Tacora Resources Inc.

Consolidated Financial Statements
For the three and six months ended June 30, 2021 and 2020
(unaudited)

Consolidated balance sheets

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

	Notes	Jun 30, 2021	Dec 31, 2020
Current assets			
Cash	2	128,937	119,564
Restricted cash, escrow	2	125	259
Receivables	3	1,663	2,351
Inventories	4	13,719	8,045
Transportation deposits, current portion	9	9,055	8,487
Hedging collateral	14	82,770	-
Prepaid expenses and other current assets	5	10,349	5,848
Total current assets		246,618	144,554
Non-current assets			
Property, plant & equipment, net	7, 10	247,373	168,322
Intangible assets subject to amortization	8	35,374	26,436
Transportation deposits	9	1,979	5,241
Security Deposits	9	3,414	3,377
Financial assurance deposit	10	6,585	6,392
Total non-current assets		294,725	209,768
TOTAL ASSETS		541,343	354,322
Current liabilities			
Current maturities of long-term debt	11	3,424	25,700
Current maturities of lease liabilities	11	8,493	7,423
Accounts payable		19,461	14,977
Accrued liabilities	12	61,167	35,885
Derivative liability	14	105,365	80,952
Total current liabilities		197,910	164,937
Non-current liabilities			
Long-term debt	11	168,983	112,067
Lease liabilities	11	36,590	28,546
Long-term royalties payable	18	19,191	-
Rehabilitation obligation	10	34,224	37,630
Total Non-Current Liabilities		258,988	178,243
TOTAL LIABILITIES		456,898	343,180
NET ASSETS		84,445	11,142

Consolidated balance sheets

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

	Notes	Jun 30, 2021	Dec 31, 2020
Shareholder's equity			
Capital stock	13	263,350	225,332
Accumulated deficit		(179,163)	(214,512)
Equity attributable to owners of the Company		84,187	10,820
Non-controlling interest		258	322
TOTAL EQUITY		84,445	11,142

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

Consolidated statements of income and comprehensive income

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

	Notes	Three Months Ended Jun 30, 2021	Three Months Ended Jun 30, 2020	Six Months Ended Jun 30, 2021	Six Months Ended Jun 30, 2020
Revenue		217,770	65,732	351,536	114,722
Cost of sales	16	94,238	56,240	172,909	110,005
Gross profit		123,532	9,492	178,627	4,717
Other expenses					
Selling, general, and administrative expenses	17	1,665	830	3,392	1,782
Sustainability and other community expenses		241	154	440	550
Operating income		121,626	8,508	174,795	2,385
Other expense					
Other expense		(2,409)	(430)	(2,218)	(511)
Loss on debt extinguishment	11	(15,247)	-	(15,247)	-
Loss on derivative instruments	14, 15	(93,179)	(22,648)	(111,413)	(7,876)
Unwinding of present value discount: asset retirement obligation	10	(116)	(162)	(309)	(324)
Interest expense	11	(4,296)	(5,350)	(9,009)	(10,628)
Interest income		52	86	153	314
NALCO Tax		(156)	(128)	(296)	(234)
Foreign exchange gain (loss)		(319)	871	(904)	(632)
Total other expense		(115,670)	(27,761)	(139,243)	(19,891)
Income (loss) before income taxes		5,956	(19,253)	35,552	(17,506)
Income Taxes		127	-	203	-
Net income (loss) and comprehensive income (loss)		5,829	(19,253)	35,349	(17,506)
Net (income) and comprehensive (income) attributable to non-controlling interest, net of tax		(33)	(54)	(91)	(98)
Net income (loss) and comprehensive income (loss) attributable to Tacora Resources, Inc.		5,796	(19,307)	35,258	(17,604)

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

Consolidated statement of changes in equity

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

	Capital stock	Accumulated deficit	Equity attributable to owners of the parent	Non-controlling interest	Total equity
Balance at Dec 31, 2019	**150,232**	**(144,114)**	**6,118**	**118**	**6,236**
Issuance of common shares	15,000	-	15,000	-	15,000
Net loss attributable to owners of the parent	-	(17,604)	(17,604)	-	(17,604)
Net income attributable to non-controlling interest, net of tax	-	-	-	98	98
Balance at Jun 30, 2020	**165,232**	**(161,718)**	**3,514**	**216**	**3,730**
Balance at Dec 31, 2020	**225,332**	**(214,512)**	**10,820**	**322**	**11,142**
Issuance of common shares	38,018	-	38,018	-	38,018
Net income attributable to owners of the parent	-	35,349	35,349	-	35,349
Net income attributable to non-controlling interest, net of tax	-	-	-	91	91
Distributions to non-controlling interest	-	-	-	(155)	(155)
Balance at Jun 30, 2021	**263,350**	**(179,163)**	**84,187**	**258**	**84,445**

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

Consolidated statement of cash flow

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

	Notes	Six Months Ended Jun 30, 2021	Jun 30, 2020
Cash Flows from operating activities			
Net income (loss)		35,349	(17,506)
Less net income attributable to non-controlling interest		91	98
Items not affecting cash:			
Depreciation	7	9,873	7,688
Amortization of intangible asset	8	503	434
Foreign exchange transaction (gain) loss		(59)	306
Change in fair value of derivative liability	14, 15	111,382	7,875
Prepayment penalty on long-term borrowings	11	15,247	
Change in fair value of long-term borrowings	11	179	567
Accretion of debt interest	11	-	2,314
Interest accretion of asset retirement obligation	10	309	325
Changes in non-cash operating working capital:			
Trade accounts receivable	3	688	(3,761)
Inventory	4	(5,674)	(1,048)
Prepaid expenses and other	5	(4,538)	5,020
Accounts payable		(2,021)	2,739
Accrued liabilities	12	9,467	6,016
Net cash inflow from operating activities		170,796	11,067
Cash Flows from investing activities			
Purchases of mining property, land, plant & equipment	7, 10	(16,112)	(3,337)
Intangible assets subject to amortization	8	(9,443)	(1,293)
Transportation deposit	9	2,696	2,145
Commodity forward contract collateral	14	(82,770)	-
Commodity forward contract settlements	14	(71,156)	(22,778)
Net cash outflow from investing activities		(176,785)	(25,263)
Cash Flows from financing activities			
Proceeds from issuance of common shares	13	18	15,000
Proceeds from long-term borrowings	11	168,485	-
Prepayment penalty on long-term borrowings	11	(15,247)	-
Knoll Lake distributions to non-controlling interest		(155)	-
Principal payments on long-term debt, including vendor financed leases	11	(137,739)	(4,366)
Net cash inflow from financing activities		15,362	10,634
Net increase (decrease) in cash		9,373	(3,562)
Cash			
Beginning		119,564	44,292
Ending		128,937	40,730
Supplemental disclosures			
Cash paid for interest		4,503	5,006
Property and equipment acquired through accounts payable		6,506	-
Assets acquired through vendor financed leases		12,830	731

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

Notes to the consolidated financial statements

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

Note 1 – Basis of Presentation

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") IAS 34 Interim Financial Reporting (IAS 34), as issued by the International Accounting Standards Board (IASB).

This financial report does not include all the notes of the type normally included in the annual financial statements. Accordingly, this report should be read in conjunction with the annual financial statements for the year ended December 31, 2020. The accounting policies adopted are consistent with those of the previous financial period and corresponding interim reporting period, with the exception of the new policy below.

Acquisitions

Under the acquisition method of accounting for business combinations, the purchase consideration is allocated to the identifiable assets acquired and liabilities and contingent liabilities assumed (the identifiable net assets) on the basis of their fair value at the date of acquisition, which is the date on which control is obtained.

The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree, the fair value of any asset or liability resulting from a contingent consideration arrangement and any equity interests issued by the Company. Contingent consideration arrangements will be subject to fair value adjustments at each reporting date beyond the date of acquisition.

Note 2 - 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 Jun 30, 2021	As at Dec 31, 2020
Cash at bank	128,937	119,564
Restricted cash, escrow	125	259

Restricted cash of $125 as of June 30, 2021 and $259 as of December 31, 2020 is held as collateral for one letter of credit required for environmental reclamation and Tacora's credit card program.

Notes to the consolidated financial statements

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

Note 3 – Accounts Receivable

Accounts receivable consist of the following:

	As at Jun 30, 2021	As at Dec 31, 2020
Trade receivables	1,663	2,351
Balance per consolidated balance sheet	1,663	2,351

Tacora's trade receivables all relate to a single customer. For the six months ended June 30, 2021 and the year ended December 31, 2020, no specific provision was recorded on any of the receivables. The receivables at the end of both periods were current and are generally settled within four months.

Note 4 – Inventories

Inventories consist of the following:

	As at Jun 30, 2021	As at Dec 31, 2020
Consumable inventories	12,516	5,693
Finished concentrate inventories	1,203	2,352
Balance per consolidated balance sheet	13,719	8,045

For the six months ended June 30, 2021 and the year ended December 31, 2020, no specific provision was recorded for any of the inventory.

Note 5 – Prepaid expenses and other current assets

Prepaid expenses consist of the following:

	As at Jun 30, 2021	As at Dec 31, 2020
Prepaid sales tax	5,679	4,420
Other miscellaneous prepaid expenses	2,563	1,228
Prepaid insurance	2,063	156
Miscellaneous deposits	44	44
Balance per consolidated balance sheet	10,349	5,848

Notes to the consolidated financial statements
(expressed in thousands of US Dollars, except where otherwise noted - unaudited)

Note 6 - Related-party balances

Transactions with related parties for the three and six months ended June 30, 2021 and 2020, were as follows:

Compensation of key management personnel

Tacora considers its directors and officers to be key management personnel. Payroll related expenses incurred related to key management personnel are set forth as follows:

	Three months ended Jun 30,		Six months ended Jun 30,	
	2021	2020	2021	2020
Salaries	223	214	1,260	629
Deferred Compensation	10	6	28	16
Other benefits	12	11	25	26
Total	245	231	1,313	671

There were no material related party receivables or payables for the six months ended June 30, 2021 and the year ended December 31, 2020, respectively.

Note 7 –Property, plant and equipment

	Mining and Processing Equipment	Railcars and Rails	Vehicles	Right of Use Assets	Assets Under Construction	Asset Retirement Cost	Total
As of Dec 31, 2019	49,709	1,981	422	50,370	31,401	31,020	164,903
Additions	-	-	-	-	15,087	-	15,087
Disposals	(1,005)	-	(146)	(362)	-	-	(1,513)
Transfer	24,667	436	-	3,204	(27,945)	-	362
Changes to environmental rehabilitation provision (Note 10)	-	-	-	-	-	5,272	5,272
Accumulated depreciation	(7,436)	(122)	(90)	(7,925)	-	(216)	(15,789)
As of Dec 31, 2020	65,935	2,295	186	45,287	18,543	36,076	168,322
Additions	-	-	-	-	92,394	-	92,394
Disposals	-	-	-	-	-	-	-
Transfer	4,269	-	117	6,470	(10,856)	-	-
Changes to environmental rehabilitation provision (Note 10)	-	-	-	-	-	(3,599)	(3,599)
Accumulated depreciation	(3,999)	(62)	(40)	(4,353)	-	(1,290)	(9,744)
As of Jun 30, 2021	66,205	2,233	263	47,404	100,081	31,187	247,373

Refer to note 11 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 8 – Intangible assets subject to amortization

Port access

In May 2018, the Company executed an agreement with Société ferroviaire et portuaire de Pointe-Noire s.e.c. ("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 and C$2.8 million were paid in 2019 and 2020, respectively and C$7.8 million will be payable in 2021 and the balance will be due by the end of 2022. 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 which increased to C$2.5 million in April 2019. The SFPPN Agreement also provides that the 451 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 consolidated 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 is expensed as incurred.

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 C$4.0 million payable on the closing date of the assignment and an ongoing fee of C$0.10 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. We recognize the benefit of the prepayment based on tonnes shipped as a reduction of cost of goods sold. 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 portion of the "take or pay" obligation that was payable to NML prior to the Company shipping ore from the port was added to the upfront payment amount. The upfront payment entitles the Company to a discount of C$0.25 per tonne shipped until the upfront payment is recovered by the Company. 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.

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

Intangible assets consist of the following:

	SFPPN Intangible Asset	New Millennium Iron Corp. Port Access	Total
As of Dec 31, 2019	19,604	4,785	24,389
Additions	1,512	-	1,512
Accumulated amortization	(434)	-	(434)
Upfront payment recovery	-	(218)	(218)
As of Jun 30, 2020	20,682	4,567	25,249
As of Dec 31, 2020	21,975	4,461	26,436
Additions	9,557	-	9,557
Accumulated amortization	(503)	-	(503)
Upfront payment recovery	-	(116)	(116)
As of Jun 30, 2021	31,029	4,345	35,374

SFPPN amortization is calculated using straight line over the life of the asset, through December 31, 2044.

New Millennium Iron Corp. port access amortization is calculated based on a rate per tonne shipped.

Note 9 – Deposits

Transportation deposits consist of the following:

	As at Jun 30, 2021	As at Dec 31, 2020
Québec North Shore and Labrador Railway Company, Inc., transportation deposit	11,034	13,728
Less current portion	(9,055)	(8,487)
Long-term balance per consolidated balance sheet	1,979	5,241

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.

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

The QNS&L Rail Agreement required the Company to provide advance payments to QNS&L totaling C$20.0 million, of which C$3.0 million was paid on November 10, 2017 and C$17.0 million 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 Jun 30, 2021	As at Dec 31, 2020
Western Labrador Railway, Cash collateral in an amount equal to three months	339	339
Komatsu Financial, 5% of total purchase price of equipment financed until paid in full	2,282	2,282
Caterpillar Financial, 10% of total purchase price of equipment financed until 24 months of consecutive mining operations	756	756
9356-0563 Quebec Inc, Prepaid rent applicable to the minimum rent of the 13th, 14th, 25th, 26th, and 37th months of a 5 year office lease in Montreal, Quebec	37	-
Balance per consolidated balance sheet	3,414	3,377

Note 10 – 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

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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. As of June 30, 2021, Tacora's environmental rehabilitation provision of $34.2 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 1.84%.

	As at Jun 30, 2021	As at Dec 31, 2020
Opening balance	37,630	31,706
Interest accretion	309	652
Change in inflation/discount rates	(3,715)	5,272
Balance per consolidated balance sheet	34,224	37,630

Notes to the consolidated financial statements

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

Note 11 – Debt

The carrying value, terms and conditions of Tacora's debt at June 30, 2021 and December 31, 2020 are as follows:

	As at Jun 30, 2021	As at Dec 31, 2020
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, $0.69 will be paid for each ton shipped which will be allocated between principal and interest	4,220	4,882
Senior secured notes secured by substantially all of the Company's Canadian assets at a 8.25% annual rate, interest due in semi-annual installments to May 15, 2026, principal payment due May 15, 2026	168,187	-
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 until December 31, 2020 when that payment increases to $1.0 million for sixty months, on the maturity date of November 15, 2023 the Company shall repay the remaining balance anticipated to be $38.6 million	-	55,377
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 until December 31, 2020 when that payment increases to $560 for sixty months, on the maturity date of November 15, 2023 the Company shall repay the remaining balance anticipated to be $41.8 million	-	49,498
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 until November 2020 when the principal payment increases to $200 for thirty-six months, on the maturity date of November 15, 2023 the Company shall repay the remaining balance anticipated to be $17.3 million	-	28,010
	172,407	137,767
Less current maturities of long term debt	3,424	25,700
Long term debt	168,983	112,067

Notes to the consolidated financial statements

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

	As at Jun 30, 2021	As at Dec 31, 2020
Financing secured by equipment financed, under an interest free note to be paid in monthly installments of $3 beginning February 2019 until maturity in January 2023	42	61
Financing secured by equipment financed, with a 5.99% annual interest rate paid monthly in the amount of $215 beginning June 2019 until maturity in May 2025	8,970	9,972
Financing secured by equipment financed, with a 7.09% annual interest rate paid quarterly in the amount of $70 beginning July 2019 until maturity in April 2024	695	808
Financing secured by equipment financed, with a 5.99% annual interest rate paid monthly in the amount of $126 beginning July 2019 until maturity in June 2025	5,350	5,933
Financing secured by equipment financed, with a 5.99% annual interest rate paid monthly in the amount of $128 beginning August 2019 until maturity in July 2025	5,549	6,137
Financing secured by equipment financed, with a 5.99% annual interest rate paid monthly in the amount of $58 beginning September 2019 until maturity in August 2025	2,563	2,830
Financing secured by equipment financed, with a 5.99% annual interest rate paid monthly in the amount of $116 beginning October 2019 until maturity in September 2025	5,216	5,748
Financing secured by equipment financed, with a 7.09% annual interest rate paid quarterly in the amount of $299 beginning October 2019 until maturity in July 2024	3,217	3,692
Financing secured by equipment financed, with a 7.09% annual interest rate paid quarterly in the amount of $7 beginning December 2019 until maturity in September 2024	81	92
Financing secured by equipment financed, with a 5.99% annual interest rate paid monthly in the amount of $12 beginning February 2020 until maturity in January 2026	581	635
Financing secured by equipment financed, with a 5.5% annual interest rate paid quarterly in the amount of $23 beginning December 2020 until maturity in September 2023	196	236
Financing secured by equipment financed, with a 5.49% annual interest rate paid monthly in the amount of $18 beginning May 2021 until maturity in April 2027	1,051	-
Financing secured by equipment financed, with a 5.49% annual interest rate paid monthly in the amount of $43 beginning June 2021 until maturity in May 2027	2,576	-
Financing secured by equipment financed, with a 5.49% annual interest rate paid monthly in the amount of $28 beginning July 2021 until maturity in June 2027	1,713	-
Down payment costs amortized over the life of the debt	(150)	(175)
Sydvaranger terminal lease agreement	7,433	-
	45,083	35,969
Less current maturities of lease liabilities	8,493	7,423
Long term lease liabilities	36,590	28,546

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

2026 Notes

On May 11, 2021, Tacora issued $175 million aggregate principal amount of 8.250% Senior Secured Notes due May 15, 2026 ("2026 Notes"). Tacora received net proceeds of approximately $169.5 million after fees of approximately $5.5 million related to underwriting and third-party expenses. Approximately $128.2 million of the net proceeds from the issuance of the 2026 Notes were used to repay our Infrastructure 1 Loan, Infrastructure 2 Loan, Term Loan principal balance in addition to a prepayment penalty of approximately $15.3 million. Subsequent to the issuance date, we have paid approximately $1.0 million in fees for additional third-party expenses related to the closing of the 2026 Notes. The balance of the net proceeds will be used for working capital and other corporate purposes. Interest on the 2026 Notes will be payable semi-annually in arrears on May 15th and November 15th of each year beginning on November 15, 2021, and will mature on May 15, 2026, unless earlier redeemed or repurchased.

On or after May 15, 2023, Tacora may on any one or more occasions redeem all or a part of the 2026 Notes, upon not less than 30 nor more than 60 days' notice, at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest, if any, on the 2026 Notes redeemed, to the applicable date of redemption, if redeemed during the twelve-month period beginning on May 15 of the years indicated below, subject to the rights of holders of the 2026 Notes on the relevant record date to receive interest on the relevant interest payment date:

Year	Percentage
2023	104.125%
2024	102.063%
2025 and thereafter	100.000%

At any time prior to May 15, 2023, Tacora may, on any one or more occasions, redeem up to 40% of the aggregate principal amount of the 2026 Notes issued under the Indenture, upon not less than 30 nor more than 60 days' notice, at a redemption price equal to 108.250% of the principal amount of the 2026 Notes redeemed, plus accrued and unpaid interest, if any, to, but not including, the date of redemption (subject to the rights of holders of the 2026 Notes on the relevant record date to receive interest on the relevant interest payment date), with an amount not greater than the net cash proceeds of an equity offering by Tacora; *provided,* that:

(1) at least 60% of the aggregate principal amount of the 2026 Notes originally issued under the Indenture (excluding 2026 Notes held by Tacora and its Subsidiaries) remains outstanding immediately after the occurrence of such redemption; and

(2) the redemption occurs within 180 days of the date of the closing of such equity offering.

At any time prior to May 15, 2023, Tacora may on any one or more occasions redeem all or a part of the 2026 Notes, upon not less than 30 nor more than 60 days' notice, at a redemption price equal to 100% of the principal amount of the 2026 Notes redeemed, plus the applicable premium as of, and accrued and unpaid interest, if any, to, but not including, the date of redemption (subject to the rights of holders of 2026 Notes on the relevant record date to receive interest due on the relevant interest payment date).

The indenture governing the 2026 Notes restricts our ability to create certain liens, to enter into sale leaseback transactions and to consolidate, merge, transfer or sell all, or substantially all of our assets. It also contains provisions requiring that Tacora make an offer to purchase the 2026 Notes from holders upon a change of control under certain specified circumstances, as well as other customary provisions.

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

Note 12 – Accrued liabilities

Accrued liabilities consist of the following:

	As at Jun 30, 2021	As at Dec 31, 2020
Sales tax payable	6,864	5,398
Royalties payable	15,501	10,202
Interest payable	2,222	141
Payroll accruals	2,909	2,758
Realized hedging accrual	25,285	5,454
Accounts payable accruals	7,449	11,530
Miscellaneous accrued liabilities	937	402
Balance per consolidated balance sheet	61,167	35,885

Note 13 – Equity

	Shares Authorized	Shares Issued	Total ($)
Ordinary Shares:			
Common - no par value	214,622,085	214,622,085	225,331
Restricted Shares:			
Class A	3,300,000	2,739,000	0.273
Class B	3,300,000	1,080,750	0.273
Balance as of Dec 31, 2020	221,222,085	218,441,835	225,332

	Shares Authorized	Shares Issued	Total ($)
Ordinary Shares:			
Common - no par value	235,700,480	235,700,408	263,350
Restricted Shares:			
Class A	3,300,000	2,739,000	0.273
Class B	3,300,000	1,080,750	0.273
Balance as of Jun 30, 2021	242,300,480	239,520,158	263,350

Restricted Shares
Tacora currently has 2,739,000 Class A Non-Voting Shares and 1,080,750 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:

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

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

- All of the 1,080,750 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 January 12, 2021, 21.1 million shares of common stock were issued for $38 million as described in Note 17 – Sydvaranger Mine.

Stock Options

The Company offers a stock option plan for certain employees.

	Number of Stock Options	Weighted-Average Exercise Price
Options exercisable as of Dec 31, 2019	431,000	1.00
Granted	1,395,000	1.00
Exercised	-	-
Cancelled	-	-
Options exercisable as of Dec 31, 2020	1,826,000	1.00
Granted	2,000,000	1.80
Exercised	-	-
Cancelled	(170,500)	-
Options exercisable as of Jun 30, 2021	3,655,500	1.44

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 as of June 30, 2021 or December 31, 2020.

Note 14 – 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. The Company has not elected hedge accounting for any of the commodity forward contracts for the three and six months ended June 30, 2021 and year ended December 31, 2020. In December 2020, the Company completed a buy-back of 150,000 hedges with settlement dates in January, February and March 2021 in addition to entering into new commodity forward contracts with settlement dates between February 2021 and December 2021.

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

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

	Calls USD$	Puts USD$	Swaps USD$	Call Volume (dmt)	Put Volume (dmt)	Swap Volume (dmt)
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 July 31, 2021	56.50	50.00		219,975	496,000	
Settlement dates between Jan 1, 2021 and July 31, 2021	59.00	50.00		237,600	496,000	
Settlement dates between Jan 1, 2021 and July 31, 2021	56.50	50.00	-	136,425	248,000	-
Settlement dates between Feb 1, 2021 and Mar 31, 2021	-	-	144.45	-	-	308,000
Settlement dates between Apr 1, 2021 and Jul 31, 2021	-	-	134.45	-	-	344,000
Settlement dates between Aug 1, 2021 and Dec 31, 2021	-	-	109.45	-	-	1,000,000

Based on the maturity dates of the contracts noted above, the entire derivative liability has been classified as current.

Jarvis Hedge Facility

On May 11, 2021, Tacora and SAF Jarvis 2 LP (the "Hedge Provider") established a new credit arrangement in the form of a commodity derivatives facility (the "Jarvis Hedge Facility") to support the existing commodity derivatives contracts of Tacora (as assigned by SAF Jarvis 1 LP to the Hedge Provider) which are scheduled to mature from time to time on or before December 31, 2021, and potential new commodity derivatives contracts.

Pursuant to the Jarvis Hedge Facility, Tacora granted the Hedge Provider a security interest in the shared collateral between the holders of the 2026 Notes and the Hedge Provider and thereby reduced the amount of cash collateral required to be posted by the Company directly to the Hedge Provider on a first-priority basis.

On May 11, 2021, the 2026 Notes collateral agent, the Hedge Provider and Tacora entered into the Jarvis Hedge Facility Intercreditor Agreement with respect to the shared collateral. The obligations under the Jarvis Hedge Agreement secured by the shared collateral on a pari passu basis with the 2026 Notes shall be limited to a maximum of $50.0 million, and amounts owing to the Hedge Provider in excess of $50.0 million (i) will be secured on a second-priority basis, ranking subordinate to the 2026 Notes, on the shared collateral, and (ii) require Tacora to pay cash to the Hedge Provider, which will not constitute shared collateral. As of June 30, 2021, The Hedge Provider held $82.8 million of cash collateral as part of the Jarvis Hedge Facility Intercreditor Agreement.

On May 11, 2021, Tacora and the Hedge Provider entered into customary International Swaps and Derivatives Association ("ISDA") agreements to reflect the terms of the Jarvis Hedge Facility and related documentation.

The Jarvis Hedge Facility and any ISDA agreements governing hedge transactions shall include customary termination rights including a cross-default termination right in respect of other indebtedness of Tacora, including the 2026 Notes.

Note 15 – 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 and liquidity risk

The Company's credit risk is primarily attributable to trade receivables from a single customer. 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.

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.

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.

Notes to the consolidated financial statements

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

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:

	Dec 31, 2020				
	Level 1	Level 2	Level 3	Total	Carrying Amount
Derivative liability	—	80,952	—	80,952	80,952
Notes payable	—	—	4,882	4,882	4,882

	Jun 30, 2021				
	Level 1	Level 2	Level 3	Total	Carrying Amount
Derivative liability	—	105,365	—	105,365	105,365
Notes payable	—	—	4,220	4,220	4,220
Lease liabilities	—	—	7,433	7,433	7,433
Royalties payable	—	—	18,815	18,815	18,815

During the period ended June 30, 2021 and December 31, 2020, there were no transfers between Level 1 and Level 2 fair value measurements.

Note 16 – Cost of sales

	Three Months Ended		Six Months Ended	
	Jun 30, 2021	Jun 30, 2020	Jun 30, 2021	Jun 30, 2020
Mining	16,196	12,932	30,530	23,461
Processing	24,834	16,288	44,562	33,878
Logistics	29,366	16,140	55,170	32,142
General and Administration	3,873	2,296	6,817	4,821
Royalties	15,182	4,405	25,473	8,036
Depreciation	4,787	4,179	10,357	7,667
Total expenses by function	94,238	56,240	172,909	110,005

Note 17– Selling general and administrative expenses

	Three Months Ended		Six Months Ended	
	Jun 30, 2021	Jun 30, 2020	Jun 30, 2021	Jun 30, 2020
Salaried wages and benefits	976	396	2,252	772
Professional fees	369	43	552	301
Insurance	174	192	339	194
Travel	6	1	20	222
Other	130	185	210	263
Total expenses by function	1,655	817	3,373	1,752

Note 18 – Acquisition of Sydvaranger Mine

On January 13, 2021, pursuant to a share purchase agreement between the seller, Sydvaranger AS and the purchaser, Tacora Resources Inc., the Company completed the acquisition of 100% of the share capital of Sydvaranger Mining AS (the "Sydvaranger Mine" or "Sydvaranger"). The Sydvaranger Mine is a long lived, large scale iron ore open pit, mineral processing plant and port with its concentrator and port facilities in the town of Kirkenes, Norway and the mines are 8 kilometers to the south near the town of Bjørnevatn, Norway. As a result of the acquisition, Tacora has the option to restart the Sydvaranger Mine which is shovel ready and fully permitted in a tier 1 jurisdiction. Sydvaranger is currently under a care and maintenance program.

As consideration for the acquisition of Sydvaranger AS, Sydvaranger Mining AS, a wholly owned subsidiary of the Company, assumed a royalty agreement ("Royalty Agreement") between the recipient, OMF Fund II H ("Orion Mine Finance" or "Orion") and the Payor, Sydvaranger Mining AS, with a purchase price of $26.2 million, issued 7.2 million common shares in Tacora Resources Inc. to Orion and 13.9 million common shares in Tacora Resources Inc. to Titlis Mining AS.

The complete valuation and initial purchase price accounting for the business combination is not available as at the date of release of these financial statements, and the Company has not yet finalized the evaluation of the fair value of assets and liabilities acquired including any intangible assets. As a result, the Company has preliminarily recorded property, plant and equipment of $61.9 million, along with a liability for the fair value of the contingent consideration in connection the Royalty Agreement of $18.8 million.

Note 19– 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. Because we have significant non-capital loss carry forwards, which were utilized to offset taxable income for the six months ended June 30, 2021, we did not record a tax provision as of June 30, 2021. We did not generate taxable income for the six months ended June 30, 2020, so we did not record a tax provision as of June 30, 2020. Deferred tax asset was not recognized on such losses, which if not utilized will expire between 2037 and 2040.

Note 20– Subsequent events

On July 20, 2021, the Company approved capital investments at the Scully Mine in the amount of $22.2 million for the installation of a fines bypass screening process and two additional magnetic separators.

On August 19, 2021 Tacora entered into monthly average index P62 fixed price contracts with Cargill that provided for the following key terms: volume of 200,000 dmt of iron ore concentrate per month from January 2022 through June 2022 for a total of 1,200,000 dmt over the six month period; average index P62 price fixed at $123 per dmt; a credit margin of $0.50/dmt; a full cash margining requirement consistent with the existing offtake; and no cost of capital.

Supplemental Consolidating Balance Sheet Information
As of June 30, 2021

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

	Restricted Subsidiaries	Unrestricted Subsidiaries	Consolidated Total
Current assets			
Cash	128,257	680	128,937
Restricted cash, escrow	125	0	125
Receivables	1,529	134	1,663
Inventories	13,719	0	13,719
Transportation deposits, current portion	9,055	0	9,055
Hedging collateral	82,770	0	82,770
Prepaid expenses and other current assets	10,126	223	10,349
Total current assets	245,581	1,037	246,618
Non-current assets			
Property, plant & equipment, net	177,576	69,797	247,373
Intangible assets subject to amortization	35,374	0	35,374
Transportation deposits	1,979	0	1,979
Security Deposits	3,414	0	3,414
Financial assurance deposit	6,585	0	6,585
Notes Receivable - Tacora Norway	43,700	0	43,700
Total non-current assets	268,628	69,797	338,425
TOTAL ASSETS	514,209	70,834	585,043
Current liabilities			
Current maturities of long-term debt	3,424	0	3,424
Current maturities of lease liabilities	8,493	0	8,493
Accounts payable	19,461	0	19,461
Accrued liabilities	60,657	510	61,167
Derivative liability	105,365	0	105,365
Total current liabilities	197,400	510	197,910
Non-current liabilities			
Long-term debt	168,983	0	168,983
Lease liabilities	29,157	7,433	36,590
Rehabilitation obligation	34,224	0	34,224
Long-term royalties payable	0	19,191	19,191
Notes Payable - Tacora Resources Inc	0	43,700	43,700
Total Non-Current Liabilities	232,364	70,324	302,688
TOTAL LIABILITIES	429,764	70,834	500,598
NET ASSETS	84,445	0	84,445

Supplemental Consolidating Balance Sheet Information
As of June 30, 2021

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

	Restricted Subsidiaries	Unrestricted Subsidiaries	Consolidated Total
Shareholder's equity			
Capital stock	263,350	0	263,350
Accumulated deficit	(179,163)	0	(179,163)
Equity attributable to owners of the Company	84,187	0	84,187
Non-controlling interest	258	0	258
TOTAL EQUITY	84,445	0	84,445

MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (UNAUDITED)

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 Tacora interim unaudited consolidated financial statements (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 of June 30, 2021 and results of operations for the three and six-month period ending June 30, 2021.

All of the financial information contained within the MD&A is expressed in thousands of United States dollars, except where otherwise noted. The following abbreviations are used throughout this document: USD or US$ (United States dollar), CAD or C$ (Canadian dollar), Mt (metric tonnes), wmt (wet metric tonnes), dmt (dry metric tonnes), Mtpa (million tonnes per annum), Btpa (billion tonnes per annum) and M (million).

This MD&A should be read in conjunction with the Financial Statements, including the related notes thereto.

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. Factors that could cause actual performance to differ from our current expectations include changes to the market price of iron ore, difficulties in implementing our plans to increase iron ore production, interruptions of our production or in necessary infrastructure, and other market and business factors. The results for the periods presented are not indicative of the results that may be expected for any future periods. 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.

Overview

Tacora is a growth-oriented iron ore mining and mineral processing company focused on the acquisition, development and operation of iron ore assets that allow for the sale of high-grade iron ore products on the international market. We generate significant free cash flow from our 100% owned Scully Mine, located north of the Town of Wabush in Newfoundland and Labrador, Canada (the “Scully Mine”). The Scully Mine is in the heart of the Labrador Trough, a well-established iron ore mining region with a long mining history and host to several iron ore mining operations today. We also have a robust growth pipeline in the 100% owned Sydvaranger Mine, a non-operating iron ore mine and processing plant located in Sør-Varanger, Norway (the “Sydvaranger Mine”). We are preparing for the re-start of the Sydvaranger Mine based on a feasibility study prepared according to Subpart 1300 and NI 43-101 (the “Sydvaranger Feasibility Study”) which demonstrates a compelling after-tax net present value (“NPV”) and internal rate of return (“IRR”). These high-quality iron ore assets form a long-lived portfolio that we believe favorably positions Tacora to continue expanding production and to meet increasing demand for high-grade iron ore products from customers globally.

Tacora is incorporated under the Business Corporations Act (British Columbia) (“BCBCA”) and headquartered in Montreal, Quebec.

Development of and production ramp up at the Scully Mine

We acquired the Scully Mine and substantially all of the assets associated with it, together with the Wabush Lake Railway, in July 2017 from Cleveland Cliffs' Canada division, which underwent a restructuring under Canadian law. Our acquisition thesis was formed based on the Scully Mine's ability to produce 6.0Mtpa of low-cost iron ore concentrate that, when sold, would achieve premiums to both the 62% Fe and the 65% Fe iron ore benchmark prices and was well suited for blending with product of diminishing ore grade.

Since the acquisition, we have since taken steps, including extensive capital project planning and preparedness, permitting work, engineering and technical work (including successful initiation and completion of the Feasibility Study), to significantly advance the ramp-up of operations at the Scully Mine to full capacity. The first ore from the mine was delivered to the crusher and the mill was first successfully started up in late May 2019. We successfully commissioned our concentrator and produced our first wet concentrate, undertook our first mine blast and loaded our first train in June 2019. In 2020, we produced 3.0 million tonnes of iron ore concentrate at an average grade of 65.5% Fe, compared to 0.9 million tonnes at an average grade of 65.7% Fe in 2019. We expect to produce approximately 3.6 – 4.0 million tonnes of iron ore concentrate for the year ending December 31, 2021 and, moving forward, to increase throughput to nameplate capacity of approximately 6.0 million tonnes on a run rate basis during the second half 2022. We have also gradually improved our iron recovery rates from an average of 50% in 2019 to 54% in 2020 and have reduced our cash cost per dmt sold, and expect this trend to continue in the future as we ramp the mine up to full name plate capacity.

Acquisition of Sydvaranger Mine

On January 13, 2021, the Company completed the acquisition of 100% of the share capital of Sydvaranger Mining AS (the "Sydvaranger Mine" or "Sydvaranger"). The Sydvaranger Mine is a long life, large scale iron ore open pit, mineral processing plant and port. The concentrator and port facilities are located in the town of Kirkenes, Norway and the mines are 8 kilometers to the south near the town of Bjørnevatn, Norway. As a result of the acquisition, Tacora has the option to restart the Sydvaranger Mine which is shovel ready and fully permitted in a tier 1 jurisdiction. Sydvaranger is currently under a care and maintenance program. A third-party Feasibility Study for Sydvaranger Mine issued in October 2019 provided an overview of an Environmental and Social Impact Assessment being conducted on the mine by Ramboll in accordance with the International Finance Corporation Performance Standards and Sectoral Environmental, Health & Safety Guidelines. Ramboll's assessment identified no risks that were critical or could not be managed operationally.

Impact of COVID-19

We successfully navigated through the COVID-19 pandemic while preserving the health and safety of our workforce and our business. The COVID-19 pandemic caused its fair share of challenges, as initial government responses to the pandemic caused disruptions in the supply of critical spare parts, consumables and contract labor, which contributed to a slower than expected ramp up of operations at the Scully Mine in 2020. However, we were able to implement the requisite COVID-19 protocols and, thanks to our dedicated workforce, did not experience any disruptions due to COVID-19 at the Scully Mine, which allowed it to operate safely throughout 2020 and since. The ongoing effects of the COVID-19 pandemic, and government responses to them, remain uncertain and it is impossible to predict the effect and ultimate impact of the COVID-19 pandemic on our business and future results of operations. See "Risk Factors—Risks Related to Our Business and Industry—Uncertainty or weaknesses in global economic conditions or reduced economic growth or other adverse economic developments in China could adversely affect our business, financial condition, results of operations, cash flows and prospects."

Overview of steel and iron ore markets

Overall, global crude steel production in 2020 fell 0.8% year over year to 1,858Mt, as steel output was disturbed by the ongoing impact of COVID-19, compared to production growth in 2019 of 3.1% year over year to 1,873Mt. China, the world's largest producer of crude steel, produced an estimated 1,056Mt of crude steel in 2020, a new record, which represents approximately 57% of worldwide production. China's crude steel production in 2020 grew 6.0% year over year, as demand remained relatively strong despite the global pandemic, compared to production growth in 2019 of 6.9% year over year.

At the end of 2020, demand for steel has been revised slightly upward due to countries such as Japan, US, India, and others implementing economic stimulus measures and the anticipated easing of COVID-19 restrictions around the globe. Government stimulus packages are being adopted in many countries. For instance, the stimulus package in Germany is currently $157 billion and economic aid is an additional $90 billion.

The Association for Mineral Exploration ("AME") estimates finished steel demand for 2020 was 1,748Mt. This equates to a decline of 0.8% for the 2020 year, with an expected return to growth of 4.9% for the 2021 year. Steel demand will be supported by the infrastructure, residential buildings, mechanical equipment, and automotive (and other transport) industries. However, for developed economies this heavily relies on government stimulus packages in infrastructure projects while emerging economies such as China and India have twenty-year plans to bring its population out of poverty via urbanization policies and the construction of 'mega cities'.

Global iron ore demand increased by 1.8% in 2020 to 2,244Mdmt and is expected to grow to 2,335Mdmt by 2024 according to AME. This compares to a 1.9% increase year over year in 2019 to 2,204Mdmt. The economic impact of the COVID-19 pandemic and corresponding containment policies have severely impacted demand across the global economy with finished steel, and iron ore, no exception. Policy responses from governments to the pandemic are likely to favor spending on fixed asset and infrastructure projects, which will lead to recoveries in demand for steel. Deficit spending is likely to fund these stimulus programs given the historically low interest rates seen worldwide, a palatable outcome politically given the low cost of debt funding. Concentrated stimulus programs targeting infrastructure have been initiated in both China and the US with many economies in the world likely to follow, which poses a potential upside to medium term iron ore demand.

Despite the slowdown, China is expected to continue to dominate global steel production and for the first time exceeded the long awaited 1Btpa production level in 2020. By 2024, China's share of global steel production is forecast to decline slightly to around 50% as India's crude steel production experiences robust growth. However, China will remain comfortably above the 1Btpa level with estimated production of around 1.04Bt in 2024. Due to China's current and expected level of steel production, it will remain the largest iron ore consumer over the medium term. In line with its expected steel production, China's iron ore demand is expected to decline to 1,292Mdmt by 2024, as domestic policies drive an increase in EAF steelmaking, which require scrap steel and high-grade iron ore to make Direct Reduced Iron ("DRI") as the primary feedstocks for the EAF steelmaking process.

Demand growth from 2021-2024 for iron ore will be driven by emerging countries, particularly India. The pace of India's ramp-up in crude steel production will have a large impact on iron ore demand growth, with steel production set to be dominated by BF/BOF and Direct Reduced Iron ("DRI") technology, both requiring iron ore as the main ferrous feed.

The global supply of iron ore did not keep pace with the demand for iron ore in 2020 as supply was reduced 0.3% year over year to 2,158Mt. In the major producing region of the Pilbara in Australia, mining was considered an essential service and therefore mines continued to operate at capacity through COVID-19 restrictions. In the first half of 2020, Brazilian miners suffered closures at certain sites with Vale halting production at the Conceição, Cauê and Periquito mines at the Itabira complex in the south-east of the country. As a result, iron ore spot prices experienced a material increase in 2020. During the second quarter of 2021, the average Platts 65% Fe price increased to $232 per dmt, a 21.5% increase from the average price for the first quarter 2021 and a 114.8% increase from the average price for the second quarter of 2020.

We expect iron ore prices (Platts 65% Fe and Platts 62% Fe North China CFR) will remain high in 2021. In the medium term, we expect iron ore prices to moderate. In 2020, China experienced an iron demand boom that drastically contrasts with a slump in the rest of the world. As the COVID-19 pandemic became demonstrably contained within the 1st quarter 2020, the Chinese government stepped in to stimulate the economy. Significant investment in infrastructure projects substantially renewed strength in manufacturing activity and steel production, increasing demand for iron ore. The country experienced an accelerated run-rate in construction to make up for the loss at the outset of the year.

The COVID-19 pandemic was a significant roadblock for Brazil's iron ore operations and resulted in global supply disruption. The rapid spread of the virus in Itabira saw infection rates of approximately 12% of Vale's workers. In response, the company was required to send sick employees and those who had been in contact with them home – running on minimum staff numbers and reducing productivity rates. The iron ore volumes were also affected by mine shutdowns and heavier than usual rains that resulted in flooding. The combination of supply disruption and unprecedented demand from China resulted in a price spike as discussed above.

We compete with small and large traditional iron ore mining companies in Canada, Australia and Brazil. However, because we produce a high-quality product with high iron levels and low impurity levels we achieve favorable value-in-use pricing relative to commodity and sub-commodity grade producers. Value-in-use is a term used to describe the adjustments made against a benchmark price to account for differences in ore quality. The costs incurred at a steel mill are influenced, to an extent, by differing ore chemistries. The premium and discount applied to the benchmark price for a specific ore is calculated from the difference in iron content to the benchmark and the impurity levels relative to trigger grades (e.g., silica levels over 5.5%). Key impurities considered are silica, alumina, phosphorus and sulphur. A high iron content feed with low impurities is typically preferred by steelmakers, as higher Fe reduces transport costs on a Fe unit basis and increases the iron content yield. Silica levels above 5.5% are considered high and can raise the blast furnace slag volumes and the fuel rate (and, in turn, the coke consumption rate).

Due to changing environmental regulations globally and the need to reduce CO2 emissions, coupled with the limited supply of high-grade iron ore, we believe the favorable value in use adjustment or premium achieved for our iron ore product sales is sustainable and may increase in the future.

Key financial drivers

Iron ore price

The price of iron ore concentrate is the most significant factor determining the Company's financial results. As such, cash flow from operations and the Company's development may, in the future, be significantly adversely affected by a decline in the price of iron ore. The iron ore concentrate price fluctuates daily and is affected by a number of industry and macroeconomic factors beyond the control of the Company.

Due to the high-quality nature of our iron ore concentrate, which is high in iron averaging 65.5% and low in impurities such as silica averaging 2.7% in 2020, the Company's iron ore sales attract a premium over the IODEX 62% Fe CFR China Index ("P62") widely used as the reference price in the industry. As such, the Company quotes and sells its products on the high-grade IODEX 65% Fe CFR China Index ("P65"). The premium captured by the P65 index is attributable to steel mills recognizing that higher iron ore grades offer a benefit in the form of efficiency or output optimization while also significantly decreasing CO2 emissions per tonne of steel produced.

Tacora's iron ore sales contracts are structured on a provisional pricing basis, with the final sales price determined using the iron ore price indices on or after the vessel's arrival to the port of discharge. The Company recognizes revenues from iron ore sales when unit train shipments from the Scully Mine are delivered and unloaded at the port. The estimated gross consideration in relation to the provisionally priced shipments is accounted for using the average P62 iron ore price at the time the unit train is unloaded, plus 60% of the estimated P65 premium over the P62 price at the time the unit train is unloaded. Once the vessel arrives at its destination, the impact of the iron ore price movements, compared to the marked to market price over the quotational period is accounted for as a provisional pricing adjustment to revenue. As of June 30, 2021, Tacora had 1.1 million tonnes and $232.0 million in revenues awaiting quotational period settlement, with the final price to be determined in the following reporting periods. Comparatively, as of June 30, 2020, Tacora had 0.8 million tonnes and $65.5 million in revenues awaiting quotational period settlement.

Ocean freight is an important component of the Company's pricing formula and is subtracted from the gross consideration as Tacora's concentrate is shipped into the seaborne iron ore market. The common reference route for dry bulk material from the Americas to Asia is the Tubarao to Qindao route which encompasses 11,000 miles. The freight cost per tonne associated with this route is captured in the C3 Baltic Capesize Index ("C3"), which is considered the reference ocean freight cost for iron ore shipped from the Americas to the Far East. There is no index for the route between the port of Sept-Iles, Canada and China. The route from Sept-Iles to the Far East totals approximately 14,000 miles and is subject to different weather conditions during the winter season, therefore the freight cost per tonne associated with this voyage is generally higher than the C3 price.

Production volume

Maintaining a high level of total material mined, plant throughput and iron recovery, as well as managing costs is critical in keeping our production costs low and determining our financial results. We invest heavily in maintaining our equipment and training our employees to ensure that the mine and plant remain fully operational.

During the three-month period ended June 30, 2021, 5.9 million tonnes of material was mined, compared to 4.2 million tonnes of material mined the prior year. The increase is primarily due to an increase in waste mined of 1.3 million tonnes during the three-months ended June 30, 2021 compared to the same period in 2020. In order to attain name-plate iron ore concentrate production of 6Mtpa, the Company estimates it will need to achieve at least 32.0 million tonnes of total material mined on an annual basis.

The plant processed 2.6 million tonnes of ore during both the three-month period ended June 30, 2021 and the same period in 2020. The plant achieved an average mill operating time of approximately 59% for the three-months ended June 30, 2021, compared to 63% for the three-months ended June 30, 2020. The decrease during the three-months ended June 30, 2021 as compared to the same period in 2020 was primarily due to a planned maintenance shut-down in June 2021. Mill operating time is calculated by subtracting the number of hours of mill downtime from the number of total hours in the year and dividing by the number of total hours in the year. To attain name-plate iron ore concentrate production of 6Mtpa, the Company estimates it will need to achieve an overall mill operating time of at least 88% which will allow it to process 17.5 million tonnes of ore on an annual basis.

The Scully Mine achieved an average iron recovery of 59.4% during the three-months ended June 30, 2021 compared to an average iron recovery of 55.7% during the three-months ended June 30, 2020. The increase in iron recovery is mainly due the improved performance in the wet milling and gravity circuits; where more stable mill feed throughput rates, improved spiral feed densities, and flowsheet modifications (mill line 5 & 6 scavenger spiral pilot circuit) occurred. In order to attain name-plate iron ore concentrate production of 6Mtpa, the Company estimates it will need to achieve at least a 64.6% iron recovery.

Based on the foregoing, the Scully Mine produced 0.9 million tonnes of 65.8% Fe high-grade iron ore concentrate during the three-month period ended June 30, 2021 compared to 0.8 million tonnes of 65.5% high-grade iron ore concentrate during the three-month period ended June 30, 2020.

Currency

The USD is the Company's reporting and functional currency, excluding Knoll Lake whose functional currency is Canadian dollars, which is translated to USD in the consolidated financials statements of the

Company. Our costs of goods sold at the Scully Mine are mainly incurred in Canadian dollars. Consequently, the Company's operating results and cash flows are influenced by changes in the exchange rate for the Canadian dollar against the U.S. dollar. Therefore, the Company is exposed to foreign currency fluctuations as its mining, mineral processing, rail and port operating expenses are mainly incurred in Canadian dollars. Currently, the Company has no currency hedging contracts in place and therefore has exposure to foreign exchange rate fluctuations. The strengthening of the U.S. dollar would positively impact the Company's net income and cash flow while the strengthening of the Canadian dollar would reduce its operating margin and cash flow.

Apart from these key drivers and the risk factors noted under "Risk Factors", management is not aware of any other trends, commitments, events or uncertainties that would have a material effect on the Company's business, financial condition or results of operations.

Key income statement measures

Revenue

Revenue is driven by the amount of product delivered to customers, global iron ore spot prices, certain customer specific adjustments and a variety of other factors, such as commodity prices, freight costs and the iron and moisture content of our finished products.

Cost of sales

Our cost of sales includes production cost such as labor, maintenance, petroleum-based products and utilities, as well as royalties, depreciation and amortization. Our royalty agreement requires us to pay a royalty fee based on the revenue we earn, which is payable quarterly. We believe our cost of labor will grow in line with the expansion of our operations and productive capacity. All of our production labor expenses are governed by collective bargaining agreements. We are, however, susceptible to fluctuations in the electricity, oil and gas fuel costs, which are used to operate our production facilities and mining equipment.

Operating expenses

Our operating expenses consist primarily of selling, general and administrative expenses, which we believe will remain stable as a percentage of revenue as we expand our operations and production capacity in the years to come.

Results of operations

Three-months ended June 30, 2021 compared to three-months ended June 30, 2020

	Three Months Ended June 30,		Increase	Percent
($ in millions, except shipments)	**2021**	**2020**	**(Decrease)**	**Change**
Revenue	$ 217.8	$ 65.7	$ 152.1	231.5%
Cost of sales	94.2	56.2	38.0	67.6%
Gross profit	123.6	9.5	114.1	1,201.1%
Operating expenses	1.9	1.0	0.9	90.0%
Operating income	121.7	8.5	113.2	1,331.8%
Non-operating loss	(115.9)	(27.8)	(88.1)	(316.9%)
Net income (loss)	$ 5.8	$ (19.3)	$ 25.1	130.1%
Third party shipments (tonnes)	846,396	792,109	54,287	6.9%

Six months ended June 30, 2021 compared to six months ended June 30, 2020

($ in millions, except shipments)	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020	Increase (Decrease)	Percent Change
Revenue	$ 351.5	$ 114.7	$ 236.8	206.5%
Cost of sales	172.9	110.0	62.9	57.2%
Gross profit	178.6	4.7	173.9	3,700.0%
Operating expenses	3.8	2.3	1.5	65.2%
Operating income	174.8	2.4	172.4	7,183.3%
Non-operating loss	(139.4)	(19.9)	(119.5)	(600.5%)
Net income (loss)	$ 35.4	$ (17.5)	$ 52.9	302.3%
Third party shipments (tonnes)	1,649,098	1,465,958	183,140	12.5%

Revenue

Realized price for the three-months ended June 30, 2021 compared to the three-months ended June 30, 2020

($ per dmt sold)	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Increase (Decrease)	Percent Change
Average index P62	$ 198.0	$ 94.0	$ 104.0	110.6%
Fixed sales/timing	(3.0)	(2.7)	(0.3)	(11.1%)
Premium over P62	19.2	9.1	10.1	111.0%
Gross realized price	214.2	100.4	113.8	113.3%
Freight and other costs	(30.7)	(15.7)	(15.0)	(96.0%)
Provisional pricing adjustments	78.7	(0.3)	79.0	26,333.3%
Other	(4.9)	(1.4)	(3.5)	(250.0%)
Net realized price	$ 257.3	$ 83.0	$ 174.3	209.9%

For the three-months ended June 30, 2021, our revenue was approximately $217.8 million, an increase of $152.1 million, or 231.5%, from our revenue of $65.7 million for the three-months ended June 30, 2020. The increased revenue was primarily impacted by a 209.9% increase in the net realized price applicable to concentrate pricing for the three-months ended June 30, 2021 compared to the same period in 2020 in addition to an increase in shipments of 54.3 thousand tonnes.

Realized price for the six-months ended June 30, 2021 compared to the six-months ended June 30, 2020

($ per dmt sold)	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020	Increase (Decrease)	Percent Change
Average index P62	$ 182.9	$ 91.7	$ 91.2	99.5%
Fixed sales/timing	(2.0)	(1.3)	(0.7)	(53.8%)
Premium over P62	16.7	8.9	7.8	87.6%
Gross realized price	197.6	99.3	98.3	99.0%
Freight and other costs	(27.6)	(17.7)	(9.9)	(55.9%)
Provisional pricing adjustments	46.3	(2.2)	48.5	2,204.5%
Other	(3.1)	(1.1)	(2.0)	(181.8%)
Net realized price	$ 213.2	$ 78.3	$ 134.9	172.3%

For the six-months ended June 30, 2021, our revenue was approximately $351.5 million, an increase of $236.8 million, or 206.5%, from our revenue of $114.7 million for the six-months ended June 30, 2020. The increased revenue was primarily impacted by a 172.3% increase in the net realized price applicable to concentrate pricing for the six-months ended June 30, 2021 compared to the same period in 2020 in addition to an increase in shipments of 183.1 thousand tonnes.

Cost of sales

Cost of Sales per dmt sold for the three-months ended June 30, 2021 compared to the three-months ended June 30, 2020

	Three Months Ended June 30,		Increase	Percent
($ per dmt sold)	**2021**	**2020**	**(Decrease)**	**Change**
Mining	$ 19.1	$ 16.3	$ 2.8	17.2%
Processing	29.3	20.6	8.7	42.2%
Logistics	34.7	20.4	14.3	70.1%
General and Administration	4.6	2.9	1.7	58.6%
Royalties	17.9	5.6	12.3	219.6%
Cash cost of sales	105.6	65.8	39.8	60.5%
Depreciation and Amortization	5.7	5.3	0.4	7.5%
Cost of sales	$ 111.3	$ 71.1	$ 40.2	56.5%

For the three-months ended June 30, 2021, our cost of sales were approximately $94.2 million, an increase of $38.0 million, or 67.6%, from our cost of sales of $56.2 million for the same period in 2020. The continued ramp-up of the plant resulted in increased shipments of concentrate as well as increased expenditures on maintenance and contract labor in the amount of $3.8 million in the mine as well as an increase of $7.7 million in the processing plant to improve asset reliability which resulted in higher cost of sales.

The increases in logistics and royalty costs for the three-months ended June 30, 2021 are partially due to the rates being impacted by the P62 iron ore price which has increased by 110.6% as compared to the three-months ended June 30, 2020.

Cost of Sales per dmt sold for the six-months ended June 30, 2021 compared to the six-months ended June 30, 2020

	Six Months Ended June 30,		Increase	Percent
($ per dmt sold)	**2021**	**2020**	**(Decrease)**	**Change**
Mining	$ 18.5	$ 16.0	$ 2.5	15.6%
Processing	27.0	23.1	3.9	16.9%
Logistics	33.5	21.9	11.6	53.0%
General and Administration	4.1	3.3	0.8	24.2%
Royalties	15.4	5.5	9.9	180.0%
Cash cost of sales	98.5	69.8	28.7	41.1%
Depreciation and Amortization	6.3	5.2	1.1	21.2%
Cost of sales	$ 104.8	$ 75.0	$ 29.8	39.7%

For the six-months ended June 30, 2021, our cost of sales were approximately $172.9 million, an increase of $62.9 million, or 57.2%, from our cost of sales of $110.0 million for the same period in 2020. The continued ramp-up of the plant resulted in increased shipments of concentrate as well as increased expenditures on maintenance and contract labor in the amount of $7.0 million in the mine as well as an increase of $8.6 million in the processing plant to improve asset reliability which resulted in higher cost of sales.

The increases in logistics and royalty costs for the six-months ended June 30, 2021 are partially due to the rates being impacted by the P62 iron ore price which has increased by 99.5% as compared to June 30, 2020.

We believe our cost of sales will continue to increase but our cost of sales per dmt sold will begin to decrease as we continue the ramp up shipments from the Scully Mine.

Further, we believe our cost of labor at the Scully Mine will grow in line with the expansion of our operations and production capacity. Our production labor expenses are governed by a collective bargaining agreement. We expect that utilities, including electricity, bunker c and diesel fuel costs may increase over the next five years. To counter these potential increases, we assess process improvements on a continuous basis as well as monitor price forecasts for commodities to evaluate opportunities to hedge our exposure regarding commodity price risk.

Gross profit

For the three-months ended June 30, 2021, our gross profit was approximately $123.6 million, an increase of $114.1 million, or 1,201.1%, from our gross profit of $9.5 million for the three-months ended June 30, 2020. The increase in our gross profit for the three-months ended June 30, 2021 was primarily due to the increase in net realized selling price of 209.9%, partially offset by an increase in cost of sales as discussed above.

For the six-months ended June 30, 2021, our gross profit was approximately $178.6 million, an increase of $173.9 million, or 3,700.0%, from our gross profit of $4.7 million for the six-months ended June 30, 2020. The increase in our gross profit for the six-months ended June 30, 2021 was primarily due to the increase in net realized selling price of 172.3%, partially offset by an increase in cost of sales as discussed above.

Operating expenses

For the three-months ended June 30, 2021, our operating expenses were approximately $1.9 million, an increase of $0.9 million, or 90.0%, over our operating expenses of $1.0 million for the three-months ended June 30, 2020. As a percentage of revenue, operating expenses decreased from 1.5% during the three-months ended June 30, 2020 to 0.9% for the same period in 2021.

For the six-months ended June 30, 2021, our operating expenses were approximately $3.8 million, an increase of $1.5 million, or 65.2%, over our operating expenses of $2.3 million for the six-months ended June 30, 2020. As a percentage of revenue, operating expenses decreased from 2.0% during the six-months ended June 30, 2020 to 1.1% for the same period in 2021.

The decrease in operating expenses as a percentage of revenue is driven by the increase in revenue, partially offset by the increase in operating expenses. The overall increase in operating expenses is primarily attributable to higher salaried wages and benefits due to additional employees. We believe selling, general and administrative expenses as a percent of revenue will continue to decrease as we ramp up our production capacity.

Operating income

Our operating income for the three-months ended June 30, 2021 was approximately $121.7 million, an increase of $113.2 million, or 1,331.8%, from our operating income of $8.5 million for the three-months ended June 30, 2020. This increase is primarily a function of the increase in our gross profit as discussed above.

Our operating income for the six-months ended June 30, 2021 was approximately $174.8 million, an increase of $172.4 million, or 7,183.3%, from our operating income of $2.4 million for the six-months ended June 30, 2020. This increase is primarily a function of the increase in our gross profit as discussed above.

Non-operating loss

For the three-months ended June 30, 2021, our non-operating loss was approximately $115.9 million, an increase of $88.1 million, or 316.9%, from our non-operating loss of $27.8 million for the three-months ended June 30, 2020. The increase in our non-operating loss for the three-months ended June 30, 2021 primarily resulted from an increased realized and unrealized net loss on our derivative instruments of $70.5 million and loss on debt extinguishment of $15.3 million as compared to the three-months ended June 30, 2020.

For the six-months ended June 30, 2021, our non-operating loss was approximately $139.4 million, an increase of $119.5 million, or 600.5%, from our non-operating loss of $19.9 million for the six-months ended June 30, 2020. The increase in our non-operating loss for the six-months ended June 30, 2021 primarily resulted from an increased realized and unrealized net loss on our derivative instruments of $103.5 million and loss on debt extinguishment of $15.3 million as compared to the six-months ended June 30, 2020.

The increase in our net loss from derivative instruments was due to the continued increase in iron ore prices throughout 2020 and 2021.

Net income (loss)

For the three-months ended June 30, 2021, our net income was approximately $5.8 million, an increase of $25.1 million, or 130.1%, from our net loss of $19.3 million for the three-months ended June 30, 2020. The increase in our net income for the three-months ended June 30, 2021 is primarily attributable to the increase in gross profit margin resulting from the increase in revenue, partially offset by increased non-operating loss due to a net loss on our commodity forward contract, as discussed above.

For the six-months ended June 30, 2021, our net income was approximately $35.4 million, an increase of $52.9 million, or 302.3%, from our net loss of $17.5 million for the six-months ended June 30, 2020. The increase in our net income for the six-months ended June 30, 2021 is primarily attributable to the increase in gross profit margin resulting from the increase in revenue, partially offset by increased non-operating loss due to a net loss on our commodity forward contract, as discussed above.

Non-IFRS financial 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.

The Company's working capital is as follows:

	As of June 30, 2021	As of December 31, 2020
Current assets		
Cash	$128,937	$119,564
Restricted cash, escrow	$125	$259
Receivables	$1,663	$2,351
Inventories	$13,719	$8,045
Transportation deposits, current portion	$9,055	$8,487
Hedging collateral	$82,770	-
Prepaid expenses and other current assets	$10,349	$5,848
	$246,618	$144,554
Current liabilities		
Current maturities of long-term debt	$3,424	$25,700
Current maturities of leased liabilities	$8,493	$7,423
Accounts payable	$19,461	$14,977
Accrued liabilities	$61,167	$35,885
Current derivative liability	$105,365	$80,952
	$197,910	$164,937
Working capital/(deficiency)	**$48,708**	**$(20,383)**

As of June 30, 2021, the Company had working capital of $48.7 million compared to a working capital deficiency of $20.4 million as of December 31, 2020.

The Company's current assets as of June 30, 2021 increased by $102.1 million since December 31, 2020. The increase was mainly due to cash flows from operations of $170.8 million.

The Company's current liabilities as of June 30, 2021 increased by $33.0 million since December 31, 2020. The increase was mainly due to an increase in accounts payable and accrued liabilities of $29.8 million and an increase of current derivative liabilities of $24.4 million.

FOB Cash Costs Pointe Noire

FOB Cash Costs Pointe Noire is a supplemental financial measure that is not prepared in accordance with IFRS. We define FOB Cash Costs Pointe Noire as cost of sales less royalties, depreciation and amortization divided by tonnes sold.

	Three Months Ended June 30,		Increase	Percent
($ per dmt sold)	**2021**	**2020**	**(Decrease)**	**Change**
Mining	$ 19.1	$ 16.3	$ 2.8	17.2%
Processing	29.3	20.6	8.7	42.2%
Logistics	34.7	20.4	14.3	70.1%
General and Administration	4.6	2.9	1.7	58.6%
FOB Cash Costs Pointe Noire	87.7	60.2	27.5	45.7%
Royalties	17.9	5.6	12.3	219.6%
Depreciation and Amortization	5.7	5.3	0.4	7.5%
Cost of sales	$ 111.3	$ 71.1	$ 40.2	56.5%

The Scully Mine shipped an aggregate amount of approximately 0.9 million tonnes of concentrate at a blended average FOB Cash Costs Pointe Noire of $87.7 per tonne for the three-months ended June 30, 2021, compared to 0.8 million tonnes of concentrate at a blended average of $60.2 per tonne for the three-months ended June 30, 2020. The increase in blended average FOB Cash Costs Pointe Noire primarily resulted from the increase in logistics costs due to the rail rates being impacted by the P62 iron ore price which has increased 110.6% as compared to June 30, 2020 in addition to increased processing costs of 42.2% due to higher contract labor and maintenance expenses.

	Six Months Ended June 30,		Increase	Percent
($ per dmt sold)	**2021**	**2020**	**(Decrease)**	**Change**
Mining	$ 18.5	$ 16.0	$ 2.5	15.6%
Processing	27.0	23.1	3.9	16.9%
Logistics	33.5	21.9	11.6	53.0%
General and Administration	4.1	3.3	0.8	24.2%
FOB Cash Costs Pointe Noire	83.1	64.3	18.8	29.2%
Royalties	15.4	5.5	9.9	180.0%
Depreciation and Amortization	6.3	5.2	1.1	21.2%
Cost of sales	$ 104.8	$ 75.0	$ 29.8	39.7%

The Scully Mine shipped an aggregate amount of approximately 1.7 million tonnes of concentrate at a blended average FOB Cash Costs Pointe Noire of $83.1 per tonne for the six-months ended June 30, 2021, compared to 1.5 million tonnes of concentrate at a blended average of $64.3 per tonne for the six-months ended June 30, 2020. The increase in blended average FOB Cash Costs Pointe Noire primarily resulted from the increase in logistics costs due to the rail rates being impacted by the P62 iron ore price which has increased by 99.5% as compared to June 30, 2020.

Once the Scully Mine is fully ramped-up, we estimate our FOB Cash Costs Pointe Noire will be approximately $40 per tonne on a blended average basis subject to the P62 iron ore price which impacts the cost of logistics. However, there can be no guarantee that Scully Mine will reach its full output potential or that our cost modelling will be accurate.

We believe our calculation of FOB Cash Costs Pointe Noire is useful to management and investors for analyzing and benchmarking performance and it facilitates comparison of our results among our peer iron ore mining operations. Our projections related to FOB Cash Costs Pointe Noire are based on assumptions related to various factors, including, but not limited to, commodity prices and production costs. These costs are subject to change and such changes may affect our projections of FOB Cash Costs Pointe Noire. In addition, the assumptions and estimates underlying our future FOB Cash Costs Pointe Noire are inherently uncertain and, although we consider them to be reasonable as of the date of this MD&A, they are subject to regulatory, business and economic risks and uncertainties that could cause actual results to differ materially from our estimated future FOB Cash Costs Pointe Noire contained herein. The timing of events and the magnitude of their impact might differ from those assumed in preparing our future FOB Cash Costs Pointe Noire estimates, and this may have a material negative effect on our financial performance and on our ability to meet our financial obligations. Our estimated future FOB Cash Costs Pointe Noire contained herein may not be indicative of our future financial performance and our results may differ materially from those presented herein. Inclusion of our estimated future FOB Cash Costs Pointe Noire should not be regarded as a representation by any person that such future FOB Cash Costs Pointe Noire will be achieved.

EBITDA and Adjusted EBITDA

EBITDA is defined as net income before interest expense (net), income taxes, depreciation and amortization, unrealized mark-to-market on derivative instruments, unwinding of present value discount on asset retirement obligations and foreign currency exchange gains. Adjusted EBITDA is further adjusted to exclude realized gains or losses on derivative instruments, NALCO tax expense, interest income and other infrequent or unusual transactions and is used by management to measure operating performance of the business. EBITDA and Adjusted EBITDA are supplemental measures of our performance and our ability to service debt that are not required by or presented in accordance with IFRS. EBITDA and Adjusted EBITDA are not measurements of our financial performance under IFRS and should not be considered as alternatives to net income or other performance measures derived in accordance with IFRS, or as alternatives to cash flow from operating activities as measures of our liquidity. In addition, our measurements of EBITDA and Adjusted EBITDA may not be comparable to similarly titled measures of other companies. Management believes that the presentation of EBITDA and Adjusted EBITDA included in this MD&A provide useful information to investors regarding our results of operations because they assist in analyzing and benchmarking the performance and value of our business.

EBITDA and Adjusted EBITDA have limitations as analytical tools, and you should not consider such measures either in isolation or as substitutes for analyzing our results as reported under IFRS. Some of these limitations are:

- EBITDA and Adjusted EBITDA do not reflect changes in, or cash requirements for, our working capital needs;

- EBITDA and Adjusted EBITDA do not reflect our interest expense or the cash requirements necessary to service interest or principal payments on our debt;

- EBITDA and Adjusted EBITDA do not reflect our tax expenses, or the cash requirements to pay our taxes;

- EBITDA and Adjusted EBITDA do not reflect historical cash expenditures or future requirements for capital expenditures or contractual commitments;

- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and EBITDA and Adjusted EBITDA do not reflect any cash requirements for such replacements; and

- Other companies in our industry may calculate EBITDA and Adjusted EBITDA differently, limiting their usefulness as comparative measures.

Because of these limitations, EBITDA and Adjusted EBITDA should not be considered as discretionary cash available to us to reinvest in the growth of our business or as a measure of cash that will be available to use to meet our obligations.

The following table is a reconciliation of our net income to EBITDA and Adjusted EBITDA:

	Three Months Ended June 30,	
($ in thousands)	**2021**	**2020**
Net Income (loss)	$ 5,829	$ (19,253)
Unrealized mark-to-market loss on derivative instruments	27,990	9,828
Consolidated net income (loss)	$ 33,819	$ (9,425)
Interest expense	4,296	5,350
Income tax	127	-
Depreciation and amortization	4,796	4,192
Foreign exchange (gain) loss	319	(871)
EBITDA	$ 43,357	$ (754)
Other expense	17,771	603
Interest income	(52)	(86)
Realized loss on derivative instruments	65,189	12,820
NALCO Tax	156	128
Adjusted EBITDA	$ 126,421	$ 12,711

	Six Months Ended June 30,	
($ in thousands)	2021	2020
Net Income (loss)	$ 35,349	$ (17,506)
Unrealized mark-to-market loss (gain) on derivative instruments	24,413	(16,273)
Consolidated net income (loss)	$ 59,762	$ (33,779)
Interest expense	9,009	10,628
Income tax	203	-
Depreciation and amortization	10,568	7,859
Foreign exchange loss	904	632
EBITDA	$ 80,446	$ (14,660)
Other expense	17,580	684
Interest income	(153)	(314)
Realized loss on derivative instruments	87,000	24,149
NALCO Tax	296	234
Adjusted EBITDA	$ 185,169	$ 10,093

Cash flows

The following discussion summarizes the significant activities impacting our cash flows during the six-months ended June 30, 2021 and 2020.

Cash flows from operating activities

Cash flows generated by operating activities was $170.8 million for the six-months ended June 30, 2021 compared to $11.1 million for the same period of 2020. Net cash used by operating assets and liabilities was $2.1 million for the six-months ended June 30, 2021 compared with net cash generated by operating assets and liabilities of $9.0 million for the same period in 2020. The increase in cash generated by operating activities was primarily due to an increase in operating income of $172.4 million.

Cash flows from investing activities

Net cash used by investing activities increased to $176.8 million for the six-months ended June 30, 2021 compared with $25.3 million for the same period in 2020. Capital expenditures for the acquisition of property, plant and equipment increased by $12.8 million for the six-months ended June 30, 2021 due to capital projects planned in 2021 to continue the ramp-up of the Scully Mine. Net cash used for commodity forward contract settlements and collateral increased by $153.6 million during the six-months ended June 30, 2021 due to an increase in iron ore prices during 2020 and continued into 2021. Net cash used for commodity forward settlements were driven by the requirement to hedge in December 2018 and December 2020, which was a provision within our senior secured debt. Net cash used for commodity forward contract collateral was a requirement of the Jarvis Hedge Facility entered into on May 11, 2021.

Cash flows from financing activities

Net cash generated by financing activities during the six-months ended June 30, 2021 was $15.4 million compared to $10.6 million for the six-months ended June 30, 2020. The increase in net cash generated by financing activities was primarily driven by the proceeds from long-term borrowings of $168.5 million partially reduced by the pre-payment penalty and principal payments on our Term Loan, Infra Loan 1 and Infra Loan 2 as discussed below.

Financing arrangements

Senior secured debt

On July 18, 2017, Tacora closed on an unsecured interest free note payable in the amount of $9.8 million Canadian dollars. The proceeds of the note were provided to the Province of Newfoundland and

Labrador for the purpose of funding the requisite amount of financial assurance required as part of a rehabilitation and closure plan approved by the Province of Newfoundland and Labrador. Tacora will repay the loan through quarterly payments equal to $0.71 per metric tonne of iron ore concentrate shipped from the Scully Mine. The note will terminate on the date upon which the entirety of the loan amount has been repaid and no interest will accrue on the loan. The fair value of the debt upon initial recognition was measured at $6.0 million. The debt is subsequently re-measured at amortized cost.

On May 11, 2021, Tacora issued $175 million aggregate principal amount of 8.250% Senior Secured Notes due May 15, 2026 (“2026 Notes”). Tacora received net proceeds of approximately $169.5 million after fees of approximately $5.5 million related to underwriting and third-party expenses. Approximately $128.2 million of the net proceeds from the issuance of the 2026 Notes were used to repay our Infrastructure 1 Loan, Infrastructure 2 Loan, Term Loan principal balance in addition to a prepayment penalty of approximately $15.3 million. Subsequent to the issuance date, we have paid approximately $1.0 million in fees for additional third-party expenses related to the closing of the 2026 Notes. The balance of the net proceeds will be used for working capital and other corporate purposes. Interest on the 2026 Notes will be payable semi-annually in arrears on May 15th and November 15th of each year beginning on November 15, 2021, and will mature on May 15, 2026, unless earlier redeemed or repurchased.

On or after May 15, 2023, Tacora may on any one or more occasions redeem all or a part of the 2026 Notes, upon not less than 30 nor more than 60 days’ notice, at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest, if any, on the 2026 Notes redeemed, to the applicable date of redemption, if redeemed during the twelve-month period beginning on May 15 of the years indicated below, subject to the rights of holders of the 2026 Notes on the relevant record date to receive interest on the relevant interest payment date:

Year	**Percentage**
2023	104.125%
2023	102.063%
2025 and thereafter	100.000%

At any time prior to May 15, 2023, Tacora may, on any one or more occasions, redeem up to 40% of the aggregate principal amount of the 2026 Notes issued under the Indenture, upon not less than 30 nor more than 60 days’ notice, at a redemption price equal to 108.250% of the principal amount of the 2026 Notes redeemed, plus accrued and unpaid interest, if any, to, but not including, the date of redemption (subject to the rights of holders of the 2026 Notes on the relevant record date to receive interest on the relevant interest payment date), with an amount not greater than the net cash proceeds of an equity offering by Tacora; provided, that:

(1) at least 60% of the aggregate principal amount of the 2026 Notes originally issued under the Indenture (excluding 2026 Notes held by Tacora and its Subsidiaries) remains outstanding immediately after the occurrence of such redemption; and

(2) the redemption occurs within 180 days of the date of the closing of such equity offering.

At any time prior to May 15, 2023, Tacora may on any one or more occasions redeem all or a part of the 2026 Notes, upon not less than 30 nor more than 60 days’ notice, at a redemption price equal to 100% of the principal amount of the 2026 Notes redeemed, plus the applicable premium as of, and accrued and unpaid interest, if any, to, but not including, the date of redemption (subject to the rights of holders of 2026 Notes on the relevant record date to receive interest due on the relevant interest payment date).

The indenture governing the 2026 Notes restricts our ability to create certain liens, to enter into sale leaseback transactions and to consolidate, merge, transfer or sell all, or substantially all of our assets. It also contains provisions requiring that Tacora make an offer to purchase the 2026 Notes from holders upon a change of control under certain specified circumstances, as well as other customary provisions.

Liquidity and capital resources

As of June 30, 2021, our cash and cash equivalents totaled $129.1 million. Our total cash balance represents a 7.7% increase from the balance as of December 31, 2020. This increase was driven primarily from increased cash flow from operations.

As of June 30, 2021, the outstanding principal amount of our long-term debt was approximately $172.4 million.

Based on the current level of operations, we believe that cash flow from operations will be adequate to meet our liquidity needs for the immediate and foreseeable future. However, our future liquidity and ability to fund capital expenditures, working capital and debt requirements depend upon our future financial performance, which is subject to many economic, commercial, financial and other factors that are beyond our control. For example, IODEX prices experienced a sustained increase during 2020. This positively impacted our revenue and our cash flows from operating activities. We expect the price of iron ore to remain high in 2021; however if additional liquidity is needed, we may need to raise additional capital, which we may not be able to do on reasonable terms or at all. We may also need to refinance or amend the covenants concerning all or a portion of our senior secured debt. If we are unable to secure additional capital or, if needed, refinance or amend the covenants concerning our debt on acceptable terms or at all, then we may have insufficient liquidity to carry on our operations and meet our obligations in the future.

Off balance sheet arrangements

We currently are not a party to any material off balance sheet arrangements.

Industry data, forecasts and units of measure

This report contains industry data and forecasts that we obtained from industry publications and surveys, public filings and internal company sources. Industry publications, surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of included information. We have not independently verified any of the data from third-party sources, nor have we ascertained the underlying economic assumptions relied upon therein. While we are not aware of any misstatements regarding our industry data presented herein, our estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed in the "Risk Factors" section of this MD&A. We cannot guarantee the accuracy or completeness of such information contained in this MD&A.

Unless otherwise specifically noted, we use SI units (metric), specifically dry tonnes, dmt or DMT, when referring to tonnage. This is a departure from conventional iron ore units which use a relatively unique basis for tonnage identified as a LT or long ton. As such, comparison of unit costs and production figures may not be comparable with those of other competing iron ore producers. Additionally, the contractual requirements for some of our off-take agreements are denominated in wet metric tonnes. For consistency of presentation, in our discussion of these contractual requirements, we have expressed them as DMT based on an assumed 1.6% moisture factor in our concentrate.

Risks

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.

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 rolling options 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 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 revenue and therefore earnings.

Tacora does not generally believe commodity price hedging would provide a long-term benefit to shareholders. Tacora may, however, 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 net gearing ratio, 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.

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 the three-months ended June 30, 2021 was its Chief Executive Officer and Executive Vice President and Chief Financial Officer. The remuneration for the Company's key management during the three-months ended June 30, 2021 was $245, consisting of $223 in salaries, $10 in deferred compensation and $12 in other benefits.

Outstanding share data

The Company may authorise an unlimited number of common shares, without par value ("Common Shares") and an unlimited number of Class A Non-Voting Shares and Class B Non-Voting shares. As at the date of this MD&A, the Company had authorised 235,700,480 Common Shares, 3,300,000 Class A Non-Voting Shares and 3,300,000 Class B Non-Voting Shares and has 235,700,480 Common Shares, 2,739,000 Class A Non-Voting Shares, and 1,080,750, Class B Non-Voting Shares issued and outstanding. As of June 30, 2021, the Company has 3,655,500 employee stock options 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.

We use our mineral reserve estimates, combined with our estimated annual production levels, to determine the mine closure dates utilized in recording the fair value liability for asset retirement obligations for the Scully Mine, and assess whether there are any indicators of potential impairment of our long lived assets.

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 cut-off 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 long-term 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 June 30, 2021.

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
Year ended December 31, 2020	10,469	34.73	3.42	3,009	65.51	1.93	2.66	28.74	54.21
Six months ended June 30, 2021	5,441	36.9	3.25	1,663	65.7	1.84	2.46	30.5	54.4

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.

Significant accounting policies

The Company's significant accounting policies used to prepare the Company's financial statements as at and for the period ended June 30, 2021 are included in Note 2 of the annual audited consolidated financial statements and Note 1 of the Company's unaudited interim financial statements for the three and six-months ended June 30, 2021.

Subsequent events

Subsequent to the preparation of the Company's financial statements for the three and six-months ended June 30, 2021, certain events have had an impact on the Company.

On July 20, 2021, the Company approved capital investments at the Scully Mine in the amount of $22.2 million for the installation of a fine ore screening process, which we refer to as the fines bypass, and two additional magnetic separators, which we refer to as manganese reduction circuits. The fines bypass will be installed between the crushers and the mills and will screen fine crushed ore from coarse crushed ore and pump the fine crushed ore directly to the spirals avoiding the mills and reducing the load on the six mill lines. The two additional manganese reduction circuits will be installed next to the existing six manganese reduction circuits and provide additional manganese reduction capacity for the plant. In the short term, we expect the fines bypass to de-risk the ramp-up to nameplate production levels providing sufficient catch-up capacity and system redundancy in the six mill lines to offset production losses from unplanned downtime. In the long term, once we achieve expected efficiencies with the six mill lines, the fines bypass and two additional manganese reduction circuits will ensure production levels beyond 6 MTPY at the Scully mine.

On August 19, 2021 Tacora entered into monthly average index P62 fixed price contracts with Cargill that provided for the following key terms: volume of 200,000 dmt of iron ore concentrate per month from January 2022 through June 2022 for a total of 1,200,000 dmt over the six month period; average index P62 price fixed at $123 per dmt; a credit margin of $0.50/dmt; a full cash margining requirement consistent with the existing offtake; and no cost of capital.