contracts and other financial instruments.

Liquidity and capital risk management

Tacora’s objective when managing capital is to safeguard the business as a going concern while maximizing returns for shareholders. In a cyclical and capital intensive industry, such as the mining industry, maintaining a strong balance sheet and a sound financial risk management framework are desirable to preserve financial flexibility and generate shareholder value through the cycle. In practice, this involves regular reviews by the Board of Directors and senior management. These reviews take into account Tacora’s strategic priorities, economic and business conditions and opportunities that are identified to invest across all points of the commodities cycle and focus on shareholder return while also striving to maintain a strong balance sheet.

The table below analyzes the Company’s financial liabilities into relevant maturity groupings based on the remaining period to maturity at the consolidated balance sheet date. The amounts below are gross amounts, so they include principal and interest.

(expressed in thousands of US Dollars, except where otherwise noted)

	Within 1 Year	1 to 2 Years	2 to 5 Years	Over 5 Years	Total
Accounts payable and accrued liabilities	21,170	-	-	-	21,170
Debt	15,302	24,092	86,790	77,459	203,643
Leases	9,201	9,201	26,715	4,251	49,368
Rehabilitation obligation	-	-	-	53,446	53,446
Total	45,673	33,293	113,505	135,156	327,627

To maintain a strong balance sheet, Tacora considers various financial metrics including net gearing ratio, the overall level of borrowings and their maturity profile, liquidity levels, total capital, cash flow, EBITDA and other leverage ratios such as net debt to EBITDA.

Note 5 - Cash

Tacora maintains its cash in bank accounts which, at times, may exceed insured limits. Tacora has not experienced any losses in such accounts.

Cash consists of the following:

	As at Dec 31, 2019	As at Dec 31, 2018
Cash at bank	44,292	142,031
Restricted cash, escrow	254	242
Balance per balance sheet	44,546	142,273

Restricted cash of $254 thousand is held as collateral for two letters of credit required for environmental reclamation and Tacora's credit card program.

Note 6 – Accounts Receivable

Accounts receivable consist of the following:

	As at Dec 31, 2019	As at Dec 31, 2018
Trade receivables	6,001	-
Balance per balance sheet	6,001	-

Tacora's trade receivables all relate to a single customer. For the year ended December 31, 2019, no specific provision was recorded on any of the receivables. The receivables at December 31 are current and are generally settled within three months.

Notes to the consolidated financial statements

For the year ended December 31, 2019
(expressed in thousands of US Dollars, except where otherwise noted)

Note 7 – Inventories

Inventories consist of the following:

	As at Dec 31, 2019	As at Dec 31, 2018
Consumable inventories	2,786	-
Finished concentrate inventories	1,375	-
Balance per balance sheet	4,161	-

Note 8 – Prepaid expenses and other current assets

Prepaid expenses consist of the following:

	As at Dec 31, 2019	As at Dec 31, 2018
Prepaid future port and transportation services	2,031	453
Prepaid royalties	-	4,425
Other miscellaneous prepaid expenses	1,274	650
Refundable HST/GST	7,499	625
Miscellaneous deposits	44	4,722
Balance per balance sheet	10,848	10,875

Note 9 - Related-party balances

Transactions with related parties for the period ended December 31, 2019 and 2018, were as follows:

Compensation of key management personnel

Tacora considers its directors and officers to be key management personnel. Transactions with key management personnel are set forth as follows:

	2019	2018
Salaries	954	903
Deferred Compensation	41	33
Other benefits	97	86
Total	1,092	1,022

There were no material related party receivables or payables as of December 31, 2019 or 2018, respectively.

Note 10 –Properties, plant and equipment

(expressed in thousands of US Dollars, except where otherwise noted)

	Mining and Processing Equipment	Railcars and Rails	Vehicles	Right of Use Assets	Assets under construction	Asset Retirement Obligation and Other	Total
As of Dec 31, 2017	10,282	-	140	-	-	26,231	36,653
Additions	15,894	-	40	-	-	-	15,934
Disposals	-	-	(12)	-	-	-	(12)
Transfer	-	-	-	-	-	-	-
Accumulated depreciation	(94)	-	(63)	-	-	-	(157)
As of Dec 31, 2018	26,082	-	105	-	-	26,231	52,418
Additions	25,750	2,032	327	54,680	31,401	4,859	119,049
Disposals	-	-	-	-	-	-	-
Transfer	-	-	-	-	-	-	-
Accumulated depreciation	(2,123)	(51)	(10)	(4,310)	-	(70)	(6,564)
As of Dec 31, 2019	49,709	1,981	422	50,370	31,401	31,020	164,903
Net book value	49,709	1,981	422	50,370	31,401	31,020	164,903

As of December 31, 2019, Tacora is committed to purchase approximately $5.1 million of plant, equipment and services.

Refer to note 14 for information on non-current assets pledged as security.

The Company leases various pieces of mobile equipment all of which are considered right of use assets.

Note 11 – Intangible assets subject to amortization

(expressed in thousands of US Dollars, except where otherwise noted)

	Dec 31, 2019	Dec 31, 2018
SFPPN intangible asset placed in service Aug 31, 2019, with a 25 year 4 month life, amortization calculated using straight line over the life of the asset	19,654	7,552
Accumulated amortization	(259)	-
SFPPN intangible asset placed in service Dec 31, 2019, with a 25 year life, amortization calculated using straight line over the life of the asset	209	-
Accumulated amortization	-	-
New Millennium Iron Corp. port access intangible asset amortization based on rate per tonne shipped	4,960	3,030
Accumulated amortization	(175)	-
Intangible assets subject to amortization	24,389	10,582

Port access

In May 2018, the Company executed an agreement with SFPPN with an effective date of June 1, 2018 and a termination date of December 31, 2044 setting out the terms on which SFPPN will grant the Company guaranteed access to SFPPN's equipment, throughput and storage capacity necessary to transport iron ore to the port infrastructure. Under the SFPPN Agreement, the Company is required to contribute, to certain capital expenditures up to an aggregate amount of C$48.9 million, inclusive of C$10 million which was paid in 2018. Capital expenditures totaling C$16.3 million were paid in 2019, C$2.8 million will be payable in 2020 and the balance will be due by the end of 2021. The capital expenditure will allow SFPPN to enhance the current existing infrastructure required for the Company's guaranteed access to SFPPN's facilities, which include railway and Wabush Yard infrastructure. From the date of the completion of the 2018 financing transactions and until the commencement of the Company's railcars shipment to SFPPN in March 2019, the Company was required to make a monthly payment of C$500,000 in consideration of the capacity SFPPN allotted to the Company. Beginning in April 2019, the Company began monthly payments to SFPPN of C$2.5 million which is based on the Company's share of fixed costs, operational costs, profit margins, compensation rate and applicable taxes. The SFPPN Agreement also provides that the 440 railcars owned by SFPPN and located at the Scully Mine will be leased to the Company under a lease and maintenance agreement for nominal consideration, provided that the Company contracts exclusively with SFPPN for the maintenance of such railcars. The Company will have the option to purchase any or all of the railcars at a price of C$2,725 per railcar upon 10 days' prior written notice to SFPPN, which will terminate the required maintenance arrangement with SFPPN. The SFPPN Agreement contains customary default clauses, which include if the Company ceases the operations of the Scully Mine for a continuous period of more than twelve months and does not provide SFPPN with a date for the resumption of operations that is within the following twelve months.

The C$48.9 million that the Company is required to contribute to SFPPN for certain capital expenditures is and will be classified as an intangible asset on the Balance Sheet and amortized. There may be other expenditures that the Company is required to make that the Company will classify in this regard.

The C$500,000 per month plus the expenditures for fixed cost will be expensed as incurred.

(expressed in thousands of US Dollars, except where otherwise noted)

The Company has executed an assignment of contractual rights agreement pursuant to which New Millennium Iron Corp. ("NML") will assign to the Company 6.5 million metric tonnes of NML's port capacity with the Sept-Iles Port Authority (the "Port Authority") in exchange for an upfront payment in the amount of $4.0 million Canadian dollars payable on the closing date of the assignment and an ongoing fee of $0.10 Canadian dollars per tonne of iron ore shipped by the Company through the port facilities pursuant to a contract to be entered into directly with the Port Authority over a 20-year period following the assignment. In connection with the assignment, the Company has assumed part of NML's "take or pay" obligations related to the assigned 6.5 million metric tonnes of port capacity. The Company, NML and the Port Authority have entered into an agreement whereby the Port Authority consented to the assignment of capacity and agreed to enter into a direct agreement with the Company in respect of the 6.5 million metric tonnes of port capacity assigned by NML to the Company on terms substantially similar to those contained in the existing agreement between NML and the Port Authority. This agreement will provide the Company with direct access to port facilities that are capable of loading cape-size vessels, which are larger and more cost efficient than smaller baby-cape and Panamax alternatives. All port agreements between NML, the Port Authority and Tacora in respect of the assigned capacity were fully executed and complete as of December 31, 2018.

Note 12 – Deposits

Transportation deposits consist of the following:

	As at Dec 31, 2019	As at Dec 31, 2018
Québec North Shore and Labrador Railway Company, Inc., transportation deposit	18,219	15,187
Less current portion	(6,998)	(3,332)
Balance per balance sheet	11,221	11,855

On November 3, 2017, the Company entered into a life-of-mine transportation agreement ("QNS&L Rail Agreement") with Québec North Shore and Labrador Railway Company, Inc. ("QNS&L"). The QNS&L Rail Agreement provides that QNS&L will carry iron ore concentrate produced at the Scully Mine on Tacora-supplied railcars between Wabush Lake Junction in Labrador City, Newfoundland and Labrador to the Sept-Iles Junction in Sept-Iles, Québec, a distance of approximately 500 km. Under the terms of the QNS&L Rail Agreement, QNS&L has agreed, among other things, to haul minimum monthly tonnages of iron ore (and any surplus iron ore that QNS&L agrees to haul for the benefit of the Company), ensure available transportation capacity, lead and actively participate in appropriate operations management and coordination procedures between QNS&L and the Company and supply sufficient labour, locomotives, assets and infrastructure as necessary to provide the rail transportation services contemplated. The QNS&L Rail Agreement also prescribes various capacity and volume commitments on the part of each of QNS&L and the Company, and sets forth specific maximum and minimum monthly tonnages of iron ore that may be tendered for transportation in any month. In the event that the Company fails to meet the minimum monthly tonnage requirements during a given month, the Company will be required to pay QNS&L, as liquidated damages, an amount equal to the deficit volume multiplied by the base rate applicable during that month, and which increases over time, other than where the failure to meet such minimum tonnage is as a result of a force majeure event; and provided further that, in the event that the Company suspends production at the Scully Mine for a period of more than one calendar year, the obligation to pay any such liquidated damages will be suspended until the resumption of production.

The QNS&L Rail Agreement required the Company to provide advance payments to QNS&L totaling $20.0 million Canadian dollars, of which $3.0 million Canadian dollars was paid on November 10, 2017 and $17.0

(expressed in thousands of US Dollars, except where otherwise noted)

million Canadian dollars was paid on November 14, 2018. These advance payments are required by QNS&L to secure the locomotive equipment and infrastructure capacity to meet the Company's anticipated haulage volumes on the QNS&L rail line. The Company will recover the advance payments from QNS&L by means of a special credit per wet metric tonne hauled.

Security deposits consist of the following:

	As at Dec 31, 2019	As at Dec 31, 2018
Western Labrador Railway, Cash collateral in an amount equal to three months of services	339	-
Komatsu Financial, 5% of total purchase price of equipment financed until paid in full	2,239	-
Caterpillar Financial, 10% of total purchase price of equipment financed until 24 months of consecutive mining operations	756	-
Balance per balance sheet	3,334	-

Note 13 – Environmental rehabilitation

Pursuant to a Mine Rehabilitation and Closure Financial Assurance Fund Agreement between the Province of Newfoundland and Labrador and Tacora dated July 17, 2017, Tacora was required to deliver an initial cash payment to the Newfoundland Exchequer Account in respect of a Financial Assurance Fund in the amount of C$36.8 million concurrently with the closing of the transactions under the APA. The funds are held in trust for the special purposes set out by the *Mining Act* (Newfoundland) and held in a special purpose account. Prior to start-up activities of the Scully Mine, an additional cash payment in the amount of C$4.9 million was required to be remitted to this special purpose account by Tacora.

In 2019, Tacora executed a surety bond in the amount of C$41.7 million which meets the entire financial assurance requirement contained in Tacora's mining permits with Newfoundland and Labrador. Newfoundland and Labrador accepted the surety bond and Tacora was reimbursed by the province for the cash financial assurance payment held in escrow in the amount of C$36.8 million. A deposit of $6.3 million was required to secure the surety bond.

In addition, Tacora had provided two letters of credit in favour of the Government of Canada (Ministry of Fisheries and Oceans) for an aggregate of $0.2 million in respect of environmental reclamation matters.

Environmental liabilities are initially recognized at the present value of estimated costs to be incurred to extinguish the liability. The timing of the actual rehabilitation expenditure is dependent upon a number of factors such as the life and nature of the asset. Tacora's environmental rehabilitation provision of C$41.7 million was measured at the expected value of future cash flows, discounted to the present value using a current a risk-free pre-tax discount rate of 2.0%.

(expressed in thousands of US Dollars, except where otherwise noted)

Note 14 – Debt

The carrying value, terms and conditions of Tacora's debt at December 31, 2019 and December 31, 2018 are as follows:

	As at Dec 31, 2019	As at Dec 31, 2018
Unsecured interest free note to be paid quarterly based on tons shipped from the mine to the port, maturity date is based upon when the note is paid in full, debt is recorded at fair value, $0.66 will be paid for each ton shipped which will be allocated between principal and interest	5,149	5,005
Infrastructure 1 Loan secured by substantially all the Company's assets at a 13.4% annual rate to be paid monthly in the amount of $500 thousand until December 31, 2020 when that payment increases to $1.0 million for sixty months, on the maturity date of November 15, 2025 the Company shall repay the remaining balance anticipated to be $23.6 million	52,537	48,908
Infrastructure 2 Loan secured by substantially all the Company's assets at a 12.3% annual rate which had an additional draw in May 2019, of $20 million, financing to be paid monthly in the amount of $280 thousand until December 31, 2020 when that payment increases to $560 thousand for sixty months, on the maturity date of November 15, 2025 the Company shall repay the remaining balance anticipated to be $38.2 million	39,997	19,532
Term Loan secured by substantially all the Company's assets at a 11% annual rate, interest rate which shall be calculated and paid monthly, commencing in November 2019 the Company shall begin making monthly principal payments of $125 thousand until November 2020 when the principal payment increases to $200 thousand for thirty six months, on the maturity date of November 15, 2025 the Company shall repay the remaining balance anticipated to be $21.4 million	28,374	29,117
	126,057	102,562
Less current maturities of long term debt	4,399	-
Long term debt	121,658	102,562

(expressed in thousands of US Dollars, except where otherwise noted)

	As at Dec 31, 2019	As at Dec 31, 2018
Leased liabilities:		
Financing secured by equipment financed, under an interest free note to be paid in monthly installments of $3 thousand beginning February 2019 until maturity in January 2023..........	103	
Financing secured by equipment financed, with a 5.99% annual interest rate paid monthly in the amount of $215 thousand beginning June 2019 until maturity in May 2025................	11,887	-
Financing secured by equipment financed, with a 5.99% annual interest rate paid monthly in the amount of $126 thousand beginning July 2019 until maturity in June 2025...............	7,049	-
Financing secured by equipment financed, with a 5.99% annual interest rate paid monthly in the amount of $128 thousand beginning August 2019 until maturity in July 2025............	7,263	-
Financing secured by equipment financed, with a 5.99% annual interest rate paid monthly in the amount of $58 thousand beginning September 2019 until maturity in August 2025......	3,340	-
Financing secured by equipment financed, with a 5.99% annual interest rate paid monthly in the amount of $116 thousand beginning October 2019 until maturity in September 2025...	6,763	-
Financing secured by equipment financed, with a 7.09% annual interest rate paid quarterly in the amount of $70 thousand beginning July 2019 until maturity in April 2024................	1,021	-
Financing secured by equipment financed, with a 7.09% annual interest rate paid quarterly in the amount of $299 thousand beginning October 2019 until maturity in July 2024..........	4,596	-
Financing secured by equipment financed, with a 7.09% annual interest rate paid quarterly in the amount of $7 thousand beginning December 2019 until maturity in September 2024....	113	-
Down payment costs amortized over the life of the debt..	(234)	-
	41,901	-
Less current maturities of leased liabilities	6,809	-
Long term leased liabilities	35,092	-

Covenants

The term loan and the infrastructure loans contain the following covenants:

1) The Borrower shall, at all times, have cash and/or cash equivalents of not less than $12.5 million (the "Minimum Cash Balance") to be increased by the application of (i) any net proceeds received from property insurance proceeds, equity financing proceeds and permitted debt proceeds (if not used towards prepaying the Credit Facilities as agreed to by the Lender in its sole discretion), and (ii) any cash collateral which is released if the financial assurance deposit is replaced with a bond or other form of security, less any cash collateral provided to obtain such bond or other form of security (provided that there shall be no increases of this nature under subparagraphs (i) and (ii) above beyond the end of the first fiscal quarter of 2020).

2) Senior Debt to EBITDA Ratio. The Senior Debt to EBITDA Ratio shall not exceed:
   (i) 4.00:1.00 as at the end of each fiscal quarter ending December 31, 2020 and March 31, 2021; and
   (ii) 3.00:1.00 as at the end of each fiscal quarter falling on or after June 30, 2021.

3) Minimum Debt Service Coverage Ratio. The Debt Service Coverage Ratio shall not be less than
   (i) 0.75:1.00 as at the end of each fiscal quarter falling on December 31, 2020 and March 31, 2021; and
   (ii) 1.00:1.00 as at the end of each fiscal quarter falling on June 30, 2021, September 30, 2021, December 31, 2021 and March 31, 2022; and

(expressed in thousands of US Dollars, except where otherwise noted)

(iii) 1.50:1.00 as at the end of each fiscal quarter falling on and after June 30, 2022.

4) Minimum Reserve Base Ratio. As at the end of each fiscal year (including the fiscal year in which the Closing Date occurs), the Reserve Base Ratio shall not be less than 10.00:1:00.

Additionally, both the Term Loan and Infrastructure Loans contain other covenants that limit or restrict Tacora's ability to make capital expenditures; incur indebtedness; permit liens on property; enter into transactions with affiliates; make restricted payments or investments; enter into mergers, acquisitions or consolidations; conduct asset sales; pay dividends or distributions and enter into other specific transactions or activities.

The Term Loan and Infrastructure Loans are secured by substantially all the Company's assets.

As of December 31, 2019, Tacora is in compliance with all covenants.

Note 15 – Taxation

Tacora is subject to income tax in numerous jurisdictions. Income tax on the statement of profit or loss consists of current and deferred tax. No deferred tax asset has been recognized on the net deductible temporary difference given no history of profits.

The following table reconciles the expected income tax expense at the statutory income tax rate of 30% which is the combined federal and NL tax rate (2018: 30%) to the amounts recognized in the consolidated statements of loss:

	Year Ended	
	2019	2018
Net loss reflected in consolidated statements of loss	(112,060)	(28,801)
	-	-
Expected income tax expense	(33,618)	(8,640)
Permanent differences	(9)	(5)
Unrecognized deferred tax assets	34,939	7,161
Foreign exchange	(1,188)	1,600
Other	316	(102)
Income Tax Expense	440	14

(expressed in thousands of US Dollars, except where otherwise noted)

The following table summarizes deductible temporary differences for which no deferred tax asset has been recognized:

	Year Ended	
	2019	2018
Hedges	55,597	13,207
Fixed Assets & Intangibles	12,811	811
Non-capital loss carry forwards	77,925	8,841
Total unrecognized deductible temporary differences	146,333	22,859

As of December 31, 2019 the company has total non-capital losses of $77.9M (2018 - $8.8M). Deferred tax asset was not recognized on such losses, which if not utilized will expire between 2037 and 2039.

Note 16 – Equity

	Shares Authorized	Shares Issued	2018 USD$
Ordinary Shares:			
Common - no par value	158,000,000	158,000,000	143,000
Restricted Shares:			
Class A	3,300,000	2,739,000	0.273
Class B	3,300,000	2,739,000	0.273
Balance as of Dec 31, 2018	164,600,000	163,478,000	143,001

	Shares Authorized	Shares Issued	2019 USD$
Ordinary Shares:			
Common - no par value	165,231,138	165,231,138	150,232
Restricted Shares:			
Class A	3,300,000	2,739,000	0.273
Class B	3,300,000	2,739,000	0.272
Balance as of Dec 31, 2019	171,831,138	170,709,138	150,232

Restricted Shares

During 2017, certain Tacora employees purchased 5,478,000 restricted shares at a fair value price of $0.0001 per share.

Tacora currently has 2,739,000 Class A Non-Voting Shares and 2,739,000 Class B Non-Voting Shares outstanding. In connection with and prior to closing on a liquidity event as defined in the shareholders agreement, the following capital changes will be implemented:

(expressed in thousands of US Dollars, except where otherwise noted)

- All of the 2,739,000 Class A Non-Voting Shares will be converted into Common Shares on a one-for-one basis;

- All of the 2,739,000 Class B Non-Voting Shares will be (i) subject to the achievement of a defined valuation, converted into Common Shares on a one-for-one basis or (ii) redeemed for nominal consideration by the Company;

Ordinary Shares

On December 27, 2019, 7.2 million shares of common stock were issued for $7.2 million.

Stock Options

The Company offers a stock option plan for certain employees. A total of 561,000 new options were issued at a price of $1.00 per share to employees of Tacora during the year ended December 31, 2019 out of which 130,000 were cancelled.

The stock options shall vest, and may be exercised in whole or in part, only upon a liquidity event as defined in the stock option agreement. The Company does not recognize compensation cost for the stock options until the liquidity is deemed probable. No amounts have been recognized in 2019 or 2018.

Note 17 – Commitments and contingencies

At December 31, Tacora's commitments were comprised of the following payments:

	2019 USD$	2018 USD$
Payments due in one year	31,687	2,382
Payments due in one to five years	10,008	9,529
Payments due later than five years [1]	83,236	26,231

(1) Includes Tacora's environmental rehabilitation provision (Note 13)

Mining leases and royalties

Tacora is party to the Mining Lease pursuant to which Tacora was granted the exclusive contractual right to explore, investigate, develop, produce, extract, remove by open pit or other method of mining, smelt, reduce and otherwise process, make merchantable, store, sell and ship all iron ore products from a mine on a parcel of land located near Wabush, Newfoundland and Labrador on which the Scully Mine is located. The Mining Lease is effective for a term extending to and including May 20, 2055; however, the Mining Lease may be cancelled by Tacora generally on six months' written notice.

At the commencement of shipping iron ore products, Tacora is required to pay an earned royalty fee per metric tonne ranging from 4.2% to 7.0% of Net Revenues less certain deductible expenses, in accordance with the calculation as defined in the Mining Lease. To the extent that Tacora has not commenced or ceases the shipping of iron ore products and the sum of the earned royalty fee in a given calendar quarter is less than $0.8 million Canadian dollars, Tacora is required to pay a minimum quarterly royalty of $0.8

(expressed in thousands of US Dollars, except where otherwise noted)

million Canadian dollars (of which 20 percent is withheld and remitted to the Province of Newfoundland and Labrador).

Any minimum quarterly royalty payments during the calendar years of 2017 and 2018 could be recovered against future earned royalties on sales of iron ore products from the leased land during the 2018 and 2019 calendar years. Any amount which Tacora shall pay the lessor related to minimum quarterly royalty payments subsequent to 2019, other than in payment of earned royalties, shall be recoverable against earned royalties in the same calendar year. The prepaid royalties balance of $2.6 million accumulated throughout 2017, 2018 and 2019 that could not be carried forward beyond 2019, were written off as of December 31, 2019. There were no prepaid royalties at December 31, 2019.

Minimum royalties paid in the year ended December 31, 2019 were $2.4 million dollars. Accrued royalties due to our minimum quarterly payments in the amount of $0.6 million were recorded in other accrued expenses at December 31, 2019.

Transportation services

Tacora is committed to purchasing transportation services that will require minimum annual payments of approximately $29.0 million. In the event Tacora suspends production and shipments of iron ore at the Scully mine for any reason for a period longer than one year, the obligation to pay minimum annual payments is suspended.

Operating leases

Tacora has $34,608 of non-cancellable lease payments for the next year related to their office facilities. Payments recognized as an expense are as follows:

	2019 USD$	2018 USD$
Rental expense	69	67
For the twelve months ended December 31	69	67

Note 18 – Derivative liability

Tacora will be exposed to fluctuations in iron ore market prices and dry bulk freight costs related to iron ore sales. The Company does not generally believe commodity price hedging would provide a long-term benefit to shareholders, however, from time to time or as required by debt agreements, Tacora may use cash-settled commodity forward contracts to hedge the market risk associated with the sales of iron ore. These derivatives may be used with respect to a portion of the Company's iron ore sales. Independent of any hedging activities, price decreases in the iron ore market or price increases in dry bulk freight costs could negatively affect revenue and therefore earnings.

Iron ore derivatives are marked to market and recognized as an asset or liability at fair value, with changes in fair value reflected in net income unless the Company qualifies for, and elects hedge accounting. If the Company qualifies for and elects hedge accounting, the effective gains and losses for iron ore derivatives designated as cash flow hedges of forecasted sales of iron ore are recognized in accumulated other comprehensive income, a component of Shareholder's Equity on the Balance Sheet and reclassified into revenue in the same period as the earnings recognition of the associated underlying transaction. Gains and losses on these designated derivatives arising from either hedge ineffectiveness or related to components excluded from the assessment of effectiveness are recognized in current income as they occur. In 2018, and as required by our senior secured debt agreements, the Company had entered into iron ore commodity forward contracts.

(expressed in thousands of US Dollars, except where otherwise noted)

The following presents a summary of information pertaining to the commodity forward contracts (in metric tonnes):

	Calls USD$	Puts USD$	Call Volume (dmt)	Put Volume (dmt)
Settlement dates between Aug 1, 2019 and Dec 31, 2019	56.50	50.00	156,000	260,000
Settlement dates between Aug 1, 2019 and Dec 31, 2019	59.00	50.00	156,000	260,000
Settlement dates between Aug 1, 2019 and Dec 31, 2019	56.50	50.00	78,000	130,000
Settlement dates between Jan 1, 2020 and Dec 31, 2020	56.50	50.00	528,000	880,000
Settlement dates between Jan 1, 2020 and Dec 31, 2020	59.00	50.00	528,000	880,000
Settlement dates between Jan 1, 2020 and Dec 31, 2020	56.50	50.00	264,000	440,000
Settlement dates between Jan 1, 2021 and Jul 31, 2021	56.50	50.00	297,600	496,000
Settlement dates between Jan 1, 2021 and Jul 31, 2021	59.00	50.00	297,600	496,000
Settlement dates between Jan 1, 2021 and Jul 31, 2021	56.50	50.00	148,800	248,000

Based on the maturity dates of the contracts noted above, the derivative liability has been classified as current and long-term.

	Years Ended December 31, 2019	2018
Current derivative liability	38,726	2,732
Long-term derivative liability	16,871	10,475
Total derivative liability	**55,597**	**13,207**

Note 19 – Financial instruments

The fair value hierarchy groups the financial instruments into Levels 1 to 3 based on the degree to which the fair value is observable. Details of each level are discussed below:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from 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 (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial risk factors

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

(expressed in thousands of US Dollars, except where otherwise noted)

The Company's credit risk is primarily attributable to trade and other amounts receivable, which consist of receivables from one customer in addition to goods and services tax due from the Federal Government of Canada. The maximum exposure of credit risk is best represented by the carrying amount of financial instruments. The Company considers credit risk negligible due to customer payments being received within three days of receipt of the invoice.

The Company’s cash and restricted cash are held with an established Tier-1 Canadian financial institution, and consequently management believes that the credit risk with respect to this financial instrument is low and that the Company has no significant concentration of credit risk arising from operations.

Liquidity risk

The Company monitors the expected settlement of financial assets and liabilities on an ongoing basis; there are no significant payables that are outstanding past their due dates. As at December 31, 2019, the Company had a net working capital of $1.5 million (December 31, 2018 - $150.9 million), including cash of $44.6 million (December 31, 2018 - $142.3 million).

The Company undergoes an in-depth budgeting process each year which is supplemented by a continuous detailed cash forecasting process. If necessary, the Company may seek financing for capital projects or general working capital purposes.

The amounts of cash and cash equivalents, trade and other receivables, trade accounts payables, accrued liabilities and leases approximate their fair value due to their short maturity. Derivative liabilities are measured at fair value with changes recognized through profit and loss.

The following fair value tables present information about the fair value of Tacora’s assets and liabilities measured on a recurring basis as of the dates indicated:

	December 31, 2019				
	Level 1	Level 2	Level 3	Total	Carrying Amount
Derivative liability	—	55,597	—	55,597	55,597
Notes payable	—	—	5,149	5,149	5,149

	December 31, 2018				
	Level 1	Level 2	Level 3	Total	Carrying Amount
Derivative liability	—	13,207	—	13,207	13,207
Notes payable	—	—	5,005	5,005	5,005

During the period ended December 31, 2019 and December 31, 2018, there were no transfers between Level 1 and Level 2 fair value measurements.

(expressed in thousands of US Dollars, except where otherwise noted)

Note 20– Cost of sales

	Year Ended	
	2019	2018
Mining	19,397	-
Processing	26,486	-
Logistics	28,748	-
Mine general and administration	4,491	-
Royalties	4,257	-
Total expenses by function	83,379	-

Note 21– Selling general and administrative expenses

	Year Ended	
	2019	2018
IPO Costs	-	2,619
Wages and employee benefit expenses	2,902	2,184
Port charges [1]	6,613	1,856
Professional fees and services	749	1,627
Electricity	9	590
Travel expenses	1,347	463
Insurance	23	367
Environmental	-	303
Community fund payments	521	278
Security services	-	225
Other	471	699
Depreciation and amortization	170	157
Costs allocated to CAPEX	(789)	(2,616)
Total expenses by function	12,016	8,752

1 Carrying costs related to port and rail expenses incurred during construction start-up are included in costs of goods sold upon start-up of the mine.

Note 22 - Prior period adjustment

In the previously issued financial statements for the year ended December 31, 2018, the Company's commodity forward contracts were treated as a hedge for accounting purposes and, accordingly, the unrealized loss on the contracts at year-end was recorded as a component of other comprehensive loss. During the year management determined that the commodity forward contracts did not qualify for hedge accounting. As a result, management recorded an adjustment to its previously issued financial statements to reclassify the unrealized loss related to the Company's commodity forward contracts, in the amount of $13,207, to Net loss for the year ended December 31, 2018. Consequently, Net loss for the year-ended December 31, 2018, originally reported as $15,608, was decreased to $28,815 and Other comprehensive loss for the year-ended December 31, 2018, originally reported as $13,207, was revised to $nil. There is no impact to the originally reported amount of total Loss and comprehensive loss for the year ended December 31, 2018. There is also no impact to the statement of financial position, changes in equity and cash flows for the year ended December 31, 2018.

Note 23– Subsequent events

Due to the global outbreak of the novel coronavirus disease ("COVID-19"), the Company's risk profile has increased significantly, notably due to the following: a potential curtailment or total shut down of operations by government; potential loss of contractor manpower at its mining site; the potential of a Company employee falling ill and causing a disruption to the mine site; a potential impact on the ability to procure and transport critical supplies and parts to the sites; and a potential impact on the ability of the Company to transport iron ore to generate revenues. If any of these events were triggered, the result could be a complete shutdown of the Company's mining site for an undetermined period. To minimize this risk, the following actions have been taken: a policy has been instituted supporting employees to work from home where practical; preliminary screenings at site; any employees or contractors showing potential signs of COVID-19 will be placed into self-isolation; and special arrangements at the sites have been implemented to maximize social distancing. The Company is treating the threat of a COVID-19 outbreak very seriously. A care-and-maintenance plan has been prepared and would be executed in the event of an outbreak at the site. Should the COVID-19 cause a prolonged interruption of site operations, this could impact the Company's ability to conduct its operations, have a potentially adverse effect on its business, and/or could result in an impairment of asset values.

a) Key personnel changes

In February 2020, as part of the transition from project developer to full scale operations and with the initial phase of the Company's start-up now substantially complete, the Board of Directors concluded a review of the executive management team and effectuated the following management changes:

David Durrett, a Director and significant Shareholder of the Company, assumed the role of interim Chief Executive Officer.

John Sanderson, formerly a consultant for the Company, assumed the role of Executive Vice President and Chief Operating Officer and reports to Mr. Durrett.

Matthew Lehtinen, former Chief Commercial Officer left Tacora to pursue other career opportunities.

Larry Lehtinen, former Executive Chairman and Chief Executive Officer stepped away from those roles and assumed the role of non-executive Director on the Board of the Company.

b) Amendment to Cargill agreement

In March 2020, Tacora and Cargill agreed to amend certain terms of the Cargill / Tacora: Iron Ore Sale and Purchase Contract that provide, among other things, for the following: (i) the grant to Cargill of rolling options to extend the Agreement for the life of the Scully mine; (ii) clarification that Cargill has rights to sell all of the tons produced from the Scully mine including any and all expansions; and (iii) certain adjustments to the definition of Margin Amount (as defined in the Agreement) whereby the Shipment Margin Amount in respect of each Relevant Shipment may be either negative or positive. On each Calculation Date, all valuations of the Shipment Margin Amount for all Shipments for which the final Purchase Price has not been determined shall be netted to result in a single positive or negative value (the ***"Margin Amount"***). If that value is positive and greater than $7.5 million, then Buyer shall be entitled to hold margin equal to but no greater than that Margin Amount less $5.0 million, and if that value is negative and less than -$5.0 million, then Seller shall be entitled to hold margin equal to but no greater than that Margin Amount. In determining which party makes a payment to the other, any Margin Amount (if any) already held by one party shall be taken into account and netted. The receiving party shall raise a debit note for the relevant amount which shall be settled by the paying party within 5 Working Days. These changes to the definition of Margin Amount shall cease to apply at midnight Singapore time on 31st December 2021. At that time, the definition of Margin Amount shall revert to the following: if that value is positive and greater than $5.0 million, then Buyer shall be entitled to hold margin equal to but no greater than that Margin Amount and if that value is negative and less than -$5.0 million, then Seller shall be entitled to hold margin equal to but no greater than that Margin Amount.

c) Issuance of shares

On April 30, 2020, 5.0 million shares of common stock were issued for $5.0 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Annual MD&A

The following management's discussion and analysis of financial condition and results of operations ("**MD&A**") is prepared as of the date of the consolidated audited financial statements and is intended to assist readers in understanding the financial performance and financial condition of Tacora. This MD&A provides information concerning Tacora's financial condition as at December 31, 2019 and results of operations for the 52-week period ending December 31, 2019 ("**Fiscal 2019**").

This MD&A should be read in conjunction with Tacora's audited consolidated financial statements, including the related notes thereto and the 2018 Annual Report.

Basis of Presentation

Tacora's audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**"). The Company's fiscal year ends on December 31, its presentation currency is the United States dollar and the functional currency of Tacora is the United States dollar. The information contained within the MD&A is current to the date of audited consolidated financial statements. All of the financial information contained within the MD&A is expressed in thousands of United States dollars, except where otherwise noted.

Cautionary Note Regarding Forward-Looking Information

Some of the information in this MD&A contains forward-looking information, such as statements regarding the Company's future plans and objectives that are subject to various risks and uncertainties. This information is based on management's reasonable assumptions and beliefs in light of the information currently available to it and is provided as of the date of this MD&A and the Company cannot assure investors that such information will prove to be accurate, and actual results and future events could differ materially from those anticipated in such information as a result of various factors. The results for the years presented are not indicative of the results that may be expected for any future years. The Company does not undertake to update any such forward-looking information whether as a result of new information, future events or otherwise. We caution that the list of risk factors and uncertainties is not exhaustive and other factors could also adversely affect our results. Investors are urged to consider the risks, uncertainties and assumptions carefully in evaluating the forward-looking information and are cautioned not to place undue reliance on such information.

Non-IFRS Measures

The Company has identified certain measures that it believes will assist understanding of the financial performance of the business. As the measures are not defined under IFRS, they may not be directly comparable with other companies' similar measures. The non-IFRS measures are not intended to be a substitute for, or superior to, any IFRS measures of performance but management has included them as these are considered to be important measures used within the business for assessing performance. These measures are explained further below.

Working Capital

This MD&A refers to "working capital", which is not a recognized measure under IFRS. This non-IFRS liquidity measure does not have a standardized meaning prescribed by IFRS and is therefore unlikely to be comparable to a similar measure presented by other issuers. "working capital" is defined by the Company as current assets less current liabilities. Management uses this measure internally to better assess performance trends. Management understands that a number of investors and others who follow the Company's business assess performance in this way. This data is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

Overview

The Company is in the business of identifying, mining and processing iron ore mineral reserves and resources. The mining of iron ore at the Scully Mine is the Company's main business at this time; however, other revenue streams may be added in the future. The Company's future performance is largely tied to the successful restart of the Scully Mine, other prospective business opportunities, and the overall market for iron ore.

On July 18, 2017, the Company completed the Acquisition of the Scully Mine, an iron ore mine and processing facility located north of the Town of Wabush in Newfoundland and Labrador, Canada, together with the Wabush Lake Railway. Tacora completed the acquisition of the assets of the Scully Mine and the Wabush Lake Railway pursuant to a process under the *Companies' Creditors Arrangements Act (*Canada). Tacora paid a total cash purchase price of $1.6 million plus cash cure costs in an amount of $8.2 million, for an aggregate purchase price of $9.8 million. For further information about the Acquisition, see Note 1 to the Company's audited consolidated financial statements for Fiscal 2019.

On November 15, 2018 the Company successfully secured financing to restart the Scully Mine. In addition, during the course of the 2018 and 2019 fiscal years, the Company also amended the Cargill Offtake Agreement and finalized certain port access agreements and rail/transportation agreements in anticipation of the successful restart of the Scully Mine.

During Fiscal 2019, the Company restarted mining operations and commercial production at the Scully Mine. On May 25, 2019, first ore was delivered to the crusher and the mill was successfully started up on May 28, 2019. During June 2019, the Company successfully commissioned its concentrator and produced its first wet concentrate, undertook its first mine blast and celebrated its first loaded train. On August 30, 2019, the Company announced that its first seaborne vessel shipment of iron ore concentrate produced at the Scully Mine departed the Port of Sept-Iles, Quebec, with a payload of 69,770 wmt of Tacora Premium Concentrate ("TPC") bound for a customer in Europe. Throughout the remainder of Fiscal 2019, the Company continued the process of ramping up commercial production (including bringing all six mills into operation) with a view to eventually reaching the Company's production goal of six Mtpa of iron ore per year.

Overall Performance

The Company's financial success is dependent on several factors, including its ability to continue to successfully ramp-up mining operations at the Scully Mine in a timely manner, its ability to identify and extract additional iron ore mineralization at the Scully Mine and the sales value of iron ore. The sales value of iron ore mined by the Company is highly dependent upon certain factors beyond the Company's control, particularly the market value of iron ore produced.

For Fiscal 2019, the Company had revenue of $60,049 and reported an operating loss of $42,061 and net loss and comprehensive loss of $112,500. The net loss and comprehensive loss can be attributed to, among other things:

- Total cost of sales of $83,379 for the year ended December 31, 2019;

- Total selling, general and administrative expenses of $12,016 for the year ended December 31, 2019; and

- Other expenses (including loss on derivative instruments, interest expense and foreign exchange gains) of $69,999 for the year ended December 31, 2019.

As at December 31, 2019, the Company had an accumulated deficit of $144,114. However, as at December 31, 2019, management of the Company believes that it has sufficient funds available from existing cash on hand and available liquidity from Infra Loan 1, Infra Loan 2 and the Term Loan to maintain its core operations, pay its administration costs and maintain operations at the Scully Mine. However, if adequate funds are not available when required, the Company may, based on the Company's cash position, delay, scale back or eliminate its strategic objectives until adequate funds can be secured.

Outlook

With the completion of the Acquisition in 2017, the delivery of the feasibility study and completion of the financing transactions in 2018, and the restart of mining operations in 2019, the Company's focus for the balance of the 2020 calendar year and beyond is to continue the ramp-up of commercial production at the Scully Mine with a view to eventually reaching its production goal of six Mtpa of iron ore per year.

Selected Annual Consolidated Financial Information

The majority of the activities that occurred in Fiscal 2019 were related to (i) the care and maintenance of the Scully Mine, (ii) rehabilitation activities required to prepare the mine for restart and (iii) the restart and ramp-up of commercial production and mining operations at the Scully Mine. With the restart of mining operations at the Scully Mine in June 2019, seasonality and commodity market fluctuations have an impact on the Company's operating results as the Company's operations are more limited during the winter months owing to the local climate at the Scully Mine.

The following table summarizes the recent results of operations of the Company for Fiscal 2019. The selected consolidated financial information set out below has been derived from the Company's audited consolidated financial statements and related notes for Fiscal 2019.

	Fiscal 2019
Net loss and comprehensive loss for the year	$112,500
Total assets	$282,667
Cash and cash equivalents	$44,292
Property, plant & equipment, net	$164,903
Total liabilities	$276,431
Current liabilities	$71,104

Results of Operations

The operating results of mining companies can fluctuate significantly from year to year. The Company is actively working to ramp up commercial mining operations at the Scully Mine with a view to eventually reaching its production goal of six Mtpa of iron ore.

Project Overview

The Company owns the Scully Mine. The Scully Mine is located north of the Town of Wabush, Newfoundland and Labrador, Canada. The Feasibility Study was completed on December 22, 2017 by GMS and Ausenco and issued on May 10, 2018, the results of which were prepared following the guidelines of NI 43101.

The Feasibility Study contemplates a total tonnage mined of approximately 5.0 Mt for the first year of production, with the mill throughput targeted as achieving a 100% production rate at approximately 6.0 Mt per year of iron ore concentrate from 2021 onwards over a 26-year life of mine.

During Fiscal 2019, a total of two-hundred and thirty-two (232) employees were hired. As of the date the consolidated audited financial statements were issued, the Company has two-hundred and fifty-two (252) employees.

Key production milestones for the Scully Mine are described in the Feasibility Study. Following the Acquisition in 2017, the Scully Mine was under care and maintenance. Rehabilitation activities and the refurbishment projects commenced in November 2018 and continued into the first half of Fiscal 2019.

During Fiscal 2019, the Company restarted mining operations and production at the Scully Mine. On May 25, 2019, first ore was delivered to the crusher and the mill was first successfully started up on May 28, 2019. During June 2019, the Company successfully commissioned its concentrator and produced its first batch of wet concentrate, undertook its first mine blast and celebrated its first loaded train. On August 30, 2019, the Company announced its first seaborne vessel shipment of iron ore concentrate produced at the Scully Mine departed the Port of Sept-Iles, Quebec, with a payload of 69,770 wmt of TPC bound for a customer in Europe. Throughout the remainder of Fiscal 2019, the Company continued the process of ramping up commercial production (including bringing all four mills into operation) with a view to eventually reaching its production goal of six Mtpa of iron ore.

Exploration Activities

The Company has not completed any drilling or exploration activities at the Scully Mine (or otherwise) since the completion of the Acquisition.

Year ended December 31, 2019

During Fiscal 2019, the Company incurred a net loss and comprehensive loss of $112,500.

	Fiscal 2019
Revenue	$60,049
Cost of sales	$83,379
Selling, general and administrative expenses	$12,016
Operating loss for the year	**$42,061**
Total other expense	$69,999
Net loss and comprehensive loss for the year	**$112,500**

Cost of sales was $83,379 and were composed of mining costs of $19,397, processing costs of $26,486, logistics costs of $28,748, mine general and administration costs of $4,491 and royalty expenses of $4,257.

Total selling, general and administrative expenses were $12,016 and were composed of wages and employee benefit expenses of $2,902, port carrying costs prior to start-up of the mine of $6,613, professional fees and services costs of $749, electricity costs of $9, travel expenses of $1,347, insurance expenses of $23, community fund payments of $521, other expenses of $471, depreciation and amortization expenses of $170, and costs allocated to capital expenditures of ($789). These costs were incurred by the Company to support the Company’s ongoing operations.

Total other expenses were $69,999 and were composed of other losses of $135, write-off of prepaid royalties of $2,575, loss on derivative instruments of $54,725, unwinding of present value discount of ARO of $617, interest expense of $17,985, interest income of ($1,970) and foreign exchange gain of ($4,068).

Financial Instruments

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities. Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest rate method, with interest expense recognized on an effective yield basis. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expenses over the corresponding year. The effective interest rate is the rate that exactly discounts estimated future cash payments over the expected life of the financial liability, or, where appropriate, a shorter year, to the net carrying amount on initial recognition. As at December 31, 2019, the Company has classified accounts payable and accrued liabilities, long-term debt, leased liabilities and rehabilitation obligation as other financial liabilities.

Financial assets are classified as either financial assets at fair value through profit or loss, amortized cost, or fair value through other comprehensive income. The Company determines the classification of its financial assets at initial recognition. As at December 31, 2019, the Company has classified cash, restricted cash, and receivables as financial assets using amortized cost.

Derivative asset and liabilities, comprising commodity forward contracts, do not qualify as hedges, or are not designed as hedges for accounting purposes and, accordingly, are classified as financial assets and liabilities at fair value through profit or loss.

Foreign exchange risk

Tacora's operations and cash flows may be influenced by the United States dollar/Canadian dollar exchange rate due to Tacora's operations in Canada. Operating costs may be influenced by the transactions denominated in currencies other than the United States dollar, primarily the Canadian dollar.

In any particular year, currency fluctuations may have a significant impact on Tacora's financial results. A strengthening of the United States dollar against the Canadian dollar will have a positive effect on Tacora's underlying earnings. However, a strengthening of the United States dollar does reduce the value of non-United States dollar denominated net assets and, therefore, would correspondingly reduce total equity.

The impact of a 10% change in the United States dollar against the Canadian dollar as December 31, 2019 would have a $3.2 million impact on Tacora's earnings.

Commodity price risk

Tacora has agreed to sell all of its production of iron ore concentrate to one counterparty, Cargill International Trading Pte Ltd. ("**Cargill**") pursuant to an offtake agreement with a term expiring December 31, 2024, with an option to extend the term for the life of the Scully Mine at Cargill's sole discretion. Cargill is selling the Tacora product into the global seaborne iron ore market at prevailing market prices (priced in United States dollars) and incurring dry bulk freight costs to deliver the product to its intended destination at prevailing market freight rates. Accordingly, Tacora is exposed to fluctuations in iron ore market prices and dry bulk freight costs related to iron ore sales. Price decreases in the iron ore commodity market and/or cost increases for dry bulk freight rates could negatively affect net sales and therefore earnings.

Tacora believes commodity price hedging could provide a long-term benefit to shareholders. Therefore, Tacora may hedge certain commitments in the future with an emphasis on mitigating commodity price risk during the ramp up of the Scully Mine.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. In the future, Tacora may be exposed to credit risk from its customer receivables and from its financing activities, including deposits with banks and financial institutions, financial assurance deposit, other short-term investments, interest rate and currency derivative contracts and other financial instruments.

Liquidity and capital risk management

Tacora's primary objective when managing capital is to safeguard the business as a going concern while maximizing returns for shareholders. In a cyclical and capital-intensive industry, such as the mining industry, maintaining a strong balance sheet and a sound financial risk management framework are desirable to preserve financial flexibility and generate shareholder value through the cycle. In practice, this involves regular reviews by the board of directors and senior management of Tacora. These reviews take into account Tacora's strategic priorities, economic and business conditions and opportunities that are identified to invest across all points of the commodities cycle and focus on shareholder return while also striving to maintain a strong balance sheet.

To maintain a strong balance sheet, Tacora considers various financial metrics including the overall level of borrowings and their maturity profile, liquidity levels, total capital, cash flow, earnings before interest, depreciation and amortization costs (EBITDA) and other leverage ratios such as net debt to EBITDA.

Liquidity and Capital Resources

Cash and Liquidity

The Company's cash was $44,292 as at December 31, 2019.

The Company is in the process of ramping up commercial production at the Scully Mine and its financial success will be dependent upon the extent to which it can successfully generate positive cash flow from its operations at the Scully Mine. The sales value of any iron ore mined by the Company will be largely dependent upon factors beyond the Company's control, such as the market value of iron ore produced. The Company does not expect to receive income from the Scully Mine until it has successfully returned to full commercial production. The Company intends to meet all cash requirements for operation from internal and external funding sources. Future funding needs of the Company are dependent upon the Company's ability to generate positive cash flow from the Scully Mine and its continued ability to obtain equity and/or debt financing to meet its financial obligations as they come due.

Capital Resources

The Company's primary focus going forward is the advancement and development of the Scully Mine. The major expenses that will be incurred by the Company during the next twelve months will relate to ongoing costs associated with the ramp-up of commercial production at the Scully Mine, and general and administrative activities. Management of the Company believes its current cash resources, cash flow from operations and available liquidity from Infra Loan 1, Infra Loan 2 and the Term Loan are sufficient to maintain its core operations for the next twelve months. The major uses of capital resources expected over the course of the next twelve months will be such uses as described in the Feasibility Study. If adequate funds are not available when required, the Company may, based on the Company's cash position, delay, scale back or eliminate various programs. There can be no assurance that the Company will have sufficient financing to meet its future capital requirements or that future additional financing will be available to the Company on acceptable terms, or at all.

See Note 5 and Note 14 to the Company's audited consolidated financial statements for Fiscal 2019 for further information on the Company's capital resources.

Working Capital

The term "working capital" is a non-IFRS measure (see "Non-IFRS Measures" above). The Company's working capital is as follows:

	As at December 31, 2010
Current assets	
Cash	$44,292
Restricted cash, escrow	$254
Receivables	$6,001
Inventories	$4,161
Transportation deposits, current portion	$6,998
Prepaid expenses and other current assets	$10,848
	$72,554
Current liabilities	
Current maturities of long-term debt	$4,399
Current maturities of leased liabilities	$6,809
Accounts payable	$4,964
Accrued liabilities	$16,206
Current derivative liability	$38,726
	$71,104
Working capital	**$1,450**

As at December 31, 2019, the Company had working capital of $1,450.

Off-Balance Sheet Arrangements and Commitments

The Company has no off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on the financial performance or financial condition on the Company. Tacora's commitments include mining leases and royalties, transportation services and environmental rehabilitation provisions. As at December 31, 2019, these commitments were comprised of the following payments:

	2019
Payments due in one year	$31,687
Payments due in one to five years	$10,008
Payments due later than five years(1)	$83,236
Total commitments	**$124,931**

Note:

(1) Includes Tacora's environmental provision — see also Note 13 of the Company's audited consolidated financial statements for Fiscal 2019.

The table above includes the commitment for the Mining Lease and royalties as well as the asset retirement obligation due at the end of life of mine.

Tacora is party to an amended and restated consolidation of mining leases dated November 17, 2017 (the "**Mining Lease**") with 0778539 B.C. Ltd., an affiliate of Scully Royalty Ltd. (as successor to Canadian Javelin Limited), as lessor, pursuant to which Tacora was granted the exclusive contractual right to explore, investigate, develop, produce, extract, remove by open pit or other method of mining, smelt, reduce and otherwise process, make merchantable, store, sell and ship all iron ore products from a mine on a parcel of land located near Wabush, Newfoundland and Labrador on which the Scully Mine is located. The Mining Lease is effective for a term extending to and including May 20, 2055; however, the Mining

Lease may be cancelled by Tacora generally on 60 days' written notice. In the event that the mine has ceased to operate for ten consecutive years the rights demised in the Mining Lease shall revert to the lessor. At the commencement of shipping iron ore products, Tacora is required to pay an earned royalty fee per metric tonne of concentrate ranging from 4.2% to 7.0% of net revenues, in accordance with the royalty fee calculation set forth in the Mining Lease. The majority of mining activities at the Scully Mine will be subject to the 7.0% royalty rate.

To the extent that Tacora ceases the shipping of iron ore products and the sum of the earned royalty fee in a given calendar quarter is less than C$0.8 million, Tacora is required to pay a minimum quarterly royalty fee of C$0.8 million (of which 20% is withheld and remitted to the Province of Newfoundland and Labrador). Any minimum quarterly royalty fee payments during the calendar years 2017, 2018 and 2019 could be recovered against future earned royalties on the sale of iron ore products from the leased land during the 2018 and 2019 calendar years. Any amount that Tacora is required to pay the lessor in respect of the minimum quarterly royalty payments subsequent to 2019, other than in payment of earned royalties, will be recoverable against earned royalties in the same calendar year. The prepaid royalties balance of $2.6 million accumulated throughout 2017, 2018 and 2019 that could not be carried forward beyond 2019 were written off as of December 31, 2019. There were no prepaid royalties at December 31, 2019. Minimum royalties paid in the year ended December 31, 2019 were $2.4 million. Accrued royalties due to our minimum quarterly payments in the amount of $0.6 million were recorded in other accrued expenses at December 31, 2019.

Tacora is committed to purchasing transportation services that will require minimum annual payments of approximately $29.0 million. In the event Tacora suspends production and shipments of iron ore at the Scully mine for any reason for a period longer than one year, the obligation to pay minimum annual payments is suspended.

Tacora has $0.04 of noncancellable lease payments due over the next fiscal year relating to its office facilities.

See Note 17 to the Company's audited consolidated financial statements for Fiscal 2019 for further information regarding the Company's commitments and contingencies.

Related Party Transactions

Key Management Compensation

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Company's key management for Fiscal 2019 was its Executive Chairman and Chief Executive Officer, President and Chief Operating Officer, Executive Vice President and Chief Financial Officer, Vice President and General Manager, and its directors. The remuneration for the Company's key management during Fiscal 2019 was $1,092, consisting of $954 in salaries, $41 in deferred compensation and $97 in other benefits.

Outstanding Share Data

The Company may authorise an unlimited number of common shares, without par value, ("**Common Shares**") an unlimited number of Class A Non-Voting Shares and Class B Non-Voting Shares and an unlimited number of Stock Options. As at the date of this MD&A, the Company had authorised 165,231,138 Common Shares, 3,300,000 Class A Non--Voting Shares, 3,300,000 Class B Non--Voting Shares and 651,000 Stock Options. 165,231,138 Common Shares, 2,739,000 Class A Non--Voting Shares, 2,739,000 Class B Non--Voting Shares and 651,000 Stock Options were issued and outstanding.

Critical Accounting Estimates and Judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience, consultation with experts and other methods management considers reasonable in the particular circumstances. Actual results may differ from these estimates.

The accounting policies discussed below are considered by management to be critical to an understanding of Tacora's financial statements as their application places the most significant demands on management's judgment.

Mineral Reserves and Resources

Estimates of the quantities of proven and probable mineral reserves and measured, indicated and inferred mineral resources form the basis for our life of mine plans, which are used for a number of important business and accounting purposes, including our impairment analysis. Mineral reserves and resources are based on engineering data, estimated future prices, estimated future capital spending and estimated future production rates. We estimate our iron ore mineral reserves and resources based on information compiled by "qualified persons" as defined in accordance with the requirements of NI 43-101. These life of mine plans also include assumptions about our ability to obtain and renew our mining and operating permits. Tacora expects that, over time, its mineral reserves and resources estimates will be revised upward or downward based on updated information such as the results of future drilling, testing and production levels, and may be affected by changes in iron ore prices.

The Mineral Reserve for the Scully Mine is estimated at 443.7 Mt at an average grade of 34.8% Fe and 2.58% Mn as summarized in the table below. The Mineral Reserve estimate was prepared by GMS. The resource block model was also generated by GMS.

As determined by GMS, the mine design and Mineral Reserve estimate have been completed to a level appropriate for feasibility studies and the Mineral Reserve estimate stated herein is consistent with the CIM definitions and is suitable for public reporting. As such, the Mineral Reserves are based on Measured and Indicated Mineral Resources ("M&I"), and do not include any Inferred Mineral Resources. The Inferred Mineral Resources contained within the mine design are treated as waste. The M&I are inclusive of the Mineral Resources modified to calculate the Mineral Reserves.

Classification	**Crude Ore Tonnage (dry)**	**Fe**	**Mn**	**Concentrate Tonnage**	**Fe Conc.**	**Mn Conc**	**SiO_2 Conc.**	**Total Weight Recovery**	**Total Fe Recovery**
	k dmt	**%**	**%**	**k dmt**	**%**	**%**	**%**	**%**	**%**
Proven	145,030	35.06	2.41	51,042	66.16	1.17	2.55	35.19	66.42
Probable	298,643	34.72	2.67	103,863	65.75	1.51	2.59	34.78	65.85
Total P&P	443,672	34.83	2.58	154,905	65.89	1.39	2.58	34.91	66.04

Notes:

(1)The Mineral Reserves were estimated using the CIM Standards for Mineral Resources and Reserves, Definitions and Guidelines prepared by the CIM Standing Committee on Reserve Definitions and adopted by CIM Council May 10th, 2014.

(2)Mineral Reserves based on February 2014 depletion surface merged with an updated Lidar dated September 2017.

(3)Mineral Reserves are estimated at a cutoff grade of 27% weight recovery for all subunits except subunit 52 which is 30%. In addition, subunit 34 must have a ratio of weight recovery to iron of at least 1.

(4)Mineral Reserves are estimated using a longterm iron reference price (Platts 62%) of $60/dmt and an exchange rate of 1.25 C$/$. A Fe concentrate price adjustment of $9/dmt was added as an iron grade premium.

(5)Bulk density of ore is variable but averages 3.33 t/m3.

(6)The average strip ratio is 0.87:1.

(7)The Mineral Reserve includes a 3.4% mining dilution and a 97% ore recovery.

(8)The number of metric tonnes was rounded to the nearest thousand. Any discrepancies in the totals are due to rounding effects; rounding followed the recommendations in NI 43101.

(9)Reference points are, for the crude ore tonnage, at the mill feed and for the concentrate tonnage, at the concentrate silo loadout.

Depletion

The table below summarizes the actual production tonnages mined and concentrate produced through December 31, 2019.

Time Period	Crude Ore Tonnage (dry)	Fe	Mn	Conc. Tonnage	Fe Conc.	Mn Conc	SiO_2 Conc.	Total Weight Recovery	Total Fe Recovery
	k dmt	%	%	k dmt	%	%	%	%	%
Start-up through									
December 31, 2019	3,491	34.98	3.18	936	65.70	1.72	2.71	26.80	50.33

Environmental rehabilitation

Decommissioning and restoration costs are a normal consequence of mining. The majority of these expenditures are incurred at the end of the mine's life. In determining the provision, consideration is given to the future costs to be incurred, the timing of these future costs, and estimated cost of inflation. The cost of decommissioning and restoration is uncertain and can vary in response to many factors including changes to the relevant legal and regulatory requirements. The expected timing of expenditures can change in response to changes in the life of mine. These estimates are reviewed annually and adjusted where necessary to ensure that the most current data is used.

Functional currency

Given the currently significant role of the United States dollar in Tacora's affairs, the United States dollar is the currency in which financial results are presented both internally and externally. It is also the currency for financing Tacora's current operations. Borrowings and cash are predominantly denominated in United States dollars.

Significant Accounting Policies

The Company's significant accounting policies used to prepare the Company's financial statements as at and for the year ended December 31, 2019 are included in Note 2 of the audited consolidated financial statements.

Subsequent Events

Subsequent to the preparation of the Company's financial statements for Fiscal 2019, certain subsequent events have had an impact on the Company, including as a result of COVID-19, key personnel changes, amendments to the offtake arrangements with Cargill, and the issuance of additional common shares of the Company. Further details with respect to these subsequent events are included in Note 23 of the audited consolidated financial statements.