

## FORM 5

### **QUARTERLY LISTING STATEMENT**

Name of Listed Issuer: **Metalo Manufacturing Inc.** (the “Issuer”).

Trading Symbol: **MMI.**

This Quarterly Listing Statement must be posted on or before the day on which the Issuer’s unaudited interim financial statements are to be filed under the *Securities Act*, or, if no interim statements are required to be filed for the quarter, within 60 days of the end of the Issuer’s first, second and third fiscal quarters. This statement is not intended to replace the Issuer’s obligation to separately report material information forthwith upon the information becoming known to management or to post the forms required by the Exchange Policies. If material information became known and was reported during the preceding quarter to which this statement relates, management is encouraged to also make reference in this statement to the material information, the news release date and the posting date on the Exchange website.

#### **General Instructions**

- (a) Prepare this Quarterly Listing Statement using the format set out below. The sequence of questions must not be altered nor should questions be omitted or left unanswered. The answers to the following items must be in narrative form. When the answer to any item is negative or not applicable to the Issuer, state it in a sentence. The title to each item must precede the answer.
- (b) The term “Issuer” includes the Listed Issuer and any of its subsidiaries.
- (c) Terms used and not defined in this form are defined or interpreted in Policy 1 – Interpretation and General Provisions.

There are three schedules which must be attached to this report as follows:

#### **SCHEDULE A: FINANCIAL STATEMENTS**

Financial statements are required as follows:

For the first, second and third financial quarters interim financial statements prepared in accordance with the requirements under Ontario securities law must be attached.

If the Issuer is exempt from filing certain interim financial statements, give the date of the exempting order.

## SCHEDULE B: SUPPLEMENTARY INFORMATION

The supplementary information set out below must be provided when not included in Schedule A.

### 1. Related party transactions

Provide disclosure of all transactions with a Related Person, including those previously disclosed on Form 10. Include in the disclosure the following information about the transactions with Related Persons:

- (a) A description of the relationship between the transacting parties. Be as precise as possible in this description of the relationship. Terms such as affiliate, associate or related company without further clarifying details are not sufficient. **The related party transactions are detailed in (i) Note 14 of the financial statements with respect to compensation payments made by the Issuer for consulting fees, management fees and salaries; (ii) Note 9 as they relate to a convertible debenture subscribed to by the Chairman of the Issuer through a company controlled by him; and Note 8 as they relate to a short term loan from a related party.**
- (b) A description of the transaction(s), including those for which no amount has been recorded. **The transactions were for (i) cash payments made by the Issuer for consulting fees, management fees and salaries; (ii) shares issued for the payment on interest on the convertible debenture; and (iii) a loan made by a related party to the Issuer.**
- (c) The recorded amount of the transactions classified by financial statement category. **The transactions for consulting fees, management fees and salaries totaled \$152,411.**
- (d) The amounts due to or from Related Persons and the terms and conditions relating thereto. **There are no amounts due from Related Persons and the amounts due to are noted above.**
- (e) Contractual obligations with Related Persons, separate from other contractual obligations. **Not applicable.**
- (f) Contingencies involving Related Persons, separate from other contingencies. **Not applicable.**

### 2. Summary of securities issued and options granted during the period.

**There were no options granted. With respect to the convertible debenture discussed above, the Issuer issued 69,351 common shares in satisfaction of the \$25,000 quarterly interest payment required during the quarter.**

Provide the following information for the period beginning on the date of the last Listing Statement (Form 2A):

(a) summary of securities issued during the period,

Date of Issue	Type of Security (common shares, convertible debentures, etc.)	Type of Issue (private placement, public offering, exercise of warrants, etc.)	Number	Price	Total Proceeds	Type of Consideration (cash, property, etc.)	Describe relationship of Person with Issuer (indicate if Related Person)	Commission Paid
Aug. 1, 2018	Common shares	Convertible debenture interest	<u>69,351</u>	\$0.3605	\$25,000	In lieu of cash payment of interest due	Related party	N/A

(b) summary of options granted during the period,

Date	Number	Name of Optionee if Related Person and relationship	Generic description of other Optionees	Exercise Price	Expiry Date	Market Price on date of Grant

### 3. Summary of securities as at the end of the reporting period.

Provide the following information in tabular format as at the end of the reporting period:

- (a) description of authorized share capital including number of shares for each class, dividend rates on preferred shares and whether or not cumulative, redemption and conversion provisions. **The Issuer is authorized to issue an unlimited number of common shares without nominal or par value.**
- (b) number and recorded value for shares issued and outstanding. **The Issuer has 17,767,108 issued and outstanding common shares and the recorded value is \$9,198,978.**

- description of options, warrants and convertible securities outstanding, including number or amount, exercise or conversion price and expiry date, and any recorded value. **The details are noted in the financial statements under Note 9 and Note 11.**
  - (c) number of shares in each class of shares subject to escrow or pooling agreements or any other restriction on transfer. **Not applicable.**
4. **List the names of the directors and officers, with an indication of the position(s) held, as at the date this report is signed and filed.**

**Directors:** J. Paul Allingham  
David J. Hennigar  
C.H. (Bert) Loveless  
Francis H. MacKenzie  
Jean-Marc MacKenzie  
Paul R. Snelgrove  
K. Barry Sparks  
E. Christopher Stait-Gardner

**Officers:** David J. Hennigar, Chairman of the Board  
Francis H. MacKenzie, President/CEO  
C.H. (Bert) Loveless, VP/COO, Interim CFO  
Lina Tannous, Corporate Secretary  
Kevin Kemper, Vice President Business Development

## **SCHEDULE C: MANAGEMENT DISCUSSION AND ANALYSIS**

Provide Interim MD&A if required by applicable securities legislation.

### **Certificate Of Compliance**

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Quarterly Listing Statement.
2. As of the date hereof there is no material information concerning the Issuer which has not been publicly disclosed.

3. The undersigned hereby certifies to the Exchange that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all Exchange Requirements (as defined in CNSX Policy 1).
4. All of the information in this Form 5 Quarterly Listing Statement is true.

Dated: November 23, 2018

**Bert Loveless**

Name of Director or Senior Officer



Signature

**Interim CFO**

Official Capacity

<b>Issuer Details</b> Name of Issuer Metalo Manufacturing Inc.	For Quarter Ended 2018/09/30	Date of Report YY/MM/D 2018/11/23
Issuer Address 311-380 Bedford Highway		
City/Province/Postal Code Halifax, Nova Scotia, B3M 2L4	Issuer Fax No. (902) 484-7599	Issuer Telephone No. (902) 499-7150
Contact Name Lina Tannous	Contact Position Corporate Secretary	Contact Telephone No. (902) 877-5272
Contact Email Address <a href="mailto:lina@metalo.ca">lina@metalo.ca</a>	Web Site Address <a href="http://www.metalo.ca">www.metalo.ca</a>	



**METALO MANUFACTURING INC.**

**Interim Condensed Consolidated Financial Statements**

**For the three months ended September 30, 2018**

**(expressed in Canadian dollars)**

**(UNAUDITED)**

## **Management's Responsibility for Financial Information**

The interim condensed consolidated financial statements, the notes thereto and other financial information contained in the management's discussion and analysis are the responsibility of management of Metalo Manufacturing Inc. (the "Corporation") and have been approved by the Board of Directors.

The interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and, where necessary, include amounts which reflect management's best estimates and judgments based on current available information. The Corporation maintains systems of internal accounting and administrative controls in order to provide reasonable assurance that the Corporation's assets are appropriately accounted for and adequately safeguarded, and that financial information is accurate and reliable.

The Board of Directors, through its Audit Committee, is responsible for ensuring that management fulfils its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the interim condensed consolidated financial statements and the accompanying management's discussion and analysis.

The Audit Committee is composed of three non-management, independent directors and meets periodically with management and the independent auditors to review internal accounting controls, auditing matters and financial reporting issues, and to satisfy itself that all parties are properly discharging their responsibilities. The Audit Committee also reviews the interim condensed consolidated financial statements and the management's discussion and analysis of financial results and reports its findings to the Board of Directors for its consideration when approving the interim condensed consolidated financial statements for issuance to the shareholders.

*"Francis H. MacKenzie"*

Francis H. MacKenzie  
President and Chief Executive Office

*"C. H. Bert Loveless"*

C.H. (Bert) Loveless  
Interim Chief Financial Officer

November 23, 2018

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**Metalto Manufacturing Inc.**

Financial Information

September 30, 2018

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**Metalo Manufacturing Inc.**  
**Consolidated Statements of Financial Position**  
**(Amounts presented in Canadian Dollars)**



	30-Sep 2018 \$	30-Jun 2017 \$ Restated (Note 12)
Assets		
Current assets:		
Cash	155,933	28,148
Other receivable	22,306	13,511
Prepaid and other deposits	67,662	51,457
Investments (Note 4)	3,280	3,200
	249,181	96,316
Non-current assets:		
Resource properties (Note 5)	57,178,682	57,170,334
Project development costs (Note 6)	1,462,322	1,462,322
Property and equipment (Note 7)	20,188	21,311
	58,661,192	58,653,967
	58,910,373	58,750,283
Liabilities and Shareholders' Equity		
Current liabilities:		
Trade and other payables	240,391	403,369
Short term loans (Note 8)	4,891,357	4,828,844
	5,131,748	5,232,213
Non-current liabilities:		
Long-term debt (Note 9)	2,765,736	2,093,401
Deferred taxes (Note 16)	5,536,762	5,658,778
	8,302,498	7,752,179
	13,434,246	12,984,392
Shareholders' equity		
Share capital (Note 10)	9,198,978	9,173,978
Equity component convertible debenture	649,593	649,593
Stock based payment reserve	1,284,000	1,284,000
Retained earnings	6,975,977	7,152,898
Equity attributable to shareholders	18,108,548	18,260,469
Non-controlling interests	27,367,579	27,505,422
	45,476,127	45,765,891
	58,910,373	58,750,283

*Note 1 - Nature of operations and going concern*

*Note 16 - Commitments*

*Note 19 - Subsequent events*

*The accompanying notes form an integral part of these consolidated financial statements*

Approved on behalf of the Board:

David J. Hennigar

Francis H. MacKenzie

November 23, 2018

**Metalto Manufacturing Inc.**  
**Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)**  
**For the three months ended September 30, 2018 and September 30, 2017**  
**(Amounts presented in Canadian Dollars)**



	3 months ended	
	30-Sep-18	30-Sep-17
	\$	\$
Operating expenses (Note 13)	(260,172)	(764,471)
Depreciation	(1,123)	(4,471)
Interest and bank charges	(140,065)	(103,911)
Interest accretion	(35,500)	(30,887)
Gain on deconsolidation of subsidiary debt (Note 9)	-	-
Gain on sale of intangible asset (Note 6)	-	-
	-	-
Gain on disposition of equipment	-	-
Impairment of property & equipment (Note 7)	-	-
Realized gain (loss) on sale of investments (Note 4)	-	-
Unrealized gain (loss) on investments (Note 4)	80	(5,126)
Net income (loss) before taxes	(436,780)	(908,866)
Income tax expense (Note 16)	122,016	291,941
Net income (loss)	(314,764)	(616,925)
<b>Net income (loss) attributable to:</b>		
Shareholders of the Corporation	(176,921)	(206,562)
Non-controlling interest	(137,843)	(410,363)
Net income (loss)	(314,764)	(616,925)
Net income (loss) per share (Note 15)	(\$0.01)	(\$0.01)
Weighted average number of shares outstanding (Note 10)	17,743,363	17,508,576
Net income (loss)	(314,764)	(616,925)
Other comprehensive income		
Cumulative translation adjustments	-	49,899
Comprehensive income (loss)	(314,764)	(567,026)
<b>Comprehensive income (loss) attributable to:</b>		
Shareholders of the Corporation	(176,921)	(184,646)
Non-controlling interest	(137,843)	(382,381)
Comprehensive income (loss)	(314,764)	(567,026)

*The accompanying notes form an integral part of these consolidated financial statements*

**Metalo Manufacturing Inc.**  
**Consolidated Statement of Changes in Equity**  
**For the three months ended September 30, 2018**  
**(Amounts presented in Canadian Dollars)**



	Number of Shares Issued	Share Capital	Equity Component Convertible Debenture	Stock based payment reserve	Retained Earnings Restated (Note 12)	Accumulated Other Comprehensive Income	Total Shareholders Equity Restated (Note 12)	Non-controlling interest Restated (Note 12)	Total Equity
		\$		\$	\$	\$	\$		
<b>Balance June 30, 2017</b>	17,481,402	9,073,978	649,593	1,284,000	3,332,273	175,365	14,515,210	31,856,722	46,371,931
Net loss and comprehensive loss for the period	-	-	-	-	391,878	-	391,878	1,359,044	1,750,922
Other comprehensive income for the period	-	-	-	-	-	(175,365)	(175,365)	(223,192)	(398,557)
Comprehensive income (loss) for the period	-	-	-	-	391,878	(175,365)	216,513	1,135,852	1,352,365
Shares issued in payment of interest	216,355	100,000	-	-	-	-	100,000	-	100,000
Change in non-controlling interest on restructuring of subsidiary (Note 3)	-	-	-	-	3,428,747	-	3,428,747	(5,487,152)	(2,058,405)
<b>Balance June 30, 2018</b>	17,697,757	9,173,978	649,593	1,284,000	7,152,898	-	18,260,470	27,505,422	45,765,891
Net income (loss) for the period	-	-	-	-	(176,921)	-	(176,921)	(137,843)	(314,764)
Shares issued in payment of interest (Note 10)	69,351	25,000	-	-	-	-	25,000	-	25,000
<b>Balance September 30, 2018</b>	17,767,108	9,198,978	649,593	1,284,000	(176,921)	-	18,108,549	27,367,579	45,476,127

*Note 12 Comparative figures*

*The accompanying notes form an integral part of these consolidated financial statements*

**Metalo Manufacturing Inc.**  
**Consolidated Statements of Cash Flows**  
**For the three months ended September 30, 2018**  
**(Amounts presented in Canadian Dollars)**



	30-Sep-18	30-Sep-17
	\$	\$
<b>Cash flows generated from operating activities:</b>		
Net income (loss)	(314,764)	(616,925)
Items not involving cash:		
Depreciation	1,123	4,471
Interest capitalized on term note	7,487	-
Unrealized gain on investments	(80)	5,126
Interest paid by issuance of shares	25,000	25,000
Interest accretion	35,500	(485)
Deferred taxes	(122,016)	(291,941)
Changes in non-cash operating working capital		
Other receivables	(8,794)	12,217
Prepaid and other deposits	(16,205)	(4,164)
Trade and other payables	(162,978)	(412,842)
	<b>(555,727)</b>	<b>(1,279,545)</b>
<b>Cash flow generated from financing activities:</b>		
Proceeds (repayments) of short term borrowings	62,513	4,361,743
Proceeds from term note	621,000	-
	<b>683,513</b>	<b>4,361,743</b>
<b>Cash flows (provided) generated from investing activities:</b>		
Purchase of investments	-	(6,951)
Capital Investment	-	(1,679,209)
	<b>-</b>	<b>(1,686,160)</b>
Increase (Decrease) in cash during the period	<b>127,785</b>	1,396,038
Cash, beginning of period	<b>28,148</b>	169,039
Cash, end of period	<b>155,933</b>	1,565,077

*The accompanying notes form an integral part of these consolidated financial statements*

# METALO MANUFACTURING INC.

Notes to Consolidated Financial Statements  
For the three months ended September 30, 2018  
(Amounts presented in Canadian Dollars)



## 1. NATURE OF OPERATIONS AND GOING CONCERN

Metalo Manufacturing Inc. (“the Corporation”) was incorporated on October 4, 2000 under the laws of the Province of Alberta pursuant to the provisions of the Business Corporations Act. Through its direct and indirect subsidiaries, it is involved in the mining and exploration sector and the manufacturing sector. The Corporation’s Head Office is located at 1600 – 141 Adelaide Street West, Toronto, ON M5H 3L5.

The Corporation’s partially owned subsidiary, Grand River Ironsands Incorporated (“GRI”), has its principal place of business in Newfoundland and Labrador. GRI’s majority owned subsidiary, North Atlantic Iron Corporation, has its principal place of business in Newfoundland and Labrador and GRI’s subsidiary, Pure Fonte Lteeé, has its principal place of business in Quebec.

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Corporation will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

The Corporation and its subsidiaries have not yet determined whether the properties contain mineral reserves that are economically recoverable. The recoverability of amounts shown for mineral properties and related deferred expenditures is dependent upon the discovery of economically recoverable reserves, confirmation of the subsidiary’s interest in the underlying mining claims, the ability of the Corporation and its subsidiaries to obtain necessary financing from shareholders, investors and lenders to complete the development, and upon future profitable production or proceeds from the disposition thereof.

The Corporation has cash on hand of \$155,933 (2017 - \$1,581,502), and has a working capital deficiency of \$4,882,567 (2017 - \$7,088,738), and shareholders’ equity of \$45,476,127 (2017 - \$45,829,903). The Corporation has had recurring negative cash flows from operations and will require additional financing to fund its continuing exploration efforts. These uncertainties cast significant doubt upon the Corporation’s ability to continue as a going concern. Management plans to raise additional debt and/or equity financing in order to continue operations. Although the Corporation has been successful in raising funds to date, there can be no assurance that adequate funding will be available in the future, or available under terms favourable to the Corporation. The consolidated financial statements do not reflect adjustments in the carrying values of the assets and liabilities, the reported expenses, and the balance sheet classifications used, that would be necessary if the Corporation was unable to realize its assets and settle its liabilities as a going concern in the normal course of operations, and such adjustments could be material.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of Presentation and Statement of Compliance

The consolidated financial statements are prepared on the historical cost basis except for certain assets, liabilities and financial instruments which are measured at their fair values, as explained in the relevant accounting policies.

The consolidated financial statements are presented in Canadian dollars which is also the Corporation’s functional currency and the functional currency of its Canadian subsidiaries. The functional currency of the US subsidiary is the US dollar.

These consolidated financial statements were approved and authorized for issue by the board of directors on November 23, 2018.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”) as set out in the Chartered Professional Accountants of Canada Handbook—Accounting – Part 1 (“CPA Canada Handbook”), which incorporates International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

# METALO MANUFACTURING INC.

Notes to Consolidated Financial Statements  
For the three months ended September 30, 2018  
(Amounts presented in Canadian Dollars)



## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (b) Basis of Consolidation

These financial statements include the accounts of the Corporation and the following entities:

- 43.9% (2017 – 43.9%) Grand River Ironsands Incorporated (“GRI”)

A company incorporated in Nova Scotia engaged in the exploration and development of mineral deposits which owns;

- 100% (2017 – 100%) Forks Specialty Metals Inc. (“FSM”)

A company incorporated in Pennsylvania engaged in iron ore smelting that filed for bankruptcy under Chapter 7 of the United States Bankruptcy Code in the United States Bankruptcy Court, Eastern District of Pennsylvania. (Note 3)

- 90% (2017 – 60%) North Atlantic Iron Corporation (“NAIC”)

A corporation incorporated in Newfoundland and Labrador engaged in the exploration and development of mineral deposits. (Note 3)

- 100% (2017 - 0%) Pure Fonte Ltee (8593302 Canada Inc.)

A corporation incorporated in Canada expected to be engaged in nodular pig iron manufacturing (Note 3)

In March, 2018 a restructuring transaction occurred between Petmin and GRI resulting in significant changes in ownership of NAIC. Refer to Investment in Subsidiaries -Note 3 - for additional explanation.

All inter-company transactions and balances have been eliminated on consolidation.

### (c) Business combinations, goodwill and non-controlling interests

The acquisition method of accounting is used to account for the acquisition of subsidiaries and businesses as follows:

- Cost is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange;
- Identifiable assets acquired and liabilities assumed are measured at their fair values at the acquisition date;
- The excess of acquisition cost over the fair value of the identifiable net assets acquired is recorded as goodwill;
- If the acquisition cost is less than the fair value of the net assets acquired, the difference is recognized as gain directly in the income statement; and
- Transaction costs are expensed as incurred.

For each business combination, the acquirer measures the non-controlling interest in the acquiree at the proportionate share of the acquiree’s identifiable net assets. Transaction costs incurred are expensed and included in administrative expenses.

When the Corporation acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer’s previously held equity interest in the acquiree is remeasured to its fair value as at the acquisition date through profit or loss.

# METALO MANUFACTURING INC.

Notes to Consolidated Financial Statements  
For the three months ended September 30, 2018  
(Amounts presented in Canadian Dollars)



## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (c) Business combinations, goodwill and non-controlling interests (continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Corporation's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Transactions with non-controlling interests are treated as transactions with equity owners of the Corporation. For purchases from non-controlling interests that do not involve loss of control, the difference between the fair value of the consideration paid and the share of the carrying value of net assets acquired is recorded in equity. Similarly, gains or losses on disposals to non-controlling interests, which do not involve loss of control, are computed and recorded in equity.

### (d) Mineral properties

Mineral property expenses and mining reserves are stated at cost by capitalizing related expenditures until they are ready for commercial production. Upon commercial viability, depletion commences on a unit-of-sale basis over the estimated recoverable measured and indicated reserves.

Pre-exploration costs are generally expensed unless management considers it probable that future economic benefits can be identified. Other general exploration expenses are charged to operations as incurred. The cost of mineral properties abandoned or sold and their related deferred exploration costs are charged to operations in the year the disposition or abandonment occurs.

The value associated with resources and exploration potential is allocated at acquisition and is classified as non-depletable until such time as it is transferred to the depletable category, generally as a result of the conversion of resource or exploration potential into reserves. On transfer, the asset is tested for impairment.

### (e) Intangible assets

Intangible assets are comprised of the project development costs that have been incurred related to the future investment in a manufacturing facility that management expects to construct. Depreciation will commence once the project is completed.

### (f) Restoration, rehabilitation and environmental obligation

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises.

### (g) Property and Equipment

Property and Equipment is recorded at cost less accumulated depreciation and any impairment. The cost of an item of property and equipment consists of the purchase price and any cost directly attributable to bringing the asset to the location and condition necessary for its intended use.

# METALO MANUFACTURING INC.

Notes to Consolidated Financial Statements  
For the three months ended September 30, 2018  
(Amounts presented in Canadian Dollars)



## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (g) Property and Equipment (continued)

Depreciation is provided using the declining balance method at the following annual rates:

Assets	Rates
Computer hardware	30%
Office furniture and equipment	20%
Industrial equipment	20%
Automotive equipment	30%

### (h) Impairment of Non-Financial Assets

Resource properties that are not subject to amortization, property and equipment and other non-current assets with definite useful lives, are tested for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Project development costs, that are not yet available for use, are subject to an annual impairment assessment. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value (less costs to sell) is the amount obtainable from the sale of the asset or group of assets in an arm's length transaction between knowledgeable and willing parties, less costs to sell. Value in use is equal to the present value of future cash flows expected to be derived from the use and sale of the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU").

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit on a pro rata basis.

Impairment losses may be reversed, except for goodwill, in a subsequent period where the impairment no longer exists or has decreased. The carrying amount after a reversal must not exceed the carrying amount (net of depreciation) that would have been determined had no impairment loss been recognized.

### (i) Share Issuance Costs

Costs incurred for the issuance of common shares are deducted from share capital.

### (j) Foreign Currency

Foreign currency transactions are initially recorded in the functional currency at the transaction date exchange rate. At the balance sheet date, monetary assets and liabilities denominated in a foreign currency are translated into the functional currency at the reporting date exchange rate. Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items at year-end exchange rates are recognized in the income statement.

Non-monetary items measured at historical cost are translated using the historical exchange rate. Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

Financial statements of subsidiaries, affiliates and joint ventures for which the functional currency is not the Canadian dollar are translated into Canadian dollar as follows: all asset and liability accounts are translated at the balance sheet exchange rate and all earnings and expense accounts and cash flow statement items are



# METALO MANUFACTURING INC.

Notes to Consolidated Financial Statements  
For the three months ended September 30, 2018  
(Amounts presented in Canadian Dollars)



## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

translated at average exchange rates for the year. The resulting translation gains and losses are recorded as foreign currency translation adjustments in other comprehensive income and recorded in the currency translation reserve in equity. On disposal of a foreign operation the cumulative translation differences recognized in equity are reclassified to the income statement and recognized as part of the gain or loss on disposal.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognized in other comprehensive income in the translation reserve.

### (k) Income Taxes

Income taxes are calculated using the liability method. Temporary differences arising from the difference between the tax basis of an asset or liability and its carrying amount on the balance sheet are used to calculate deferred income tax liabilities or assets. Deferred income tax liabilities or assets are calculated using the substantively enacted rates and laws that are expected to be in effect in the periods that the temporary differences are expected to reverse. The effect of changes in rates is included in the statement of comprehensive income in the year which included the substantive enactment date. A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

### (l) Stock based Payments

Stock based payment awards that are direct awards of stock to employees or directors, call for settlement in cash or other assets, or are stock appreciation rights that call for settlement by issuing equity instruments, are accounted for using the Black-Scholes option pricing model. The cost is recognized on a straight-line graded method basis adjusted for expected forfeitures as an employee or director expense with a corresponding increase to equity in stock based payment reserve. Consideration paid by employees or directors on the exercise of stock options is recorded as share capital.

Stock based payments with parties other than employees, assumes a rebuttable presumption that the fair value of the goods or services received can be estimated reliably. In certain circumstances, the Corporation rebuts this presumption because it cannot estimate reliably the fair value of the goods or services received. The Corporation then measures the goods or services received, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders service.

### (m) Financial Assets and Liabilities

The Corporation recognizes a financial asset or a financial liability when, and only when, it becomes a party to the contractual provisions of the instrument. Such financial assets or financial liabilities are initially recognized at fair value and the subsequent measurement depends on their classification. Financial assets classified as held-for-trading are recognized at fair value through profit and loss ("FVTPL"). Financial assets classified as available-for-sale are measured at fair value with any resultant gain or loss being recognized directly under other comprehensive income. Investments in equity instruments classified as available-for-sale that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. When available-for-sale financial assets are derecognized, the cumulative gain or loss previously recognized directly in equity is recognized in profit or loss.

# METALO MANUFACTURING INC.

Notes to Consolidated Financial Statements  
For the three months ended September 30, 2018  
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## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (m) Financial Assets and Liabilities (continued)

Financial assets classified as loans and receivables and held to maturity, are measured at amortized cost using the effective interest rate method. Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

All financial liabilities are recognized initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs. Financial liabilities are classified as other financial liabilities, and are subsequently measured at amortized cost using the effective interest rate method.

The Corporation's financial assets include cash and investments. The Corporation's financial liabilities include trade and other payables, short term loans and long-term debt. Classification of these financial instruments is as follows:

<u>Asset/Liability</u>	<u>Classification</u>
Cash	Loans and receivables
Investments	FVTPL
Trade and other payables	Other financial liabilities
Short term loans	Other financial liabilities
<u>Long-term debt</u>	<u>Other financial liabilities</u>

Financial assets are derecognized when the Corporation's rights to cash flows from the respective assets have expired or have been transferred and the Corporation has neither exposure to the risks inherent in those assets nor entitlement to rewards from them. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statements of loss and comprehensive loss.

The Corporation categorizes its financial assets and liabilities measured at fair value into one of three different levels depending on the observability of the inputs used in the measurement.

Level 1: This level includes assets and liabilities measured at fair value based on unadjusted quoted prices for identical assets and liabilities in active markets that are accessible at the measurement date.

Level 2: This level includes valuations determined using directly or indirectly observable inputs other than quoted prices included within Level 1. Derivative instruments in this category are valued using models or other standard valuation techniques derived from observable market inputs.

Level 3: This level includes valuations based on inputs which are less observable, unavailable or where the observable data does not support a significant portion of the instruments' fair value.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Corporation has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

# METALO MANUFACTURING INC.

Notes to Consolidated Financial Statements  
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## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (n) Impairment of Financial Assets

At each reporting date, the Corporation assesses whether there is objective evidence that a financial asset is impaired. A significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If such evidence exists, the Corporation recognizes an impairment loss, as follows:

- Financial assets carried at amortized cost: The loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.
- Available-for-Sale financial assets: The impairment loss is the difference between the original cost of the asset and its fair value at the measurement date, less any impairment losses previously recognized in the statement of income. This amount represents the cumulative loss in accumulated other comprehensive income (loss) that is reclassified to net income.

Impairment losses on financial assets carried at amortized cost and available-for-sale financial assets are reversed in subsequent years if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized. Impairment losses on available for-sale equity instruments are not reversed.

### (o) Critical Accounting Estimates and Judgments

The preparation of consolidated financial statements under IFRS requires the Corporation to make estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of expenses during the year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable. Actual results may differ materially from these estimates. The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying value of assets and liabilities are as follows:

#### Recoverability of Resource Properties

At the end of each reporting year, the Corporation assesses each of its resource properties to determine whether any indication of impairment exists. Judgment is required in determining whether indicators of impairment exist, including factors such as, the year for which the Corporation has the right to explore, expected renewals of exploration rights, whether substantive expenditures on further exploration and evaluation of resource properties are budgeted and results of exploration and evaluation activities on the exploration and evaluation assets.

Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. The impairment analysis requires the use of estimates and assumptions, such as long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance. Fair value of mineral assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. Cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. If the Corporation does not have sufficient information about a particular mineral resource property to meaningfully estimate future cash flows, the fair value is estimated by management through the use of, where available, comparison to similar market assets and, where available, industry benchmarks. Actual results may differ materially from these estimates.

# METALO MANUFACTURING INC.

Notes to Consolidated Financial Statements  
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## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Other non-financial assets

Management assesses impairment of non-financial assets such as intangible assets and property and equipment. In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit ("CGU") based on expected future cash flows. When measuring expected future cash flows, management makes assumptions about future growth of profits which relate to future events and circumstances. Actual results could vary from these estimated future cash flows. Estimation uncertainty relates to assumptions about future operating results and the application of an appropriate discount rate.

### Deferred Income Taxes

The Corporation is periodically required to estimate the tax base of assets and liabilities. Where applicable tax laws and regulations are either unclear or subject to varying interpretations, it is possible that changes in these estimates could occur that materially affect the amounts of deferred income tax assets and liabilities recorded in the consolidated financial statements. Changes in deferred tax assets and liabilities generally have a direct impact on earnings in the year of changes.

Each year, the Corporation evaluates the likelihood of whether some portion or all of each deferred tax asset will not be realized. This evaluation is based on historic and future expected levels of taxable income, the pattern and timing of reversals of taxable temporary timing differences that give rise to deferred tax liabilities, and tax planning initiatives. Levels of future taxable income are affected by, among other things, the market price for gold, production costs, quantities of proven and probable reserves, interest rates, and foreign currency exchange rates.

### Share-based Payments

The Corporation makes certain estimates and assumptions when calculating the estimated fair values of stock options granted and warrants issued. The significant assumptions used include estimates of expected volatility, expected life, expected dividend rate and expected risk-free rate of return. Changes in these assumptions may result in a material change to the expense recorded for grants of stock options and the issuance of warrants.

### (p) Provisions

A provision is recognized in the consolidated balance sheets when the Corporation has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

### (q) Earnings Per Share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to common shareholders by the weighted average number of common shares outstanding during the year. Diluted earnings per share amounts are calculated by dividing the net profit attributable to common shareholders by the weighted average number of shares outstanding during the year plus the weighted average number of shares that would be issued on the conversion of all the potential dilutive ordinary shares into common shares.

# METALO MANUFACTURING INC.

Notes to Consolidated Financial Statements  
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## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (r) Recent Accounting Pronouncements

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after January 1, 2015, and have not been applied in preparing these consolidated financial statements. Accordingly, the Company expects to adopt these standards as set forth below.

#### *i) IFRS 9, Financial Instruments*

IFRS 9, “Financial instruments” (“IFRS 9”) introduces new requirements for the classification and measurement of financial assets. IFRS 9 requires all recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement, to be measured at amortized cost or fair value in subsequent accounting periods following initial recognition. Specifically, financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods.

Requirements for classification and measurement of financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, Financial Instruments – Recognition and Measurement, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

IFRS 9 was amended in November 2013 to: (i) include guidance on hedge accounting; (ii) allow entities to early adopt the requirement to recognize changes in fair value attributable to changes in an entity’s own credit risk, from financial liabilities designated under the fair value option, in other comprehensive loss, without having to adopt the remainder of IFRS 9; and (iii) remove the previous mandatory effective date for adoption of January 1, 2015, although the standard is available for early adoption.

The final version of IFRS 9 was issued in July 2014 and includes: (i) a third measurement category for financial assets – fair value through other comprehensive income; (ii) a single, forward-looking expected loss impairment model; and (iii) a mandatory effective date for IFRS 9 of annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently evaluating the impact of the new standard on its consolidated financial statements.

#### *ii) IFRS 16, Leases*

In January 2016, the IASB issued IFRS 16, “Leases” (“IFRS 16”) effective for annual periods beginning on or after January 1, 2019, with early adoption permitted for entities that have also adopted IFRS 15. IFRS 16 provides a comprehensive model for the measurement, presentation and disclosure of leases and supersedes IAS 17, “Leases”. The adoption of IFRS 16 will result in substantially all lessee leases being recorded on the balance sheet as an asset with a corresponding liability with both current and long-term portions. The Company is currently reviewing the impact of IFRS 16 on its financial statements.

# METALO MANUFACTURING INC.

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## 3. INVESTMENT IN SUBSIDIARY COMPANIES

In March, 2018 GRI, NAIC, Pure Fonte and Petmin Limited “Petmin” agreed to complete a restructuring transaction summarized as follows, most of which has been completed. Prior to the restructuring, Petmin Limited was a 40% shareholder of NAIC and it is now a 10% shareholder of NAIC with an option to purchase a 10% interest in Pure Fonte.

Petmin purchased from NAIC the right to the use of the “Tenova Process” which was classified as an Intangible Asset. At the time of the restructuring Petmin had loans and accumulated management fees and expenses outstanding in the amount of \$2,472,324. Petmin was paid \$693,181CDN and the balance of \$1,779,143 was offset against current year expenses, with the remaining balance in the amount of \$1,653,310 reflected as a transaction with an owner and accordingly has been charged directly to equity. The agreement permits either party to construct a pig iron facility in specified locations, Ohio, US for Petmin and Quebec, Canada for GRI. These exclusive rights will expire in the event either of the parties have not commenced the construction of a pig iron facility within three years of the date of the agreement. NAIC transferred 100% its investment and ownership position in the proposed pig iron facility in Quebec (Pure Fonte Ltée.- a wholly-owned subsidiary of GRI) in consideration of reduction of a portion of its debt owing to GRI. NAIC will retain 100% ownership of the mineral resources at Goose Bay, with GRI holding 90% of its shares and Petmin holding a 10% dilutable ownership position in NAIC. This change of ownership resulted in an increase in controlling interest and a corresponding increase in consolidated retained earnings in the amount of \$3,428,747 at June 30, 2018 with offsetting reduction in non-controlling interest in the amount of (\$5,487,152) and total shareholders equity being reduced by (\$2,058,405).

On or about October 18, 2017, SK 3700 Glover Road Owner LLC, the landlord, served a notice on FSM indicating that a Confession of Judgment for Money (the “Judgment”) was granted against Forks by the Court of Common Pleas Northampton County in Pennsylvania, USA. The Judgment was in the amount of US\$1,189,563 for rental arrears, accelerated rent and attorney’s fees. On December 28, 2017, FSM filed for bankruptcy under Chapter 7 of the United States Bankruptcy Code in the United States Bankruptcy Court, Eastern District of Pennsylvania. The proceedings are ongoing at the time of preparation of these consolidated financial statements. See latest update in subsequent events. During 2018 cumulative translation adjustments of \$398,557 have been reclassified to the statement of income from equity. See further details, Note 21.

## 4. INVESTMENTS

The Corporation has the following holdings and disposition of investments:

	Period Ended	
	30-Sep-18	30-Jun-18
	\$	\$
Market value investment end of period	3,280	3,200
Cost of investments beginning of period	5,708	20,426
Additions	-	-
Disposals	-	(14,718)
Cost of investment end of period	5,708	5,708
Unrealized gain (loss) end of period	(2,428)	(2,508)
Unrealized gain (loss) beginning of period	(2,508)	52
Change in unrealized gain (loss) during the period	80	(2,560)



# METALO MANUFACTURING INC.

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## 5. RESOURCE PROPERTIES

Resource Properties - Labrador Mineral Sands	Three Months Ended	
	30-Sep-18	30-Sep-17
	\$	\$
Balance beginning of period	57,170,334	57,138,760
Interest Accretion	8,348	7,629
Balance end of period	57,178,682	57,146,389

The Labrador Mineral Sands relates to licenses held by NAIC, which include Churchill River, Mud Lake, Muskrat Lake, Goose Bay, and Hamilton River. Additions to resource properties includes accretion on the ACOA loan (Note 9).

Commencing in 2015, NAIC began pursuing the evaluation of accessory minerals associated with the Labrador Mineral Sands properties. These minerals primarily include feldspar and silica quartz. In 2017, NAIC made the decision to abandon further evaluation of the iron ore with the objective to pursue the accessory minerals only. NAIC expects to commission a market feasibility study in the near term to further understand the development potential associated with the accessory minerals in the properties. In determining the recoverable amount of the resource properties, NAIC has made estimates regarding the quantity of accessory minerals to be extracted, the accessory mineral prices expected to be in place at the time of extraction, the direct costs associated with mining these minerals and total project capital expenditures. Based on this analysis, NAIC believes the carrying amount to be recoverable. Given the uncertainty associated with each of the above assumptions, it is reasonably possible that outcomes which differ from these assumptions could require material adjustment to the carrying amount of the resource properties in the future.

## 6. PROJECT DEVELOPMENT COSTS

The Corporation is planning the development of a low cost North American producer of foundry grade pig iron. The costs incurred to date relate primarily to a Bankable Feasibility Study. As part of the restructuring transaction described in Note 3, the Company transferred elements of the Bankable Feasibility Study to Petmin for cash consideration of US \$2,900,000, resulting in a gain of \$2,249,678 which has been recorded in the consolidated statement of income and comprehensive income.

Costs incurred and disposals to date are as follows:

Project development costs	Three Months Ended	
	30-Sep-18	30-Sep-17
	\$	\$
Balance beginning of period	1,462,322	2,074,815
Costs incurred (disposals)	-	850,179
Balance end of period	1,462,322	2,924,994

# METALO MANUFACTURING INC.

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## 7. PROPERTY AND EQUIPMENT

Property and equipment consist of the following.

As result of the action of the landlord in Forks and due to the uncertainty with the expected future use of these assets, the Corporation has recognized an impairment of industrial equipment in the amount of \$1,990,435 in 2017 and an impairment of office furniture and equipment in in the amount of \$20,609 in 2018. See note 3 and Note 21.

	Computer equipment \$	Industrial equipment \$	Office furniture and equipment \$	Total \$
<b>For the year ended June 30, 2018</b>				
Opening net book value	3,255	64,369	20,963	88,586
Sale of Equipment	-	(33,873)	-	(33,873)
Impairment of equipment	-	-	(20,609)	(20,609)
Depreciation	(976)	(11,746)	(71)	(12,793)
Net Book Value	2,278	18,750	282	21,311
<b>As at June 30, 2018</b>				
Cost	19,476	97,773	2,923	120,172
Accumulated depreciation	(17,197)	(79,023)	(2,640)	(98,861)
Net Book Value	2,278	18,750	282	21,311
<b>For the period ended September 30, 2018</b>				
Opening net book value	2,278	18,750	282	21,311
Depreciation	(171)	(938)	(14)	(1,123)
Net Book Value	2,108	17,812	268	20,188
<b>As at September 30, 2018</b>				
Cost	19,476	97,773	2,923	120,172
Accumulated depreciation	(17,368)	(79,961)	(2,654)	(99,982)
Net Book Value	2,108	17,812	268	20,188

## 8. SHORT TERM LIABILITIES

On August 25, 2016, GRI borrowed \$250,000 from an unrelated party for 90 days with interest at 6% per annum, accruing monthly, plus 50,000 common share purchase warrants exercisable on or before August 25, 2019 at an exercise price of \$0.01 per share. The loan is repayable on demand, no later than December 31, 2018.

On September 29, 2016, GRI borrowed \$250,000 from Forest Lane Holdings Limited "FLH", a Company controlled by an Director of the Corporation, for 90 days with interest at 6% per annum, accruing monthly, plus 50,000 common share purchase warrants exercisable on or before September 29, 2019 at an exercise price of \$0.01 per share. FLH also extended a line of credit facility bearing interest at 6% per annum, accruing monthly, to GRI of which GRI has drawn down \$2,105,000 as at September 30, 2017. The loan and line of credit have been combined into a demand note, with no fixed terms of repayment, for \$2,355,000 with interest at 6% per annum accruing monthly.



# METALO MANUFACTURING INC.

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## 8. SHORT TERM LIABILITIES (continued)

On August 31, 2017, GRI received from David J. Hennigar, Chairman of the Corporation, a loan of \$2,000,000 bearing interest at 12% per annum payable monthly. Subsequent to year end, a loan extension was signed extending the payment of principal, without penalty, on or before August 31, 2019, and the holder has the option to convert the principal of the loan and the interest accrued on the loan to common shares at a conversion rate of \$2.10 per share.

The loan balances in the table below include interest accrued to September 30, 2018

	30-Sep-18	30-Jun-18
	\$	\$
Short term loan from unrelated party interest at 6% due December 31, 2017	283,338	279,095
Short term loan from related party interest at 6% due on demand	2,588,340	2,549,749
Short term loan from related party interest at 12% due on August 31, 2019	2,019,680	2,000,000
Balance end of period	4,891,357	4,828,844

## 9. LONG TERM DEBT

### ACOA Loan

In fiscal 2012, NAIC received an interest-free repayable loan from ACOA, a government agency, in the amount of \$500,000 related to resource properties. The loan is repayable in five annual equal and consecutive installments commencing six months after the end of the fiscal year in which 'Project Success' is achieved. It is anticipated that project success will be achieved in the fiscal year ending June 30, 2020 and repayments will commence in December 2020. The carrying value of the loan has been discounted using an effective interest rate of 9%.

### Convertible Debenture

On May 1, 2015, the Corporation announced that it had completed a non-brokered private placement of an unsecured convertible debenture for proceeds of \$2,000,000 with FLH. The debenture matures on May 1, 2020 and bears interest at a rate of 5% per annum payable quarterly. The debenture is convertible, at the option of the holder, into common shares of the Corporation on or prior to the maturity date. The conversion price will be \$0.80 per common share if exercised within 12 months of closing and will increase by \$0.05 per common share on the anniversary date each year thereafter until the maturity date.

At the option of the Corporation, quarterly interest may be converted into common shares of the Corporation at a conversion price equal to the volume-weighted average trading price of the shares for the 20 consecutive trading days ending on the fifth trading day preceding the determination date. The determination date is 15 business days prior to the payment date. The debenture will not be listed on the CSE, however the common shares issuable upon any conversion will be listed and will be subject to a four month hold period from the date of issuance. See Note 10.

# METALO MANUFACTURING INC.

Notes to Consolidated Financial Statements  
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## 9. LONG TERM DEBT (continued)

The debenture is a compound financial instrument and as such has been recorded as a liability and as equity. The liability component was valued first and the difference between the proceeds of the debenture and the fair value of the liability was assigned to the equity component. The present value of the liability was calculated using a discount rate of 14% which approximated the interest rate that would have been applicable to non-convertible debt of the Company at the time the debenture was issued. The liability component will be accreted to the face value of the liability using the effective interest method. The accretion of the liability is charged at an effective interest rate of 14% such that at maturity the liability component is equal to the face value of the outstanding debenture. The balance of the liability component is shown in the table below.

### Term Note

On July 5, 2018 an unsecured loan in the amount of \$621,000 was provided to Pure Fonte Ltée by a non-related party. The loan bears interest at a rate of 5% per annum and matures three years from the date of receipt. The interest shall accrue and will be capitalized to the end of term. The principal and accumulated interest can be converted into shares at the option of the holder.

	Period Ended	
	30-Sep-18	30-Sep-17
	\$	\$
<b>ACOA Loan</b>		
Loan amount beginning of year	368,267	336,684
Accretion capitalized to resource properties	8,348	31,583
Balance end of period	376,616	368,267
<b>Convertible debenture</b>		
Amount outstanding beginning of year	1,725,134	1,594,866
Accretion expense for period	35,500	130,268
Balance end of period	1,760,634	1,725,134
<b>Term Loan</b>		
Principal amount	621,000	-
Accrued interest capitalized	7,486	-
	628,486	-
Total	2,765,736	2,093,401

The future minimum payments associated with the above debt instruments are as follows:

	US\$	C\$
2018	-	-
2019	-	-
2020	-	2,100,000
2021	-	728,486
2022	-	100,000
Thereafter	-	200,000

# METALO MANUFACTURING INC.

## Notes to Consolidated Financial Statements For the three months ended September 30, 2018 (Amounts presented in Canadian Dollars)



### 10. SHARE CAPITAL

On August 2, 2016, the Corporation issued 25,518 common shares to FLH. This issuance represents interest due August 1, 2016 in the aggregate amount of \$25,000 on the convertible debenture and was made at a deemed price of \$0.9797 per share, which is the volume-weighted trading price for the 20 trading days ending July 1, 2016.

On November 1, 2016, the Corporation issued 36,398 common shares to FLH. This issuance represents interest due November 1, 2016 in the aggregate amount of \$25,000 on the convertible debenture and was made at a deemed price of \$0.6869 per share, which is the volume-weighted trading price for the 20 trading days ending October 3, 2016.

On February 1, 2017, the Corporation issued 48,685 common shares to FLH. This issuance represents interest due February 1, 2017 in the aggregate amount of \$25,000 on the convertible debenture and was made at a deemed price of \$0.5135 per share, which is the volume-weighted trading price for the 20 trading days ending January 4, 2017.

On May 1, 2017, the Corporation issued 63,762 common shares to FLH. This issuance represents interest due May 1, 2017 in the aggregate amount of \$25,000 on the convertible debenture and was made at a deemed price of \$0.3921 per share, which is the volume-weighted trading price for the 20 trading days ending March 31, 2017.

On August 1, 2017, the Corporation issued 41,667 common shares to FLH. This represents interest due August 1, 2017 in the aggregate amount of \$25,000 on the convertible debenture and was made at a deemed price of \$0.60 per share, which is the volume-weighted trading price for the 20 trading days ending July 4, 2017.

On November 1, 2017, the Corporation issued 53,914 common shares to FLH. This represents interest due November 1, 2017 in the aggregate amount of \$25,000 on the convertible debenture and was made at a deemed price of \$0.4637 per share, which is the volume-weighted trading price for the 20 trading days ending October 3, 2017.

On February 1, 2018, the Corporation issued 58,080 common shares to FLH. This represents interest due February 1, 2018 in the aggregate amount of \$25,000 on the convertible debenture and was made at a deemed price of \$0.4304 per share, which is the volume-weighted trading price for the 20 trading days ending January 4, 2018. The securities are subject to a four month hold period following the date of issuance.

On May 1, 2018, the Corporation issued 62,574 common shares to FLH. This issuance represents interest due May 1, 2018 in the aggregate amount of \$25,000 on the convertible debenture and was made at a deemed price of \$0.3995 per share, which is the volume-weighted trading price for the 20 trading days ending March 31, 2018.

On August 1, 2018, the Corporation issued 69,351 common shares to FLH. This represents interest due August 1, 2018 in the aggregate amount of \$25,000 on the convertible debenture and was made at a deemed price of \$0.3605 per share, which is the volume-weighted trading price for the 20 trading days ending July 4, 2018.

All the securities issued are subject to a four month hold period following the date of issuance.

### COMMON STOCK OUTSTANDING

Authorized: Unlimited number of common shares without par value	Sept. 30, 2018		June 30, 2018	
	Number of Shares	Amount	Number of Shares	Amount
Issued and outstanding beginning of period	17,697,757	\$ 9,173,978	17,481,402	\$ 9,073,978
Issued in payment of interest	69,351	25,000	100,000	100,000
Issued and outstanding end of period	17,767,108	\$ 9,198,978	17,581,402	\$ 9,173,978

Weighted average issued and outstanding - 17,743,363 (2017 - 17,384,638)

# METALO MANUFACTURING INC.

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## 11. STOCK BASED COMPENSATION PLAN

The Board of Directors has established a stock option plan under which options to purchase common shares are granted to directors, officers, and key employees of the Corporation. Options to acquire common shares are granted at option prices which shall be not less than the fair market value of the shares at the time the option is granted. Fair market value shall be deemed to be the average between the highest and lowest prices at which the common shares are traded on the day the option is granted and if not so traded, the average between the closing bid and asked prices thereof as reported for the day on which the option is granted. Options expire between one and ten years from the date of the grant.

The Corporation has reserved 3,450,203 (2017 – 3,450,203) common shares pursuant to the stock option plan. There are 2,114,000 (2017 - 2,114,000) options to acquire common shares outstanding under the plan as at September 30, 2018. Any unexercised options that expire or are forfeited become available again for issuance under the plan.

Options issued and outstanding as at September 30, 2018:

Options Outstanding and Exercisable			
Number of options outstanding	Expiry Date	Exercise Price \$	Number of options exercisable
144,000	28-May-2022	0.65	144,000
450,000	30-Nov-2022	0.65	450,000
985,000	6-Dec-2023	0.85	985,000
535,000	8-Dec-2024	0.75	535,000
2,114,000		0.77	2,114,000

### GRI Stock Option Plan

The Board of Directors of GRI has established a stock option plan under which options to purchase common shares are granted to directors, officers, and key employees of GRI. Options to acquire common shares are granted at prices as determined by the Board of Directors. Options expire five years from the date of the grant.

GRI has reserved 2,376,933 (2017 - 2,376,933) common shares pursuant to the stock option plan. There are 1,048,000 (2017 – 1,206,000) options to acquire common shares outstanding under the plan as at June 30, 2018. Any unexercised options that expire or are forfeited become available again for issuance under the plan.

On May 27, 2016, GRI granted 150,000 options to directors, officers, employees and consultants of GRI under the stock purchase plan at an exercise price of \$2.50. These options vested immediately and expire in 5 years. The fair value of these option was estimated at the date of grant using the Black-Scholes pricing model with the following weighted average assumptions; risk free interest rates of 0.78%; dividend yields of nil; volatility factor of 164.02%; share prices of \$2.07; and a weighted average expected life of the option of 5 years.

# METALO MANUFACTURING INC.

Notes to Consolidated Financial Statements  
For the three months ended September 30, 2018  
(Amounts presented in Canadian Dollars)



## 11. STOCK BASED COMPENSATION PLAN (continued)

Options issued and outstanding as at September 30, 2018:

Continuity of Stock Options Issued and Outstanding				
	September 30, 2018		June 30, 2017	
	Number of Stock Options	Weighted Average Exercise Price	Number of Stock Options	Weighted Average Exercise Price
Beginning Balance	1,048,000	\$2.15	1,206,000	\$1.60
Expired	-	\$0.00	(87,000)	\$1.25
Cancelled	-	\$0.00	(71,000)	\$0.00
Ending Balance	1,048,000	\$2.15	1,048,000	\$2.15

  

Grant Date	Expiry Date	Exercise Price	Issued September 30, 2018	Exercisable
Dec. 06, 2013	Dec. 06, 2018	\$2.10	450,000	450,000
Dec. 08, 2014	Dec. 08, 2019	\$2.10	448,000	448,000
May 27, 2016	May 27, 2021	\$2.50	150,000	150,000
Total		\$2.15	1,048,000	1,048,000

## 12. COMPARATIVE NUMBERS

An adjustment resulting in a decrease in retained earnings and an increase in non-controlling interest in the amount of \$5,682,373 as at July 1, 2016 was made to the June 30, 2017 consolidated statement of changes in equity in order to realign the treatment of historical injections of capital by Petmin in NAIC and their effect on the allocation of the Group's equity between the shareholders and the non-controlling interests.

## 13. EXPENSES BY NATURE

	3 months ended	
	30-Sep-18	30-Sep-17
Operating expenses		
Utilities	204	23,053
Dues and fees	3,161	2,418
Facility costs	-	5,722
Foreign exchange gain	4,326	(70,570)
General and administrative	5,223	5,662
Insurance	875	22,073
Management and consulting fees	194,079	280,956
Professional fees	17,000	85,000
Rental	8,482	258,731
Travel	8,160	14,945
Salaries and wages	18,661	136,481
	260,172	764,471

# METALO MANUFACTURING INC.

Notes to Consolidated Financial Statements  
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## 14. RELATED PARTY TRANSACTIONS

In addition to the related party loans described in Notes 8 and 9 the Corporation has the following related party transactions. The compensation expense associated with key management, directors and employees for services is as follows:

	Period Ending	
	30-Sep-18	30-Sep-17
	\$	\$
Management fees	68,750	165,000
Consulting fees	65,000	931,513
Directors fees	-	15,750
Salaries and benefits	18,661	573,621
Operating expenses	152,411	1,685,884

The Corporation has issued shares in lieu of payment of interest on a related party loan as described in Note 9, see Note 10 for details.

The Corporation paid office rent in the amount of \$7,950 to Torvan Capital Group, a division of Ashley Park Enterprises Inc., a company controlled by a director of the Corporation.

## 15. EARNINGS (LOSS) PER SHARE

Earnings (loss) per share is calculated by dividing the net income (loss) per financial statements by the weighted average number of common shares outstanding for the year. The Company has an income in the current year and a loss in prior years and the options effect is anti-dilutive.

## 16. INCOME TAXES

The Corporation's income taxes have been calculated as follows:

	Period Ended	
	30-Sep-18	30-Sep-17
	\$	\$
Income (loss) before income taxes	(436,780)	(908,866)
Combined Federal and Provincial tax rate	31%	31%
Expected expense (recovery) at statutory rates	135,402	281,748
Unrecognized tax assets	-	-
Subsidiary rate differential	(2,385)	(7,055)
Non-taxable items related to restructuring	-	-
Other	(11,001)	17,248
Deferred tax recovery	122,016	291,941

# METALO MANUFACTURING INC.

Notes to Consolidated Financial Statements  
For the three months ended September 30, 2018  
(Amounts presented in Canadian Dollars)



## 16. INCOME TAXES (continued)

Deferred tax liability consists of:

	30-Sep-18	30-Sep-17
	\$	\$
Non-capital losses	5,620,676	6,484,426
Iron interests	(11,279,660)	(11,261,210)
Intangible asset	-	(877,499)
Property and equipment	1,234	1,044
Loans receivable	-	194,352
Long-term Debt	121,980	170,535
Investment	(992)	(1,915)
Share issue costs	-	24,275
	(5,536,762)	(5,265,992)

  

	2018	2017
Expiry of Non-Capital Losses	\$	\$
2028	22,819	22,819
2029	285,264	285,264
2030	68,825	68,825
2031	145,349	331,346
2032	110,470	534,563
2033	646,454	1,740,499
2034	1,260,627	2,448,464
2035	1,289,976	2,467,806
2036	8,003,481	8,003,481
2037	7,483,943	7,018,053
2037	1,638,931	-
	20,956,139	22,921,120

## 17. COMMITMENTS

In March, 2018 GRI, NAIC, Pure Fonte and Petmin agreed to complete a restructuring transaction summarized as follows, most of which has been completed, however, Petmin has an option to purchase a 10% interest in Pure Fonte in exchange for a 10% interest in Petmin's Ohio facility.

## 18. MANAGEMENT OF CAPITAL

The Corporation defines capital that it manages as the aggregate of its long-term debt, share capital, equity component convertible debenture, stock based payment reserve, accumulated other comprehensive income, retained earnings and non-controlling interest. Its objective when managing capital is to ensure that the Corporation will continue as a going concern, so that it can provide returns to its shareholders. See note 1.

# METALO MANUFACTURING INC.

Notes to Consolidated Financial Statements  
For the three months ended September 30, 2018  
(Amounts presented in Canadian Dollars)



## 18. MANAGEMENT OF CAPITAL (continued)

	30-Sep-18	30-Jun-18
	\$	\$
Long term debt	2,765,736	2,093,401
Share capital	9,198,978	9,173,978
Equity component convertible debenture	649,593	649,593
Stock based payment reserve	1,284,000	1,284,000
Retained earnings	6,975,977	7,152,898
Non-controlling interest	27,367,579	27,505,422
	48,241,863	47,859,292

The Corporation manages its capital structure and makes adjustments to it in light of economic conditions. The Corporation, upon approval from its Board of Directors, will make changes to its capital structure as deemed appropriate under the specific circumstances.

The Corporation is not subject to any externally imposed capital requirements or debt covenants, and does not presently utilize any quantitative measures to monitor its capital. The Corporation's overall strategy with respect to management of capital remains unchanged from the year ended June 30, 2018.

## 19. FINANCIAL INSTRUMENTS

The carrying amounts reported on the financial statements for cash, accounts receivable, trade and other payables and short term loans all approximate their fair values due to their immediate or short-term nature. Management believes the carrying amounts of long-term debt also approximate their fair values, as they believe the effective interest rates used by management in determining the carrying values of long-term debt continue to be appropriate.

### Risk Disclosures

The main risks the Corporation's financial instruments could be exposed to are credit risk, liquidity risk, foreign exchange risk, and interest rate risk.

### Credit Risk

Trade and other payables are due in the next 12 months. The Corporation's credit risk is primarily attributable to its cash. The Corporation places its cash with high quality financial institution and in reliable trust account in Canada, and as result, believes its exposure to credit risk is minimal.

### Liquidity Risk

The Corporation's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Corporation's reputation. To the extent that the Corporation does not believe it has sufficient liquidity to meet these obligations, management will consider securing additional funds through debt or equity transactions. The Corporation manages its liquidity risk by continuously monitoring forecast and actual cash flows from operations. In recent years, additional loans from directors/shareholders, and new equity financing have provided the necessary liquidity required. Trade and other payables are due within 12 months. See Note 9 for contracted payments of long term debt. See note 1.



# METALO MANUFACTURING INC.

Notes to Consolidated Financial Statements  
For the three months ended September 30, 2018  
(Amounts presented in Canadian Dollars)

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## 19. FINANCIAL INSTRUMENTS (continued)

### Foreign Currency Risk

The Corporation limited US dollar exposure, however, maintains some US denominated bank accounts to settle trade payables denominated in US dollars and a five percent change in the US dollar to Canadian dollar exchange rate would not have a significant impact on their carrying values.

### Interest Rate Risk

The Corporation is exposed to interest rate price risk to the extent that a portion of the long-term debt is at a fixed interest rate.

## 21. SUBSEQUENT EVENTS

FSM has had several meetings with the creditors and with the trustee in bankruptcy requesting additional documentation which has been subsequently provided. There are no meetings of creditors scheduled. As the bankruptcy proceedings are ongoing, there can be no assurance that the trustee will approve the petition for bankruptcy without challenge or whether amounts contained therein are ultimately the responsibility of the Company. Management believes there is no basis for the trustee to challenge the petition.

## 22. SEGMENTED INFORMATION

As at September 30, 2018 the Corporation had a corporate head office and three operating business segments;

1. GRI, a private corporation, incorporated under the *Companies Act* of Nova Scotia, is a development stage enterprise in the process of exploring its mineral properties, held indirectly through its majority-owned subsidiary North Atlantic Iron Corporation.
2. NAIC, a private corporation, incorporated under the *Corporations Act* of Newfoundland and Labrador, is a development stage enterprise in the process of exploring its mineral properties in Newfoundland and Labrador, Canada and the development of a foundry grade pig iron manufacturing plant. It is a majority owned subsidiary of GRI.
3. PURE FONTE a federally incorporated private entity created under the *Canada Business Corporations Act* and registered extra-provincially in Quebec to be engaged in the production of iron ore.
4. FSM, a private corporation, incorporated under the laws of Pennsylvania which discontinued operation in December 2017.

# METALO MANUFACTURING INC.

Notes to Consolidated Financial Statements  
For the three months ended September 30, 2018  
(Amounts presented in Canadian Dollars)



## 22. SEGMENTED INFORMATION (continued)

	Corporate		GRI		NAIC		FSM		Pure Fonte		Eliminations		Consolidated	
	30-Sep-18	30-Sep-17	30-Sep-18	30-Sep-17	30-Sep-18	30-Sep-17	30-Sep-18	30-Sep-17	30-Sep-18	30-Sep-17	30-Sep-18	30-Sep-17	30-Sep-18	30-Sep-17
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue - intersegment	-	-	-	-	-	-	-	94,517	-	-	-	(94,517)	-	-
Operating expenses	26,491	34,447	182,471	250,257	16,713	337,794	-	335,277	34,498	-	-	(193,304)	260,172	764,471
EBITDA	(26,491)	(34,447)	(182,470)	(250,257)	(16,713)	(337,794)	-	(240,761)	(34,498)	-	-	98,787	(260,172)	(764,473)
Depreciation and Amortization	-	-	(280)	(358)	(842)	(3,123)	-	(992)	-	-	-	-	(1,123)	(4,473)
Interest and bank charges	(20,185)	(19,073)	(109,053)	(67,165)	(242)	(11,810)	-	(37,235)	(10,585)	-	-	-	(140,065)	(135,284)
Interest accretion	(35,500)	(30,887)	-	-	-	-	-	31,373	-	-	-	-	(35,500)	484
Gain (loss) on subsidiary debt	-	-	-	-	-	-	-	-	-	-	-	-	-	(1)
Gain on sale of intangible asset	-	-	-	-	-	-	-	-	-	-	-	-	-	(1)
Impairment of property & equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	(1)
Loss on sale of property & equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	(1)
Realized gain (loss) on investments	-	-	-	-	-	-	-	-	-	-	-	-	-	(1)
Unrealized gain on investments	-	-	80	(5,126)	-	-	-	-	-	-	-	-	80	(5,127)
	(55,685)	(49,960)	(109,254)	(72,648)	(1,084)	(14,933)	-	(6,854)	-	-	-	-	(176,608)	(144,404)
Segment income (loss) before taxes	(82,176)	(84,407)	(291,724)	(322,905)	(17,797)	(352,727)	-	(247,615)	(34,498)	-	-	98,787	(436,780)	(6,863,917)
Total assets	5,279,368	5,399,140	6,079,889	6,495,146	57,304,760	57,966,386	-	648,610	3,016,454	-	(12,770,097)	(8,350,744)	58,910,373	60,756,882
Total liabilities	7,385,692	6,946,186	5,629,426	4,731,980	561,699	3,077,318	-	4,409,811	2,505,175	-	(2,655,233)	(2,836,662)	13,426,761	14,384,951

The Corporation's Board of Directors evaluates the performance of these segments and allocates resources to them based on certain performance measures (mainly earnings from operations and cash flow from operations). Segment earnings correspond to each business' earnings from operations. The Corporation's management reporting system evaluates performance based on a number of factors; however, the primary profitability measure is the earnings from operations before depreciation, amortization, net financing income or expense and income taxes ("EBITDA").

### Geographical segments

The above segments are managed on a worldwide basis, but operate in two principal geographical areas, namely, Canada and the United States. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets. Revenue from external customers for the year ending September 30, 2018 was \$ nil. (2017 \$ nil)

	30-Sep-18	30-Sep-17
	\$	\$
Canada	58,910,373	60,108,272
United States of America	-	648,610
Total non-current assets	58,910,373	60,756,882

Schedule "B"  
N/A



**METALO MANUFACTURING INC.  
INTERIM MD&A-QUARTERLY HIGHLIGHTS  
FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2018**

The following is a discussion of the unaudited interim consolidated financial condition and results of operations of Metalo Manufacturing Inc. ("MMI" or "the Corporation") for the first quarter ended September 30, 2018. This interim discussion and analysis should be read in conjunction with the Corporation's quarterly unaudited interim financial statements for the quarter ended September 30, 2018 and the annual audited consolidated financial statements and the annual MD&A for the year ended June 30, 2018.

The consolidated financial statements are presented in Canadian dollars and have been prepared in compliance with International Financial Reporting Standards ("IFRS"), as issued by the IASB, and the Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). These accounting policies are based on the IFRS standards and IFRIC interpretations that are applicable at September 30, 2018.

Additional information about MMI can be found on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Canadian Securities Exchange at [www.cse.ca](http://www.cse.ca)

This MD&A is dated as of November 23, 2018 and contains discussion of material events up to and including that date.

**CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This MD&A may contain forward-looking statements that are based on the Corporation's expectations, estimates and projections regarding its business and the economic environment in which it operates. These statements speak only as of the date on which they are made, are not guarantees of future performance and involve risks and uncertainties that are difficult to control or predict. Examples of some of the specific risks associated with the operations of the Corporation are set out below under "Risk Factors". Actual outcomes and results may differ materially from those expressed in these forward-looking statements and readers should not place undue reliance on such statements.

**CORPORATE OVERVIEW**

METALO MANUFACTURING INC. is a publicly listed Corporation, trading on the Canadian Securities Exchange (the "CSE"), with a ticker symbol "MMI", headquartered in Toronto, Canada.

The Corporation's principal asset is a 43.92% shareholding in Grand River Ironsands Incorporated (GRI), a private company incorporated in the Province of Nova Scotia. GRI owns 90% (60% 2017) of North Atlantic Iron Corporation (NAIC), a private corporation that is involved in the exploration and development of a mineral sands project near Happy Valley-Goose Bay, NL, Canada. GRI also owns 100% of Pure Fonte Ltée (previously 8593302 Canada Inc.) (PFL or Pure Fonte) (dilutable to 90%), a Federal corporation based in Quebec established to construct a pig iron plant.



In March, 2018 GRI, NAIC, Pure Font and Petmin Limited completed a major restructuring which resulted in the reduction of Petmin's interest in NAIC to 10% and an option to purchase a 10% interest in Pure Font. In addition, NAIC transferred its investment in Pure Font to GRI, retaining 100% ownership of the mineral sands at Goose Bay, Labrador and Newfoundland.

NAIC and GRI have invested substantial funds to prove the economic viability and to develop a bankable feasibility study related to the planned construction of the pig iron facility, this included site selection, preliminary environmental assessment and permitting, process design and engineering and logistics.

GRI currently owns 100% of the investment in PFL and going forward NAIC will focus solely on the development of the mineral sands resource and PFL will focus solely on the financing and construction of a pig iron manufacturing plant in Quebec (Refer to Note 3 in the consolidated financial statements).

Not included in this discussion is Forks Specialities Metal Inc. ("FSM"), which ceased operations and on December 28, 2017, filed for bankruptcy under Chapter 7 of the United States Bankruptcy Code in the Eastern District of Pennsylvania. The bankruptcy proceedings are progressing and GRI has made provision for the write off of all assets, advances receivable and liabilities associated with FSM (Refer to Notes 3, 7 and 20 in the consolidated financial statements).

## OVERVIEW OF NAIC

NAIC's exploration properties are in the Happy Valley, Goose Bay region of Newfoundland and Labrador. The claims are in central Labrador immediately to the east, west, south, southwest and southeast of the Town of Happy Valley-Goose Bay. The claims extend west of Muskrat Falls along the lower Churchill River to Hamilton Inlet and from the Churchill River to the boundary of the Mealy Mountains National Park. GRI has undertaken a major review of all claims with a view to only maintain those claims that are critical to the mining operation in Goose Bay, Newfoundland and Labrador and to reduce carrying costs and future work commitments. This review resulted in the cancellation and forfeiture of minerals claims associated with several significant blocks. At the date of the MD&A the property comprises 181 claims in 3 claim blocks with a total area of approximately 23 square kilometres. Management are confident that this significant reduction in claims will have no material impact on a future development solution.

## NAIC Mineral Claims

Mineral claim deposits are licenses held by NAIC with the province of Newfoundland and Labrador that required a deposit and commitment by NAIC to inject a prescribed amount of exploration expenditures into the land designated by the license within a five- year time frame. As at the date of the MD&A the Corporation has injected the prescribed amount of exploration expenditures into the remaining mineral claims.

On June 17, 2014, the Corporation filed on SEDAR "NI 43-101" highlighting resource estimates from three major mineral blocks contained within the Corporation's Labrador mineral claims, together with extensive mineral analysis, processing tests, smelting, and melt tests conducted over the last 12-24 months. The "NI 43-101" was prepared by SRK Consulting (Canada) Inc. supplemented by technical assistance and review for processes and mineral testing by Hatch Engineering of Mississauga, ON. Please refer to the "NI 43-101" document for detailed resource estimates, detailed mineral analysis, and detailed results from the smelting and melt tests conducted by the Corporation. The FSM facilities undertook the extensive smelting tests required to prove the technical viability of producing pig iron from NAIC's iron sands.

In 2015 due to the oversupply of iron ore feedstock it was decided to source iron ore from other Canadian producers for its first pig iron plant. At that time NAIC began pursuing the evaluation of accessory minerals associated with the Labrador Mineral Sands properties. These minerals primarily include garnet, zircon, feldspars, and silica sands. In 2017, NAIC made the decision to abandon further evaluation of the iron interests with the objective to pursue the accessory

minerals only. NAIC expects to commission a market feasibility study in the near term to further understand the development potential associated with the accessory minerals in the properties.

In determining the recoverable amount of the resource properties, NAIC has made estimates regarding the quantity of accessory minerals to be extracted, the accessory mineral prices expected to be in place at the time of extraction, the direct costs associated with mining these minerals and total project capital expenditures. Based on this analysis, NAIC believes the carrying amount to be recoverable. Given the uncertainty associated with each of the above assumptions, it is reasonably possible that outcomes which differ from these assumptions could require material adjustment to the carrying amount of the resource properties in the future.

NAIC continues to evaluate the accessory minerals associated with the Labrador Mineral Sands properties. These minerals primarily include garnet, zircon, feldspars, and silica sands. NAIC needs to commission a market feasibility study to further understand the development potential associated with the accessory minerals, which it intends to do once satisfactory financing is arranged.

## OVERVIEW OF PFL

The restructuring process delayed some critical decisions, however, with that issue for the most part resolved, GRI has accelerated its efforts to advance the Pure Fonte pig iron plant. This plant will become the first specialized producer in North America of premium pig iron and has been designed to provide a new standard for environmental emissions and stewardship as well as to be strategically located to provide competitive advantage in both access to raw materials as well as access to markets.

Design attributes required:

1. Essential to ensure the lowest generation of greenhouse gases (GHG's) per tonne of pig iron produced in the industry;
2. Must provide economic returns necessary to ensure the required capital investment is available;
3. Manufacturing process must be capable of producing premium grade pig iron, to guarantee best pricing and least market volatility;
4. Location must be supported by the government and the community, provide skilled labour and competitive infrastructure;
5. Location must serve and be competitive in the both European and North American markets.

The Bankable Feasibility Study (BFS) is complete for the \$408 million pig iron manufacturing plant for the Quebec site. In addition, the Environmental Assessment has been commissioned for the Quebec site and will continue as the project is advanced.

GRI has engaged Brock Capital of New York as its investment bank on structuring the US\$408 million required for the pig iron plant. Plans are to close a tranche of US\$20 million prior to the end of Q3 to fulfil those financial needs identified as “pre-construction”. Efforts to secure the required capital are well underway.

The economics of the plant continues to improve, due to the market for pig iron remaining above US\$400/tonne for more than one year, with the price for premium pig iron reaching US\$500/tonne. Also, raw materials prices for iron ore, natural gas and electricity have remained in forecasted ranges. GRI are very close to finalizing purchase commitments from vendors to ensure coverage of 100% of plant production.

The key goals for the initial pig iron manufacturing initiative for the next several months will be to; (i) complete the permitting process; (ii) release excerpts of the Bankable Feasibility Study for the chosen site; (iii) review the project economics and complete and publish the Economic Assessment; (iv) assess the interest of strategic partners for partnering, off-take and other possible business arrangements; (v) initiate a capital raise campaign and other corporate related requirements with all partners to the project.

## FINANCIAL SUMMARY

The following discussion addresses the operating results and financial condition of the Corporation for the first quarter ended September 30, 2018. This discussion and analysis is qualified in its entirety by reference to and should be read in conjunction with the Corporation's unaudited financial statements for the quarter ended September 30, 2018 and the audited consolidated financial statements for the year ended June 30, 2018 and the related notes thereto, as well as reference to the forward-looking statements within this report. All results in this report are presented in Canadian dollars, unless otherwise indicated.

## HIGHLIGHTS

Following is a summary of the major financial highlights for the quarter ended September 30, 2018, and to the date of this MD&A.

- On August 1, 2018, the Corporation issued 69,351 common shares to Forest Lane Holdings Limited. This represents interest due August 1, 2018 in the aggregate amount of \$25,000 on the convertible debenture and was made at a deemed price of \$0.3605 per share, which is the volume-weighted trading price for the 20 trading days ending July 4, 2018. The securities are subject to a four month hold period following the date of issuance.
- On July 5, 2018 a loan in the amount of \$621,000 was advanced to Pure Fonte Ltée by a non-related party which shall bear interest at a rate of 5% per annum for a period of 3 years. The loan and interest will be capitalized to the end of term and are convertible into shares at the option of the holder.

## Financial and operational results

### NON-GAAP Financial Measures

There are measures included in this MD&A that do not have a standardized meaning under GAAP and therefore may not be comparable to similarly titled measures presented by other publicly traded companies. The Corporation includes these measures because it believes certain investors use these measures as a means of assessing financial performance. Management believes that the measure 'Loss before the undernoted' is an important indicator of the Corporation's ability to generate liquidity through operating cash flow to fund future working capital requirements, service outstanding debt, and fund future capital expenditures and uses this measure for that purposes. In addition, the Corporation's management reporting system evaluates performance based on a number of factors; however, the primary profitability measure is the earnings from operations before depreciation, amortization, net financing income or expense and income taxes ("EBITDA"). Management adjusts measures in an effort to provide investors and analysts with a more comparable year-over-year performance measure than the basic measure, by excluding certain items. These items could impact the analysis of trends in performance and affect the comparability of our financial results. By excluding these items, management is not implying they are non-recurring.

Selected Consolidated Operating Results		
	Three Months	
	30-Sep-18	30-Sep-17
	\$'s	\$'s
Revenue	-	-
Expenses		
Utilities	204	23,053
Dues and fees	3,161	2,418
Facility costs	-	5,722
Foreign exchange losses	4,326	(70,570)
General and administrative	5,223	5,662
Insurance	875	22,073
Management and consulting fees	194,079	280,956
Professional fees	17,000	85,000
Rental	8,482	258,731
Travel	8,160	14,945
Salaries and wages	18,661	136,481
<b>Operating income ( loss) before under noted</b>	<b>(260,172)</b>	<b>(764,471)</b>
Amortization	(1,123)	(4,471)
Interest including accretion	(175,565)	(134,798)
<b>Consolidated income (loss)</b>	<b>(436,860)</b>	<b>(903,740)</b>
Gain (loss) on investments	80	(5,126)
Income tax (expense) recovery	122,016	291,941
Cumulative translation adjustments	-	49,899
Non-controlling interest	137,843	382,381
<b>Comprehensive income (loss) attributable to MMI</b>	<b>(176,921)</b>	<b>(184,646)</b>
Income (Loss) per share	(0.010)	(0.011)
<b>Avg. Weighted Shares O/S</b>	<b>17,743,363</b>	<b>17,508,576</b>

The consolidated loss for the first quarter three-month period before extraordinary items ended September 30, 2018, was (\$436,860) compared to a loss of (\$903,740) for the comparable quarter of the prior year. The major variance was the directly attributed to the closure of Forks and the restructuring savings. The comprehensive income attributed to MMI shareholders was (\$176,921) (\$0.010) per share compared to a loss of (\$184,646) (\$0.011 per share) for the prior year.

#### Additional explanations

##### Revenue

The Corporation does not expect any revenues in the immediate future from its principle line of business, the production of pig iron.

##### Interest and accretion expense

For the first quarter ended September 30, 2018, the Corporation had interest expense of \$175,565 compared to interest expenses of \$134,798 for the comparable quarter of the prior year. These amounts do not include interest expense or



accretion that was capitalized during the year. The increase is the result of additional borrowings required to fund operations.

### Income tax recovery

Income taxes are calculated using the liability method. A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. The deferred tax benefit of these losses has been recognized as a reduction of the deferred tax liabilities. (Refer to Note 16 of the consolidated financial statements)

### Selected Quarterly Financial Data

The following table reports the operating results for the last eight quarters.

Selected Quarterly Financial Data								
	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec
	2018	2018	2018	2017	2017	2017	2017	2016
Expenses								
Advertising and promotion	-	-	(1,396)	1,396	-	164,104	9,222	(3,714)
Utilities	204	-	499	(12,411)	23,053	55,094	44,660	21,673
Dues and fees	3,161	12,497	4,232	7,957	2,418	2,932	3,113	5,923
Exploration Costs	-	-	-	-	-	-	-	13,179
Facility costs	-	13,043	(14,032)	(4,733)	5,722	86,271	7,505	5,186
Foreign exchange losses	4,326	62,642	28,205	(444,322)	(70,570)	(359,703)	22,469	33,779
General and administrative	5,223	3,201	1,534	5,020	5,662	11,144	1,886	14,762
Insurance	875	875	875	25,696	22,073	23,653	23,770	24,820
Management fees	194,079	249,271	2,970	196,024	280,956	472,498	322,120	337,099
Professional fees	17,000	(5,795)	49,745	(10,086)	85,000	15,874	48,446	19,034
Rental	8,482	8,208	10,350	85,171	258,731	276,899	267,101	272,058
Travel	8,160	(54,425)	228,405	12,327	14,945	161,682	265,087	113,739
Salaries and wages	18,661	41,168	56,635	(21,720)	136,481	142,064	143,780	138,175
<b>Operating (income) loss before under noted</b>	<b>(260,172)</b>	<b>(330,685)</b>	<b>(368,022)</b>	<b>159,681</b>	<b>(764,471)</b>	<b>(1,052,512)</b>	<b>(1,159,159)</b>	<b>(995,713)</b>
Expense recovery Porcupine Strand	-	-	-	-	-	-	-	-
Cumulative Translations adjustments	-	175,364	245,688	(470,952)	49,899	(15,688)	18,060	34,417
Amortization	(1,123)	(2,352)	(3,480)	(2,489)	(4,471)	302,361	(107,166)	(111,879)
Interest expense including accretion	(175,565)	(162,281)	(159,678)	(168,769)	(134,798)	(555,449)	(93,261)	(69,961)
Gain on deconsolidation of subsidiary	-	-	-	1,562,459	-	-	-	-
Gain on sale of intangible asset	-	-	2,249,678	-	-	-	-	-
Impairment of property and equipment	-	-	-	(20,609)	-	(1,990,435)	-	-
Gain on sale of equipment	-	6,177	-	-	-	-	-	-
Gain (loss) on investments	80	(1,040)	1,440	603	(5,126)	(1,640)	(12,871)	2,340
Income tax recovery	122,016	430,034	(330,229)	(492,590)	291,941	1,134,166	425,748	344,911
<b>Consolidated Income (Loss)</b>	<b>(314,764)</b>	<b>115,216</b>	<b>1,635,397</b>	<b>567,334</b>	<b>(567,026)</b>	<b>(2,179,198)</b>	<b>(928,649)</b>	<b>(795,885)</b>
Non-controlling interest	137,843	(773,403)	(598,730)	(369,292)	382,381	1,507,888	476,501	555,553
<b>Comprehensive Income (Loss)</b>	<b>(176,921)</b>	<b>(658,186)</b>	<b>1,036,667</b>	<b>198,042</b>	<b>(184,645)</b>	<b>(671,310)</b>	<b>(452,148)</b>	<b>(240,332)</b>
Income (Loss) per share	(\$0.010)	(\$0.037)	\$0.024	\$0.011	(\$0.011)	(\$0.039)	(\$0.026)	(\$0.014)
<b>Avg. Weighted Shares O/S</b>	<b>17,743,363</b>	<b>17,676,321</b>	<b>17,584,713</b>	<b>17,558,230</b>	<b>17,508,576</b>	<b>17,384,638</b>	<b>17,440,330</b>	<b>17,332,557</b>

### Segmented Information

The Corporation's Board of Directors monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on

operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, the Corporation's income taxes are monitored on a consolidated level and are not allocated to operating segments.

### Geographical segments

The above segments are managed on a worldwide basis, but operate in two principal geographical areas, namely, Canada and the United States. Segment assets are based on the geographical location of the assets.

	30-Sep-18 \$	30-Sep-17 \$
Canada	58,910,373	60,108,272
United States of America	-	648,610
<b>Total non-current assets</b>	<b>58,910,373</b>	<b>60,756,882</b>

### Selected Consolidated Financial Information

Selected items from the Consolidated Balance Sheet as at September 30, 2018 with comparable numbers for the prior two fiscal years.

	Quarter Ended September 30, 2018	Year End June 30, 2018	Year End June 30, 2017
		Restated	Restated
	\$'s	\$'s	\$'s
Cash	155,933	28,148	169,039
Other receivables	22,306	13,511	64,006
Prepaid and other deposits	67,662	51,458	351,019
Investment and loan receivable	3,280	3,200	20,478
Resource Properties	57,178,682	57,170,334	57,138,760
Project development costs	1,462,322	1,462,322	2,924,994
Property and equipment	20,188	21,311	88,586
Accounts Payable	(240,391)	(403,370)	(2,670,498)
Short Term Loans	(4,891,357)	(4,828,844)	(2,664,504)
Current portion long term debt	-	-	(1,560,467)
Long term debt	(2,765,736)	(2,093,401)	(1,931,549)
Deferred Taxes	(5,536,762)	(5,658,778)	(5,557,933)
Shareholders' Equity	10,955,650	18,260,469	14,515,210
Shareholders' Equity associated with Non controlling interests	27,367,579	27,505,422	31,856,722

An adjustment resulting in a decrease in retained earnings and an increase in non-controlling interest in the amount of \$5,682,373 as at July 1, 2016 was made to the June 30, 2017 consolidated statement of changes in equity in order to realign the treatment of historical injections of capital by Petmin in NAIC and their effect on the allocation of the Group's equity between the shareholders and the non-controlling interests.

In addition, the reduction in Petmin ownership in NAIC resulted in an increase in controlling interest and a corresponding increase in consolidated retained earnings in the amount of \$3,428,747 at June 30, 2018 with offsetting reduction in non-controlling interest in the amount of (\$5,487,152) and total shareholders equity being reduced by (\$2,058,405). Please refer to the “Statement of Changes in Equity” of the consolidated financial statements for additional clarification.

Details of significant balance sheet items are detailed below.

### Account and Other Receivables

Principally consists of HST receivable.

### Prepaid and Other Deposits

The prepaid and other deposits in the amount of \$67,662 at September 30, 2018 as compared to \$351,019 at June 30, 2018 and principally consists of the site deposit related to Pure Fonte and expense advances.

### Resource Properties

NAIC’s exploration properties are in Happy Valley- Goose Bay region of Newfoundland and Labrador. At the date of the MD&A the property comprises 181 claims in 3 claim blocks with a total area of approximately 23 square kilometres.

Resource Properties			
	Balance	Interest	Balance
	30-Jun-18	Accretion	30-Sep-18
	\$	\$	\$
Labrador Mineral Sands	57,170,334	8,348	57,178,682

### Project development costs

Represents engineering and consulting costs associated with the preparation of the Bankable Feasibility Study, site selection and permitting for the proposed pig iron facility.

### Property and Equipment

Description	Cost			Accumulated Depreciation			Net Book	Net Book
	Balance 30-Jun-18	Additions	Balance 30-Sep-18	Balance 30-Jun-17	Depreciation	Balance 30-Sep-18	Value 30-Jun-18	Value 30-Sep-18
Computer hardware	19,476	-	19,476	17,197	171	17,369	2,278	2,108
Industrial Equipment	97,773	-	97,773	79,023	938	79,961	18,750	17,811
Office furniture and equipment	2,923	-	2,923	2,640	14	2,654	282	268
	120,172	-	120,172	98,861	1,123	99,984	21,311	20,188

### Accounts Payable

The accounts payable balance at September 30, 2018 was \$240,391 compared to \$403,370 at June 30, 2018. The decrease

is principally the settlement of accrued and billed costs related to the pig iron manufacturing plant. The remainder represents quarter end accruals and normal trade accounts payable.

### **Short Term Loans (refer to Note 8 of the consolidated financial statements)**

On August 25, 2016, GRI borrowed \$250,000 from an unrelated party for 90 days with interest at 6% per annum, accruing monthly, plus 50,000 common share purchase warrants exercisable on or before August 25, 2019 at an exercise price of \$0.01 per share. The loan is repayable on demand, no later than December 31, 2018.

On September 29, 2016, GRI borrowed \$250,000 from Forest Lane Holdings Limited “FLH”, a Company controlled by a Director of the Corporation, for 90 days with interest at 6% per annum, accruing monthly, plus 50,000 common share purchase warrants exercisable on or before September 29, 2019 at an exercise price of \$0.01 per share. FLH also extended a line of credit facility bearing interest at 6% per annum, accruing monthly. The loan and line of credit have been combined into a demand note, with no fixed terms of repayment, with a balance of \$2,588,340 at September 30, 2018.

On August 31, 2017, GRI received from David J. Hennigar, Chairman of the Corporation, a loan of \$2,000,000 bearing interest at 12% per annum payable monthly. The principal is repayable, without penalty, on or before August 31, 2019, and the holder has the option to convert the debt to common shares at a conversion price of \$2.10 per share.

## **LIQUIDITY AND CAPITAL RESOURCES**

The Corporation has no revenue generating operations from which it can internally generate funds. To date, the Corporation’s ongoing operations have been predominantly financed through sale of its equity securities by way of private placements and or shareholder loans and advances. There can no assurances that equity financing or other sources of capital will be available or available on terms acceptable to the Corporation when required.

Currently the Corporation has approximate cash on hand of approximately \$55,000 CDN equivalent and has a working capital deficiency of approximately \$4.8 million. The Corporation has had recurring negative cash flows from operations and will require additional financing to fund its continuing exploration efforts. These uncertainties cast significant doubt upon the Corporation’s ability to continue as a going concern. Management plans to raise additional debt and/or equity financing in order to continue operations. Although the Corporation has been successful in raising funds to date, there can be no assurance that adequate funding will be available in the future, or available under terms favourable to the Corporation. The interim condensed consolidated financial statements do not reflect adjustments in the carrying values of the assets and liabilities, the reported expenses, and the balance sheet classifications used, that would be necessary if the Corporation was unable to realize its assets and settle its liabilities as a going concern in the normal course of operations, and such adjustments could be material.

### **Long-Term Debt**

NAIC received an interest-free repayable loan from ACOA, a government agency, in the amount of \$500,000. The loan is repayable in five annual equal and consecutive installments commencing nine months after the end of the fiscal year in which ‘Project Success’ is achieved. It is anticipated that ‘Project Success’ will be achieved in the fiscal year ending June 30, 2020 and repayments will commence in December 2020.

### **Convertible debenture**

On May 1, 2015, the Corporation announced that it had completed a non-brokered private placement of an unsecured convertible debenture for proceeds of \$2,000,000. A company controlled by an officer and director of the Corporation fully subscribed to the offering. The debenture will mature on May 1, 2020 and will bear interest at a rate of 5% per annum payable quarterly. The debenture shall be convertible, at the option of the holder, into common shares of the Corporation on or prior to the maturity date. The conversion price will be \$0.80 per common share if exercised within

12 months of closing and will increase by \$0.05 per common share on the anniversary date each year thereafter until the maturity date.

Please refer to Note 9 for further details and explanations related to long term debt.

## Share Capital

A summary of the Corporation's common shares outstanding as of September 30, 2018 is presented below:

<b>COMMON STOCK ISSUED AND OUTSTANDING</b>		
<b>Authorized: Unlimited number of common shares</b>	<b>Number of Shares</b>	<b>\$</b>
Opening Balance June 30, 2018	17,697,757	9,173,978
Shares issued for convertible debt interest	69,351	25,000
<b>Closing Balance September 30, 2017</b>	<b>17,767,108</b>	<b>9,198,978</b>

## Stock Options

Under the Corporation's employee stock option program, the Board of Directors may, at its discretion, grant options to purchase common shares to directors, officers, employees or consultants of the Corporation. Shareholders approved the number of shares reserved for issuance under the Plan be a maximum of 20% of the issued and outstanding shares, as of the record date, in accordance with the Stock Option Plan approved by Shareholders. However, only 10% can be issued to insiders of the Corporation. Vesting periods are determined by the Board of Directors at the time of the grant and can range up to 5 years from the date of the grant. The Corporation has reserved 3,504,614 common shares pursuant to the stock option plan. Any unexercised options that expire or are forfeited become available again for issuance under the plan. Compensation costs of options granted under the stock option plan are measured at the granting date based upon a fair value of the award and is recognized over the related service period.

A summary of the Corporation's outstanding stock option is presented below:

Options outstanding at September 30, 2018 are as follows:

		<b>Exercise</b>	<b>Issued</b>	<b>Exercisable</b>
<b>Grant Date</b>	<b>Expiry Date</b>	<b>Price</b>	<b>September 30, 2018</b>	
May 28, 2012	May 28, 2022	\$0.65	144,000	144,000
Nov. 30, 2012	Nov. 30, 2022	\$0.65	450,000	450,000
Dec. 06, 2013	Dec. 06, 2023	\$0.85	985,000	985,000
Dec. 08, 2014	Dec. 08, 2024	\$0.75	535,000	535,000
<b>Total</b>			<b>2,114,000</b>	<b>2,114,000</b>

Note: There were no MMI stock options issued during the quarter.



## Grand River Ironsands Incorporated Stock Options

The Board of Directors of GRI has established a 10% rolling stock option plan under which options to purchase common shares are granted to directors, officers, consultants and key employees of GRI. Options to acquire common shares are granted at prices as determined by the Board of Directors. Options expire five years from the date of the grant.

At September 30, 2018, there were 2,376,933 common shares eligible for issuance pursuant to the stock option plan, of which 1,048,000 options to acquire common shares have been issued and are outstanding under the plan. Any unexercised options that expire or are forfeited become available again for issuance under the plan.

A summary of the GRI's outstanding stock option and changes is presented below:

Note: There were no GRI stock options issued during the quarter.

Options outstanding at September 30, 2018

		Exercise	Issued	Exercisable
Grant Date	Expiry Date	Price	September 30, 2018	
Dec. 06, 2013	Dec. 06, 2018	\$2.10	450,000	450,000
Dec. 08, 2014	Dec. 08, 2019	\$2.10	448,000	448,000
May 27, 2016	May 27, 2021	\$2.50	150,000	150,000
<b>Total</b>		<b>\$2.15</b>	<b>1,048,000</b>	<b>1,048,000</b>

## CRITICAL ACCOUNTING POLICIES

### General

The accounting policies have been reviewed with the Corporation's Audit Committee and are as described in Note 2 to the consolidated financial statements.

### Basis of Presentation and Going Concern

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Corporation will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

The Corporation and its subsidiaries have not yet determined whether the properties contain ore reserves that are economically recoverable. The recoverability of amounts shown for mineral properties and related deferred expenditures is dependent upon the discovery of economically recoverable reserves, confirmation of the subsidiary's interest in the underlying mining claims, the ability of the Corporation and its subsidiaries to obtain necessary financing from shareholders, investors and lenders to complete the development, and upon future profitable production or proceeds from the disposition thereof.

The Corporation has had recurring negative cash flows from operations and will require additional financing to fund its continuing exploration efforts. These uncertainties cast significant doubt upon the Corporation's ability to continue as a going concern. Management plans to raise additional debt and/or equity financing in order to continue operations,

however, there can be no assurance that adequate funding will be available, or available under terms favorable to the Corporation. The consolidated financial statements do not reflect adjustments in the carrying values of the assets and liabilities, the reported expenses, and the balance sheet classifications used, that would be necessary if the Corporation was unable to realize its assets and settle its liabilities as a going concern in the normal course of operations, and such adjustments could be material.

## **RISK FACTORS**

**For a complete list of risk factors please refer to the annual MD&A for June 30, 2018. Following are the most significant risk factors.**

### ***Resources and Reserves***

Ultimately, even if the Corporation has success in identifying mineral resources on any properties it may acquire, the economics of potential projects may be affected by many factors beyond the capacity of it to anticipate and control, such as the marketability of the mineral products under profitable conditions, government regulations relating to health, safety and the environment, the scale and scope of royalties and taxes on production. One or more of these risk elements could have an adverse impact on costs of an operation which, if significant enough, could reduce or eliminate the profitability of a project.

### ***Operational Risks***

The Corporation shall be subject to a number of operational risks and may not be adequately insured for certain risks, including: environmental pollution, accidents or spills, industrial and transportation accidents, which may involve hazardous materials, labour disputes, catastrophic accidents, fires, blockades or other acts of social activism, changes in the regulatory environment, impact of non-compliance with laws and regulations, natural phenomena, such as inclement weather conditions, floods, earthquakes, ground movements, cave-ins and encountering unusual or unexpected geological conditions and technological failure of exploration methods. This lack of insurance coverage could have an adverse impact on the Corporation's future cash flows, earnings, results of operations and financial condition.

### ***Environmental, Health and Safety Risks***

Mining and exploration companies such as the Corporation must comply with a complex set of environmental, health and safety laws, regulations, guidelines and permitting requirements (for the purpose of this paragraph, "laws") drawn from a number of jurisdictions.

### ***Governmental Regulation and Policy Risks***

Mining operations and exploration activities, refining, conversion and transport in Canada are subject to extensive laws and regulations. Such regulations relate to production, development, exploration, exports, imports, taxes and royalties, labour standards, occupational health, waste disposal, protection and remediation of the environment, mine decommissioning and reclamation, mine safety, toxic substances, transportation safety and emergency response, and other matters. Since legal requirements change, are subject to interpretation and may be enforced in varying degrees in practice, the Corporation is unable to predict the ultimate cost of compliance with these requirements or their effect on operations.

### ***Commodity Price Fluctuations***





The price of commodities varies daily but long term averages are the best method of estimating future prices. However, price volatility could have dramatic effects on the Corporation's results of operations and the ability of the Corporation to execute its business plan.

### ***Currency Fluctuations***

The Corporation presently maintains its accounts in Canadian dollars. The Corporation's future operations may make it subject to foreign currency fluctuations and such fluctuations may materially affect its financial position and results.

### ***Legal Proceedings***

On December 28, 2017, Forks Specialty Metals Inc., a wholly owned subsidiary of Grand River Ironsands Incorporated, filed for bankruptcy under Chapter 7 of the United States Bankruptcy Code in the United States Bankruptcy Court, Eastern District of Pennsylvania. Forks had been operating with minimal cash in excess of a year and despite its attempts to operationalize the facility and raise funding, it was unable to do so. In addition, its landlord, SK 3700 Glover Road Owner LLC, obtained a confession of judgment against it in the Court of Common Pleas, Northampton County, in the amount of USD\$1,189,562.70, which included rental arrears, accelerated rent, and attorney's fees. The bankruptcy proceeding has stayed all existing and potential lawsuits. Forks has met with the trustee in bankruptcy and the matter is ongoing.

### ***Market for Securities***

The Common Shares of the Corporation are listed and posted for trading on the Canadian Securities Exchange (CSE) under the trading symbol "MMI". The stock is thinly traded and investors should be aware that there may be no market for their shares.

### ***Cash Flow Requirements***

Refer to Notes 8 and 9 of the audited consolidated financial statements at September 30, 2018 for detailed terms and repayments requirements for the Atlantic Canada Opportunity Agency (ACOA) and Convertible Debenture and other short term loans. The approximate long-term contractual obligations for the next five years are as follows:

<b>Contractual Obligations in CDN\$ September 30, 2018</b>					
<b>Description</b>	<b>Total</b>	<b>Less than one year</b>	<b>2-3 years</b>	<b>4-5 years</b>	<b>After 5 years</b>
Loan- ACOA	\$ 500,000	\$ -	\$ -	\$ 250,000	\$ 250,000
Short term notes and loans	4,891,400	2,891,400	2,000,000	-	-
Term Loan	628,500	-	-	628,500	-
Convertible Debenture( inclusive of interest)	2,200,000	100,000	2,100,000	-	-
	<b>\$ 8,219,900</b>	<b>\$ 2,991,400</b>	<b>\$ 4,100,000</b>	<b>\$ 878,500</b>	<b>\$ 250,000</b>

### ***Transactions with Related Parties***

The Corporation incurred the following related party expenditures for the first quarter ended September 30, 2018.





Relationship	Purpose of Transaction	Three months ended	
		30-Sep-18 \$	30-Sep-17 \$
Directors of the Company	Directors Fees	68,750	41,250
Key Management Personnel	Management Fees	65,000	142,388
Key operating personnel	Consulting fees	-	2,100
Key operating personnel	Salaries and benefits	18,661	173,566
		<b>152,411</b>	<b>359,304</b>

The compensation expense associated with key management and directors for services is as follows:

Key management personnel include the President, Vice President and the Chief Financial Officer of MMI, the President, Chief Executive Officer, and Corporate Affairs Director for GRI.

These transactions with related parties have been valued in the consolidated financial statements at the estimated fair value, which is the amount of consideration established and agreed to by the related parties.

### Off-Balance Sheet Arrangements

The Corporation has no off-balance sheet arrangements.

### Proposed Transactions

As at the date of this MD&A there are no transactions that the board of directors or senior management who believe that confirmation of the decision by the board is probable, have decided to proceed with and that have not been publicly disclosed.

## DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

As required by National Instrument 52-109 issued by the Canadian Securities Administrators (“NI52-109”), MMI’s Chief Executive Officer (CEO) and MMI’s Chief Financial Officer (CFO) will be filing annual certificates “Certification of Disclosure of Issuers’ Annual and Interim Filings” concurrent with the completion of filing its annual filings. The certifying officers have concluded that disclosure controls and procedures are effective at March 31, 2015. Upon completion of its filings, the signed certificates will be available on SEDAR.

The CEO and CFO are reasonably certain that all information is made known to them and those procedures have been implemented to provide reasonable assurance of the reliability of the financial reporting and preparation of the financial statements for external reporting.

The Board of Directors together with an independent and highly qualified audit committee provide direct oversight responsibilities for the review of the quarterly and annual financial statements.

### Changes Internal Control over Financial Reporting

The Certifying Officers have indicated that there were no significant changes in the Corporation’s internal controls or other factors that could significantly affect such controls subsequent to the date of their evaluation, and there were no corrective actions with regard to significant deficiencies and material weaknesses.

## **ADDITIONAL INFORMATION**

Additional information including directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities, options to purchase securities and interest of insiders in material transactions, if applicable, is contained in the Corporation's information circular for its most recent annual meeting of shareholders, and in the Corporation's comparative financial statements for its most recently completed financial year.

### **Public Securities Filings**

Other information about the Corporation, including the annual information form and other disclosure documents, reports, statements or other information that is filed with Canadian securities regulatory authorities can be downloaded in portable document format (PDF) from the SEDAR web site for Canadian regulatory filings at [www.sedar.com](http://www.sedar.com) additional information is also available on the Canadian Securities Exchange at [www.cse.ca](http://www.cse.ca)

## **CORPORATE PROFILE**

### **Board of Directors**

J. Paul Allingham  
David J. Hennigar  
C.H. (Bert) Loveless  
Francis H. MacKenzie  
Jean-Marc MacKenzie  
Paul R. Snelgrove  
K. Barry Sparks  
E. Christopher Stait-Gardner

### **Corporate Officers**

David J. Hennigar, Chairman  
Francis H. MacKenzie, President & Chief Executive Officer  
Kevin Kemper, Vice President Business Development  
C.H. (Bert) Loveless, Vice President and Interim CFO  
Lina Tannous, Corporate Secretary

### **Corporate Head Office**

Metalo Manufacturing Inc.  
Attn: K. Barry Sparks  
1600 - 141 Adelaide Street West  
Toronto, ON M5H 3L5  
Fax Number: (902) 484-7599  
Phone Number: (902) 499-7150

### **Mailing Address**

Metalo Manufacturing Inc.  
Attn: Francis MacKenzie  
1600 - 141 Adelaide Street West  
Toronto, ON M5H 3L5

### **Corporate Information**

Bankers	Bank of Montreal, Main Branch, Halifax, Nova Scotia
Auditors	PricewaterhouseCoopers LLP
Transfer Agent & Registrar	TSX Trust Company, Toronto, Ontario

### **Stock Exchange**

Canadian Securities Exchange ("CSE")  
Trading Symbol: MMI

### **Shareholder Information**

Contact Person:	C H Bert Loveless
Contact Telephone Number:	(902) 471-8028
Contact E-Mail Address:	<a href="mailto:bert@metalo.ca">bert@metalo.ca</a>
Website:	<a href="http://www.metalo.ca">www.metalo.ca</a>

