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Form 2A Listing Statement – Annual Update for Metalo Manufacturing Inc.

Canadian Securities Exchange - October 30, 2017

2.0 CORPORATE STRUCTURE

Metalo Manufacturing Inc. (previously Muskrat Minerals Incorporated) (hereinafter referred to as the "Corporation") was incorporated on October 4, 2000, under the laws of the Province of Alberta, pursuant to the *Business Corporations Act* (Alberta). It was initially listed as a capital pool company on the Canadian Venture Exchange ("CDNX"), as Vistatech Corporation. On October 22, 2001, following the acquisition of VR Interactive International Inc., the Corporation changed its name to "VR Interactive Corporation" and was no longer deemed to be a capital pool company.

The Corporation traded on the TSX Venture Exchange as a Tier 2 corporation under the symbol "**VRI**" until February 15, 2010, at which time it failed to meet listing requirements and commenced trading on the TSX Venture Exchange "**NEX**" under the symbol "**VRI.H**".

The Corporation commenced trading on the Canadian Securities Exchange ("**CSE**") on March 29, 2012. The Corporation ceased trading on the TSX Venture Exchange effective as of the open of business on March 30, 2012.

The Corporation changed its name from Muskrat Minerals Incorporated to Metalo Manufacturing and began trading on the CSE under its new name and ticker ("**MMI**") effective as of December 16, 2015.

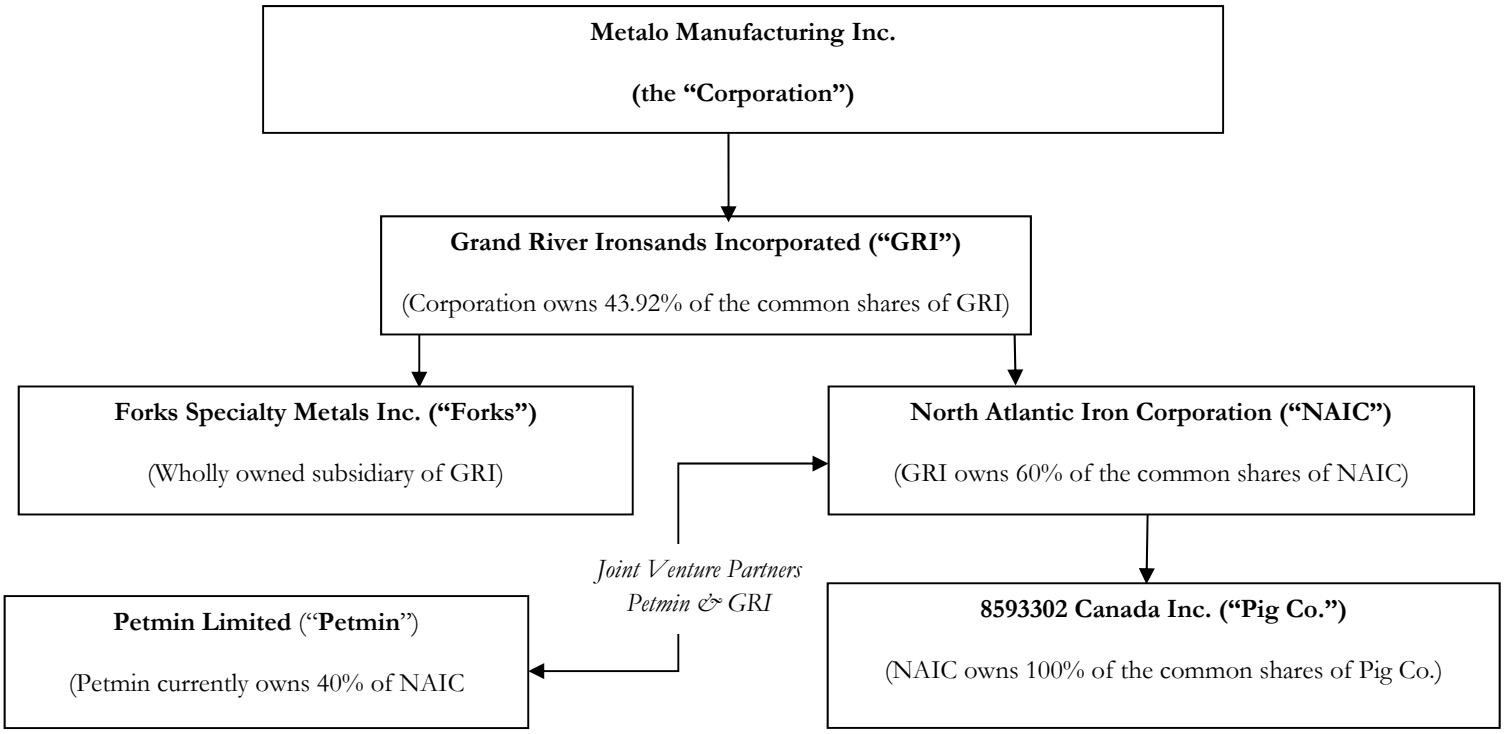
The Corporation's wholly owned subsidiaries, VR Interactive International Inc. ("**VRII**") and 3053229 Nova Scotia Limited ("**NSL**"), were wound up into the Corporation effective as of August 11, 2014. VRII had no assets or liabilities and NSL's only asset was its shareholding in Grand River Ironsands Incorporated (previously Markland Resource Development Incorporated) ("**GRI**"). NSL's shares in GRI were transferred to the Corporation on a tax deferred basis. The Corporation has increased its shareholdings in GRI by purchasing additional shares from existing GRI shareholders to increase its ownership to 43.92%.

GRI was incorporated on May 24, 2001, under the laws of the Province of Nova Scotia, pursuant to the *Companies Act* (Nova Scotia). It has a 60% shareholding (potentially 50.1% fully diluted) in North Atlantic Iron Corporation (previously 63275 Newfoundland and Labrador Inc.) ("**NAIC**"), a private corporation which was incorporated on September 15, 2010, in the Province of Newfoundland and Labrador, pursuant to the *Corporations Act* (Newfoundland and Labrador). NAIC's business model is to manufacture high purity pig iron for sale to steel mills and foundries, through its wholly owned subsidiary 8593302 Canada Inc. It also has access to a natural resource based in Newfoundland and Labrador.

As of the date hereof, GRI also has a 100% shareholding in Forks Speciality Metals Inc. ("**Forks**"), a private corporation which was incorporated on November 2, 2012, in the State of Pennsylvania, United States. Forks owns and operates two 1MW electric arc furnaces. These furnaces are demonstration scale versions of what NAIC plans to use in a commercial pig iron production plant. Forks provides the facilities required to undertake the extensive smelting tests required to prove the technical and economic viability of producing pig iron from NAIC's ironsands and other sources of raw materials

Additional information is available in the Corporation's audited annual financial statements for the year ended June 30, 2017 ("**FS**") and the management discussion and analysis for the year ended June 30, 2017 ("**MD&A**") which are attached as Appendix "A" and Appendix "B", respectively.

As of the date hereof, below is the corporate structure of the Corporation and its partially owned subsidiaries, along with the current joint venture partners:



3.0 GENERAL DEVELOPMENT OF THEBUSINESS

The Corporation's primary investment is in GRI and its subsidiary, Forks, as well as GRI's partial ownership of NAIC and indirect interest in Pig Co. The primary business goal centres on manufacturing a high quality pig iron for sale to foundries and steel mills.

The premise for the Corporation's investment is to focus on an investment centred in adding-value to iron ore by making a high purity pig iron. Pig iron prices for the steel sector have fluctuated and the Corporation is in the unique position to purchase iron ore on the market while prices are low or it can further develop its mineral resource containing iron ore and related minerals located in the Happy Valley-Goose Bay region of Newfoundland and Labrador. It currently maintains approximately 181 claims in 3 claim blocks with a total area of 23 square kilometers.

In part to fund the purchase of additional shares in GRI discussed below and for general corporate purposes, the Corporation issued an unsecured convertible debenture for proceeds of $2,000,000 in May, 2015. 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. 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 prior to conversion. The quarterly interest payments due of $25,000 have been paid in shares as follows:

- On May 1, 2016, the Corporation issued 56,021 common shares at a per share deemed price of $ $0.44626 per share.

- On August 1, 2016, the Corporation issued 25,518 common shares at a deemed price of $0.9797 per share.
- On November 1, 2016, the Corporation issued 36,398 common shares at a deemed price of $0.68685 per share.
- On February 1, 2017, the Corporation issued 48,685 common shares at a deemed price of $0.5135 per share.
- On May 1, 2017, the Corporation issued 63,762 common shares at a deemed price of $0.3921 per share.

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

The project partners commissioned a bankable feasibility study (the "**BFS**") which is nearly complete for the Quebec site and at present, effort is principally focused on the US site with the intent of having all engineering work completed by March 31, 2018. The Quebec site requires confirmation of the impact of the proposed carbon tax for the plant and if the Quebec government are prepared to mitigate the impact with other tax measures or other assistance. The Ohio site requires the finalization of construction costs and clarification of the impact the proposed reduction of US corporate income tax, impact of the proposed border adjustment tax, and implications of the speculated 'buy American' program.

The project partners have recently invested an additional $3.7 million in debt to ensure continued progress. Efforts for additional financing will continue with the view to soon move to detailed engineering and then construction. Upon finalizing adjustments to the BFS, a work has been underway for more than one year, decisions will be made by the project partners.

Given that the Corporation will be acquiring iron ore pellets from the merchant market, discussions with potential providers and testing of their respective iron ore for the pig iron manufacturing plant will be ongoing. Iron ores from two producers have been tested along with steel mill reverts (waste material containing iron ore) and those results were successful.

The key goals for the initial pig iron manufacturing initiative for the next several months will be to (i) finalize the site selection and complete the permitting process; (ii) complete and release the BFS 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.

Additional information about the Corporation, including a National Instrument 43-101 Independent Technical Report dated June 17, 2014, is available at www.sedar.com. The Corporation's audited consolidated financial statements for the year ended June 30, 2017 along with a management discussion and analysis are attached as Appendix "A" and Appendix "B", respectively, which contain additional information.

4.0 NARRATIVE DESCRIPTION OF THE BUSINESS

The Corporation has an indirect holding of 26.4% in NAIC's proposed pig iron manufacturing plant. The BFS is currently in draft form and being presented to project partners. The project partners have stated that its first pig iron manufacturing plant must comply with the following key focuses:

1. Safety – a technology design that maximizes workforce safety and automates areas normally associated as being "high-risk" with respect to human interaction.

2. It must be a global leader environmentally including best in class in minimizing emissions; re-use of all water discharged with minimal impact to the environment with a focus on technologies that minimize all emissions, including slag.

3. It must be able to produce a premium quality pig iron that can meet or exceed any global producers (specifications are proprietary).

4. It must be able to produce pig iron at a cost that meets or is lower than other global producers.

5. The technology must be "known, proven and in-use" - it must also be expandable in size or easily convertible to make high quality steel products.

6. Plant to be designed to be expandable in size and/or able to be modified for higher value uses.

GRI has initiated the raising of additional capital to expedite the development of the project. In the interim, GRI secured capital as follows:

On August 25, 2016, GRI borrowed $250,000 from an unrelated party for 90 days with interest payable at 6% per annum, calculated monthly. In addition, it granted 50,000 warrants to purchase common shares of GRI at a purchase price of $0.01 per share. The warrants expire on August 26, 2021. The maturity date f the loan has since been extended and the note now matures on December 31, 2017.

On September 29, 2016 GRI borrowed $250,000 from Forest Lane Holdings Limited "FLH", a Company controlled by an insider 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 June 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.

On September 30, 2016, Directors and Officers exercised options to purchase 205,000 shares of GRI at an exercise price of $1.25 per share for aggregate proceeds of $256,250.

On August 25, 2017, NAIC received a shareholder loan, with no fixed terms of repayment, in the amount of US$1,259,654 from Petmin. This loan represents Petmin's proportionate share of the NIAC's projected cash requirements. GRI has also advanced their proportionate share of those projected requirements to NAIC.

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 repayable, without penalty, on or before August 31, 2018.

Project partners have also invested $3.7 million in debt to continue operations at 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.

Forks Specialty Metals Inc. ("**Forks**") owns and operates two submerged arc furnaces in Pennsylvania. These furnaces were essential for testing various iron ore composition and coals and will continue to be required as a laboratory for refining the pig iron process going forward. However, they are underutilized and GRI management continues to seek partnering and/or joint venture opportunities to more fully utilize this major asset. FSM have been successful in proving the feasibility of the smelting of electronic waste to capture and recycle the copper, gold, platinum group metals (PGM) and other valuable metals found in end of life electronic units and have been meeting with electronic waste recyclers to determine if an economical supply of scrap material can be guaranteed to sustain a smelting operation. While testing efforts were a success, including one under the supervision of a major PGM recycler - to date this effort to conclude a commercial contract has not met with any success. In the event a

commercial acceptable solution cannot be found within the next 60 to 90 days, GRI will close the operation and liquidate any and all assets related to the operation.

On or about October 18, 2017, SK 3700 Glover Road Owner LLC served a notice on Forks 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 USD$1,189,562.71 for rental arrears, accelerated rent and attorney's fees. Forks has 30 days from the receipt of Judgment to dispute the claim and Forks is currently assessing its rights and remedies and is also considering outside counsel in the relevant jurisdiction

5.0 SELECTED FINANCIAL INFORMATION

Annual Financial Statements ("FS")

The FS attached as Appendix "A" provide the financial position of the Corporation as at June 30, 2017, and June 30, 2016, and the financial performance and cash flows for the years ended June 30, 2017 and June 30, 2016, in accordance with International Financial Reporting Standards ("**IFRS**"). Note 2 ("**Significant Accounting Policies**") to the FS detail the basis of preparation of the FS.

The Corporation's auditors, PricewaterhouseCoopers LLP, as per its independent auditor's report (attached to the FS), opined that the FS present fairly, in all material respects, the financial position of the Corporation and its subsidiaries as at June 30, 2017, and its financial performance and its cash flows for the year ended June 30, 2017 in accordance with IFRS.

Quarterly Financial Data

The "**Selected Quarterly Financial Data**" section of the MD&A attached as Appendix "B" provides highlights of selected financial information for the eight quarters ended June 30, 2017.

Dividends

In accordance with the Corporation's by-laws, the directors may from time to time by resolution declare and the Corporation may pay dividends on its issued shares, subject to the provisions of the Corporation's articles.

The Corporation has not paid any dividends for the most recently completed financial year.

6.0 MANAGEMENT DISCUSSION AND ANALYSIS ("MD&A")

Annual MD&A

The MD&A is for the financial year ended June 30, 2017 and is prepared based on information available to the Corporation as at October 28, 2016.

Please refer to the Corporation's MD&A regarding the overall performance which is attached as Appendix "B".

Selected Annual Information

Please refer to the MD&A attached as Appendix "B" for a discussion on the factors that have caused period to period variations, results of operations, a summary of quarterly results, liquidity, capital resources, and transactions with related parties.

7.0 MARKET FOR SECURITIES

The Corporation initially commenced trading on the CSE on March 29, 2013 under the symbol "**YYR**", and currently trades under the symbol "**MMI**".

8.0 CONSOLIDATED CAPITALIZATION

The Corporation's share and loan capital is described in notes 9 ("Long Term Debt"), and 10 ("Share Capital") in the FS attached as Appendix "A".

9.0 OPTIONS TO PURCHASE SECURITIES

The Corporation has adopted a fixed incentive stock option plan which provides that the Board of Directors may from time to time, at its discretion, and in accordance with the requirements of the CSE, grant to directors, officers, employees and consultants of the Corporation, non-transferable options to purchase common shares, provided that the number of the common shares reserved for issuance, together with any options issued to eligible charitable organizations, shall not exceed 20% of the total issued and outstanding common stock of the Corporation as at February 10, 2012, which equates to 3,450,203 shares. Such options shall be exercisable for a period of up to 10 years from the date of grant. In connection with the foregoing, the number of the common shares reserved for issuance to: (a) any individual director or officer shall not exceed five percent (5%) of the issued and outstanding common shares; (b) all consultants shall not exceed two percent (2%) of the issued and outstanding common shares; and (c) all eligible charitable organizations shall not exceed one percent (1%) of the issued and outstanding common shares. Options may be exercised no later than 90 days following cessation of the optionee's position with the Corporation, provided that if the cessation of office, directorship or consulting arrangement was by reason of death, the option may be exercised within a maximum period of one year after such death, subject to the expiry date of such option. All options vest immediately on the grant date.

As of the date hereof, 2,114,000 options have been granted by the Corporation as detailed below:

Issue Date	Expiry Date	Aggregate options issued	Exercise Price
May 28, 2012	May 28, 2022	144,000	$0.65
November 30, 2012	November 30, 2022	450,000	$0.65
December 6, 2013	December 6, 2023	985,000	$0.85
December 8, 2014	December 8, 2024	535,000	$0.75

Additional information on the stock options can be found in note 11 of the FS attached as Appendix "A".

GRI

Information on the stock options granted by GRI can be found in note 11 of the FS attached as Appendix "A".

NAIC

Other than as disclosed in note 14 "Commitments" to the FS attached as Appendix "A", no incentive stock options were granted by NAIC.

Forks

No options were granted by Forks.

10.0 DESCRIPTION OF SECURITIES

The common shares of the Corporation are without par value and entitle the holders thereof to receive notice of, attend and vote at all meetings of the shareholders of the Corporation. Each common share carries one vote at such meetings. Holders of common shares are entitled to dividends as and when declared by the directors. In the event of the voluntary or involuntary liquidation, dissolution or winding-up of the corporation, after payment of all outstanding debts, the remaining assets of the Corporation available for distribution shall be distributed to the holders of common shares.

The following table details the price history of the Corporation for the previous 12 month period:

Period	Price Range $		Volume
	Minimum	Maximum	
October, 2017	.265	.42	17.000
September, 2017	.37	.475	15,208
August, 2017	.28	.60	238,808
July, 2017	.305	.75	29,500
June, 2017	.60	.60	1,000
May, 2017	.65	.65	1,000
April, 2017	.65	.90	33,323
March, 2017	.26	.50	36,030
February, 2017	.26	.41	9,738
January, 2017	.31	.57	47,245
December, 2016	.45	.57	13,099
November, 2016	.26	0.51	2,750

11.0 ESCROWED SECURITIES

As of the date hereof, there are currently no common shares held in escrow by the Corporation or any of its subsidiaries.

12.0 PRINCIPAL SHAREHOLDERS

To the knowledge of the directors and officers of the Corporation, as of the date hereof, there is no one individual who beneficially own, directly or indirectly, or exercise control or direction over, securities carrying more than 10% of the voting rights attached to all outstanding voting securities of the Corporation, other than as detailed below:

Name	Shares Held	Options Held	% Undiluted	% Partially Diluted
David J. Hennigar Chairman and Director	3,314,189	176,000	18.91%	19.72%
Francis MacKenzie President and Director	1,698,193	176,000	9.69%	10.69%

13.0 DIRECTORS AND OFFICERS

The Board of Directors of the Corporation is currently comprised of eight persons. Each director is elected to serve until the next annual meeting of shareholders or until a successor is elected or appointed. The Board of Directors has established Audit and Compensation and Corporate Governance Committees. The following table sets forth certain information pertaining to each director of the Corporation and its subsidiaries.

The Corporation

Name and Residence of Nominee	Position or Office	Principal occupation for the past 5 years	No. of Common Shares Beneficially Owned*
J. Paul Allingham[(1)(2)] Burlington, ON	Independent Director since November, 2000	Mr. Allingham is currently a management consultant, a director and officer of Hut 2 Hut Events and a director of the Art Fair Company.	79,264 0.45%
David J. Hennigar Bedford, NS	Director & Chairman since October, 2001	Mr. Hennigar has spent his career in the securities business as an analyst, salesman, manager, director and chairman. He is currently a salesman and shareholder of Wellington- Altus. He was the founder of Acadian Securities Inc. and began employment with Burns Bros and Denton. He has been a director of a number of companies including Extendicare, Crown Life, Assisted Living Centers, Halifax Developments and Crombie REIT where he retired as Lead Director. Currently he is Executive Chairman of Thornridge Holdings Limited, a director or Chairman of a number of other public and private companies, including Vice-Chairman and Lead Director at Highliner Foods Inc. He is also a director and chairman of Grand River Ironsands Incorporated.	3,314,189 18.91%
C.H. (Bert) Loveless Dartmouth, NS	Director & VP since February, 2012	Mr. Loveless has been a self-employed consultant for over 16 years providing advice on corporate and capital restructuring and general business processes.	110,000 0.63%

Francis MacKenzie Bedford, NS	Director & President since February, 2012	Mr. MacKenzie is currently a director or officer of numerous private companies, including Grand River Ironsands Incorporated, North Atlantic Iron Corporation, Forks Specialty Metals Inc. and 8593302 Canada Inc.	1,698,193 9.69%
Jean Marc MacKenzie(2) Toronto, ON	Independent Director since February, 2012	Mr. MacKenzie is currently Senior Vice President, Absence Management Solutions of Morneau Shepell Ltd. and also sits on its executive committee, as well as being a director of Grand River Ironsands Incorporated.	400,000 2.28%
Paul Snelgrove(2) Goose Bay, NL	Independent Director since February, 2012	Mr. Snelgrove is a businessman based in in Happy Valley-Goose Bay, NL, as well as Chairman of the HVGB Airport Authority and a director of Grand River Ironsands Incorporated.	350,000 2.00%
K. Barry Sparks(1)(3) Toronto, ON	Independent Director since February, 2012	Mr. Sparks is currently a director of Dundee Corporation and a director and CEO of NamSys Inc.. He is also the President of Torvan Capital Group, a division of Ashley Park Enterprises Inc. As of October 24, 2017, Mr. Sparks is also a director and chairman of World Wide Minerals Inc.	259,796 1.48%
E. Christopher Stait-Gardner(1)(3) Vaughan, ON	Independent Director since November, 2000	Mr. Stait-Gardner is a corporate director of NamSys Inc. and the independent chairman.	110,514 0.63%

*The information as to residence, principal occupation(s) and common shares beneficially owned or controlled or directed is based on information furnished to the Corporation by the respective nominees as at the date of this Circular.

Notes:

(1) Member of the Audit Committee. J. Paul Allingham will continue to serve as Chairman of the Audit Committee.

(2) Member of the Corporate Governance and Compensation Committee. Jean-Marc MacKenzie will continue to serve as Chairman of the Corporate Governance and Compensation Committee.

(3) K. Barry Sparks and E. Christopher Stait-Gardner both sit on the board of NamSys Inc.

GRI

Name, Province of Residence and Office Held	**Director Since**	**Principal occupation during past 5 years and other Directorships**	**Number and % of Outstanding Common Shares beneficially owned**
David J. Hennigar Bedford, Nova Scotia *Chairman and Director*	February, 2007 to present	See above.	1,063,662 4.47%

Albert LeBlanc Trois-Rivières, Quebec *VP and Director*	August, 2001 to November, 2006 February, 2007 to present	Mr. LeBlanc has held various accounting positions including Internal Auditor with the James Bay Hydro-electric Commission, Senior Auditor with a Chartered Accounting firm, Chief Financial Officer and Treasurer of a District School Board and a Rural Development Officer in Nova Scotia.	150,000 0.63%
Francis MacKenzie Bedford, Nova Scotia *President and Director*	February, 2007 to present	See above.	733,750 3.09%
Jean Marc MacKenzie Toronto, Ontario *Director (Independent)*	February, 2007 to present	See above.	135,000 0.57%
Prote Poker Natuashish, Newfoundland and Labrador *Director (Independent)*	February, 2007 to present	Mr. Poker is the past Grand Chief of Innu Nation and the past chief of the Mushuau Innu First and past co-chair of the Innu Development Limited Partnership.	Nil
Anastasia Qupee Sheshatshiu, Newfoundland and Labrador *Director (Independent)*	May, 2008 to present	Ms. Qupee is the Grand Chief of Innu Nation and past chief of the Sheshatshiu Innu First Nation and past co-chair of the Innu Development Limited Partnership.	Nil
Paul Snelgrove Goose Bay, Newfoundland and Labrador *Director*	May, 2008 to present	See above.	Nil

NAIC

Name, Province of Residence and Office Held	Director Since	Principal occupation during past 5 years and other Directorships	Number and % of Outstanding Common Shares beneficially owned
David J. Hennigar Bedford, Nova Scotia *Chairman and Director*	November, 2016 to present	See above.	Nil
Francis MacKenzie Bedford, Nova Scotia *CEO and Director*	September, 2010 to present	See above.	Nil
Bradley Doig Lyme Park, Bryanston, South Africa *President and Director*	September, 2010 to present	Mr. Doig has 25 years of mining experience and was appointed a non-executive director of Petmin from 30 November 2005, becoming Chief Operating Officer in February 2006. He was previously an executive director and Chief Investment Officer of Decorum Capital Partners, the fund manager for the New Africa Mining Fund (NAMF). During a 10-year stint with BHP Billiton Ltd, Mr. Doig's experience included international business development and strategy for Samancor Manganese. He also spent time at merchant bank, Dresdner Kleinwort Benson, in the UK and was a group executive of the IQ Business Group. Bradley is a seasoned deal-maker with experience in identifying and investing in various mining opportunities.	Nil
K. Barry Sparks Toronto, ON *Director*	November, 2016 to present	Mr. Sparks is currently a director of Dundee Corporation and a director and CEO of NamSys Inc.. He is also the President of Torvan Capital Group, a division of Ashley Park Enterprises Inc. As of October 24, 2017, Mr. Sparks is also a director and chairman of World Wide Minerals Inc.	Nil
Palmira Farinha South Africa *Director*	November, 2016 to present	Ms. Farinha is currently a business development executive at Petmin Limited. She has B. Engineering (Chemical) Degree and MBA, as well as over four years industry experience as chemical process engineer in the petrochemical engineering sector, and over 11 years experience in the mining finance sector and equity investment experience.	Nil

Forks

Name, Province of Residence and Office Held	Director Since	Principal occupation during past 5 years and other Directorships	Number and % of Outstanding Common Shares beneficially owned
Francis MacKenzie Bedford, Nova Scotia *President and Director*	November, 2012	See above.	Nil
Kevin Kemper New York, USA *Vice-President, Secretary and Director*	November, 2012	Mr. Kemper has 10 years' experience in investment banking and was previously the VP Mining with Rothschild's Mining Group in Washington, DC	Nil

Pig Co.

Name, Province of Residence and Office Held	Director Since	Principal occupation during past 5 years and other Directorships	Number and % of Outstanding Common Shares beneficially owned
Francis MacKenzie Bedford, Nova Scotia *President and Director*	July, 2013	See above.	Nil
Lina Tannous Bedford, Nova Scotia *Corporate Secretary and Director*	July, 2013	Ms. Tannous has over 15 years' experience with a diverse legal background	Nil

Corporate Cease Trade Orders and Bankruptcies

No director or executive officer of the Corporation, GRI, NAIC, Forks or Pig Co. is, as at the date hereof, or was within 10 years before the date of this annual updated listing statement, a director, chief executive officer or chief financial officer of any corporation (including a personal holding corporation), that:

Except as disclosed below, no proposed director of the Corporation is, or has been, within 10 years before the date hereof, a director, CEO or CFO of any company that: (a) was subject to an order that was issued while the proposed director was acting in

the capacity as director, CEO or CFO; or (b) was subject to an order that was issued after the proposed director ceased to be a director, CEO or CFO and which resulted from an event that occurred while that person was acting in the capacity as director, CEO or CFO. For the purposes hereof, "order" means a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days.

Mr. Hennigar was a director of (i) Landmark Global Financial Corporation Limited at the time Landmark Global Financial Corporation Limited had a temporary cease trade order in place from May 7, 2012 for failing to file annual financial statements on time, and when it was delisted as of October 20, 2014 for failure to pay its quarterly NEX listing maintenance fee; (ii) Aquarius Coatings Inc. at the time Aquarius Coatings Inc. had a management cease trade order in place from December 12, 2008 to January 14, 2009 for failing to address TSX Venture Exchange requirements with respect to failing to holding shareholder meetings for the financial years ended March 31, 2007 and March 31, 2008, and an trading halt issued by IIROC on September 11, 2014 for failing to maintain TSXV requirements; (iii) MedX Health Corp. at the time MedX Health Corp. had a management cease trade order in place from (1) January 21, 2010 to February 26, 2010 for failing to hold its financial 2008 annual general meeting within the timeframes required by applicable corporate law and Exchange policy, (2) May 6, 2010 to June 30, 2010 for failing to file its audited annual financial statements, its management discussion and analysis, and its certification of the foregoing filings as required by National Instrument 52-109: *Certification of Disclosure in Issuers' Annual and Interim Filings*, for the year ending December 31, 2009 on or before the prescribed deadline, (3) May 7, 2012 to May 22, 2012 for failing to file its audited annual financial statements, its management discussion and analysis, and its certification of the foregoing filings as required by National Instrument 52-109: *Certification of Disclosure in Issuers' Annual and Interim Filings*, for the year ending December 31, 2011 on or before the prescribed deadline, (4) May 16, 2013 to May 20, 2013 for failing to file its audited annual financial statements, its management discussion and analysis, and its certification of the foregoing filings as required by National Instrument 52-109: *Certification of Disclosure in Issuers' Annual and Interim Filings*, for the year ending December 31, 2012; (iv) was a director of SolutionInc Technologies Limited at the time SolutionInc Technologies Limited had a temporary cease trade order, issued by the British Columbia Securities Commission, in place from August 9, 2011 to August 24, 2011 for failing to file annual financial statements on time; had a cease trading order in place issued by the British Columbia Securities Commission on October 6, 2011 for failing to file June 30, 2011 quarterly financial statements on time and had a cease trading order in place issued by the Alberta Securities Commission on January 4, 2012 for failure to file September 30, 2011 quarterly financial statements on time.

No proposed director of the Corporation: (a) is, or has been, within the 10 years before the date hereof, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, other than Mr. Hennigar who was a director of KLJ Field Services Inc., a private Nova Scotia company, which made an assignment in bankruptcy on February 25, 2009; or (b) has, within the 10 years before the date of hereof become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director.

14.0 CAPITALIZATION

The information below is prepared to the best of the Corporation's knowledge and belief as at the date hereof.

Issued Capital				
Public Float	Number of Securities (Non-Diluted)	Number of Securities (Fully -Diluted)	% of Issued (Non-Diluted)	% of Issued (Fully -Diluted)
Total Outstanding (A)	17,523,069	19,637,069	100%	100%
Related Parties (B)	6,502,503	8,211,503	37%	42%
(A) - (B)	11,020,566	11,425,566	63%	58%

*Public Security Holders (Registered)**

Number of Common Shares Held	Number of Holders	Total Number of Securities
1-99	Nil	Nil
100-499	1	125
500-999	Nil	Nil
1,000- 1,999	Nil	Nil
2,000-2,999	Nil	Nil
3,000 – 3,999	Nil	Nil
4,000-4,999	Nil	Nil
5,000 or more shares	30	17,522,944
Total	**31**	17,523,069

** This includes related parties.* The Issuer was unable to obtain written confirmation from its transfer agent as of the date hereof.

Public Shareholders (Beneficial)

The Issuer was unable to obtain written confirmation from its transfer agent as of the date hereof.

Non –Public Shareholders (Holders of 5% or more of Common Shares)

The Issuer was unable to obtain written confirmation from its transfer agent as of the date hereof.

Common Share purchase Options of the Corporation

Description	Number of Options Outstanding	Number of Common Shares Issued upon Conversion
Stock Purchase Options convertible to common shares at $.65 per share until May 28, 2022	144,000	144,000
Stock Purchase Options convertible to common shares at $.65 per share until November 30, 2022	450,000	450,000
Stock Purchase Options convertible to common shares at $.85 per share until December 6, 2023	985,000	985,000
Stock Purchase Options convertible to common shares at $.75 per share until December 8, 2024	535,000	535,000

There are no other common shares or other securities reserved for issuance.

15.0 EXECUTIVE COMPENSATION

Statement of Executive Compensation

Director and Named Executive Officer Compensation

Securities legislation requires the disclosure of certain financial and other information relating to a reporting issuer's 'Named Executive Officers', which are defined as:

(a) each individual who, in respect of the company, during any part of the most recently completed financial year, served as chief executive officer, including an individual performing functions similar to a chief executive officer;

(b) each individual who, in respect of the company, during any part of the most recently completed financial year, served as chief financial officer, including an individual performing functions similar to a chief financial officer;

(c) in respect of the company and its subsidiaries, the most highly compensated executive officer other than the individuals identified in paragraphs (a) and (b) at the end of the most recently completed financial year whose total compensation was more than $150,000; and

(d) each individual who would be a named executive officer under paragraph (c) but for the fact that the individual was not an executive officer of the company, and was not acting in a similar capacity, at the end of that financial year.

Director and Named Executive Officer Compensation, excluding Compensation Securities

The following table sets forth the compensation earned in each of the Corporation's two most recently completed financial years by its Named Executive Officers ("**NEOs**"):

Table of compensation excluding compensation securities							
Name and position	Year	Salary, consulting fee, retainer or commission ($)	Bonus ($)	Committee or meeting fees ($)	Value of perquisites ($)	Value of all other compensation ($)	Total compensation ($)
Francis MacKenzie [(1)(2)] President/CEO and director	2017 2016	30,000 (Paid by the Corporation) 75,000 (Paid by GRI) 30,000 (Paid by the Corporation) 75,000 (Paid by GRI)	Nil Nil	Nil Nil	Nil Nil	Nil Nil	105,000 105,000
Lorne MacFarlane CFO	2017 2016	30,000 30,000	Nil Nil	Nil Nil	Nil Nil	Nil Nil	30,000 30,000
Kevin Kemper Vice-President	2017 2016	199,035[(3)] 198,857[(3)]	Nil Nil	Nil Nil	Nil Nil	Nil Nil	199,035 198,857

Notes:

(1) Mr. MacKenzie is compensated in his capacity as an officer of the Corporation only and is not compensated for acting as a director as well.

(2) Mr. MacKenzie is paid a consulting fee by the Corporation of $30,000 and a consulting fee of $75,000 by Grand River Ironsands Incorporated, the Corporation's partially owned subsidiary, for a consolidated fee of $105,000.

(3) Mr. Kemper is paid a consulting fee by North Atlantic Iron Corporation, a partially owned subsidiary of Grand River Ironsands Incorporated, of US$150,000. His consulting fee is reported above in Canadian currency which fluctuates depending on the exchange rate.

Stock options and other compensation securities

The following table discloses all compensation securities granted or issued to each director and NEO by the Corporation or one of its subsidiaries in the most recently completed financial year for services provided or to be provided, directly or indirectly, to the Corporation or any of its subsidiaries:

Compensation Securities							
Name and position	Type of compensation security	Number of compensation securities, number of underlying securities, and percentage of class	Date of issue or grant	Issue, conversion or exercise price ($)	Closing price of security or underlying security on date of grant ($)	Closing price of security or underlying security at year end ($)	Expiry date
Paul Allingham Director	N/A	N/A	N/A	N/A	N/A	N/A	N/A
David Hennigar Director and Chairman	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Kevin Kemper Vice-President	N/A	N/A	N/A	N/A	N/A	N/A	N/A
CH Bert Loveless COO	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Lorne MacFarlane CFO	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Francis MacKenzie President/CEO and Director	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Jean-Marc Mackenzie Director	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Paul Snelgrove Director	N/A	N/A	N/A	N/A	N/A	N/A	N/A
K Barry Sparks Director	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Chris Stait-Gardner Director	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes:

At the end of the most recently completed financial year, Paul Allingham, Jean Marc MacKenzie, Paul Snelgrove, Barry Sparks and Chris Stait-Gardner each held in aggregate, 171,000 options to purchase common shares of the Corporation. David Hennigar, Bert Loveless and Lorne MacFarlane each held in aggregate 176,000 options to purchase common shares of the Corporation. Francis MacKenzie held 196,000 options to purchase common shares of the Corporation and Kevin Kemper held an aggregate 160,000 options to purchase common shares of the Corporation.

At the end of the most recently completed financial year, David Hennigar held in aggregate, 103,000 options to purchase common shares of Grand River Ironsands Incorporated. Francis MacKenzie, Jean-Marc MacKenzie and Paul Snelgrove each held in aggregate 103,000 options to purchase common shares of Grand River Ironsands Incorporated. Kevin Kemper held an aggregate 231,000 options to purchase common shares of Grand River Ironsands Incorporated.

The options vested upon issuance and there are no restrictions converting, exercising or exchanging the compensation securities.

Exercise of Compensation Securities by Directors and NEOs

During the most recently completed financial year, no director or NEO exercised any of their options.

Stock option plans and other incentive plans

The Corporation currently has a 20% fixed stock option plan which was approved by shareholders of the Corporation on November 30, 2012 (the "**Option Plan**"). Under the Option Plan, the Board of Directors may, at its discretion, grant options to purchase common shares to directors, officers, employees or consultants of the Corporation or its affiliates.

The Corporation has reserved 3,450,203 common shares pursuant to the Option Plan and, as at the Record Date, there were 2,114,000 stock options issued and outstanding. Only 10% of the issued and outstanding stock options can be issued to insiders of the Corporation. The Board of Directors, at the time of the grant, determines the vesting period and the expiry date of the options. The vesting period does not exceed 3 years from the date of the grant and the options expire within 10 years of the date of the grant. Any unexercised options that expire or are forfeited become available again for issuance under Option Plan.

Employment, consulting and management agreements

Grand River Ironsands Incorporated, North Atlantic Iron Corporation ("NAIC") and Petmin Limited, a joint venture partner, entered into a management service agreement on June 1, 2013 which was amended effective June 1, 2016 wherein the amount of US$315,000 per year shall be paid by NAIC to Petmin on a quarterly basis, payable in arrears. Pursuant to this agreement, NAIC shall issue 1% of its issued and outstanding shares to Petmin Limited upon completion of a bankable feasibility study. The agreement renews automatically for subsequent one year periods if not specifically terminated in accordance with the agreement. On March 12, 2016 under the terms of the management services agreement noted above and the directions of the Board of Directors, NAIC issued 12 additional shares to GRI (1.5%) and 8 additional shares to Petmin (1%) in consideration for management services rendered.

Oversight and description of director and named executive officer compensation

The Corporation has no revenues from operations and often operates with limited financial resources. As a result, to ensure that funds are available to complete scheduled programs, the Corporate Governance and Compensation Committee (discussed below) has to consider not only the financial situation of the Corporation at the time of the determination of executive compensation, but also the estimated financial condition of the Corporation in the future.

Since the preservation of cash is an important goal of the Corporation, an important element of the compensation awarded to the executive officers is the granting of stock options, which do not require cash disbursement by the Corporation. The granting of stock options also helps to align the interests of the executive with the interests of the Corporation. The other two elements of the compensation the Corporation awards to its executives are: (i) base cash consulting fees; and (ii) in applicable circumstances, cash bonus payments for achievement of stated milestones or benchmarks. The Corporation does not provide executives with perquisites or personal benefits that are not otherwise available to all of our employees.

The deliberations of the Corporate Governance and Compensation Committee are conducted in a special session from which management is absent.

These deliberations are intended to advance the key objectives of the compensation program for the Corporation's executives. At the request of the Compensation Committee, the executives may, from time to time, provide advice to the Corporate Governance and Compensation Committee with respect to the compensation program for the Corporation's executives. The Committee makes recommendations regarding the compensation to be awarded to the executives to the full Board of Directors.

The Corporation relies on its Corporate Governance and Compensation Committee and its Board, through discussion without any formal objectives, targets, criteria or analysis, in determining the compensation of its executives. The Board is responsible for determining all forms of compensation, including the provision of long-term incentives through the granting of stock options to the executives of the Corporation, and to others, including, without limitation, to the Corporation's directors, and for reviewing the Corporate Governance and Compensation Committee's recommendations regarding the compensation to be awarded to any other officers of the Corporation from time to time, to ensure such arrangements reflect the responsibilities and risks associated with each such officer's position. The Board incorporates the following goals when it makes its compensation decisions with respect to the Corporation's executives: (i) the recruiting and retaining of executives who are critical both to the success of the Corporation and to the enhancement of shareholder value; (ii) the provision of fair and competitive compensation; (iii) the balancing of the interests of management with the interests of the Corporation's shareholders; (iv) the rewarding of performance, both on an individual basis and with respect to the operations of the Corporation as a whole; and (v) the preservation of available financial resources.

Pension Disclosure

The Corporation does not currently have a pension plan.

Securities Authorized for issuance under Equity Compensation plans

The following table sets forth the Corporation's compensation plans under which equity securities are authorized for issuance as at the end of the most recently completed financial year.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the first column (a))
Equity compensation plans approved by security holders	2,114,000	$0.77	1,352,305
Equity compensation plans not approved by security holders	N/A	N/A	N/A
Total	2,114,000	$0.77	1,352,305

15.0 INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

As of the date hereof, no director, proposed nominee for election as a director, senior officer, nor any of their respective associates or affiliates, is or has been indebted to the Corporation or its subsidiaries.

Aggregate Indebtedness

There is no indebtedness to the Corporation or any of its subsidiaries.

16.0 RISK FACTORS

Please refer to the "Risk Factors" section of the MD&A attached as Appendix "B"

17.0 PROMOTERS

There are no known promoters of the Corporation as of the date hereof.

18.0 LEGAL PROCEEDINGS

There are no outstanding legal proceedings against the Corporation and its subsidiaries as of the date hereof other than as disclosed under section 3 herein.

19.0 INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as noted in the "Transactions with Related Parties" section of the MD&A attached as Appendix "B" and as disclosed herein, none of the directors or executive officers of the Corporation, or any person or company that is a direct or indirect beneficial owner of, or who exercises control or direction over, more than 10% of the common shares of the Corporation, or any associates or affiliates of those persons or companies referred to above has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any transaction during the Corporation's last three financial years or during the Corporation's current

financial year or in any proposed transaction which has materially affected or is reasonably expected to materially affect the Corporation or any of its subsidiaries.

The Corporation completed a restructuring and listing which it disclosed in its Listing Statement filed with the CSE on March 29, 2012. Prior to completing the transactions contemplated therein, there were individuals that were instrumental and had a vested interest in getting this proposed restructuring and listing completed. These individuals have significant positions in the Corporation and/or its other subsidiaries.

There are potential conflicts of interest to which the directors and officers of the Corporation may be subject in connection with the operations of the Corporation. Some of the directors and officers of the Corporation are engaged and shall continue to be engaged in other business opportunities on their own behalf and on behalf of other corporations and situations may arise where such directors and officers shall be in competition with the Corporation. Individuals concerned shall be governed in any conflicts or potential conflicts by applicable law.

20.0 AUDITORS, TRANSFER AGENTS, AND REGISTRARS

Auditors: PricewaterhouseCoopers LLP

400-1601 Lower Water Street
Halifax, NS B3J3P6

Transfer Agent & Registrar: TSX Trust
200 University Avenue, Suite 300
Toronto, Ontario, M5H 4H1

21.0 MATERIAL CONTRACTS

Other than as disclosed in note 14 of the FS attached as Appendix "A", the Corporation has not entered into any material contracts.

22.0 INTEREST OF EXPERTS

There is no known interest of what are called "**Experts**" in this project. The project, as required by regulatory agencies, must rely on qualified persons ("**QP**") who shall render independent opinions related to the resource. There are technical people (geologists, geoscientists, mining engineers, iron making engineers, etc.) who have worked on the development of the resource over the past five years and some may or may not have a shareholding position in the Corporation. These people are not deemed to be in a conflict of interest position. In the event that their opinions are required to be material, disclosure of their shareholdings shall be published.

Technical Information

Any technical information provided in this document for the properties are based upon information contained in a Technical Report on the Churchill River ironsands property located in Happy Valley-Goose Bay, Newfoundland and Labrador, Canada. The report entitled "Independent Technical Report for the Churchill River Mineral Sands Project, Labrador, Canada" is dated June 17, 2014 and was prepared by SRK Consulting (Canada) Inc. and SRK Consulting (SA) (Pty) Ltd. on behalf of the Corporation's affiliate, NAIC.

23.0 OTHER MATERIAL FACTS

As already disclosed in the listing statement filed with the CSE on March 29, 2012, as part of the share consolidation transactions detailed therein, certain officers, directors or shareholders provided non-interest bearing loans to the Corporation. On February 10, 2012, shareholders of the Corporation passed a special resolution approving the issuance of common shares of the Corporation in full and final payment of loans made to the Corporation as at March 31, 2011.

24.0 FINANCIAL STATEMENTS

The FS for the period ended June 30, 2017 and the quarterly financial statements for the periods ended March 31, 2017, December 31, 2016 and September 30, 2016 are attached as Appendix A.

A copy of the MD&A for the financial year ended June 30, 2017 and the quarters ended March 31, 2017, December 31, 2016 and September 30, 2016 are attached hereto as Appendix "B".

CERTIFICATE OF THE ISSUER

The foregoing contains full, true and plain disclosure of all material information relating to Metalo Manufacturing Inc. It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

DATED at Halifax, Nova Scotia, this 30th day of October, 2017.

"Original signed"

_____

Francis MacKenzie
Director and President of the Corporation

"Original signed"

_____

Lorne S. MacFarlane
Chief Financial Officer

APPENDIX A: FINANCIAL STATEMENTS

METALO MANUFACTURING INC.

Audited Consolidated Financial Statements

For the year ended June 30, 2017

(expressed in Canadian dollars)

Management's Responsibility for Financial Information

The 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 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 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 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 consolidated financial statements for issuance to the shareholders.

"Francis H. MacKenzie"

Francis H. MacKenzie
President and Chief Executive Office

"Lorne S. MacFarlane"

Lorne S. MacFarlane
Chief Financial Officer

October 30, 2017

Metalo Manufacturing Inc.

Financial Information

June 30, 2017

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October 30, 2017

Independent Auditor's Report

To the Shareholder of
Metalo Manufacturing Inc.

We have audited the accompanying consolidated financial statements of Metalo Manufacturing Inc., which comprise the consolidated balance sheets as at June 30, 2017 and 2016 and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Metalo Manufacturing Inc. as at June 30, 2017 and 2016 and its financial performance and its cash

PricewaterhouseCoopers LLP
1601 Lower Water Street, Suite 400, Halifax, Nova Scotia, Canada B3J 3P6
T: +1 902 491 7400, F: +1 902 422 1166, www.pwc.com/ca

flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to note 1 of the consolidated financial statements which describes matters and conditions that indicate the existence of material uncertainties that may cast significant doubt about Metalo Manufacturing Inc.'s ability to continue as a going concern.

(signed) *"PricewaterhouseCoopers LLP"*

Chartered Professional Accountants, Licensed Public Accountants

Metalo Manufacturing Inc.

Consolidated Statements of Financial Position

(Amounts presented in Canadian Dollars)

	30-Jun 2017 $	30-Jun 2016 $
Assets		
Current assets:		
Cash	**169,039**	591,665
Other receivable	**64,006**	114,337
Prepaid and other deposits	**351,019**	446,448
Investments (Note 4)	**20,478**	16,381
	604,542	1,168,831
Non-current assets:		
Resource properties (Note 5)	**57,138,760**	57,109,885
Project development costs (Note 6)	**2,924,994**	2,074,815
Property and equipment (Note 7)	**88,586**	2,101,813
	60,152,340	61,286,513
	60,756,882	62,455,344
Liabilities and Shareholders' Equity		
Current liabilities:		
Trade and other payables	**2,670,498**	1,105,061
Short term loans (Note 8)	**2,664,504**	-
Current portion long-term debt (Note 9)	**1,560,467**	1,171,550
	6,895,469	2,276,611
Non-current liabilities:		
Long-term debt (Note 9)	**1,931,549**	1,789,334
Deferred taxes (Note 15)	**5,557,933**	7,733,931
	7,489,482	9,523,265
	14,384,951	11,799,876
Shareholders' equity		
Share capital (Note 10)	**9,073,978**	8,973,978
Equity component convertible debenture	**649,593**	649,593
Stock based payment reserve	**1,284,000**	1,284,000
Retained earnings	**9,014,646**	10,685,031
Accumulated other comprehensive income	**175,365**	154,225
Equity attributable to shareholders	**20,197,582**	21,746,827
Non-controlling interests	**26,174,349**	28,908,641
	46,371,931	50,655,468
	60,756,882	62,455,344

Note 1 - Nature of operations and going concern

Note 16 - Commitments

Note 19 - Comparative figures

Note 20 - 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

October 30, 2017

Metalo Manufacturing Inc.
Consolidated Statements of Loss and Comprehensive Loss
For the years ended June 30, 2017 and June 30, 2016
(Amounts presented in Canadian Dollars)

	years ended	
	30-Jun-17	**30-Jun-16**
	$	$
Operating expenses (Note 12)	**(4,090,238)**	(4,197,318)
Expense recovery re Porcupine Strand (Note 5)	**-**	494,979
Depreciation	**(22,728)**	(533,589)
Interest and bank changes	**(271,830)**	(88,009)
Interest accretion	**(502,257)**	(206,666)
Loss on sale of property & equipment	**-**	(853)
Impairment of property & equipment (Note 7)	**(1,990,435)**	-
Realized gain (loss) on investments (Note 4)	**974**	(234,046)
Unrealized gain on investments (Note 4)	**12,597**	241,323
Net loss before taxes	**(6,863,917)**	(4,524,179)
Income tax recovery (Note 15)	**2,175,998**	1,071,789
Net loss	**(4,687,919)**	(3,452,390)
Net loss attributable to:		
Shareholders of the Corporation	**(1,658,496)**	(1,007,539)
Non-controlling interest	**(3,029,423)**	(2,444,851)
Net loss	**(4,687,919)**	(3,452,390)
Net loss per share (Note 14)	**($0.10)**	($0.06)
Weighted average number of shares outstanding (Note 10)	**17,384,638**	17,260,049
Net loss	**(4,687,919)**	(3,452,390)
Other comprehensive income		
Items that may be subsequently reclassified to loss		
Cumulative translation adjustments	**48,132**	82,508
Comprehensive loss	**(4,639,787)**	(3,369,882)
Comprehensive loss attributable to:		
Shareholders of the Corporation	**(1,637,356)**	(970,984)
Non-controlling interest	**(3,002,431)**	(2,398,898)
Comprehensive loss	**(4,639,787)**	(3,369,882)

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

Metalo Manufacturing Inc.
Consolidated Statement of Changes in Equity
For the years ended June 30, 2017 and June 30, 2016
(Amounts presented in Canadian Dollars)

	Number of Shares Issued	Share Capital	Equity Component Convertible Debenture	Stock based payment reserve	Retained Earnings	Accumulated Other Comprehensive Income	Total Shareholders Equity	Non-controlling interest	Total Equity
		$		$	$	$	$		
Balance June 30, 2015	17,251,018	8,948,978	649,593	1,284,000	8,179,986	117,670	19,180,227	29,540,515	48,720,742
Net loss and comprehensive loss for the year	-	-	-	-	(1,007,539)	-	(1,007,539)	(2,444,851)	(3,452,390)
Other comprehensive income for the year	-	-	-	-	-	36,555	36,555	45,953	82,508
Comprehensive income (loss) for the year	-	-	-	-	(1,007,539)	36,555	(970,984)	(2,398,898)	(3,369,882)
Shares issued in payment of interest	56,021	25,000	-	-	-	-	25,000	-	25,000
Gain on divesture of investment in subsidiary (Note 3)	-	-	-	-	2,290,870	-	2,290,870	3,050,738	5,341,608
Change in non-controlling interest on acquisition of shares in subsidiary (Note 3)	-	-	-	-	1,093,714	-	1,093,714	(1,443,714)	(350,000)
Stock-based compensation in subsidiary (Note 11)	-	-	-	-	128,000	-	128,000	160,000	288,000
Balance June 30, 2016	17,307,039	8,973,978	649,593	1,284,000	10,685,031	154,225	21,746,827	28,908,641	50,655,468
Net loss and comprehensive loss for the year	-	-	-	-	(1,658,496)	-	(1,658,496)	(3,029,423)	(4,687,919)
Other comprehensive income for the year	-	-	-	-	-	21,140	21,140	26,992	48,132
Comprehensive income (loss) for the year	-	-	-	-	(1,658,496)	21,140	(1,637,356)	(3,002,431)	(4,639,787)
Shares issued in payment of interest (Note 10)	174,363	100,000	-	-	-	-	100,000	-	100,000
Change in non-controlling interest on exercise of options in subsidiary (Note 3)	-	-	-	-	(11,889)	-	(11,889)	268,139	256,250
Balance June 30, 2017	17,481,402	9,073,978	649,593	1,284,000	9,014,646	175,365	20,197,582	26,174,349	46,371,931

Note 19 Comparative figures

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

Metalo Manufacturing Inc.

Consolidated Statements of Cash Flows

For the years ended June 30, 2017 and June 30, 2016

(Amounts presented in Canadian Dollars)

	years ended	
	30-Jun-17	**30-Jun-16**
	$	$
Cash flows generated from operating activities:		
Net loss	**(4,687,919)**	(3,452,390)
Items not involving cash:		
Depreciation	**22,728**	533,589
Stock based compensation	**-**	288,000
Loss on sale of property & equipment	**-**	853
Impairment of property & equipment	**1,990,435**	-
Loss (gain) on sale of investments	**(974)**	234,046
Unrealized gain on investments	**(12,597)**	(241,323)
Interest paid by issuance of shares	**100,000**	25,000
Interest accretion	**502,257**	-
Expense recovery Porcupine Strand	**-**	(494,979)
Deferred taxes	**(2,175,998)**	(1,071,789)
Changes in non-cash operating working capital		
Other receivables	**50,331**	65,459
Prepaid and other deposits	**95,429**	85,791
Trade and other payables (Note 6)	**1,146,766**	(975,638)
	(2,969,542)	(5,003,381)
Cash flow generated from financing activities:		
Proceeds of short term borrowings	**2,605,000**	-
Repayment of long term debt	**-**	(120,614)
	2,605,000	(120,614)
Cash flows (provided) generated from investing activities:		
Proceeds on mineral claim settlement	**-**	610,000
Proceeds on sale of property & equipment	**-**	2,000
Proceed on sale of investments	**16,425**	83,163
Purchase of investments	**(6,951)**	-
Proceeds on sale of non-controlling interest	**-**	5,341,608
Proceeds on exercise of options	**256,250**	-
Acquisition of shares in subsidiary	**-**	(350,000)
Investment in project development	**(323,808)**	(1,273,642)
Investment in resource properties	**-**	(72,500)
	(58,084)	4,340,629
Decrease in cash during the year	**(422,626)**	(783,366)
Cash, beginning of year	**591,665**	1,375,031
Cash, end of year	**169,039**	591,665

The accompanying notes form an integral part of these consolidated financial stat

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*. In addition to the mining and exploration sector, the Corporation is in the process of expanding into the manufacturing sector. The Corporation's Head Office is located at 1600 – 141 Adelaide Street West, Toronto, ON M5H 3L5.

The Corporation's subsidiaries, Grand River Ironsands Incorporated and North Atlantic Iron Corporation principal place of business is Newfoundland and Labrador, the subsidiary 8593302 Canada Inc. principal place of business is Quebec and the subsidiary Forks Specialty Metals Inc. principal place of business is Pennsylvania, USA.

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 $169,039 (2016 $591,665), and has a working capital deficiency of $6,290,927 (2016 - $1,107,780), and shareholders' equity of $46,371,931 (2016 - $50,655,468). 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 October 30, 2017.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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").

(b) Basis of Consolidation

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

- 43.9% (2016 – 44.3%) Grand River Ironsands Incorporated ("GRI")
  A company incorporated in Nova Scotia engaged in the exploration and development of mineral deposits
- 100% (2016 – 100%) Forks Specialty Metals Inc. ("FSM")
  A company incorporated in Pennsylvania engaged in iron ore smelting
- 60% (2016 – 60%) North Atlantic Iron Corporation ("NAIC")
  A corporation incorporated in Newfoundland and Labrador engaged in the exploration and development of mineral deposits
- 100% (2016 - 100%) 8593302 Canada Inc.
  A corporation incorporated in Canada expected to be engaged in steel manufacturing

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.

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 cost 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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 it 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Foreign Currency (continued)

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 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 art 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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. 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:

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

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Financial Assets and Liabilities (continued)

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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Critical Accounting Estimates and Judgments (continued)

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Recent Accounting Pronouncements (continued)

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.

3. INVESTMENT IN SUBSIDAIRY COMPANIES

During fiscal 2016 the Corporation acquired additional common shares of GRI as follows: 200,000 shares on July 17, 2015; 200,000 shares on September 3, 2015 and 300,000 shares on September 24, 2015 for an aggregate consideration of $350,000, increasing the Corporation's ownership of GRI to 44.3%.

These transactions have been recorded as follows:

	years ended	
	30-Jun-17	30-Jun-16
	$	$
Non-controlling interest acquired	-	1,443,715
Cost of shares acquired	-	350,000
Attributed to the equity of the Corporation	-	1,093,715

On September 30, 2016, Directors and Officers exercised options to purchase 205,000 shares GRI at an exercise price of $1.25 per share for aggregate proceeds of $256,250. This issuance of GRI shares decreased the Corporation's ownership of GRI from 44.3% to 43.9%.

The transaction has been recorded as follows:

	years ended	
	30-Jun-17	30-Jun-16
	$	$
Exercise of options in subsidiary	256,250	-
Change in non-controlling interest	268,139	-
Attributed to the equity of the Corporation	(11,889)	-

3. INVESTMENT IN SUBSIDAIRY COMPANIES (continued)

Non-controlling interest divesture

On July 8, 2015, Petmin acquired 30 common shares of NAIC increasing its non-controlling interest in NAIC from 35.4% to 37.8%, in exchange for cash consideration of $2,548,000 (US$2,000,000).

On February 10, 2016, Petmin acquired 29 common shares of NAIC increasing its non-controlling interest in NAIC from 37.8% to 40.0%, in exchange for cash consideration of $2,793,608 (US$2,000,000).

These transactions have been treated as a divestiture of the Corporation's indirect interest in NAIC as follows:

	years ended	
	30-Jun-17	30-Jun-16
	$	$
Proceeds from sale	-	5,341,608
Proceeds have been allocated between the Corporation and the non-controlling interest of GRI as follows:		
Non-controlling interest	-	3,050,738
Controlling interest	-	2,290,870
Total	-	5,341,608

4. INVESTMENTS

The Corporation has the following holdings and disposition of investments:

	years ended	
	30-Jun-17	30-Jun-16
Shares and warrants	**$**	**$**
	$	$
Cost of investments beginning of year	28,926	346,135
Additions	6,951	-
Disposals	(15,451)	(317,209)
Cost of investment end of year	20,426	28,926
Market value investment end of year	20,478	16,381
Unrealized gain (loss) end of year	52	(12,545)
Unrealized loss beginning of year	(12,545)	(253,868)
Change in unrealized loss during the year	12,597	241,323

4. INVESTMENTS (continued)

Dispositions

	years ended	
	30-Jun-17	30-Jun-16
	$	**$**
Shares	$	$
Proceeds on disposal	16,425	83,163
Cost of shares sold	15,451	111,308
	974	(28,145)
Warrants		
Expiration of nil share purchase warrants (2016 - 2,102,280)	-	-
Original book value warrants	-	205,901
	-	(205,901)
Realized gain (loss) on investments	974	(234,046)

5. RESOURCE PROPERTIES

June 30, 2016					
	Balance 30-Jun-15	Additions	Interest Accretions	Reductions & Reclassifications	Balance 30-Jun-16
	$	$	$	$	$
Labrador Mineral Sands	60,281,553	46,101	26,398	(3,244,167)	57,109,885
Porcupine Strand	115,021	-	-	(115,021)	-
	60,396,574	46,101	26,398	(3,359,188)	57,109,885

June 30, 2017					
	Balance 30-Jun-16	Additions	Interest Accretions	Reductions	Balance 30-Jun-17
	$	$	$	$	$
Labrador Mineral Sands	57,109,885	-	28,875	-	57,138,760

The Labrador Mineral Sands relates to licenses held by NAIC, which include Churchill River, Mud Lake, Muskrat Lake, Goose Bay, and Hamilton River. The reduction in the prior year represents the reversal of a previous accrual in the amount of $871,078 and the reclassification of $2,373,089 in industrial equipment at Forks Specialty Metals used in the evaluation the technical feasibility of the Corporation's resource properties. There were no such reductions in the current year.

Additions to resource properties includes accretion in the amount of $28,875 (2016 - $26,398) on the ACOA loan (Note 9).

The Porcupine Strand property was acquired from a former director of GRI for $ nil cash consideration other than reimbursement of staking costs. The property consisted of four mineral licenses covering approximately 3.5 square kilometres in Labrador. The Corporation received notice that the federal government intended to establish the Mealy Mountain National Park which will encompass the lands to which the Corporation has staked these claims.

5. RESOURCE PROPERTIES (continued)

On April 14, 2015, GRI received a cheque for $610,000 from the Province of Newfoundland and Labrador pursuant to an agreement dated March 24, 2015 between GRI and the Government of Newfoundland and Labrador. This amount represents a recovery of the costs associated with the forfeiture of the Porcupine Strand licenses. The funds were held in trust by GRI pending the finalization of a land transfer agreement between the Government of Canada ("Canada") and the Government of Newfoundland and Labrador ("the Province") and the reimbursement by Canada for costs incurred by the Province with respect to the termination of these claims. On September 14, 2015 GRI received a letter from the Province confirming that all conditions of the transfer had been met and the funds were now released.

The transaction was recorded as follows:

	2016
	$
Expense recovery on disposition of Porcupine Strand	494,979
Porcupine Strand cost recovery	115,021
	610,000

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 resource properties 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.

Costs incurred to date are shown in the following table:

	years ended	
	30-Jun-17	30-Jun-16
	$	$
Balance beginning of period	2,074,815	-
Costs incurred during period	850,179	2,074,815
Balance end of period	2,924,994	2,074,815

Included in trade and other payables is $1,330,469 (2016 - $801,173) related to expenditures not yet paid.

7. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	Computer equipment $	Automotive equipment $	Industrial equipment $	Office furniture and equipment $	Total $
For the year ended June 30, 2016					
Opening net book value	6,641	3,085	100,575	31,507	141,808
Reclassification of equipment	-	-	2,373,089	-	2,373,089
Additions	-	-	10,537	-	10,537
Disposals	-	(2,853)	-	-	(2,853)
Depreciation	(1,991)	(232)	(524,674)	(6,692)	(533,589)
Foreign exchange differences	-	-	111,368	1,453	112,821
Net Book Value	4,650	-	2,070,895	26,268	2,101,813
As at June 30, 2016					
Cost	15,138	-	2,580,056	42,658	2,637,852
Accumulated depreciation	(10,488)	-	(620,529)	(25,171)	(656,188)
Foreign exchange differences	-	-	111,368	8,781	120,149
Net Book Value	4,650	-	2,070,895	26,268	2,101,813
For the year ended June 30, 2017					
Opening net book value	4,650	-	2,070,895	26,268	2,101,813
Impairment of equipment	-	-	(1,990,435)	-	(1,990,435)
Depreciation	(1,395)	-	(16,091)	(5,242)	(22,728)
Foreign exchange differences	-	-	-	(64)	(64)
Net Book Value	3,255	-	64,369	20,962	88,586
As at June 30, 2017					
Cost	15,138	-	196,430	42,658	254,226
Accumulated depreciation	(11,883)	-	(132,061)	(30,413)	(174,357)
Foreign exchange differences	-	-	-	8,717	8,717
Net Book Value	3,255	-	64,369	20,962	88,586

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. See note 20.

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 maturity date of the loan has since been extended and the note now matures on December 31, 2017.

8. SHORT TERM LIABILITIES (continued)

On September 29, 2016 GRI borrowed $250,000 from Forest Lane Holdings Limited "FLH", a Company controlled by an insider 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 June 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.

The loan balances in the table below include interest accrued to June 30, 2017.

Short Term liabilities

	years ended	
	30-Jun-17	30-Jun-16
	$	$
Short term loan from unrelated party interest at 6% due December 31, 2017	262,882	-
Short term loan from related party interest at 6% due on demand	2,401,622	-
Balance end of year	2,664,504	-

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. 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, 2019 and repayments will commence in December 2019. The carrying value of the loan has been discounted using an effective interest rate of 9%.

Industrial Equipment Loan

During fiscal 2013, FSM received a loan from the State of Pennsylvania in the amount of US$1,600,000 to partially finance the acquisition of industrial equipment in Forks Township, Pennsylvania. The loan bears interest at 1% and is repayable in monthly principal installments of US$14,017, commencing March 1, 2013, maturing on February 1, 2023. The carrying value of the loan was discounted using an effective interest rate of 9% but due to the uncertainty of the FSM operation this liability has now been recorded at the undiscounted amount of the loan and the accretion has been recorded as an expense in the statement of loss. See note 20.

At June 30, 2017, and June 30, 2016, in accordance with the lending terms, the loan was deemed to be in default for late payments. Accordingly, the discounted value of the loan has been presented as a current liability on the consolidated balance sheet. Subsequent to year-end, the State of Pennsylvania confirmed to the Corporation that the loan would continue under the originally contracted terms, including payment terms. The future minimum payments reflected in the table below are based on the originally contracted payment terms.

9. LONG TERM DEBT (continued)

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. See Note 10.

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.

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.

9. LONG TERM DEBT (continued)

	years ended	
	30-Jun-17	30-Jun-16
	$	$
ACOA Loan		
Loan amount beginning of year	307,809	281,411
Accretion capitalized to resource properties	28,875	26,398
Balance end of year	336,684	307,809
Convertible debenture		
Amount outstanding beginning of year	1,481,525	1,382,100
Accretion expense for year	113,340	99,425
Balance end of year	1,594,865	1,481,525
Industrial equipment loan		
Loan amount beginning of year	1,171,550	1,184,923
Repayments	-	(120,614)
Accretion expense for year	388,917	107,241
Current portion	(1,560,467)	(1,171,550)
Balance end of year	-	-
Total	1,931,549	1,789,335

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

	US$	C$
2018	409,234	-
2019	161,272	-
2020	162,892	2,100,000
2021	164,528	100,000
2022	166,181	100,000
Thereafter	111,714	200,000

10. SHARE CAPITAL

On May 1, 2016, the Corporation issued 56,021 common shares to FLH. This issuance represents interest due May 1, 2016 in the aggregate amount of $25,000 on the convertible debenture and was made at a deemed price of $0.44626 per share, which is the volume-weighted trading price for the 20 trading days ending April 1, 2016.

10. SHARE CAPITAL (continued)

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.

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

COMMON STOCK OUTSTANDING	Number of Shares	Amount
Authorized:		
Unlimited number of common shares without par value		
Issued and outstanding June 30, 2015	17,251,018	$ 8,948,978
Issued in payment of interest	56,021	25,000
Issued and outstanding June 30, 2016	17,307,039	$ 8,973,978
Issued and outstanding June 30, 2016	17,307,039	$ 8,973,978
Issued in payment of interest	174,363	100,000
Issued and outstanding June 30, 2017	17,481,402	$ 9,073,978

Weighted average issued and outstanding - 17,384,638 (2016 - 17,260,049)

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 (2016 – 3,450,203) common shares pursuant to the stock option plan. There are 2,114,000 (2016 - 2,114,000) options to acquire common shares outstanding under the plan as at June 30, 2017. Any unexercised options that expire or are forfeited become available again for issuance under the plan.

11. STOCK BASED COMPENSATION PLAN (continued)

Options issued and outstanding as at June 30, 2016 and June 30, 2017:

	Weighted average exercise price $	Issued
Balance June 30, 2015	0.77	2,114,000
Granted	-	-
Balance June 30, 2016	0.77	2,114,000
Balance June 30, 2016	0.77	2,114,000
Granted	-	-
Balance June 30, 2017	0.77	2,114,000

The following table summarizes information about the options outstanding and exercisable at June 30, 2016 and June 30, 2017:

June 30, 2016 and June 30, 2017
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			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 (2016 - 2,356,433) common shares pursuant to the stock option plan. There are 1,206,000 (2016 – 2,116,000) options to acquire common shares outstanding under the plan as at June 30, 2017. 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.

11. STOCK BASED COMPENSATION PLAN (continued)

Options issued and outstanding as at June 30, 2016:

	Weighted average exercise price $	Issued
Balance June 30, 2015	1.60	2,356,000
Expired	1.25	(390,000)
Issued	2.50	150,000
Balance June 30, 2016	1.73	2,116,000

The following table summarizes information about the options outstanding and exercisable at June 30, 2016:

Number of options outstanding	Expiry Date	Exercise Price $	Number of options exercisable
415,000	30-Sep-2016	1.25	415,000
495,000	30-Jun-2017	1.25	495,000
87,000	15-Nov-2017	1.25	87,000
475,000	6-Dec-2018	2.10	475,000
494,000	8-Dec-2019	2.10	494,000
150,000	27-May-2021	2.50	150,000
2,116,000			2,116,000

Options issued and outstanding as at June 30, 2017

	Weighted average Exercise price $	Issued
Balance June 30, 2016	1.73	2,116,000
Exercised	1.25	(205,000)
Expired	1.25	(705,000)
Balance June 30, 2017	2.09	1,206,000

The following table summarizes information about the options outstanding and exercisable at June 30, 2017:

Number of options outstanding	Expiry Date	Exercise Price $	Number of options exercisable
87,000	15-Nov-2017	1.25	87,000
475,000	6-Dec-2018	2.10	475,000
494,000	8-Dec-2019	2.10	494,000
150,000	27-May-2021	2.50	150,000
1,206,000			1,206,000

11. STOCK BASED COMPENSATION PLAN (continued)

Stock based compensation

	years ended	
	30-Jun-17	30-Jun-16
	$	**$**
Valuation options granted by Corporation	-	-
Valuation options granted by subsidiary	-	288,000
	-	288,000

12. EXPENSES BY NATURE

	years ended	
	30-Jun-17	**30-Jun-16**
Operating expenses		
Advertising and promotion	**10,305**	4,143
Utilities	**131,247**	112,181
Dues and fees	**14,398**	23,761
Exploration costs	**13,179**	1,264
Facility costs	**103,900**	46,220
Foreign exchange gains	**(272,460)**	(83,205)
General and administrative	**206,735**	135,527
Insurance	**97,502**	100,422
Management and consulting fees	**1,398,966**	1,389,618
Professional fees	**104,159**	78,798
Rental	**1,077,341**	1,058,984
Travel	**631,316**	494,542
Stock based compensation	**-**	288,000
Salaries and wages	**573,650**	547,063
	4,090,238	4,197,318

13. 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:

	years ended	
	30-Jun-17	30-Jun-16
	$	**$**
Management fees	165,000	165,000
Consulting fees	931,513	834,021
Directors fees	15,750	15,750
Stock based compensation	-	288,000
Salaries and benefits	573,621	686,672
Operating expenses	1,685,884	1,989,443

13. RELATED PARTY TRANSACTIONS (continued)

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 $31,800 to Torvan Capital Group, a division of Ashley Park Enterprises Inc., a company controlled by a director of the Corporation.

14. 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 a loss in both the current year and prior year and the options effect is anti-dilutive.

15. INCOME TAXES

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

	years ended	
	30-Jun-17	30-Jun-16
	$	**$**
Loss before income taxes	(6,863,917)	(4,524,179)
Combined Federal and Provincial tax rate	31%	31%
Expected recovery at statutory rates	(2,127,814)	(1,402,495)
Unrecognized tax assets	282,914	353,474
Non-deductible stock based compensation	-	89,280
Subsidiary rate differential	(188,251)	17,968
Other	(142,847)	(130,016)
Deferred tax recovery	(2,175,998)	(1,071,789)

	30-Jun-17	30-Jun-16
	$	$
Unrecognized Deductible Temporary Differences	1,342,915	353,474

Deferred tax liability consists of:

	30-Jun-17	30-Jun-16
	$	**$**
Non-capital losses	6,192,485	4,345,215
Iron interests	(11,261,210)	(11,471,552)
Intangible asset	(877,499)	(651,000)
Property and equipment	1,044	6,060
Loans receivable	194,352	-
Long-term Debt	170,535	-
Investment	(1,915)	(1,532)
Share issue costs	24,275	38,878
	(5,557,933)	(7,733,931)

15. INCOME TAXES (continued)

Expiry of Non-Capital Losses	2017 $	2016 $
2028	22,819	22,819
2029	285,264	285,264
2030	68,825	68,825
2031	331,346	331,346
2032	534,563	534,563
2033	1,740,499	1,740,499
2034	2,448,464	2,448,464
2035	2,467,806	2,467,806
2036	8,003,481	7,506,052
2037	7,018,053	-
	22,921,120	15,405,638

16. COMMITMENTS

GRI, subsequent to the incorporation of NAIC, provided Petmin Limited ("Petmin"), an unrelated entity, with options to invest in NAIC in three phases. The first option was exercised November 17, 2010 with Petmin signing a purchase agreement to buy 26 common shares in NAIC from treasury for $1,512,135 (US$1,500,000), representing a 5% interest in the outstanding common shares.

The second option was amended August 18th, 2011 into two phases, exercisable upon satisfaction of various performance conditions. Phase 2a was exercised August 31, 2011 with a capital injection of $1,956,800 (US$2,000,000) from Petmin in exchange for 34 common shares, increasing its interest to 10.7% of the issued and outstanding common shares.

Phase 2b was exercised on April 20, 2012 with a capital injection of $2,973,800 (US$3,000,000), by Petmin in exchange for 42 common shares, increasing its interest to 16.9% of the issued and outstanding common shares.

The third option was divided into three phases with payments of US$4.5M, $6.0M and $8.0M for phases 3a, 3b and 3c respectively each with various milestones.

Phase 3a (1) was exercised on July 5, 2012 and phase 3a (2) was exercised on July 13, 2012 with a combined capital injection of $4,576,393 (US$4,500,000), by Petmin in exchange for 43 common shares, increasing its interest to 22.48% of the issued and outstanding capital.

Phase 3b (1) was exercised on April 5, 2013 with a capital injection of $2,031,423 (US$2,000,000), by Petmin in exchange for 23 common shares, increasing its interest to 25.2% of the issued and outstanding capital. Phase 3b (2) was exercised on July 17, 2013 with a capital injection of $2,070,400 (US$2,000,000), by Petmin in exchange for 23 common shares, increasing its interest to 27.6% of the issued and outstanding capital. Phase 3b (3) was exercised on October 23, 2013 with a capital injection of $2,072,700 (US$2,000,000), by Petmin in exchange for 23 common shares, increasing its interest to 30.0% of the issued and outstanding capital.

16. COMMITMENTS (continued)

Phase 3c (1) was exercised on April 7, 2014 with a capital injection of $2,193,800 (US$2,000,000), by Petmin in exchange for 30 common shares, increasing its interest to 32.8% of the issued and outstanding capital. Phase 3c (2) was exercised on October 24, 2014 with a capital injection of $1,123,300 (US$1,000,000), by Petmin in exchange for 15 common shares, increasing its interest to 34.1% of the issued and outstanding capital. Phase 3c (3) was exercised on February 17, 2015 with a capital injection of $1,240,300 (US$1,000,000), by Petmin in exchange for 15 common shares, increasing its interest to 35.4% of the issued and outstanding capital. Phase 3c (4) was exercised on July 8, 2015 with a capital injection of $2,548,000 (US$2,000,000), by Petmin in exchange for 30 common shares, increasing its interest to 37.8% of the issued and outstanding capital. Phase 3c (5) was exercised on February 10, 2016 with a capital injection of $2,793,608 (US$2,000,000), by Petmin in exchange for 29 common shares, increasing its interest to 40.0% of the issued and outstanding capital. This investment fulfils Petmin's investment obligation from the original 2010 agreement.

Petmin has the option (the "Grand River Option") to acquire, from GRI, an additional 9.9% interest in NAIC in exchange for common shares in Petmin equal to 9.9% of the value of the mineral rights of NAIC at the time Petmin exercises the Grand River Option.

NAIC, GRI, and Petmin entered into a management service agreement on June 1, 2013 for a period of 24 months, in the amount of US$300,000 per year which shall be paid by NAIC to Petmin on a quarterly basis, payable in arrears. The agreement shall renew automatically for subsequent one year periods if not specifically terminated in accordance with the agreement. NAIC also agrees to reserve for issuance 2.5% of its issued and outstanding shares to be issued to Petmin, releasable in increments of 1% upon completion of a satisfactory preliminary economic assessment completed in the prior year and the balance of 1.5% upon completion of a satisfactory bank feasibility study.

As at December 31, 2015 the Board of Directors of NAIC agreed to reserve for issuance 3.75% of its issued and outstanding shares to be issued to GRI, releasable in increments of 1.5% upon completion of a satisfactory preliminary economic assessment and the balance of 2.25% upon completion of a satisfactory bank feasibility study.

On March 12, 2016 under the terms of the management services agreement and the directions of the Board of Directors NAIC issued 12 additional shares to GRI (1.5%) and 8 additional shares to Petmin (1%) in consideration for management services rendered.

Forks is committed to a lease expiring December 31, 2018 on a commercial building in Easton, PA at a cost of US$48,999 per month until October 31, 2016 and thereafter at US$52,768 until December 31, 2018. See note 20.

17. 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.

17. MANAGEMENT OF CAPITAL (continued)

	30-Jun-17	30-Jun-16
	$	$
Long term debt	1,931,549	1,789,334
Share capital	9,073,978	8,973,978
Equity component convertible debenture	649,593	649,593
Stock based payment reserve	1,284,000	1,284,000
Accumulated other comprehensive income	175,365	154,225
Retained earnings	9,014,646	10,685,031
Non-controlling interest	26,174,349	28,908,641
	48,303,480	52,444,802

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, 2016.

18. 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.

18. FINANCIAL INSTRUMENTS (continued)

Foreign Currency Risk
The Corporation has long term debt denominated in US dollars. The carrying value of these items may change due to fluctuations in foreign exchange rates. The Corporation has cash and 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.

19. COMPARATIVE FIGURES

Certain comparative figures in the notes to the consolidated financial statements have been reclassified in order to conform with the presentation adopted for the current year. Furthermore, a reclassification in the amount of $1,247,000 resulting in a decrease to the share based payment reserve and an increase to retained earnings of $549,000 and an increase to non controlling interest of $698,000 in the comparative period has been made to align the treatment of share based payments in GRI with IFRS.

20. SUBSEQUENT EVENTS

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

On August 25, 2017, NAIC received a shareholder loan, with no fixed terms of repayment, in the amount of US$1,259,654 from Petmin. This loan represents Petmin's proportionate share of the NAIC's projected cash requirements. GRI has also advanced their proportionate share of those projected requirements to NAIC.

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 repayable, without penalty, on or before August 31, 2018.

On or about October 18, 2017, SK 3700 Glover Road Owner LLC served a notice on Forks Specialty Metals Inc. 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. Forks has 30 days from the receipt of Judgment to dispute the claim and Forks is currently assessing its rights and remedies and is also considering outside counsel in the relevant jurisdiction.

21. SEGMENTED INFORMATION

As at June 30, 2017 the Corporation had a corporate head office and three 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. FSM, a private corporation, incorporated under the laws of Pennsylvania, contains industrial equipment purchased with the objective to develop a smelting plant in Forks Township, Pennsylvania. It is a wholly owned subsidiary of GRI.

The results of the segments are as follows:

	Corporate		GRI		NAIC		FSM		Eliminations		Consolidated	
	30-Jun-17	30-Jun-16	30-Jun-17	30-Jun-16	30-Jun-17	30-Jun-16	30-Jun-17	30-Jun-16	30-Jun-17	30-Jun-16	30-Jun-17	30-Jun-16
	$	$	$	$	$	$	$	$	$	$	$	$
Revenue - intersegment	-	-	65,697	579,511	-	-	1,332,728	1,962,048	(1,398,425)	(2,541,559)	-	-
Operating expenses	218,784	216,587	2,114,989	2,215,903	1,865,216	6,283,697	1,916,613	1,936,952	(2,025,363)	(6,455,821)	4,090,238	4,197,318
EBITDA	(218,784)	(216,587)	(2,049,292)	(1,636,392)	(1,865,216)	(6,283,697)	(583,885)	25,095	626,938	3,914,262	(4,090,238)	(4,197,318)
Depreciation and Amortization	-	-	(1,830)	(2,579)	(15,745)	(19,869)	(5,153)	(511,142)	-	-	(22,728)	(533,589)
Interest and bank charges	(74,250)	(80,884)	(89,087)	(19,423)	(44,401)	(39,550)	(64,091)	13,683	-	38,166	(271,830)	(88,009)
Interest accretion	(113,340)	(99,425)	-	-	-	-	(388,917)	(107,241)	-	-	(502,257)	(206,666)
Expense recovery	-	-	-	494,979	-	-	-	-	-	-	-	494,979
Impairment of property & equipment	-	-	-	-	-	-	(1,990,435)	-	-	-	(1,990,435)	-
Loss on sale of property & equipment	-	-	-	(853)	-	-	-	-	-	-	-	(853)
Realized gain (loss) on investments	-	-	974	(234,046)	-	-	-	-	-	-	974	(234,046)
Unrealized gain on investments	-	-	12,597	241,323	-	-	-	-	-	-	12,597	241,323
	(187,590)	(180,309)	(77,345)	479,402	(60,147)	(59,419)	(2,448,596)	(604,700)	-	38,166	(2,773,679)	(326,861)
Segment income (loss) before taxes	(406,374)	(396,896)	(2,126,637)	(1,156,990)	(1,925,362)	(6,343,115)	(3,032,481)	(579,605)	626,938	3,952,428	(6,863,917)	(4,524,179)
Total assets	5,434,826	5,615,118	4,791,085	4,033,382	58,209,788	57,680,912	588,695	2,810,914	(8,267,512)	(7,684,982)	60,756,882	62,455,344
Total liabilities	7,214,406	9,264,322	2,705,014	76,923	2,975,621	2,625,072	4,152,181	3,390,052	(2,662,271)	(3,556,493)	14,384,951	11,799,876

Inter-segment revenues are eliminated upon consolidation and reflected in the "eliminations" column.

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").

21. SEGMENTED INFORMATION (continued)

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 June 30, 2017 was $ nil (June 30, 2016 $ nil)

Non-current assets:

	30-Jun-17 $	30-Jun-16 $
Canada	60,131,729	59,270,250
United States of America	20,611	2,016,263
Total non-current assets	60,152,340	61,286,513

METALO MANUFACTURING INC.

Interim Condensed Consolidated Financial Statements

For the three months and nine months ended March 31, 2017
and March 31, 2016

(expressed in Canadian dollars)

(UNAUDITED)

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Corporation discloses that its auditors have not reviewed the unaudited interim condensed consolidated financial statements for the three months and nine months ended March 31, 2017 and March 31, 2016

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"	*"Lorne S. MacFarlane"*
Francis H. MacKenzie President and Chief Executive Office	Lorne S. MacFarlane Chief Financial Officer

May 26, 2017

Metalo Manufacturing Inc.

Financial Information

March 31, 2017

Contents

Metalo Manufacturing Inc.

Consolidated Balance Sheets

(Amounts presented in Canadian Dollars)

	31-Mar 2017 $	30-Jun 2016 $
Assets		
Current assets:		
Cash	**349,053**	591,665
Other receivable	**62,448**	114,337
Prepaid and other deposits	**385,734**	446,448
Investments (Note 4)	**31,593**	16,381
	828,828	1,168,831
Non-current assets:		
Iron interests (Note 5)	**57,131,296**	57,109,885
Project development costs (Note 6)	**2,920,112**	2,074,815
Property and equipment (Note 7)	**1,825,236**	2,101,813
	61,876,644	61,286,513
	62,705,472	62,455,344
Liabilities and Shareholders' Equity		
Current liabilities:		
Trade and other payables	**2,541,358**	1,105,061
Short term loans (Note 8)	**1,851,893**	-
Current portion long-term debt (Note 9)	**1,199,738**	1,171,550
	5,592,989	2,276,611
Non-current liabilities:		
Long-term debt (Note 9)	**1,894,256**	1,789,334
Deferred taxes (Note 15)	**6,692,099**	7,733,931
	8,586,355	9,523,265
	14,179,344	11,799,876
Shareholders' equity		
Share capital (Note 10)	**9,048,978**	8,973,978
Equity component convertible debenture	**649,593**	649,593
Stock based payment reserve	**2,531,000**	2,531,000
Retained earnings	**9,130,064**	10,136,031
Accumulated other comprehensive income	**182,256**	154,225
Equity attributable to shareholders	**21,541,891**	22,444,827
Non-controlling interests	**26,984,237**	28,210,641
	48,526,128	50,655,468
	62,705,472	62,455,344

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 May 26, 2017

Metalo Manufacturing Inc.

Consolidated Statements of Loss and Comprehensive Loss

For the three months and nine months ended March 31, 2017 and March 31, 2016

(Amounts presented in Canadian Dollars)

	3 months ended		9 months ended	
	31-Mar-17	31-Mar-16	**31-Mar-17**	31-Mar-16
	$	$	**$**	$
General and administrative expenses (Note 12)	**(1,159,159)**	(1,138,437)	**(3,037,726)**	(2,676,441)
Expense recovery re Porcupine Strand (Note 5)	**-**	-	**-**	167,370
Depreciation	**(107,166)**	(134,624)	**(325,089)**	(399,389)
Interest and bank changes	**(93,261)**	(78,990)	**(218,638)**	(227,423)
Loss on sale of property & equipment	**-**	-	**-**	(853)
Realized loss on investments (Note 4)	**-**	-	**-**	(234,046)
Change in unrealized loss on investments (Note 4)	**(12,871)**	1,170	**15,211**	242,493
Net loss before taxes	**(1,372,457)**	(1,350,881)	**(3,566,242)**	(3,128,289)
Income tax recovery (Note 15)	**425,748**	406,748	**1,041,832**	937,482
Net loss	**(946,709)**	(944,133)	**(2,524,410)**	(2,190,807)
Net loss attributable to:				
Shareholders of the Corporation	**(460,081)**	(130,352)	**(994,078)**	(645,796)
Non-controlling interest	**(486,628)**	(813,782)	**(1,530,332)**	(1,545,011)
Net loss	**(946,709)**	(944,134)	**(2,524,410)**	(2,190,807)
Net loss per share (Note 14)	**($0.03)**	($0.01)	**($0.06)**	($0.04)
Weighted average number of shares outstanding (Note 10)	**17,400,330**	17,251,018	**17,359,715**	17,251,018
Net loss	**(946,709)**	(944,134)	**(2,524,410)**	(2,190,807)
Other comprehensive income				
Items that may be subsequently reclassified to loss				
Cumulative translation adjustments	**18,060**	(140,973)	**63,820**	86,191
Comprehensive loss	**(928,649)**	(1,085,107)	**(2,460,590)**	(2,104,616)
Comprehensive loss attributable to:				
Shareholders of the Corporation	**(452,148)**	(191,668)	**(966,047)**	(607,610)
Non-controlling interest	**(476,501)**	(893,439)	**(1,494,543)**	(1,497,006)
Comprehensive loss	**(928,649)**	(1,085,107)	**(2,460,590)**	(2,104,616)

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

Metalo Manufacturing Inc.

Consolidated Statement of Changes in Equity

For the nine months ended March 31, 2017 and March 31, 2016

(Amounts presented in Canadian Dollars)

	Number of Shares Issued	Share Capital	Equity Component Convertible Debenture	Stock based payment reserve	Retained Earnings	Accumulated Other Comprehensive Income	Total Shareholders Equity	Non-controlling interest	Total Equity
		$		$	$	$	$		
Balance June 30, 2015	17,251,018	8,948,978	649,593	2,243,000	7,758,986	117,670	19,718,227	29,002,515	48,720,742
Net loss and comprehensive loss for the period	-	-	-	-	(645,796)	-	(645,796)	(1,545,011)	(2,190,807)
Other comprehensive income for the period	-	-	-	-	-	38,187	38,187	48,004	86,191
Comprehensive income (loss) for the period	-	-	-	-	(645,796)	38,187	(607,609)	(1,497,007)	(2,104,615)
Gain on divesture of investment in subsidiary (Note 3)	-	-	-	-	2,290,870	-	2,290,870	3,050,738	5,341,608
Gain on acquisition of shares in subsidiary (Note 3)	-	-	-	-	1,093,714	-	1,093,714	(1,443,714)	(350,000)
Balance March 31, 2016	17,251,018	8,948,978	649,593	2,243,000	10,497,774	155,857	22,495,202	29,112,532	51,607,734
Balance June 30, 2016	17,307,039	8,973,978	649,593	2,531,000	10,136,031	154,225	22,444,827	28,210,641	50,655,468
Net loss and comprehensive loss for the period	-	-	-	-	(994,078)	-	(994,078)	(1,530,332)	(2,524,410)
Other comprehensive income for the period	-	-	-	-	-	28,031	28,031	35,789	63,820
Comprehensive income (loss) for the period	-	-	-	-	(994,078)	28,031	(966,047)	(1,494,543)	(2,460,590)
Shares issued in payment of interest	110,601	75,000	-	-	-	-	75,000	-	75,000
Change in non-controlling interest on exercise of options in subsidiary (Note 3)	-	-	-	-	(11,889)	-	(11,889)	268,139	256,250
Balance March 31, 2017	17,417,640	9,048,978	649,593	2,531,000	9,130,064	182,256	21,541,891	26,984,237	48,526,128

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

Metalo Manufacturing Inc.

Condensed Consolidated Statements of Cash Flows

For the three months and nine months ending March 31, 2017 and March 31, 2016

(Amounts presented in Canadian Dollars)

	3 months ended		9 months ended	
	31-Mar-17	31-Mar-16	31-Mar-17	31-Mar-16
	$	$	$	$
Cash flows generated from operating activities:				
Net loss	**(946,709)**	(944,133)	**(2,524,410)**	(2,190,807)
Items not involving cash:				
Depreciation	**107,166**	134,624	**325,089**	399,389
Loss on sale of property & equipment	**-**	-	**-**	853
Loss on sale of investments	**-**	-	**-**	234,046
Unrealized gain on investments	**12,871**	(1,170)	**(15,211)**	(242,493)
Interest paid by issuance of shares	**25,000**	-	**75,000**	-
Interest accretion	**28,811**	19,499	**83,510**	58,497
Expense recovery Porcupine Strand	**-**	-	**-**	(167,370)
Deferred taxes	**(425,748)**	(406,745)	**(1,041,832)**	(937,482)
Changes in non-cash operating working capital				
Other receivables	**80,798**	(8,220)	**51,889**	84,781
Prepaid and other deposits	**(59,808)**	(977,554)	**60,714**	(1,056,678)
Trade and other payables	**388,588**	(294,425)	**1,454,793**	(1,681,868)
	(789,031)	(2,478,124)	**(1,530,459)**	(5,499,132)
Cash flow generated from financing activities:				
Proceeds of short term borrowings	**992,036**	-	**1,851,893**	-
Repayment of long term debt	**-**	-	**-**	(120,241)
	992,036	-	**1,851,893**	(120,241)
Cash flows (provided) generated from investing activities:				
Proceeds mineral claim settlement	**-**	-	**-**	610,000
Proceeds sale of property & equipment	**-**	-	**-**	2,000
Proceed sale of investments	**-**	-	**-**	83,163
Proceeds sale of non-controlling interest	**-**	2,793,608	**-**	5,341,608
Investment in minerals claim deposits	**-**	-	**-**	-
Proceeds exercise of options	**-**	-	**256,250**	-
Acquisition of shares in subsidiary	**-**	-	**-**	(350,000)
Investment in property development	**(36,884)**	-	**(845,297)**	-
Investment in iron interests	**-**	(81,745)	**-**	171,020
	(36,884)	2,711,863	**(589,047)**	5,857,791
Decrease in cash during the period	**166,121**	233,739	**(267,612)**	238,418
Cash, beginning of period	**157,932**	1,379,712	**591,665**	1,375,033
Cash, end of period	**324,053**	1,613,451	**324,053**	1,613,451

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

1. NATURE OF OPERATIONS

Metalo Manufacturing Inc. was incorporated on October 4, 2000 under the laws of the Province of Alberta pursuant to the provisions of the *Business Corporations Act.* In addition to the mining and exploration sector, the Corporation is in the process of expanding into the manufacturing sector. The Corporation's Head Office is located at 1600 – 141 Adelaide Street West, Toronto, ON M5H 3L5.

The Corporation's subsidiaries, Grand River Ironsands Incorporated and North Atlantic Iron Corporation principal place of business is Newfoundland and Labrador, the subsidiary 8593302 Canada Inc. principal place of business is Quebec and the subsidiary Forks Specialty Metals Inc. principal place of business is Pennsylvania, USA.

These unaudited interim condensed consolidated financial statements (the "interim 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. 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.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation and Statement of Compliance

These interim 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.

These interim financial statements are presented in Canadian dollars which is also the Corporation's functional currency. The functional currency of the US subsidiary is the US dollar.

These interim financial statements have been authorized for issuance by the Board of Directors on February 27, 2017.

These interim financial statements are in compliance with International Accounting Standards 34, Interim Financial Reporting ("IAS 34"). Accordingly, certain information included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board, have been omitted or condensed. The preparation of financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Corporation's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, have been set out in note 2 of

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

the Corporation's annual consolidated financial statements for the year ended June 30, 2016. These interim financial statements should be read in conjunction with the Corporation's consolidated financial statements for the year ended June 30, 2016.

(b) Basis of Consolidation

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

- 43.9% (2015 – 44.3%) Grand River Ironsands Incorporated ("GRI")
  A company incorporated in Nova Scotia engaged in the exploration and development of mineral deposits
- 100% (2015 – 100%) Forks Specialty Metals Inc. ("FSM")
  A company incorporated in Pennsylvania engaged in iron ore smelting
- 60% (2015 – 60%) North Atlantic Iron Corporation ("NAIC")
  A corporation incorporated in Newfoundland and Labrador engaged in the exploration and development of mineral deposits
- 100% (2015 - 0%) 8593302 Canada Inc.
  A corporation incorporated in Canada expected to be engaged in steel manufacturing

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; and
- 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.
- 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.

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) Iron Interests

Iron interests 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 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 cost 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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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 Assets

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. Non-current assets that are not amortized, including investment in associate, 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 it 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Foreign Currency (continued)

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 translated at average exchange rates for the period. 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. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into Canadian dollars at the balance sheet rate.

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 period 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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 fair value through profit and loss ("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. 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, investments, and loans receivable. The Corporation's financial liabilities include trade and other payables, and long term debt. Classification of these financial instruments is as follows:

Asset/Liability	Classification
Cash	FVTPL
Investments	FVTPL
Loans receivable	Loans and receivables
Trade and other payables	Other financial liabilities
Long-term debt	Other financial liabilities

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 interim condensed consolidated statements of operations 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Financial Assets and Liabilities (continued)

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.

(n) Use of Estimates

The preparation of financial statements requires management to make judgments, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, revenue and expenses and the accompanying notes. Actual results could differ from these estimates under the circumstances. Accounting estimates will, by definition, seldom equal the actual results. The areas that management makes critical estimates, assumptions and judgments are valuation of assets acquired, recoverability of deferred tax assets, measurement of stock based compensation, and impairment of assets.

(o) Provisions

A provision is recognized in the interim condensed 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.

(p) 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 period. 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 period plus the weighted average number of shares that would be issued on the conversion of all the potential dilutive ordinary shares into common shares.

(q) Recent Accounting Pronouncements

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods after December 31, 2017. Those pronouncements that could be applicable or could have a significant impact to the Corporation are discussed in detail in Note 2(r) to the June 30, 2016 audited financial statements.

3. INVESTMENT IN SUBSIDAIRY COMPANIES

As of August 29, 2012, the Corporation had acquired 9,475,017 shares in GRI increasing its holding in GRI to 41.1% which, when combined with the holdings of Directors and associated companies, gave the Corporation effective control of GRI and its then 77.5% owned subsidiary NAIC.

On June 5, 2015, the Corporation acquired an additional 265,000 common shares of GRI representing 1.13% of the outstanding shares for $132,500.

The Corporation acquired additional common shares of GRI as follows: 200,000 shares on July 17, 2015; 200,000 shares on September 3, 2015 and 300,000 shares on September 25, 2015 for an aggregate consideration of $350,000, increasing the Corporation's ownership of GRI to 44.3%.

These transactions have been recorded as follows:

	3 months ended		9 months ended	
	31-Mar-17	31-Mar-16	31-Mar-17	31-Mar-16
	$	$	$	$
Non-controlling interest acquired	-	-	-	1,443,714
Cost of shares acquired	-	-	-	350,000
Attributed to the equity of the Corporation	-	-	-	1,093,714

On September 30, 2016, Directors and Officers exercised options to purchase 205,000 shares GRI at an exercise price of $1.25 per share for aggregate proceeds of $256,250. This issuance of GRI shares decreased the Corporation's ownership of GRI from 44.3% to 43.9%.

The transaction has been recorded as follows:

	3 months ended		9 months ended	
	31-Mar-17	31-Mar-16	31-Mar-17	31-Mar-16
	$	$	$	$
Exercise of oprions in subsidiary	-	-	256,250	-
Change in non-controlling interest	-	-	268,139	-
Attributed to the equity of the Corporation	-	-	(11,889)	-

On April 5, 2013, Petmin Limited, an unrelated entity, ("Petmin") acquired an additional 23 common shares of NAIC increasing its non-controlling interest in NAIC from 22.5% to 25.1%, in exchange for cash consideration of $2,031,400 (US$2,000,000).

Non-controlling interest divesture

On July 17, 2013, Petmin acquired an additional 23 common shares of NAIC increasing its non-controlling interest in NAIC from 25.1% to 27.6%, in exchange for cash consideration of $2,070,400 (US$2,000,000).

3. INVESTMENT IN SUBSIDAIRY COMPANIES (continued)

On October 23, 2013, Petmin acquired an additional 23 common shares of NAIC increasing its non-controlling interest in NAIC from 27.6% to 30.0%, in exchange for cash consideration of $2,072,700 (US$2,000,000).

On April 7, 2014, Petmin acquired an additional 30 common shares of NAIC increasing its non-controlling interest in NAIC from 30.0% to 32.8%, in exchange for cash consideration of $2,193,800 (US$2,000,000).

On October 24, 2014, Petmin acquired an additional 15 common shares of NAIC increasing its non-controlling interest in NAIC from 32.8% to 34.1%, in exchange for cash consideration of $1,123,300 (US$1,000,000).

On October 11, 2013 and November 29, 2013 GRI issued an aggregate of 433,582 flow through and non-flow through shares from treasury for an aggregate consideration of $943,854 less issue costs of $106,992 for net proceeds of $836,862. These transactions reduced the Corporation's interest in GRI from 41.07% to 40.32%.

On February 17, 2015, Petmin acquired an additional 15 common shares of NAIC increasing its non-controlling interest in NAIC from 34.1% to 35.4%, in exchange for cash consideration of $1,240,300 (US$1,000,000).

On July 8, 2015, Petmin acquired an additional 30 common shares of NAIC increasing its non-controlling interest in NAIC from 35.4% to 37.8%, in exchange for cash consideration of $2,548,000 (US$2,000,000).

On February 10, 2016, Petmin acquired an additional 15 common shares of NAIC increasing its non-controlling interest in NAIC from 37.8% to 40.0%, in exchange for cash consideration of $2,793,608 (US$2,000,000).

These transactions have been treated as a divestiture of the Corporation's indirect interest in NAIC as follows:

	3 months ended		9 months ended	
	31-Mar-17	31-Mar-16	31-Mar-17	31-Mar-16
	$	$	$	$
Proceeds from sale	-	2,793,608	-	5,341,608
Proceeds have been allocated between the Corporation and the non-controlling interest of GRI				
Non-controlling interest	-	1,555,928	-	3,050,738
Controlling interest	-	1,237,680	-	2,290,870
Total	-	2,793,608	-	5,341,608

4. INVESTMENT

The Corporation has the following holdings and disposition of investments:

	3 months ended		9 months ended	
	31-Mar-17	31-Mar-16	31-Mar-17	31-Mar-16
	$	$	$	$
234,020 Common shares (2015 - 234,020)	31,593	16,381	31,593	16,381
Change in unrealized gain or loss during the period	(12,871)	1,170	15,211	242,493

	3 months ended		9 months ended	
	31-Mar-17	31-Mar-16	31-Mar-17	31-Mar-16
	$	$	$	$
Shares			$	$
Proceeds sale of nil shares (2016 - 900,500)	-	-	-	83,163
Cost of shares sold	-	-	-	111,307
Realized loss on investments	-	-	-	(28,145)
Warrants				
warrants	-	-	-	-
Original book value warrants	-	-	-	205,901
	-	-	-	(205,901)
Realized loss on investments	-	-	-	(234,046)

5. IRON INTERESTS

The Labrador Mineral Sands relates to licenses held by NAIC, which include Churchill River, Mud Lake, Muskrat Lake, Goose Bay, and Hamilton River. At March 31, 2017, mineral licenses comprise 321 claims in 3 claim blocks with a total area of approximately 45 square kilometres with no associated mineral claim deposits outstanding.

The Porcupine Strand property was acquired from a former director of the GRI for $NIL cash consideration other than reimbursement of staking costs. The property consisted of four mineral licenses covering approximately 3.5 square kilometres in Labrador. The Corporation received notice that the federal government intended to establish the Mealy Mountain National Park which will encompass the lands to which the Corporation has staked these claims. While the plans for the park have not yet been approved or finalized, the Corporation has renewed the claims as recently as November 2010 but have been refused exploration permits in this regard. As discussed below, the Corporation has now received compensation sufficient to recover the investment it had made in these claims.

5. IRON INTERESTS (continued)

	March 31, 2016			
	Balance 30-Jun-15	Additions	Reductions	Balance 31-Mar-16
	$	$	$	$
Labrador Mineral Sands	60,281,553	1,122,159	-	61,403,712
Porcupine Strand	115,021	-	(115,021)	-
	60,396,574	1,122,159	(115,021)	61,403,712

	March 31, 2017			
	Balance 30-Jun-16	Additions	Reductions	Balance 31-Mar-17
	$	$	$	$
Labrador Mineral Sands	57,109,885	21,411	-	57,131,296

On April 14, 2015, GRI received a cheque for $610,000 from the Province of Newfoundland and Labrador pursuant to an agreement dated March 24, 2015 between GRI and the Government of Newfoundland and Labrador. This amount represents a recovery of the costs associated with the forfeiture of the Porcupine Strand licenses. The funds were held in trust by GRI pending the finalization of a land transfer agreement between the Government of Canada ("Canada") and the Government of Newfoundland and Labrador ("the Province") and the reimbursement by Canada for costs incurred by the Province with respect to the termination of these claims. On September 14, 2015 GRI received a letter from the Province confirming that all conditions of the transfer had been met and the funds were now released.
The transaction was recorded as follows:

	$
Expense recovery on disposition of Porcupine Strand	494,979
Porcupine Strand cost recovery	115,021
	610,000

6. PROJECT DEVELOPMENT COSTS

The Corporation is planning the development of a low cost North American producer of foundry grade pig iron. The plant is being 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.

A Bankable Feasibility Study is currently in draft form and costs incurred to date are shown in the table below:

	3 months ended		9 months ended	
	31-Mar-17	31-Mar-16	31-Mar-17	31-Mar-16
	$	$	$	$
Balance beginning of period	2,883,228	344,117	2,074,815	-
Costs incurred during period	36,884	-	845,297	344,117
Balance end of period	2,920,112	344,117	2,920,112	344,117

7. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	Computer equipment $	Automotive equipment $	Industrial equipment $	Office furniture and equipment $	Total $
For the period ended March 31, 2016					
Opening net book value	6,641	3,085	100,575	31,507	141,808
Additions (Disposals)	-	(2,853)	-	-	(2,853)
Depreciation	(995)	(232)	(10,057)	(5,456)	(16,740)
Foreign exchange differences	-	-	-	5,355	5,355
Net Book Value	5,646	-	90,518	31,406	127,570
As at March 31, 2016					
Cost	15,138	-	196,430	42,658	257,668
Accumulated depreciation	(9,492)	-	(105,912)	(23,936)	(142,781)
Foreign exchange differences	-	-	-	12,684	12,683
Net Book Value	5,646	-	90,518	31,406	127,570
For the period ended March 31, 2017					
Opening net book value	4,650	-	2,070,895	26,268	2,101,813
Depreciation	(1,308)	-	(319,741)	(4,039)	(325,089)
Foreign exchange differences	-	-	47,890	621	48,512
Net Book Value	3,341	-	1,799,044	22,851	1,825,236
As at March 31, 2017					
Cost	15,138	-	2,580,056	42,658	2,637,852
Accumulated depreciation	(11,797)	-	(940,270)	(29,210)	(981,277)
Foreign exchange differences	-	-	159,258	9,402	168,661
Net Book Value	3,341	-	1,799,044	22,851	1,825,236

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 calculated monthly plus 50,000 three year warrants at an exercise price of $0.01 per shares

On September 29, 2016 GRI borrowed $250,000 from Forest Lane Holdings Limited, a related party, for 90 days with interest at 6% per annum calculated monthly plus 50,000 three year warrants at an exercise price of $0.01 per share

8. SHORT TERM LIABILITIES (continued)

	3 months ended		9 months ended	
	31-Mar-17	31-Mar-16	31-Mar-17	31-Mar-16
	$	$	$	$
Short term loan from unrelated party interest at 6% due February 25, 2017	8,988	-	258,988	-
Short term loan from related party interest at 6% due March 29, 2017	1,342,905	-	1,592,905	-
	1,351,893	-	1,851,893	-

9. LONG TERM DEBT

ACOA Loan

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 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, 2019 and repayments will commence in December 2019. The carrying value of the loan has been discounted using an effective interest rate of 9%.

Industrial Equipment Loan

FSM received a loan from the State of Pennsylvania in the amount of US$1,600,000 to partially finance the acquisition of industrial equipment in Forks Township, Pennsylvania. The loan bears interest at 1% and is repayable in monthly principal installments of US$14,017, commencing March 1, 2013, maturing on February 1, 2023. 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. A company controlled by an officer and director of the Corporation fully subscribed to the offering.

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.

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.

	3 months ended		9 months ended	
	31-Mar-17	31-Mar-16	31-Mar-17	31-Mar-16
	$	$	$	$
ACOA Loan				
Loan amount beginning of period	321,923	294,314	307,809	281,411
Accretion capitalized to iron interests	7,298	6,672	21,411	19,575
Balance end of period	329,221	300,986	329,221	300,986
Convertible debenture				
Amount outstanding beginning of period	1,536,224	1,430,503	1,481,525	1,382,100
Accretion expense for period	28,811	25,067	83,510	73,469
Balance end of period	1,565,035	1,455,570	1,565,035	1,455,570
Industrial equipment loan				
Loan amount beginning of period	1,209,194	1,246,388	1,184,923	1,184,923
Repayments	-	-	-	(120,241)
Accretion capitalized to iron interests	-	(78,259)	-	103,447
Accretion expense	(9,456)	-	14,815	-
Current portion	(1,199,738)	(1,168,128)	(1,199,738)	(1,168,128)
Balance end of period	-	-	-	-
Total	1,894,256	1,756,556	1,894,256	1,756,556

10. SHARE CAPITAL

On May 1, 2016, the Corporation issued 56,021 common shares to Forest Lane Holdings Limited ("FLH"), a company controlled by an insider of the Corporation. This issuance represents interest due May 1, 2016 in the aggregate amount of $25,000 on the convertible debenture and was made at a deemed price of $0.44626 per share, which is the volume-weighted trading price for the 20 trading days ending April 1, 2016. The securities are subject to a four-month hold period following the date of issuance.

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. The securities are subject to a four-month hold period following the date of issuance.

10. SHARE CAPITAL (continued)

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 $0.68685 per share, which is the volume-weighted trading price for the 20 trading days ending October 3, 2016. The securities are subject to a four month hold period following the date of issuance.

On February 1, 2017, the Corporation issued 48,685 common shares to Forest Lane Holdings Limited, a company controlled by an insider of the Corporation. 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. The securities are subject to a four month hold period following the date of issuance.

COMMON STOCK OUTSTANDING	Number of Shares	Amount
Authorized:		
Unlimited number of common shares without par value		
Issued and outstanding June 30, 2015	17,251,018	$ 8,948,978
Issued in payment of interest	-	-
Issued and outstanding March 31, 2016	17,251,018	$ 8,948,978
Issued and outstanding June 30, 2016	17,307,039	$ 8,973,978
Issued in payment of interest	110,601	75,000
Issued and outstanding March 31, 2017	17,417,640	$ 9,048,978

Weigthed average issued and outstanding - 17,359,724 (2015 - 17,251,018)

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 common shares pursuant to the stock option plan. There are 2,114,000 options to acquire common shares outstanding under the plan as at March 31, 2017. Any unexercised options that expire or are forfeited become available again for issuance under the plan.

On May 28, 2012, 144,000 options were granted to directors, officers, and employees under the stock purchase plan at an exercise price of $0.65. These options vested immediately and expire in 10 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 1.56%; dividend yields of nil; volatility factor of 100%; and a weighted average expected life of the option of 5 years. The expected volatility of the Corporation is based on historical volatility of comparable entities for the same weighted average expected life of the option.

On November 28, 2012, 450,000 options were granted to directors, officers, and employees under the stock purchase plan at an exercise price of $0.65. These options vested immediately and expire in 10 years.

11. STOCK BASED COMPENSATION PLAN (continued)

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 1.56%; dividend yields of nil; volatility factor of 100%; share prices of $0.65; and a weighted average expected life of the option of 5 years. The expected volatility of the Corporation is based on historical volatility of comparable entities for the same weighted average expected life of the option.

On December 6, 2013, 985,000 options were granted to directors, officers, and employees under the stock purchase plan at an exercise price of $0.85. These options vested immediately and expire in 10 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 1.56%; dividend yields of nil; volatility factor of 100%; share prices of $0.85; and a weighted average expected life of the option of 5 years. The expected volatility of the Corporation is based on historical volatility of comparable entities for the same weighted average expected life of the option.

On December 8, 2014, 535,000 options were granted to directors, officers, employees and consultants under the stock purchase plan at an exercise price of $0.75. These options vested immediately and expire in 10 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 1.44%; dividend yields of nil; volatility factor of 157.51%; share prices of $0.75; and a weighted average expected life of the option of 5 years. The expected volatility is based on historical volatility of the Company's shares since March 30, 2012

Options issued and outstanding as at March 31, 2016 and March 31, 2017:

	Weighted average exercise price $	Issued
Balance June 30, 2015	0.77	2,114,000
Granted	-	-
Balance Mar 31, 2016	0.77	2,114,000
Balance June 30, 2016	0.77	2,114,000
Granted	-	-
Balance Mar 31, 2017	0.77	2,114,000

11. STOCK BASED COMPENSATION PLAN (continued)

The following table summarizes information about the options outstanding and exercisable at March 31, 2016 and March 31, 2017:

Mar 31, 2016 and Mar 31, 2017
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			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 2,356,433 common shares pursuant to the stock option plan. There are 1,966,000 options to acquire common shares outstanding under the plan as at March 31, 2017. Any unexercised options that expire or are forfeited become available again for issuance under the plan.

Options issued and outstanding as at March 31, 2016:

	Weighted average exercise price $	Issued
Balance June 30, 2015	1.60	2,356,000
Issued	-	-
Balance Mar 31, 2016	1.60	2,356,000

The following table summarizes information about the options outstanding and exercisable at March 31, 2016:

Number of options outstanding	Expiry Date	Exercise Price $	Number of options exercisable
390,000	31-Dec-2015	1.25	390,000
415,000	30-Sep-2016	1.25	415,000
495,000	30-Jun-2017	1.25	495,000
87,000	15-Nov-2017	1.25	87,000
475,000	6-Dec-2018	2.10	475,000
494,000	8-Dec-2019	2.10	494,000
2,356,000			2,356,000

11. STOCK BASED COMPENSATION PLAN (continued)

Options issued and outstanding as at March 31, 2017

	Weighted average Exercise price $	Issued
Balance June 30, 2016	1.60	2,116,000
Exercised	1.25	(205,000)
Expired	1.25	(210,000)
Balance Mar 31, 2017	1.84	1,701,000

The following table summarizes information about the options outstanding and exercisable at March 31, 2017:

Number of options outstanding	Expiry Date	Exercise Price $	Number of Options exercisable
495,000	30-Jun-2017	1.25	495,000
87,000	15-Nov-2017	1.25	87,000
475,000	6-Dec-2018	2.10	475,000
494,000	8-Dec-2019	2.10	494,000
150,000	27-May-2021	2.50	150,000
1,701,000			1,701,000

12. GENERAL AND ADMINISTRATIVE EXPENSES

	3 months ended		9 months ended	
	31-Mar-17	**31-Mar-16**	**31-Mar-17**	**31-Mar-16**
General and administrative expenses				
Advertising and promotion	**9,222**	30,242	**10,305**	30,242
Utilities	**44,660**	51,692	**76,153**	96,869
Consulting	-	42,700	**-**	219,437
Dues and fees	**3,113**	2,419	**11,466**	21,434
Exploration costs	**-**	1,264	**13,179**	1,264
Project feasibility costs	**7,505**	-	**17,629**	-
Foreign exchange losses (gains)	**22,469**	135,003	**87,243**	(94,541)
General and administrative	**1,886**	13,565	**31,487**	108,662
Insurance	**23,770**	21,776	**73,849**	75,458
Management fees	**322,120**	281,864	**926,468**	790,817
Professional fees	**48,446**	7,500	**88,285**	23,950
Rental	**267,101**	288,868	**800,442**	812,939
Travel	**265,087**	116,571	**469,634**	177,600
Salaries and wages	**143,780**	144,973	**431,586**	412,310
	1,159,159	1,138,437	**3,037,726**	2,676,441

13. RELATED PARTY TRANSACTIONS

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

	3 months ended		9 months ended	
	31-Mar-17	31-Mar-16	31-Mar-17	31-Mar-16
	$	$	$	$
Management fees	41,250	41,250	123,750	123,750
Consulting fees	142,388	208,271	558,230	628,676
Directors fees	2,100	2,800	11,900	12,950
Salaries and benefits	173,566	189,287	510,210	501,022
	359,304	441,607	1,204,091	1,266,397
Capitalized to iron interests	-	14,770	-	63,271
Operating expenses	359,304	426,838	1,204,091	1,203,127

14. 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 period. The Company has a loss in both the current and prior year quarter and the options effect is anti-dilutive.

15. INCOME TAXES

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

	3 months ended		9 months ended	
	31-Mar-17	31-Mar-16	31-Mar-17	31-Mar-16
	$	$	$	$
Income (loss) before income taxes	(1,372,457)	(1,350,881)	(3,566,242)	(3,128,289)
Combined Federal and Provincial tax rate	31%	31%	31%	31%
Expected recovery at statutory rates	425,462	418,772	1,105,535	969,769
Unrecognized tax assets	-	-	(63,561)	-
Subsidiary rate differential	286	(20,003)	(33,150)	(32,284)
Other	-	7,979	33,008	-
Deferred tax recovery	425,748	406,748	1,041,832	937,485

Deferred tax liability consists of:

	31-Mar-17	31-Mar-16
	$	$
Non-capital losses	5,417,600	3,596,074
Iron interests	(11,471,552)	(11,965,044)
Intangible asset	(651,000)	-
Property and equipment	6,060	(935)
Investment	(1,532)	(8,628)
Share issue costs	8,325	12,492
	(6,692,099)	(8,366,041)

16. COMMITMENTS

GRI, subsequent to the incorporation of NAIC, provided Petmin Limited ("Petmin"), an unrelated entity, with options to invest in NAIC in three phases. The first option was exercised November 17, 2010 with Petmin signing a purchase agreement to buy 26 common shares in NAIC from treasury for $1,512,135 (US$1,500,000), representing a 5% interest in the outstanding common shares.

The second option was amended August 18th, 2011 into two phases, exercisable upon satisfaction of various performance conditions. Phase 2a was exercised August 31, 2011 with a capital injection of $1,956,800 (US$2,000,000) from Petmin in exchange for 34 common shares, increasing its interest to 10.7% of the issued and outstanding common shares.

Phase 2b was exercised on April 20, 2012 with a capital injection of $2,973,800 (US$3,000,000), by Petmin in exchange for 42 common shares, increasing its interest to 16.9% of the issued and outstanding common shares.

The third option is divided into three phases with payments of US$4.5M, $6.0M and $8.0M for phases 3a, 3b and 3c respectively each with various milestones. Petmin will take back sufficient common shares to increase its interest to 40% of the issued and outstanding common shares after payment has been made on phase 3c.

Phase 3a(1) was exercised on July 5, 2012 and phase 3a(2) was exercised on July 13, 2012 with a combined capital injection of $4,576,393 (US$4,500,000), by Petmin in exchange for 43 common shares, increasing its interest to 22.48% of the issued and outstanding capital.

Phase 3b(1) was exercised on April 5, 2013 with a capital injection of $2,031,423 (US$2,000,000), by Petmin in exchange for 23 common shares, increasing its interest to 25.2% of the issued and outstanding capital. Phase 3b(2) was exercised on July 17, 2013 with a capital injection of $2,070,400 (US$2,000,000), by Petmin in exchange for 23 common shares, increasing its interest to 27.6% of the issued and outstanding capital. Phase 3b(3) was exercised on October 23, 2013 with a capital injection of $2,072,700 (US$2,000,000), by Petmin in exchange for 23 common shares, increasing its interest to 30.0% of the issued and outstanding capital.

Phase 3c(1) was exercised on April 7, 2014 with a capital injection of $2,193,800 (US$2,000,000), by Petmin in exchange for 30 common shares, increasing its interest to 32.8% of the issued and outstanding capital. Phase 3c(2) was exercised on October 24, 2014 with a capital injection of $1,123,300 (US$1,000,000), by Petmin in exchange for 15 common shares, increasing its interest to 34.1% of the issued and outstanding capital. Phase 3c(3) was exercised on February 17, 2015 with a capital injection of $1,240,300 (US$1,000,000), by Petmin in exchange for 15 common shares, increasing its interest to 35.4% of the issued and outstanding capital. Phase 3c(4) was exercised on July 8, 2015 with a capital injection of $2,548,000 (US$2,000,000), by Petmin in exchange for 30 common shares, increasing its interest to 37.8% of the issued and outstanding capital. Phase 3c(5) was exercised on February 10, 2016 with a capital injection of $2,793,608 (US$2,000,000), by Petmin in exchange for 29 common shares, increasing its interest to 40.0% of the issued and outstanding capital.

16. COMMITMENTS (continued)

Petmin has the option (the "Grand River Option") to acquire, from GRI, an additional 9.9% interest in NAIC in exchange for common shares in Petmin equal to 9.9% of the value of the mineral rights of NAIC at the time Petmin exercises the Grand River Option.

NAIC, GRI, and Petmin entered into a management service agreement on June 1, 2013 for a period of 24 months, in the amount of US$300,000 per year which shall be paid by NAIC to Petmin on a quarterly basis, payable in arrears. The agreement shall renew automatically for subsequent one year periods if not specifically terminated in accordance with the agreement. NAIC also agrees to reserve for issuance 2.5% of its issued and outstanding shares to be issued to Petmin, releasable in increments of 1% upon completion of a satisfactory preliminary economic assessment and the balance of 1.5% upon completion of a satisfactory bank feasibility study.

As at December 31, 2015 the Board of Directors of NAIC agreed to reserve for issuance 3.75% of its issued and outstanding shares to be issued to GRI, releasable in increments of 1.5% upon completion of a satisfactory preliminary economic assessment and the balance of 2.25% upon completion of a satisfactory bank feasibility study.

On March 12, 2016 under the terms of the management services agreement and the directions of the Board of Directors NAIC issued 12 additional shares to GRI (1.5%) and 8 additional shares to Petmin (1%) in consideration for management services rendered.

17. 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.

	31-Mar-17	30-Jun-16
	$	$
Long term debt	1,894,256	1,789,334
Share capital	9,048,978	8,973,978
Equity component convertible debenture	649,593	649,593
Stock based payment reserve	2,531,000	2,531,000
Accumulated other comprehensive income	182,256	154,225
Retained earnings	9,130,064	10,136,031
Non-controlling interest	26,984,237	28,210,641
	50,420,384	52,444,803

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.

17. MANAGEMENT OF CAPITAL (continued)

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, 2016.

18. FINANCIAL INSTRUMENTS

As at March 31, 2017, the Corporation carried cash at fair value and is considered Level 1, within the fair value hierarchy.

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
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.

Foreign Currency Risk
The Corporation has long term debt denominated in US dollars. The carrying value of these items may change due to fluctuations in foreign exchange rates. The Corporation has cash and 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.

19. SUBSEQUENT EVENT

Forest Lane Holdings Limited, a related party, ("FLH") has advanced additional funds on a line of credit bearing interest at 6% per annum calculated monthly as follows:

April 28, 2017	$200,000
May 5, 2017	180,000

On May 1, 2017, the Corporation issued 63,762 common shares to FLH. This 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. The securities are subject to a four month hold period following the date of issuance.

20. SEGMENTED INFORMATION

As at March 31, 2017 the Corporation had a corporate head office and three 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 both directly and 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. It is a majority owned subsidiary of GRI.
3. FSM, a private corporation, incorporated under the laws of Pennsylvania, operates a smelting plant in Forks Township, Pennsylvania. It is a wholly owned subsidiary of GRI.

The results of the segments are as follows:

	Corporate		GRI		NAIC		FSM		Eliminations		Consolidated	
	31-Mar-17	31-Mar-16	31-Mar-17	31-Mar-16	31-Mar-17	31-Mar-16	31-Mar-17	31-Mar-16	31-Mar-17	31-Mar-16	31-Mar-17	31-Mar-16
	$	$	$	$	$	$	$	$	$	$	$	$
Revenue - external customers	-	-	-	-	-	-	-	-	-	-	-	-
Revenue - intersegment	-	-	55,107	547,015	-	-	1,168,106	1,562,039	(1,223,212)	(2,109,054)	-	-
	-	-	55,107	547,015	-	-	1,168,106	1,562,039	(1,223,212)	(2,109,054)	-	-
Operating expenses	157,403	165,323	1,123,545	22,182	1,642,574	1,602,967	1,381,916	1,469,765	(1,267,712)	(583,795)	3,037,726	2,676,441
EBITDA	(157,403)	(165,323)	(1,068,437)	524,833	(1,642,574)	(1,602,967)	(213,811)	92,274	44,500	(1,525,259)	(3,037,726)	(2,676,441)
Depreciation and Amortization	-	-	(1,502)	(1,992)	(13,871)	(10,312)	(309,717)	(387,085)	-	-	(325,089)	(399,389)
Interest and bank charges	(138,825)	(133,954)	(49,264)	(14,289)	(1,031)	(1,018)	(29,516)	(78,162)	-	-	(218,638)	(227,423)
Expense recovery	-	-	-	167,370	-	-	-	-	-	-	-	167,370
Loss on sale of property & equipment	-	-	-	(853)	-	-	-	-	-	-	-	(853)
Realized loss on investments	-	-	-	(234,046)	-	-	-	-	-	-	-	(234,046)
Unrealized gain on investments	-	-	15,211	242,493	-	-	-	-	-	-	15,211	242,493
	(138,825)	(133,954)	(35,555)	158,684	(14,902)	(11,330)	(339,233)	(465,247)	-	-	(528,517)	(451,848)
Segment income (loss) before taxes	(296,229)	(299,276)	(1,103,992)	683,518	(1,657,476)	(1,614,296)	(553,044)	(372,973)	44,500	(1,525,259)	(3,566,242)	(3,128,289)
Total assets	5,501,274	5,035,832	5,103,912	5,882,511	58,411,602	63,931,987	2,497,166	3,432,509	(8,808,481)	(13,920,515)	62,705,472	64,362,324
Total liabilities	8,329,875	9,498,308	1,995,195	70,936	2,917,012	1,487,844	3,565,527	3,375,905	(2,628,265)	(2,414,350)	14,179,344	12,018,643

Inter-segment revenues are eliminated upon consolidation and reflected in the "eliminations" column.

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").

20. SEGMENTED INFORMATION (continued)

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 period ending March 31, 2017 was $ nil (March 31, 2016 $nil)

Non-current assets:

	31-Mar-17 $	31-Mar-16 $
Canada	60,121,586	58,708,017
United States of America	1,755,058	2,814,160
Total non-current assets	61,876,644	61,522,177

METALO MANUFACTURING INC.

Interim Condensed Consolidated Financial Statements

For the three months and six months ended December 31, 2016
and December 31, 2015

(expressed in Canadian dollars)

(UNAUDITED)

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Corporation discloses that its auditors have not reviewed the unaudited interim condensed consolidated financial statements for the three months and six months ended December 31, 2016 and December 31, 2015

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"	*"Lorne S. MacFarlane"*
Francis H. MacKenzie President and Chief Executive Office	Lorne S. MacFarlane Chief Financial Officer

February 27, 2017

Metalo Manufacturing Inc.

Financial Information

December 31, 2016

Contents

Metalo Manufacturing Inc.
Consolidated Balance Sheets
(Amounts presented in Canadian Dollars)

	31-Dec 2016 $	30-Jun 2016 $
Assets		
Current assets:		
Cash	**157,932**	591,665
Other receivable	**143,246**	114,337
Prepaid and other deposits	**325,926**	446,448
Investments (Note 4)	**44,464**	16,381
	671,569	1,168,831
Non-current assets:		
Iron interests (Note 5)	**57,113,396**	57,109,885
Project development costs (Note 6)	**2,883,228**	2,074,815
Property and equipment (Note 7)	**1,948,676**	2,101,813
	61,945,300	61,286,513
	62,616,868	62,455,344
Liabilities and Shareholders' Equity		
Current liabilities:		
Trade and other payables	**2,142,045**	1,105,061
Short term loans (Note 8)	**859,857**	-
Current portion long-term debt (Note 9)	**1,209,194**	1,171,550
	4,211,096	2,276,611
Non-current liabilities:		
Long-term debt (Note 9)	**1,858,147**	1,789,334
Deferred taxes (Note 15)	**7,117,847**	7,733,931
	8,975,994	9,523,265
	13,187,090	11,799,876
Shareholders' equity		
Share capital (Note 10)	**9,023,978**	8,973,978
Equity component convertible debenture	**649,593**	649,593
Stock based payment reserve	**2,531,000**	2,531,000
Retained earnings	**9,590,145**	10,136,031
Accumulated other comprehensive income	**174,324**	154,225
Equity attributable to shareholders	**21,969,040**	22,444,827
Non-controlling interests	**27,460,738**	28,210,641
	49,429,778	50,655,468
	62,616,868	62,455,344

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

February 27, 2017

Metalo Manufacturing Inc.

Consolidated Statements of Loss and Comprehensive Loss

For the three months and six months ended December 31, 2016 and December 31, 2015

(Amounts presented in Canadian Dollars)

	3 months ended		6 months ended	
	31-Dec-16	31-Dec-15	31-Dec-16	31-Dec-15
	$	$	$	$
General and administrative expenses (Note 12)	**(995,713)**	(994,758)	**(1,878,567)**	(1,538,004)
Expense recovery re Porcupine Strand (Note 5)	**-**	-	**-**	167,370
Depreciation	**(111,879)**	(134,578)	**(217,923)**	(264,765)
Interest and bank changes	**(69,961)**	(75,673)	**(125,377)**	(148,433)
Loss on sale of property & equipment	**-**	(853)	**-**	(853)
Realized loss on investments (Note 4)	**-**	(207,121)	**-**	(234,046)
Change in unrealized loss on investments (Note 4)	**2,340**	193,635	**28,082**	241,323
Net loss before taxes	**(1,175,213)**	(1,219,348)	**(2,193,785)**	(1,777,407)
Income tax recovery (Note 15)	**344,911**	370,018	**616,084**	530,737
Net loss	**(830,302)**	(849,330)	**(1,577,701)**	(1,246,670)
Net loss attributable to:				
Shareholders of the Corporation	**(255,406)**	(231,275)	**(533,998)**	(515,444)
Non-controlling interest	**(574,896)**	(618,056)	**(1,043,704)**	(731,229)
Net loss	**(830,302)**	(849,330)	**(1,577,701)**	(1,246,673)
Net loss per share (Note 14)	**($0.01)**	($0.01)	**($0.03)**	($0.03)
Weighted average number of shares outstanding (Note 10)	**17,356,295**	17,251,018	**17,339,849**	17,251,018
Net loss	**(830,302)**	(849,330)	**(1,577,701)**	(1,246,673)
Other comprehensive income				
Items that may be subsequently reclassified to loss				
Cumulative translation adjustments	**34,417**	78,561	**45,760**	227,164
Comprehensive loss	**(795,885)**	(770,769)	**(1,531,941)**	(1,019,509)
Comprehensive loss attributable to:				
Shareholders of the Corporation	**(240,332)**	(196,469)	**(513,899)**	(415,942)
Non-controlling interest	**(555,553)**	(574,301)	**(1,018,042)**	(603,567)
Comprehensive loss	**(795,885)**	(770,770)	**(1,531,941)**	(1,019,509)

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

Metalo Manufacturing Inc.

Consolidated Statement of Changes in Equity

For the six months ended December 31, 2016 and December 31, 2015

(Amounts presented in Canadian Dollars)

	Number of Shares Issued	Share Capital	Equity Component Convertible Debenture	Stock based payment reserve	Retained Earnings	Accumulated Other Comprehensive Income	Total Shareholders Equity	Non-controlling interest	Total Equity
		$		$	$	$	$		
Balance June 30, 2015	17,251,018	8,948,978	649,593	2,243,000	7,758,986	117,670	19,718,227	29,002,515	48,720,742
Net loss and comprehensive loss for the period	-	-	-	-	(515,444)	-	(515,444)	(731,229)	(1,246,673)
Other comprehensive income for the period	-	-	-	-	-	64,696	64,696	83,907	148,603
Comprehensive income (loss) for the period	-	-	-	-	(515,444)	64,696	(450,748)	(647,322)	(1,098,069)
Gain on divesture of investment in subsidiary (Note 3)	-	-	-	-	1,053,190	-	1,053,190	1,494,810	2,548,000
Gain on acquisition of shares in subsidiary (Note 3)	-	-	-	-	1,093,714	-	1,093,714	(1,443,714)	(350,000)
Balance December 31, 2015	17,251,018	8,948,978	649,593	2,243,000	9,390,446	182,366	21,414,382	28,406,289	49,820,672
Balance June 30, 2016	17,307,039	8,973,978	649,593	2,531,000	10,136,031	154,225	22,444,827	28,210,641	50,655,468
Net loss and comprehensive loss for the period	-	-	-	-	(533,998)	-	(533,998)	(1,043,704)	(1,577,702)
Other comprehensive income for the period	-	-	-	-	-	20,099	20,099	25,661	45,760
Comprehensive income (loss) for the period	-	-	-	-	(533,998)	20,099	(513,899)	(1,018,042)	(1,531,941)
Shares issued in payment of interest	61,916	50,000	-	-	-	-	50,000	-	50,000
Change in non-controlling interest on exercise of options in subsidiary (Note 3)	-	-	-	-	(11,889)	-	(11,889)	268,139	256,250
Balance December 31, 2016	17,368,955	9,023,978	649,593	2,531,000	9,590,145	174,324	21,969,040	27,460,738	49,429,777

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

Metalo Manufacturing Inc.

Condensed Consolidated Statements of Cash Flows

December 31, 2015

(Amounts presented in Canadian Dollars)

	3 months ended		6 months ended	
	31-Dec-16	31-Dec-15	31-Dec-16	31-Dec-15
	$	$	$	$
Cash flows generated from operating activities:				
Net loss	**(830,302)**	(849,330)	**(1,577,701)**	(1,246,670)
Items not involving cash:				
Depreciation	**111,879**	134,578	**217,923**	264,765
Loss on sale of investments	**-**	207,121	**-**	234,046
Unrealized gain on investments	**(2,340)**	(193,635)	**(28,082)**	(241,323)
Interest paid by issuance of shares	**25,000**	-	**50,000**	-
Interest accretion	**27,826**	19,499	**54,699**	38,998
Expense recovery Porcupine Strand	**-**	-	**-**	(167,370)
Deferred taxes	**(344,911)**	(370,018)	**(616,084)**	(530,737)
Changes in non-cash operating working capital				
Other receivables	**112,772**	-	**(28,910)**	(38,581)
Prepaid and other deposits	**78,654**	-	**120,522**	(223,975)
Trade and other payables	**668,107**	-	**1,066,205**	(1,515,144)
	(153,315)	(1,051,785)	**(741,427)**	(3,425,992)
Cash flow generated from financing activities:				
Proceeds of short term borrowings	**359,857**	-	**859,857**	-
Repayment of long term debt	**-**	-	**-**	(51,021)
	359,857	-	**859,857**	(51,021)
Cash flows (provided) generated from investing activities:				
Proceeds mineral claim settlement	**-**	-	**-**	610,000
Proceed sale of investments	**-**	-	**-**	78,140
Proceeds sale of non-controlling interest	**-**	-	**-**	2,548,000
Proceeds exercise of options	**-**	-	**256,250**	-
Acquisition of shares in subsidiary	**-**	-	**-**	(350,000)
Investment in property development	**(603,376)**	-	**(808,413)**	-
Investment in iron interests	**-**	-	**-**	451,589
	(603,376)	-	**(552,163)**	3,337,729
Decrease in cash during the period	**(396,834)**	(1,051,785)	**(433,733)**	(139,284)
Cash, beginning of period	**554,766**	2,287,532	**591,665**	1,375,031
Cash, end of period	**157,932**	1,235,747	**157,932**	1,235,747

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

1. NATURE OF OPERATIONS

Metalo Manufacturing Inc. was incorporated on October 4, 2000 under the laws of the Province of Alberta pursuant to the provisions of the *Business Corporations Act.* In addition to the mining and exploration sector, the Corporation is in the process of expanding into the manufacturing sector. The Corporation's Head Office is located at 1600 – 141 Adelaide Street West, Toronto, ON M5H 3L5.

The Corporation's subsidiaries, Grand River Ironsands Incorporated and North Atlantic Iron Corporation principal place of business is Newfoundland and Labrador, the subsidiary 8593302 Canada Inc. principal place of business is Quebec and the subsidiary Forks Specialty Metals Inc. principal place of business is Pennsylvania, USA.

These unaudited interim condensed consolidated financial statements (the "interim 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. 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.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation and Statement of Compliance

These interim 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.

These interim financial statements are presented in Canadian dollars which is also the Corporation's functional currency. The functional currency of the US subsidiary is the US dollar.

These interim financial statements have been authorized for issuance by the Board of Directors on February 27, 2017.

These interim financial statements are in compliance with International Accounting Standards 34, Interim Financial Reporting ("IAS 34"). Accordingly, certain information included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board, have been omitted or condensed. The preparation of financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Corporation's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, have been set out in note 2 of

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

the Corporation's annual consolidated financial statements for the year ended June 30, 2016. These interim financial statements should be read in conjunction with the Corporation's consolidated financial statements for the year ended June 30, 2016.

(b) Basis of Consolidation

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

- 43.9% (2015 – 44.3%) Grand River Ironsands Incorporated ("GRI")
  A company incorporated in Nova Scotia engaged in the exploration and development of mineral deposits
- 100% (2015 – 100%) Forks Specialty Metals Inc. ("FSM")
  A company incorporated in Pennsylvania engaged in iron ore smelting
- 60% (2015 – 62.2%) North Atlantic Iron Corporation ("NAIC")
  A corporation incorporated in Newfoundland and Labrador engaged in the exploration and development of mineral deposits
- 100% (2015 - 0%) 8593302 Canada Inc.
  A corporation incorporated in Canada expected to be engaged in steel manufacturing

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; and
- 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.
- 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.

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) Iron Interests

Iron interests 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 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 cost 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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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 Assets

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. Non-current assets that are not amortized, including investment in associate, 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 it 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Foreign Currency (continued)

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 translated at average exchange rates for the period. 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. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into Canadian dollars at the balance sheet rate.

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 period 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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 fair value through profit and loss ("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. 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, investments, and loans receivable. The Corporation's financial liabilities include trade and other payables, and long term debt. Classification of these financial instruments is as follows:

Asset/Liability	Classification
Cash	FVTPL
Investments	FVTPL
Loans receivable	Loans and receivables
Trade and other payables	Other financial liabilities
Long-term debt	Other financial liabilities

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 interim condensed consolidated statements of operations 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Financial Assets and Liabilities (continued)

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.

(n) Use of Estimates

The preparation of financial statements requires management to make judgments, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, revenue and expenses and the accompanying notes. Actual results could differ from these estimates under the circumstances. Accounting estimates will, by definition, seldom equal the actual results. The areas that management makes critical estimates, assumptions and judgments are valuation of assets acquired, recoverability of deferred tax assets, measurement of stock based compensation, and impairment of assets.

(o) Provisions

A provision is recognized in the interim condensed 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.

(p) 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 period. 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 period plus the weighted average number of shares that would be issued on the conversion of all the potential dilutive ordinary shares into common shares.

(q) Recent Accounting Pronouncements

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods after December 31, 2017. Those pronouncements that could be applicable or could have a significant impact to the Corporation are discussed in detail in Note 2(r) to the June 30, 2016 audited financial statements.

3. INVESTMENT IN SUBSIDAIRY COMPANIES

As of August 29, 2012, the Corporation had acquired 9,475,017 shares in GRI increasing its holding in GRI to 41.1% which, when combined with the holdings of Directors and associated companies, gave the Corporation effective control of GRI and its then 77.5% owned subsidiary NAIC.

On June 5, 2015, the Corporation acquired an additional 265,000 common shares of GRI representing 1.13% of the outstanding shares for $132,500.

The Corporation acquired additional common shares of GRI as follows: 200,000 shares on July 17, 2015; 200,000 shares on September 3, 2015 and 300,000 shares on September 25, 2015 for an aggregate consideration of $350,000, increasing the Corporation's ownership of GRI to 44.3%.

These transactions have been recorded as follows:

	3 months ended		6 months ended	
	31-Dec-16	31-Dec-15	31-Dec-16	31-Dec-15
	$	$	$	$
Non-controlling interest acquired	-	-	-	1,443,714
Cost of shares acquired	-	-	-	350,000
Attributed to the equity of the Corporation	-	-	-	1,093,714

On September 30, 2016, Directors and Officers exercised options to purchase 205,000 shares GRI at an exercise price of $1.25 per share for aggregate proceeds of $256,250. This issuance of GRI shares decreased the Corporation's ownership of GRI from 44.3% to 43.9%.

The transaction has been recorded as follows:

	3 months ended		6 months ended	
	31-Dec-16	31-Dec-15	31-Dec-16	31-Dec-15
	$	$	$	$
Exercise of oprions in subsidiary	-	-	256,250	-
Change in non-controlling interest	-	-	268,139	-
Attributed to the equity of the Corporation	-	-	(11,889)	-

On April 5, 2013, Petmin Limited, an unrelated entity, ("Petmin") acquired an additional 23 common shares of NAIC increasing its non-controlling interest in NAIC from 22.5% to 25.1%, in exchange for cash consideration of $2,031,400 (US$2,000,000).

Non-controlling interest divesture

On July 17, 2013, Petmin acquired an additional 23 common shares of NAIC increasing its non-controlling interest in NAIC from 25.1% to 27.6%, in exchange for cash consideration of $2,070,400 (US$2,000,000).

3. INVESTMENT IN SUBSIDAIRY COMPANIES (continued)

On October 23, 2013, Petmin acquired an additional 23 common shares of NAIC increasing its non-controlling interest in NAIC from 27.6% to 30.0%, in exchange for cash consideration of $2,072,700 (US$2,000,000).

On April 7, 2014, Petmin acquired an additional 30 common shares of NAIC increasing its non-controlling interest in NAIC from 30.0% to 32.8%, in exchange for cash consideration of $2,193,800 (US$2,000,000).

On October 24, 2014, Petmin acquired an additional 15 common shares of NAIC increasing its non-controlling interest in NAIC from 32.8% to 34.1%, in exchange for cash consideration of $1,123,300 (US$1,000,000).

On October 11, 2013 and November 29, 2013 GRI issued an aggregate of 433,582 flow through and non-flow through shares from treasury for an aggregate consideration of $943,854 less issue costs of $106,992 for net proceeds of $836,862. These transactions reduced the Corporation's interest in GRI from 41.07% to 40.32%.

On February 17, 2015, Petmin acquired an additional 15 common shares of NAIC increasing its non-controlling interest in NAIC from 34.1% to 35.4%, in exchange for cash consideration of $1,240,300 (US$1,000,000).

On July 8, 2015, Petmin acquired an additional 30 common shares of NAIC increasing its non-controlling interest in NAIC from 35.4% to 37.8%, in exchange for cash consideration of $2,548,000 (US$2,000,000).

On February 10, 2016, Petmin acquired an additional 15 common shares of NAIC increasing its non-controlling interest in NAIC from 37.8% to 40.0%, in exchange for cash consideration of $2,793,608 (US$2,000,000).

These transactions have been treated as a divestiture of the Corporation's indirect interest in NAIC as follows:

	3 months ended		6 months ended	
	31-Dec-16	31-Dec-15	31-Dec-16	31-Dec-15
	$	$	$	$
Proceeds from sale	-	-	-	2,548,000
Proceeds have been allocated between the Corporation and the non-controlling interest of GRI				
Non-controlling interest	-	-	-	1,494,810
Controlling interest	-	-	-	1,053,190
Total	-	-	-	2,548,000

4. INVESTMENT

The Corporation has the following holdings and disposition of investments:

	3 months ended		6 months ended	
	31-Dec-16	31-Dec-15	31-Dec-16	31-Dec-15
	$	$	$	$
234,020 Common shares (2015 - 234,020)	44,464	16,381	44,464	16,381
Change in unrealized gain or loss during the	2,340	193,635	28,082	241,323

	3 months ended		6 months ended	
	31-Dec-16	31-Dec-15	31-Dec-16	31-Dec-15
	$	$	$	$
Shares			$	$
Proceeds sale of nil shares (2015 - 850,000)	-	-	-	78,140
Cost of shares sold	-	-	-	105,065
Realized loss on investments	-	-	-	(26,925)
Warrants				
warrants	-	-	-	-
Original book value warrants	-	205,901	-	205,901
	-	(205,901)	-	(205,901)
Realized loss on investments	-	(205,901)	-	(232,826)

5. IRON INTERESTS

The Labrador Mineral Sands relates to licenses held by NAIC, which include Churchill River, Mud Lake, Muskrat Lake, Goose Bay, and Hamilton River. At December 31, 2016, mineral licenses comprise 321 claims in 3 claim blocks with a total area of approximately 45 square kilometres with no associated mineral claim deposits outstanding.

The Porcupine Strand property was acquired from a former director of the GRI for $NIL cash consideration other than reimbursement of staking costs. The property consisted of four mineral licenses covering approximately 3.5 square kilometres in Labrador. The Corporation received notice that the federal government intended to establish the Mealy Mountain National Park which will encompass the lands to which the Corporation has staked these claims. While the plans for the park have not yet been approved or finalized, the Corporation has renewed the claims as recently as November 2010 but have been refused exploration permits in this regard. As discussed below, the Corporation has now received compensation sufficient to recover the investment it had made in these claims.

5. IRON INTERESTS (continued)

December 31, 2015	Balance 30-Jun-15	Additions	Reductions	Balance 31-Dec-15
	$	$	$	$
Labrador Mineral Sands	60,281,553	647,114	-	60,928,667
Porcupine Strand	115,021	-	(115,021)	-
	60,396,574	647,114	(115,021)	60,928,667

December 31, 2016	Balance 30-Jun-16	Additions	Reductions	Balance 31-Dec-16
	$	$	$	$
Labrador Mineral Sands	57,109,885	3,511	-	57,113,396

On April 14, 2015, GRI received a cheque for $610,000 from the Province of Newfoundland and Labrador pursuant to an agreement dated March 24, 2015 between GRI and the Government of Newfoundland and Labrador. This amount represents a recovery of the costs associated with the forfeiture of the Porcupine Strand licenses. The funds were held in trust by GRI pending the finalization of a land transfer agreement between the Government of Canada ("Canada") and the Government of Newfoundland and Labrador ("the Province") and the reimbursement by Canada for costs incurred by the Province with respect to the termination of these claims. On September 14, 2015 GRI received a letter from the Province confirming that all conditions of the transfer had been met and the funds were now released.
The transaction was recorded as follows:

	$
Expense recovery on disposition of Porcupine Strand	494,979
Porcupine Strand cost recovery	115,021
	610,000

6. PROJECT DEVELOPMENT COSTS

The Corporation is planning the development of a low cost North American producer of foundry grade pig iron. The plant is being 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.

A Bankable Feasibility Study is currently in draft form and costs incurred to date are shown in the table below:

	3 months ended		6 months ended	
	31-Dec-16	31-Dec-15	31-Dec-16	31-Dec-15
	$	$	$	$
Balance beginning of period	2,279,852	344,117	2,074,815	-
Costs incurred during period	603,376	-	808,413	344,117
Balance end of period	2,883,228	344,117	2,883,228	344,117

7. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	Computer equipment $	Automotive equipment $	Industrial equipment $	Office furniture and equipment $	Total $
For the period ended December 31, 2015					
Opening net book value	6,641	3,085	100,575	31,507	141,808
Additions (Disposals)	-	(2,853)	-	-	(2,853)
Depreciation	(995)	(232)	(10,057)	(5,456)	(16,740)
Foreign exchange differences	-	-	-	5,355	5,355
Net Book Value	5,646	-	90,518	31,406	127,570
As at December 31, 2015					
Cost	15,138	-	196,430	42,658	257,668
Accumulated depreciation	(9,492)	-	(105,912)	(23,936)	(142,781)
Foreign exchange differences	-	-	-	12,684	12,683
Net Book Value	5,646	-	90,518	31,406	127,570
For the period ended December 31, 2016					
Opening net book value	4,650	-	2,070,895	26,268	2,101,813
Depreciation	(810)	-	(214,403)	(2,710)	(217,923)
Foreign exchange differences	-	-	63,956	830	64,786
Net Book Value	3,839	-	1,920,448	24,388	1,948,675
As at December 31, 2016					
Cost	15,138	-	2,580,056	42,658	2,637,852
Accumulated depreciation	(11,299)	-	(834,932)	(27,881)	(874,111)
Foreign exchange differences	-	-	175,324	9,611	184,935
Net Book Value	3,839	-	1,920,448	24,388	1,948,675

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 calculated monthly plus 50,000 three year warrants at an exercise price of $0.01 per shares

On September 29, 2016 GRI borrowed $250,000 from Forest Lane Holdings Limited, a related party, for 90 days with interest at 6% per annum calculated monthly plus 50,000 three year warrants at an exercise price of $0.01 per share

8. SHORT TERM LIABILITIES (continued)

	3 months ended		6 months ended	
	31-Dec-16	31-Dec-15	31-Dec-16	31-Dec-15
	$	$	$	$
Short term loan from unrelated party interest at 6% due February 25, 2017	5,194	-	255,194	-
Short term loan from related party interest at 6% due March 29, 2017	354,664	-	604,664	-
	359,857	-	859,857	-

9. LONG TERM DEBT

ACOA Loan

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 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, 2019 and repayments will commence in December 2019. The carrying value of the loan has been discounted using an effective interest rate of 9%.

Industrial Equipment Loan

FSM received a loan from the State of Pennsylvania in the amount of US$1,600,000 to partially finance the acquisition of industrial equipment in Forks Township, Pennsylvania. The loan bears interest at 1% and is repayable in monthly principal installments of US$14,017, commencing March 1, 2013, maturing on February 1, 2023. 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. A company controlled by an officer and director of the Corporation fully subscribed to the offering.

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.

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.

	3 months ended		6 months ended	
	31-Dec-16	31-Dec-15	31-Dec-16	31-Dec-15
	$	$	$	$
ACOA Loan				
Loan amount beginning of period	314,787	287,790	307,809	281,411
Accretion capitalized to iron interests	7,136	6,524	14,114	12,903
Balance end of period	321,923	294,314	321,923	294,314
Convertible debenture				
Amount outstanding beginning of period	1,508,399	1,406,293	1,481,525	1,382,100
Accretion expense for period	27,826	24,210	54,699	48,402
Balance end of period	1,536,224	1,430,503	1,536,224	1,430,503
Industrial equipment loan				
Loan amount beginning of period	1,181,276	-	1,184,923	1,084,765
Repayments	-	-	-	(133,514)
Accretion capitalized to iron interests	-	-	-	233,672
Accretion expense	27,918	-	24,271	-
Current portion	(1,209,194)	-	(1,209,194)	(1,184,923)
Balance end of period	-	-	-	-
Total	1,858,147	1,724,817	1,858,147	1,724,817

10. SHARE CAPITAL

On May 1, 2016, the Corporation issued 56,021 common shares to Forest Lane Holdings Limited ("FLH"), a company controlled by an insider of the Corporation. This issuance represents interest due May 1, 2016 in the aggregate amount of $25,000 on the convertible debenture and was made at a deemed price of $0.44626 per share, which is the volume-weighted trading price for the 20 trading days ending April 1, 2016. The securities are subject to a four-month hold period following the date of issuance.

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. The securities are subject to a four-month hold period following the date of issuance.

10. SHARE CAPITAL (continued)

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 $0.68685 per share, which is the volume-weighted trading price for the 20 trading days ending October 3, 2016. The securities are subject to a four month hold period following the date of issuance.

COMMON STOCK OUTSTANDING	Number of Shares	Amount
Authorized:		
Unlimited number of common shares without par value		
Issued and outstanding June 30, 2015	17,251,018	$ 8,948,978
Issued in payment of interest	-	-
Issued and outstanding December 31, 2015	17,251,018	$ 8,948,978
Issued and outstanding June 30, 2016	17,307,039	$ 8,973,978
Issued in payment of interest	61,916	50,000
Issued and outstanding December 31, 2016	17,368,955	$ 9,023,978

Weigthed average issued and outstanding - 17,339,849 (2015 - 17,251,018)

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 common shares pursuant to the stock option plan. There are 2,114,000 options to acquire common shares outstanding under the plan as at December 31, 2016. Any unexercised options that expire or are forfeited become available again for issuance under the plan.

On May 28, 2012, 144,000 options were granted to directors, officers, and employees under the stock purchase plan at an exercise price of $0.65. These options vested immediately and expire in 10 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 1.56%; dividend yields of nil; volatility factor of 100%; and a weighted average expected life of the option of 5 years. The expected volatility of the Corporation is based on historical volatility of comparable entities for the same weighted average expected life of the option.

On November 28, 2012, 450,000 options were granted to directors, officers, and employees under the stock purchase plan at an exercise price of $0.65. These options vested immediately and expire in 10 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 1.56%; dividend yields of nil; volatility factor of 100%; share prices of $0.65; and a weighted average expected life of the option of 5 years. The expected volatility of the Corporation is based on historical volatility of comparable entities for the same weighted average expected life of the option.

On December 6, 2013, 985,000 options were granted to directors, officers, and employees under the stock purchase plan at an exercise price of $0.85. These options vested immediately and expire in 10 years. The

11. STOCK BASED COMPENSATION PLAN (continued)

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 1.56%; dividend yields of nil; volatility factor of 100%; share prices of $0.85; and a weighted average expected life of the option of 5 years. The expected volatility of the Corporation is based on historical volatility of comparable entities for the same weighted average expected life of the option.

On December 8, 2014, 535,000 options were granted to directors, officers, employees and consultants under the stock purchase plan at an exercise price of $0.75. These options vested immediately and expire in 10 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 1.44%; dividend yields of nil; volatility factor of 157.51%; share prices of $0.75; and a weighted average expected life of the option of 5 years. The expected volatility is based on historical volatility of the Company's shares since March 30, 2012

Options issued and outstanding as at December 31, 2015 and December 31, 2016:

	Weighted average exercise price $	Issued
Balance June 30, 2015	0.77	2,114,000
Granted	-	-
Balance Dec 31, 2015	0.77	2,114,000
Balance June 30, 2016	0.77	2,114,000
Granted	-	-
Balance Dec 31, 2016	0.77	2,114,000

The following table summarizes information about the options outstanding and exercisable at December 31, 2015 and December 31, 2016:

Dec 31, 2015 and Dec 31, 2016
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			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

11. STOCK BASED COMPENSATION PLAN (continued)

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 2,356,433 common shares pursuant to the stock option plan. There are 1,966,000 options to acquire common shares outstanding under the plan as at December 31, 2016. Any unexercised options that expire or are forfeited become available again for issuance under the plan.

Options issued and outstanding as at December 31, 2015:

	Weighted average exercise price $	Issued
Balance June 30, 2015	1.60	2,356,000
Issued	-	-
Balance Dec 31, 2015	1.60	2,356,000

The following table summarizes information about the options outstanding and exercisable at December 31, 2015:

Number of options outstanding	Expiry Date	Exercise Price $	Number of options exercisable
390,000	31-Dec-2015	1.25	390,000
415,000	30-Sep-2016	1.25	415,000
495,000	30-Jun-2017	1.25	495,000
87,000	15-Nov-2017	1.25	87,000
475,000	6-Dec-2018	2.10	475,000
494,000	8-Dec-2019	2.10	494,000
2,356,000			2,356,000

Options issued and outstanding as at December 31, 2016

	Weighted average Exercise price $	Issued
Balance June 30, 2016	1.60	2,116,000
Exercised	1.25	(205,000)
Expired	1.25	(210,000)
Balance Dec 31, 2016	1.84	1,701,000

The following table summarizes information about the options outstanding and exercisable at December 31, 2016:

11. STOCK BASED COMPENSATION PLAN (continued)

Number of options outstanding	Expiry Date	Exercise Price $	Number of Options exercisable
495,000	30-Jun-2017	1.25	495,000
87,000	15-Nov-2017	1.25	87,000
475,000	6-Dec-2018	2.10	475,000
494,000	8-Dec-2019	2.10	494,000
150,000	27-May-2021	2.50	150,000
1,701,000			1,701,000

12. GENERAL AND ADMINISTRATIVE EXPENSES

	3 months ended		6 months ended	
	31-Dec-16	**31-Dec-15**	**31-Dec-16**	**31-Dec-15**
General and administrative expenses				
Advertising and promotion	**(3,714)**	-	**1,083**	-
Utilities	**21,673**	25,556	**31,493**	45,177
Consulting	**-**	104,007	**-**	176,737
Dues and fees	**5,923**	16,020	**8,353**	19,015
Exploration costs	**13,179**	-	**13,179**	-
Project feasibility costs	**5,186**	-	**10,124**	-
Foreign exchange losses (gains)	**33,779**	(13,233)	**64,774**	(229,544)
General and administrative	**14,762**	18,393	**29,601**	95,097
Insurance	**24,820**	27,057	**50,079**	53,682
Management fees	**337,099**	264,020	**604,348**	508,953
Professional fees	**19,034**	16,450	**39,839**	16,450
Rental	**272,058**	261,162	**533,341**	524,071
Travel	**113,739**	140,497	**204,547**	61,029
Salaries and wages	**138,175**	134,829	**287,806**	267,337
	995,713	994,758	**1,878,567**	1,538,004

13. RELATED PARTY TRANSACTIONS

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

	3 months ended		6 months ended	
	31-Dec-16	31-Dec-15	31-Dec-16	31-Dec-15
	$	**$**	**$**	**$**
Management fees	41,250	41,250	82,500	82,500
Consulting fees	209,530	211,652	415,843	420,405
Directors fees	9,800	10,150	9,800	10,150
Salaries and benefits	167,430	156,400	336,644	311,735
	428,010	419,452	844,787	824,790
Capitalized to iron interests	-	20,604	-	48,501
Operating expenses	428,010	398,849	844,787	776,290

14. 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 period. The Company has a loss in both the current and prior year quarter and the options effect is anti-dilutive.

15. INCOME TAXES

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

	3 months ended		6 months ended	
	31-Dec-16	31-Dec-15	31-Dec-16	31-Dec-15
	$	$	$	$
Income (loss) before income taxes	(1,175,213)	(1,219,348)	(2,193,785)	(1,777,407)
Combined Federal and Provincial tax rate	31%	31%	31%	31%
Expected recovery at statutory rates	364,316	377,997	680,073	550,995
Unrecognized tax assets	-	-	(63,561)	-
Subsidiary rate differential	(19,405)	-	(33,436)	(12,279)
Other	-	(7,979)	33,008	(7,979)
Deferred tax recovery	344,911	370,018	616,084	530,737

Deferred tax liability consists of:

	31-Dec-16	31-Dec-15
	$	$
Non-capital losses	4,991,852	3,596,074
Iron interests	(11,471,552)	(11,965,044)
Intangible asset	(651,000)	-
Property and equipment	6,060	(935)
Investment	(1,532)	(8,628)
Share issue costs	8,325	12,492
	(7,117,847)	(8,366,041)

16. COMMITMENTS

GRI, subsequent to the incorporation of NAIC, provided Petmin Limited ("Petmin"), an unrelated entity, with options to invest in NAIC in three phases. The first option was exercised November 17, 2010 with Petmin signing a purchase agreement to buy 26 common shares in NAIC from treasury for $1,512,135 (US$1,500,000), representing a 5% interest in the outstanding common shares.

The second option was amended August 18th, 2011 into two phases, exercisable upon satisfaction of various performance conditions. Phase 2a was exercised August 31, 2011 with a capital injection of $1,956,800 (US$2,000,000) from Petmin in exchange for 34 common shares, increasing its interest to 10.7% of the issued and outstanding common shares.

Phase 2b was exercised on April 20, 2012 with a capital injection of $2,973,800 (US$3,000,000), by Petmin in exchange for 42 common shares, increasing its interest to 16.9% of the issued and outstanding common shares.

16. COMMITMENTS (continued)

The third option is divided into three phases with payments of US$4.5M, $6.0M and $8.0M for phases 3a, 3b and 3c respectively each with various milestones. Petmin will take back sufficient common shares to increase its interest to 40% of the issued and outstanding common shares after payment has been made on phase 3c.

Phase 3a(1) was exercised on July 5, 2012 and phase 3a(2) was exercised on July 13, 2012 with a combined capital injection of $4,576,393 (US$4,500,000), by Petmin in exchange for 43 common shares, increasing its interest to 22.48% of the issued and outstanding capital.

Phase 3b(1) was exercised on April 5, 2013 with a capital injection of $2,031,423 (US$2,000,000), by Petmin in exchange for 23 common shares, increasing its interest to 25.2% of the issued and outstanding capital. Phase 3b(2) was exercised on July 17, 2013 with a capital injection of $2,070,400 (US$2,000,000), by Petmin in exchange for 23 common shares, increasing its interest to 27.6% of the issued and outstanding capital. Phase 3b(3) was exercised on October 23, 2013 with a capital injection of $2,072,700 (US$2,000,000), by Petmin in exchange for 23 common shares, increasing its interest to 30.0% of the issued and outstanding capital.

Phase 3c(1) was exercised on April 7, 2014 with a capital injection of $2,193,800 (US$2,000,000), by Petmin in exchange for 30 common shares, increasing its interest to 32.8% of the issued and outstanding capital. Phase 3c(2) was exercised on October 24, 2014 with a capital injection of $1,123,300 (US$1,000,000), by Petmin in exchange for 15 common shares, increasing its interest to 34.1% of the issued and outstanding capital. Phase 3c(3) was exercised on February 17, 2015 with a capital injection of $1,240,300 (US$1,000,000), by Petmin in exchange for 15 common shares, increasing its interest to 35.4% of the issued and outstanding capital. Phase 3c(4) was exercised on July 8, 2015 with a capital injection of $2,548,000 (US$2,000,000), by Petmin in exchange for 30 common shares, increasing its interest to 37.8% of the issued and outstanding capital. Phase 3c(5) was exercised on February 10, 2016 with a capital injection of $2,793,608 (US$2,000,000), by Petmin in exchange for 29 common shares, increasing its interest to 40.0% of the issued and outstanding capital.

Petmin has the option (the "Grand River Option") to acquire, from GRI, an additional 9.9% interest in NAIC in exchange for common shares in Petmin equal to 9.9% of the value of the mineral rights of NAIC at the time Petmin exercises the Grand River Option.

NAIC, GRI, and Petmin entered into a management service agreement on June 1, 2013 for a period of 24 months, in the amount of US$300,000 per year which shall be paid by NAIC to Petmin on a quarterly basis, payable in arrears. The agreement shall renew automatically for subsequent one year periods if not specifically terminated in accordance with the agreement. NAIC also agrees to reserve for issuance 2.5% of its issued and outstanding shares to be issued to Petmin, releasable in increments of 1% upon completion of a satisfactory preliminary economic assessment and the balance of 1.5% upon completion of a satisfactory bank feasibility study.

As at December 31, 2015 the Board of Directors of NAIC agreed to reserve for issuance 3.75% of its issued and outstanding shares to be issued to GRI, releasable in increments of 1.5% upon completion of a

16. COMMITMENTS (continued)

satisfactory preliminary economic assessment and the balance of 2.25% upon completion of a satisfactory bank feasibility study.

On March 12, 2016 under the terms of the management services agreement and the directions of the Board of Directors NAIC issued 12 additional shares to GRI (1.5%) and 8 additional shares to Petmin (1%) in consideration for management services rendered.

17. 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.

	31-Dec-16	31-Dec-15
	$	$
Long term debt	1,858,147	1,789,334
Share capital	9,023,978	8,973,978
Equity component convertible debenture	649,593	649,593
Stock based payment reserve	2,531,000	2,531,000
Accumulated other comprehensive income	174,324	154,225
Retained earnings	9,590,145	10,136,031
Non-controlling interest	27,460,738	28,210,641
	51,287,924	52,444,803

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, 2016.

18. FINANCIAL INSTRUMENTS

As at December 31, 2016, the Corporation carried cash at fair value and is considered Level 1, within the fair value hierarchy.

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
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.

18. FINANCIAL INSTRUMENTS (continued)

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.

Foreign Currency Risk

The Corporation has long term debt denominated in US dollars. The carrying value of these items may change due to fluctuations in foreign exchange rates. The Corporation has cash and 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.

19. SUBSEQUENT EVENT

On January 30, 2017 GRI received an additional $250,000 from Forest Lane Holdings Limited, a related party, as an advance on a line of credit bearing interest at 6% per annum calculated monthly.

On February 1, 2017, the Corporation issued 48,685 common shares to Forest Lane Holdings Limited, a company controlled by an insider of the Corporation. 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. The securities are subject to a four month hold period following the date of issuance.

A short term loan to GRI from a non-related party which came due on February 25, 2017 has been extended for a further 90 days. The loan bears interest at 6% per annum calculated monthly.

On February 27, 2017 GRI received an additional $300,000 from Forest Lane Holdings Limited, a related party, as an advance on a line of credit bearing interest at 6% per annum calculated monthly.

20. SEGMENTED INFORMATION

As at December 31, 2016 the Corporation had a corporate head office and three 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 both directly and 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. It is a majority owned subsidiary of GRI.
3. FSM, a private corporation, incorporated under the laws of Pennsylvania, operates a smelting plant in Forks Township, Pennsylvania. It is a wholly owned subsidiary of GRI.

The results of the segments are as follows:

	Corporate		GRI		NAIC		FSM		Eliminations		Consolidated	
	31-Dec-16	31-Dec-15	31-Dec-16	31-Dec-15	31-Dec-16	31-Dec-15	31-Dec-16	31-Dec-15	31-Dec-16	31-Dec-15	31-Dec-16	31-Dec-15
	$	$	$	$	$	$	$	$	$	$	$	$
Revenue - external customers	-	-	-	-	-	-	-	-	-	-	-	-
Revenue - intersegment	-	-	33,214	535,726	-	-	898,841	989,887	(932,056)	(1,525,612)	-	-
	-	-	33,214	535,726	-	-	898,841	989,887	(932,056)	(1,525,612)	-	-
Operating expenses	110,488	118,554	158,010	(139,714)	1,662,174	1,007,116	939,382	1,113,497	(991,486)	(561,448)	1,878,567	1,538,004
EBITDA	(110,488)	(118,554)	(124,796)	675,440	(1,662,174)	(1,007,116)	(40,540)	(123,610)	59,430	(964,164)	(1,878,567)	(1,538,004)
Depreciation and Amortization	-	-	(915)	(1,405)	(8,904)	(5,345)	(208,105)	(258,015)	-	-	(217,924)	(264,765)
Interest and bank charges	(91,426)	(88,452)	(24,911)	(8,924)	(715)	(561)	(8,325)	(50,496)	-	-	(125,377)	(148,433)
Expense recovery	-	-	-	167,370	-	-	-	-	-	-	-	167,370
Loss on sale of property & equipment	-	-	-	(853)	-	-	-	-	-	-	-	(853)
Realized loss on investments	-	-	-	(234,046)	-	-	-	-	-	-	-	(234,046)
Unrealized gain on investments	-	-	28,082	241,323	-	-	-	-	-	-	28,082	241,323
	(91,426)	(88,452)	2,256	163,466	(9,619)	(5,906)	(216,430)	(308,510)	-	-	(315,220)	(239,404)
Segment income (loss) before taxes	(201,914)	(207,006)	(122,539)	838,905	(1,671,793)	(1,013,021)	(256,970)	(432,121)	59,430	(964,164)	(2,193,787)	(1,777,408)
Total assets	5,529,289	5,136,657	5,060,177	6,082,377	60,537,485	62,158,254	2,782,535	3,530,015	(11,292,618)	(12,544,978)	62,616,869	64,362,325
Total liabilities	8,714,324	9,863,516	970,008	90,413	5,075,111	1,549,472	3,572,882	3,533,395	(5,145,235)	(3,018,153)	13,187,090	12,018,643

Inter-segment revenues are eliminated upon consolidation and reflected in the "eliminations" column.

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").

20. SEGMENTED INFORMATION (continued)

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 period ending December 31, 2016 was $ nil (December 31, 2015 $nil)

Non-current assets:

	31-Dec-16 $	31-Dec-15 $
Canada	60,072,356	58,276,672
United States of America	1,872,944	3,004,414
Total non-current assets	61,945,300	61,281,086

METALO MANUFACTURING INC.

Interim Condensed Consolidated Financial Statements

For the three months ended September 30, 2016
and September 30, 2015

(expressed in Canadian dollars)

(UNAUDITED)

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Corporation discloses that its auditors have not reviewed the unaudited interim condensed consolidated financial statements for the three months ended September 30, 2016 and September 30, 2015

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

"Lorne S. MacFarlane"

Lorne S. MacFarlane
Chief Financial Officer

November 25, 2016

Metalo Manufacturing Inc.

Financial Information

September 30, 2016

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Metalo Manufacturing Inc.

Consolidated Balance Sheets

(Amounts presented in Canadian Dollars)

	30-Sep 2016 $	30-Jun 2016 $
Assets		
Current assets:		
Cash	**554,766**	591,665
Other receivable	**256,018**	114,337
Prepaid and other deposits	**404,581**	446,448
Investments (Note 4)	**42,124**	16,381
	1,257,489	1,168,831
Non-current assets:		
Iron interests (Note 5)	**57,116,862**	57,109,885
Project development costs (Note 6)	**2,279,852**	2,074,815
Property and equipment (Note 7)	**2,012,508**	2,101,813
	61,409,222	61,286,513
	62,666,711	62,455,344
Liabilities and Shareholders' Equity		
Current liabilities:		
Trade and other payables	**1,498,828**	1,105,061
Short term loans (Note 8)	**500,000**	-
Current portion long-term debt (Note 9)	**1,181,276**	1,171,550
	3,180,104	2,276,611
Non-current liabilities:		
Long-term debt (Note 9)	**1,823,186**	1,789,334
Deferred taxes (Note 14)	**7,462,758**	7,733,931
	9,285,944	9,523,265
	12,466,048	11,799,876
Shareholders' equity		
Share capital (Note 10)	**8,998,978**	8,973,978
Equity component convertible debenture	**649,593**	649,593
Stock based payment reserve	**2,531,000**	2,531,000
Retained earnings	**9,845,551**	10,136,031
Accumulated other comprehensive income	**159,250**	154,225
Equity attributable to shareholders	**22,184,372**	22,444,827
Non-controlling interests	**28,016,291**	28,210,641
	50,200,663	50,655,468
	62,666,711	62,455,344

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 25, 2016

Metalo Manufacturing Inc.

Consolidated Statements of Loss and Comprehensive Loss

For the three months ended September 30, 2016 and September 30, 2015

(Amounts presented in Canadian Dollars)

	3 months ended	
	30-Sep-16	**30-Sep-15**
	$	$
General and administrative expenses (Note 12)	**(882,854)**	(543,246)
Expense recovery re Porcupine Strand (Note 5)	**-**	167,370
Depreciation	**(106,044)**	(130,187)
Interest and bank changes	**(55,416)**	(72,760)
Realized loss on investments (Note 4)	**-**	(26,925)
Change in unrealized loss on investments (Note 4)	**25,742**	47,688
Net loss before taxes	**(1,018,572)**	(558,060)
Income tax recovery (Note 15)	**271,173**	160,719
Net loss	**(747,399)**	(397,341)
Net loss attributable to:		
Shareholders of the Corporation	**(278,592)**	(284,169)
Non-controlling interest	**(468,808)**	(113,173)
Net loss	**(747,399)**	(397,342)
Net loss per share (Note 14)	**($0.02)**	($0.02)
Weighted average number of shares outstanding (Note 10)	**17,323,404**	17,251,018
Net loss	**(747,399)**	(397,342)
Other comprehensive income		
Items that may be subsequently reclassified to loss		
Cumulative translation adjustments	**11,343**	148,603
Comprehensive loss	**(736,056)**	(248,739)
Comprehensive loss attributable to:		
Shareholders of the Corporation	**(273,567)**	(219,473)
Non-controlling interest	**(462,489)**	(29,266)
Comprehensive loss	**(736,056)**	(248,739)

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, 2016 and September 30, 2015

(Amounts presented in Canadian Dollars)

	Number of Shares Issued	Share Capital	Equity Component Convertible Debenture	Stock based payment reserve	Retained Earnings	Accumulated Other Comprehensive Income	Total Shareholders Equity	Non-controlling interest	Total Equity
		$		$	$	$	$		
Balance June 30, 2015	17,251,018	8,948,978	649,593	2,243,000	7,758,986	117,670	19,718,227	29,002,515	48,720,742
Net loss and comprehensive loss for the period	-	-	-	-	(284,169)	-	(284,169)	(113,173)	(397,342)
Other comprehensive income for the period	-	-	-	-	-	64,696	64,696	83,907	148,603
Comprehensive income (loss) for the period	-	-	-	-	(284,169)	64,696	(219,473)	(29,266)	(248,739)
Gain on divesture of investment in subsidiary (Note 3)	-	-	-	-	1,053,190	-	1,053,190	1,494,810	2,548,000
Gain on acquisition of shares in subsidiary (Note 3)	-	-	-	-	1,093,714	-	1,093,714	(1,443,714)	(350,000)
Balance September 30, 2015	17,251,018	8,948,978	649,593	2,243,000	9,621,721	182,366	21,645,657	29,024,345	50,670,002
Balance June 30, 2016	17,307,039	8,973,978	649,593	2,531,000	10,136,031	154,225	22,444,827	28,210,641	50,655,468
Net loss and comprehensive loss for the period	-	-	-	-	(278,592)	-	(278,592)	(468,808)	(747,400)
Other comprehensive income for the period	-	-	-	-	-	5,025	5,025	6,318	11,343
Comprehensive income (loss) for the period	-	-	-	-	(278,592)	5,025	(273,567)	(462,489)	(736,056)
Shares issued in payment of interest	25,518	25,000	-	-	-	-	25,000	-	25,000
Change in non-controlling interest on exercise of options in subsidiary (Note 3)	-	-	-	-	(11,889)	-	(11,889)	268,139	256,250
Balance September 30, 2016	17,332,557	8,998,978	649,593	2,531,000	9,845,551	159,250	22,184,372	28,016,291	50,200,662

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

Metalo Manufacturing Inc.

Condensed Consolidated Statements of Cash Flows

For the three months ending September 30, 2016 and September 30, 2015

(Amounts presented in Canadian Dollars)

	3 months ended	
	30-Sep-16	**30-Sep-15**
	$	$
Cash flows generated from operating activities:		
Net loss	**(747,399)**	(397,341)
Items not involving cash:		
Depreciation	**106,044**	130,187
Loss on sale of investments	**-**	26,925
Unrealized gain on investments	**(25,742)**	(47,688)
Interest paid by issuance of shares	**25,000**	-
Interest accretion	**26,874**	19,499
Expense recovery Porcupine Strand	**-**	(167,370)
Deferred taxes	**(271,173)**	(160,719)
Changes in non-cash operating working capital		
Other receivables	**(141,682)**	(38,581)
Prepaid and other deposits	**41,868**	(223,975)
Trade and other payables	**398,098**	(1,515,144)
	(588,113)	(2,374,207)
Cash flow generated from financing activities:		
Proceeds of short term borrowings	**500,000**	-
Repayment of long term debt	**-**	(51,021)
	500,000	(51,021)
Cash flows (provided) generated from investing activities:		
Proceeds mineral claim settlement	**-**	610,000
Proceed sale of investments	**-**	78,140
Proceeds sale of non-controlling interest	**-**	2,548,000
Proceeds exercise of options	**256,250**	-
Acquisition of shares in subsidiary	**-**	(350,000)
Investment in property development	**(205,037)**	-
Investment in iron interests	**-**	451,589
	51,213	3,337,729
Decrease in cash during the period	**(36,899)**	912,501
Cash, beginning of period	**591,665**	1,375,031
Cash, end of period	**554,766**	2,287,532

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

1. NATURE OF OPERATIONS

Metalo Manufacturing Inc. was incorporated on October 4, 2000 under the laws of the Province of Alberta pursuant to the provisions of the *Business Corporations Act.* In addition to the mining and exploration sector, the Corporation is in the process of expanding into the manufacturing sector. The Corporation's Head Office is located at 1600 – 141 Adelaide Street West, Toronto, ON M5H 3L5.

The Corporation's subsidiaries, Grand River Ironsands Incorporated and North Atlantic Iron Corporation principal place of business is Newfoundland and Labrador, the subsidiary 8593302 Canada Inc. principal place of business is Quebec and the subsidiary Forks Specialty Metals Inc. principal place of business is Pennsylvania, USA.

These unaudited interim condensed consolidated financial statements (the "interim 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. 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.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation and Statement of Compliance

These interim 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.

These interim financial statements are presented in Canadian dollars which is also the Corporation's functional currency. The functional currency of the US subsidiary is the US dollar.

These interim financial statements have been authorized for issuance by the Board of Directors on November 25, 2016.

These interim financial statements are in compliance with International Accounting Standards 34, Interim Financial Reporting ("IAS 34"). Accordingly, certain information included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board, have been omitted or condensed. The preparation of financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Corporation's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, have been set out in note 2 of

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

the Corporation's annual consolidated financial statements for the year ended June 30, 2016. These interim financial statements should be read in conjunction with the Corporation's consolidated financial statements for the year ended June 30, 2016.

(b) Basis of Consolidation

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

- 43.9% (2015 – 44.3%) Grand River Ironsands Incorporated ("GRI")
  A company incorporated in Nova Scotia engaged in the exploration and development of mineral deposits
- 100% (2015 – 100%) Forks Specialty Metals Inc. ("FSM")
  A company incorporated in Pennsylvania engaged in iron ore smelting
- 60% (2015 – 62.2%) North Atlantic Iron Corporation ("NAIC")
  A corporation incorporated in Newfoundland and Labrador engaged in the exploration and development of mineral deposits
- 100% (2015 - 0%) 8593302 Canada Inc.
  A corporation incorporated in Canada expected to be engaged in steel manufacturing

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; and
- 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.
- 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.

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) Iron Interests

Iron interests 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 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 cost 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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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 Assets

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. Non-current assets that are not amortized, including investment in associate, 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 it 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Foreign Currency (continued)

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 translated at average exchange rates for the period. 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. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into Canadian dollars at the balance sheet rate.

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 period 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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 fair value through profit and loss ("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. 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, investments, and loans receivable. The Corporation's financial liabilities include trade and other payables, and long term debt. Classification of these financial instruments is as follows:

Asset/Liability	Classification
Cash	FVTPL
Investments	FVTPL
Loans receivable	Loans and receivables
Trade and other payables	Other financial liabilities
Long-term debt	Other financial liabilities

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 interim condensed consolidated statements of operations 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Financial Assets and Liabilities (continued)

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.

(n) Use of Estimates

The preparation of financial statements requires management to make judgments, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, revenue and expenses and the accompanying notes. Actual results could differ from these estimates under the circumstances. Accounting estimates will, by definition, seldom equal the actual results. The areas that management makes critical estimates, assumptions and judgments are valuation of assets acquired, recoverability of deferred tax assets, measurement of stock based compensation, and impairment of assets.

(o) Provisions

A provision is recognized in the interim condensed 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.

(p) 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 period. 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 period plus the weighted average number of shares that would be issued on the conversion of all the potential dilutive ordinary shares into common shares.

(q) Recent Accounting Pronouncements

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods after December 31, 2017. Those pronouncements that could be applicable or could have a significant impact to the Corporation are discussed in detail in Note 2(r) to the June 30, 2016 audited financial statements.

3. INVESTMENT IN SUBSIDAIRY COMPANIES

As of August 29, 2012, the Corporation had acquired 9,475,017 shares in GRI increasing its holding in GRI to 41.1% which, when combined with the holdings of Directors and associated companies, gave the Corporation effective control of GRI and its then 77.5% owned subsidiary NAIC.

On June 5, 2015, the Corporation acquired an additional 265,000 common shares of GRI representing 1.13% of the outstanding shares for $132,500.

The Corporation acquired additional common shares of GRI as follows: 200,000 shares on July 17, 2015; 200,000 shares on September 3, 2015 and 300,000 shares on September 25, 2015 for an aggregate consideration of $350,000, increasing the Corporation's ownership of GRI to 44.3%.

These transactions have been recorded as follows:

	3 months ended	
	30-Sep-16	30-Sep-15
	$	$
Non-controlling interest acquired	-	1,443,714
Cost of shares acquired	-	350,000
Attributed to the equity of the Corporation	-	1,093,714

On September 30, 2016, Directors and Officers exercised options to purchase 205,000 shares GRI at an exercise price of $1.25 per share for aggregate proceeds of $256,250. This issuance of GRI shares decreased the Corporation's ownership of GRI from 44.3% to 43.9%.

The transaction has been recorded as follows:

	3 months ended	
	30-Sep-16	30-Sep-15
	$	$
Exercise of oprions in subsidiary	256,250	-
Change in non-controlling interest	268,139	-
Attributed to the equity of the Corporation	(11,889)	-

On April 5, 2013, Petmin Limited, an unrelated entity, ("Petmin") acquired an additional 23 common shares of NAIC increasing its non-controlling interest in NAIC from 22.5% to 25.1%, in exchange for cash consideration of $2,031,400 (US$2,000,000).

Non-controlling interest divesture

On July 17, 2013, Petmin acquired an additional 23 common shares of NAIC increasing its non-controlling interest in NAIC from 25.1% to 27.6%, in exchange for cash consideration of $2,070,400 (US$2,000,000).

3. INVESTMENT IN SUBSIDAIRY COMPANIES (continued)

On October 23, 2013, Petmin acquired an additional 23 common shares of NAIC increasing its non-controlling interest in NAIC from 27.6% to 30.0%, in exchange for cash consideration of $2,072,700 (US$2,000,000).

On April 7, 2014, Petmin acquired an additional 30 common shares of NAIC increasing its non-controlling interest in NAIC from 30.0% to 32.8%, in exchange for cash consideration of $2,193,800 (US$2,000,000).

On October 24, 2014, Petmin acquired an additional 15 common shares of NAIC increasing its non-controlling interest in NAIC from 32.8% to 34.1%, in exchange for cash consideration of $1,123,300 (US$1,000,000).

On October 11, 2013 and November 29, 2013 GRI issued an aggregate of 433,582 flow through and non-flow through shares from treasury for an aggregate consideration of $943,854 less issue costs of $106,992 for net proceeds of $836,862. These transactions reduced the Corporation's interest in GRI from 41.07% to 40.32%.

On February 17, 2015, Petmin acquired an additional 15 common shares of NAIC increasing its non-controlling interest in NAIC from 34.1% to 35.4%, in exchange for cash consideration of $1,240,300 (US$1,000,000).

On July 8, 2015, Petmin acquired an additional 30 common shares of NAIC increasing its non-controlling interest in NAIC from 35.4% to 37.8%, in exchange for cash consideration of $2,548,000 (US$2,000,000).

On February 10, 2016, Petmin acquired an additional 15 common shares of NAIC increasing its non-controlling interest in NAIC from 37.8% to 40.0%, in exchange for cash consideration of $2,793,608 (US$2,000,000).

These transactions have been treated as a divestiture of the Corporation's indirect interest in NAIC as follows:

	3 months ended	
	30-Sep-16	30-Sep-15
	$	$
Proceeds from sale	-	2,548,000
Proceeds have been allocated between the Corporation and the non-controlling interest of GRI as follows:		
Non-controlling interest	-	1,494,810
Controlling interest	-	1,053,190
Total	-	2,548,000

4. INVESTMENT

The Corporation has the following holdings and disposition of investments:

	3 months ended	
	30-Sep-16	30-Sep-15
	$	$
234,020 Common shares (2015 - 1,134,520)	42,124	27,029
nil share purchase warrants (2015 - 2,102,280)	-	7,860
Market value of investments	42,124	34,889
Change in unrealized gain or loss during the period	25,742	47,688

Disposition

	3 months ended	
	30-Sep-16	30-Sep-15
	$	$
Shares	$	$
Proceeds sale of nil shares (2015 - 850,000)	-	78,140
Cost of shares sold	-	105,065
Realized loss on investments	-	(26,925)

5. IRON INTERESTS

The Labrador Mineral Sands relates to licenses held by NAIC, which include Churchill River, Mud Lake, Muskrat Lake, Goose Bay, and Hamilton River. At September 30, 2016, mineral licenses comprise 321 claims in 3 claim blocks with a total area of approximately 45 square kilometres with no associated mineral claim deposits outstanding.

The Porcupine Strand property was acquired from a former director of the GRI for $NIL cash consideration other than reimbursement of staking costs. The property consisted of four mineral licenses covering approximately 3.5 square kilometres in Labrador. The Corporation received notice that the federal government intended to establish the Mealy Mountain National Park which will encompass the lands to which the Corporation has staked these claims. While the plans for the park have not yet been approved or finalized, the Corporation has renewed the claims as recently as November 2010 but have been refused exploration permits in this regard. As discussed below, the Corporation has now received compensation sufficient to recover the investment it had made in these claims.

5. IRON INTERESTS (continued)

September 30, 2015				
	Balance 30-Jun-15	Additions	Reductions	Balance 30-Sep-15
	$	$	$	$
Labrador Mineral Sands	60,281,553	647,114	-	60,928,667
Porcupine Strand	115,021	-	(115,021)	-
	60,396,574	647,114	(115,021)	60,928,667

September 30, 2016				
	Balance 30-Jun-16	Additions	Reductions	Balance 30-Sep-16
	$	$	$	$
Labrador Mineral Sands	57,109,885	6,977	-	57,116,862

On April 14, 2015, GRI received a cheque for $610,000 from the Province of Newfoundland and Labrador pursuant to an agreement dated March 24, 2015 between GRI and the Government of Newfoundland and Labrador. This amount represents a recovery of the costs associated with the forfeiture of the Porcupine Strand licenses. The funds were held in trust by GRI pending the finalization of a land transfer agreement between the Government of Canada ("Canada") and the Government of Newfoundland and Labrador ("the Province") and the reimbursement by Canada for costs incurred by the Province with respect to the termination of these claims. On September 14, 2015 GRI received a letter from the Province confirming that all conditions of the transfer had been met and the funds were now released.

The transaction was recorded as follows:

	$
Expense recovery on disposition of Porcupine Strand	494,979
Porcupine Strand cost recovery	115,021
	610,000

6. PROJECT DEVELOPMENT COSTS

The Corporation is planning the development of a low cost North American producer of foundry grade pig iron. The plant is being 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.

A Bankable Feasibility Study is currently in draft form and costs incurred to date are shown in the table below:

	3 months ended	
	30-Sep-16	30-Sep-15
	$	$
Balance beginning of period	2,074,815	-
Costs incurred during period	205,037	344,117
Balance end of period	2,279,852	344,117

7. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	Computer equipment $	Automotive equipment $	Industrial equipment $	Office furniture and equipment $	Total $
For the period ended September 30, 2015					
Opening net book value	6,641	3,085	100,575	31,507	141,808
Depreciation	(497)	(232)	(5,028)	(3,014)	(8,771)
Foreign exchange differences	-	-	-	3,607	3,607
Net Book Value	6,144	2,853	95,547	32,100	136,644
As at September 30, 2015					
Cost	15,138	6,295	196,430	42,658	260,521
Accumulated depreciation	(8,994)	(3,442)	(100,883)	(21,494)	(134,812)
Foreign exchange differences	-	-	-	10,936	10,935
Net Book Value	6,144	2,853	95,547	32,100	136,644
For the period ended September 30, 2016					
Opening net book value	4,650	-	2,070,895	26,268	2,101,813
Depreciation	(349)	-	(104,371)	(1,324)	(106,044)
Foreign exchange differences	-	-	16,524	214	16,739
Net Book Value	4,301	-	1,983,048	25,159	2,012,508
As at September 30, 2016					
Cost	15,138	-	2,580,056	42,658	2,637,852
Accumulated depreciation	(10,837)	-	(724,900)	(26,495)	(762,232)
Foreign exchange differences	-	-	127,892	8,995	136,888
Net Book Value	4,301	-	1,983,048	25,159	2,012,508

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 calculated monthly plus 50,000 three year warrants at an exercise price of $0.01 per shares

On September 29, 2016 GRI borrowed $250,000 from Forest Lane Holdings Limited, a related party, for 90 days with interest at 6% per annum calculated monthly plus 50,000 three year warrants at an exercise price of $0.01 per share

8. SHORT TERM LIABILITIES (continued)

	3 months ended	
	30-Sep-16	30-Sep-15
	$	$
Short term loan from unrelated party interest at 6% due November 25, 2016	250,000	-
Short term loan from related party interest at 6% due December 29, 2016	250,000	-
	500,000	-

9. LONG TERM DEBT

ACOA Loan

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 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, 2019 and repayments will commence in December 2019. The carrying value of the loan has been discounted using an effective interest rate of 9%.

Industrial Equipment Loan

FSM received a loan from the State of Pennsylvania in the amount of US$1,600,000 to partially finance the acquisition of industrial equipment in Forks Township, Pennsylvania. The loan bears interest at 1% and is repayable in monthly principal installments of US$14,017, commencing March 1, 2013, maturing on February 1, 2023. 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. A company controlled by an officer and director of the Corporation fully subscribed to the offering.

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.

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.

	3 months ended	
	30-Sep-16	30-Sep-15
	$	$
ACOA Loan		
Loan amount beginning of period	307,809	281,411
Accretion capitalized to iron interests	6,978	6,379
Balance end of period	314,787	287,790
Convertible debenture		
Amount outstanding beginning of period	1,481,525	1,382,100
Accretion expense for period	26,874	24,192
Balance end of period	1,508,399	1,406,293
Industrial equipment loan		
Loan amount beginning of period	1,184,923	1,084,765
Repayments	-	(133,514)
Accretion capitalized to iron interests	-	233,672
Accretion expense	(3,647)	-
Current portion	(1,181,276)	(1,184,923)
Balance end of period	-	-
Total	1,823,186	1,694,083

10. SHARE CAPITAL

COMMON STOCK OUTSTANDING

	Number of Shares	Amount
Authorized:		
Unlimited number of common shares without par value		
Issued and outstanding June 30, 2015	17,251,018	$ 8,948,978
Issued in payment of interest	-	-
Issued and outstanding September 30, 2015	17,251,018	$ 8,948,978
Issued and outstanding June 30, 2016	17,307,039	$ 8,973,978
Issued in payment of interest	25,518	25,000
Issued and outstanding September 30, 2016	17,332,557	$ 8,998,978

Weigthed average issued and outstanding - 17,323,404 (2015 - 17,251,018)

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 common shares pursuant to the stock option plan. There are 2,114,000 options to acquire common shares outstanding under the plan as at September 30, 2016. Any unexercised options that expire or are forfeited become available again for issuance under the plan.

On May 28, 2012, 144,000 options were granted to directors, officers, and employees under the stock purchase plan at an exercise price of $0.65. These options vested immediately and expire in 10 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 1.56%; dividend yields of nil; volatility factor of 100%; and a weighted average expected life of the option of 5 years. The expected volatility of the Corporation is based on historical volatility of comparable entities for the same weighted average expected life of the option.

On November 28, 2012, 450,000 options were granted to directors, officers, and employees under the stock purchase plan at an exercise price of $0.65. These options vested immediately and expire in 10 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 1.56%; dividend yields of nil; volatility factor of 100%; share prices of $0.65; and a weighted average expected life of the option of 5 years. The expected volatility of the Corporation is based on historical volatility of comparable entities for the same weighted average expected life of the option.

On December 6, 2013, 985,000 options were granted to directors, officers, and employees under the stock purchase plan at an exercise price of $0.85. These options vested immediately and expire in 10 years. The fair

11. STOCK BASED COMPENSATION PLAN (continued)

value of these option was estimated at the date of grant using the Black-Scholes pricing model with **11.** the following weighted average assumptions; risk free interest rates of 1.56%; dividend yields of nil; volatility factor of 100%; share prices of $0.85; and a weighted average expected life of the option of 5 years. The expected volatility of the Corporation is based on historical volatility of comparable entities for the same weighted average expected life of the option.

On December 8, 2014, 535,000 options were granted to directors, officers, employees and consultants under the stock purchase plan at an exercise price of $0.75. These options vested immediately and expire in 10 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 1.44%; dividend yields of nil; volatility factor of 157.51%; share prices of $0.75; and a weighted average expected life of the option of 5 years. The expected volatility is based on historical volatility of the Company's shares since March 30, 2012

Options issued and outstanding as at September 30, 2015 and September 30, 2016:

	Weighted average exercise price $	Issued
Balance June 30, 2015	0.77	2,114,000
Granted	-	-
Balance Sept 30, 2015	0.77	2,114,000
Balance June 30, 2016	0.77	2,114,000
Granted	-	-
Balance Sept 30, 2016	0.77	2,114,000

The following table summarizes information about the options outstanding and exercisable at September 30, 2015 and September 30, 2016:

Sept 30, 2015 and Sept 30, 2016
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			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

11. STOCK BASED COMPENSATION PLAN (continued)

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 2,356,433 common shares pursuant to the stock option plan. There are 1,966,000 options to acquire common shares outstanding under the plan as at September 30, 2016. Any unexercised options that expire or are forfeited become available again for issuance under the plan.

Options issued and outstanding as at September 30, 2015:

	Weighted average exercise price $	Issued
Balance June 30, 2015	1.60	2,356,000
Issued	-	-
Balance Sept 30, 2015	1.60	2,356,000

The following table summarizes information about the options outstanding and exercisable at September 30, 2015:

Number of options outstanding	Expiry Date	Exercise Price $	Number of options exercisable
390,000	31-Dec-2015	1.25	390,000
415,000	30-Sep-2016	1.25	415,000
495,000	30-Jun-2017	1.25	495,000
87,000	15-Nov-2017	1.25	87,000
475,000	6-Dec-2018	2.10	475,000
494,000	8-Dec-2019	2.10	494,000
2,356,000			2,356,000

Options issued and outstanding as at September 30, 2016

	Weighted average Exercise price $	Issued
Balance June 30, 2016	1.60	2,116,000
Exercised	1.25	(205,000)
Expired	1.25	(210,000)
Balance Sept 30, 2016	1.84	1,701,000

The following table summarizes information about the options outstanding and exercisable at September 30, 2016:

11. STOCK BASED COMPENSATION PLAN (continued)

Number of options outstanding	Expiry Date	Exercise Price $	Number of Options exercisable
495,000	30-Jun-2017	1.25	495,000
87,000	15-Nov-2017	1.25	87,000
475,000	6-Dec-2018	2.10	475,000
494,000	8-Dec-2019	2.10	494,000
150,000	27-May-2021	2.50	150,000
1,701,000			1,701,000

12. GENERAL AND ADMINISTRATIVE EXPENSES

	3 months ended	
	30-Sep-16	**30-Sep-15**
General and administrative expenses		
Advertising and promotion	**4,797**	-
Utilities	**9,820**	19,621
Consulting	**-**	72,730
Dues and fees	**2,430**	2,995
Project feasibility costs	**4,938**	-
Foreign exchange losses (gains)	**30,995**	(216,311)
General and administrative	**14,839**	76,704
Insurance	**25,259**	26,625
Management fees	**267,249**	244,933
Professional fees	**20,805**	-
Rental	**261,283**	262,909
Travel	**90,808**	(79,468)
Salaries and wages	**149,631**	132,508
	882,854	543,246

13. RELATED PARTY TRANSACTIONS

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

	3 months ended	
	30-Sep-16	30-Sep-15
	$	**$**
Management fees	41,250	41,250
Consulting fees	206,313	208,753
Salaries and benefits	169,214	155,335
	416,777	405,338
Capitalized to iron interests	-	27,897
Operating expenses	416,777	377,441

14. 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 period. The Company has a loss in both the current and prior year quarter and the options effect is anti-dilutive.

15. INCOME TAXES

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

	3 months ended	
	30-Sep-16	30-Sep-15
	$	$
Income (loss) before income taxes	(1,018,572)	(558,060)
Combined Federal and Provincial tax rate	31%	31%
Expected recovery at statutory rates	315,757	172,998
Unrecognized tax assets	(63,561)	-
Subsidiary rate differential	(14,031)	(12,279)
Other	33,008	-
Deferred tax recovery	271,173	160,719

Deferred tax liability consists of:

	30-Sep-16	30-Sep-15
	$	$
Non-capital losses	4,646,941	3,136,134
Iron interests	(11,471,552)	(11,829,593)
Intangible asset	(651,000)	-
Property and equipment	6,060	(935)
Investment	(1,532)	(8,628)
Share issue costs	8,325	12,492
	(7,462,758)	(8,690,530)

16. COMMITMENTS

GRI, subsequent to the incorporation of NAIC, provided Petmin Limited ("Petmin"), an unrelated entity, with options to invest in NAIC in three phases. The first option was exercised November 17, 2010 with Petmin signing a purchase agreement to buy 26 common shares in NAIC from treasury for $1,512,135 (US$1,500,000), representing a 5% interest in the outstanding common shares.

The second option was amended August 18th, 2011 into two phases, exercisable upon satisfaction of various performance conditions. Phase 2a was exercised August 31, 2011 with a capital injection of $1,956,800 (US$2,000,000) from Petmin in exchange for 34 common shares, increasing its interest to 10.7% of the issued and outstanding common shares.

Phase 2b was exercised on April 20, 2012 with a capital injection of $2,973,800 (US$3,000,000), by Petmin in exchange for 42 common shares, increasing its interest to 16.9% of the issued and outstanding common shares.

16. COMMITMENTS (continued)

The third option is divided into three phases with payments of US$4.5M, $6.0M and $8.0M for phases 3a, 3b and 3c respectively each with various milestones. Petmin will take back sufficient common shares to increase its interest to 40% of the issued and outstanding common shares after payment has been made on phase 3c.

Phase 3a(1) was exercised on July 5, 2012 and phase 3a(2) was exercised on July 13, 2012 with a combined capital injection of $4,576,393 (US$4,500,000), by Petmin in exchange for 43 common shares, increasing its interest to 22.48% of the issued and outstanding capital.

Phase 3b(1) was exercised on April 5, 2013 with a capital injection of $2,031,423 (US$2,000,000), by Petmin in exchange for 23 common shares, increasing its interest to 25.2% of the issued and outstanding capital. Phase 3b(2) was exercised on July 17, 2013 with a capital injection of $2,070,400 (US$2,000,000), by Petmin in exchange for 23 common shares, increasing its interest to 27.6% of the issued and outstanding capital. Phase 3b(3) was exercised on October 23, 2013 with a capital injection of $2,072,700 (US$2,000,000), by Petmin in exchange for 23 common shares, increasing its interest to 30.0% of the issued and outstanding capital.

Phase 3c(1) was exercised on April 7, 2014 with a capital injection of $2,193,800 (US$2,000,000), by Petmin in exchange for 30 common shares, increasing its interest to 32.8% of the issued and outstanding capital. Phase 3c(2) was exercised on October 24, 2014 with a capital injection of $1,123,300 (US$1,000,000), by Petmin in exchange for 15 common shares, increasing its interest to 34.1% of the issued and outstanding capital. Phase 3c(3) was exercised on February 17, 2015 with a capital injection of $1,240,300 (US$1,000,000), by Petmin in exchange for 15 common shares, increasing its interest to 35.4% of the issued and outstanding capital. Phase 3c(4) was exercised on July 8, 2015 with a capital injection of $2,548,000 (US$2,000,000), by Petmin in exchange for 30 common shares, increasing its interest to 37.8% of the issued and outstanding capital. Phase 3c(5) was exercised on February 10, 2016 with a capital injection of $2,793,608 (US$2,000,000), by Petmin in exchange for 29 common shares, increasing its interest to 40.0% of the issued and outstanding capital.

Petmin has the option (the "Grand River Option") to acquire, from GRI, an additional 9.9% interest in NAIC in exchange for common shares in Petmin equal to 9.9% of the value of the mineral rights of NAIC at the time Petmin exercises the Grand River Option.

NAIC, GRI, and Petmin entered into a management service agreement on June 1, 2013 for a period of 24 months, in the amount of US$300,000 per year which shall be paid by NAIC to Petmin on a quarterly basis, payable in arrears. The agreement shall renew automatically for subsequent one year periods if not specifically terminated in accordance with the agreement. NAIC also agrees to reserve for issuance 2.5% of its issued and outstanding shares to be issued to Petmin, releasable in increments of 1% upon completion of a satisfactory preliminary economic assessment and the balance of 1.5% upon completion of a satisfactory bank feasibility study.

As at December 31, 2015 the Board of Directors of NAIC agreed to reserve for issuance 3.75% of its issued and outstanding shares to be issued to GRI, releasable in increments of 1.5% upon completion of a

16. COMMITMENTS (continued)

satisfactory preliminary economic assessment and the balance of 2.25% upon completion of a satisfactory bank feasibility study.

On March 12, 2016 under the terms of the management services agreement and the directions of the Board of Directors NAIC issued 12 additional shares to GRI (1.5%) and 8 additional shares to Petmin (1%) in consideration for management services rendered.

17. 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.

	30-Sep-16	30-Sep-15
	$	**$**
Long term debt	1,823,186	1,789,334
Share capital	8,998,978	8,973,978
Equity component convertible debenture	649,593	649,593
Stock based payment reserve	2,531,000	2,531,000
Accumulated other comprehensive income	159,250	154,225
Retained earnings	9,845,551	10,136,031
Non-controlling interest	28,016,291	28,210,641
	52,023,848	52,444,803

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, 2016.

18. FINANCIAL INSTRUMENTS

As at September 30, 2016, the Corporation carried cash at fair value and is considered Level 1, within the fair value hierarchy.

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
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.

18. FINANCIAL INSTRUMENTS (continued)

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.

Foreign Currency Risk

The Corporation has long term debt denominated in US dollars. The carrying value of these items may change due to fluctuations in foreign exchange rates. The Corporation has cash and 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.

19. SUBSEQUENT EVENT

On November 1, 2016, the Corporation issued 36,398 common shares to Forest Lane Holdings Limited, a company controlled by an insider of the Corporation. 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 $0.68685 per share, which is the volume-weighted trading price for the 20 trading days ending October 3, 2016. The securities are subject to a four month hold period following the date of issuance.

20. SEGMENTED INFORMATION

As at September 30, 2016 the Corporation had a corporate head office and three 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 both directly and 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. It is a majority owned subsidiary of GRI.
3. FSM, a private corporation, incorporated under the laws of Pennsylvania, operates a smelting plant in Forks Township, Pennsylvania. It is a wholly owned subsidiary of GRI.

The results of the segments are as follows:

	Corporate		GRI		NAIC		FSM		Eliminations		Consolidated	
	30-Sep-16	30-Sep-15	30-Sep-16	30-Sep-15	30-Sep-16	30-Sep-15	30-Sep-16	30-Sep-15	30-Sep-16	30-Sep-15	30-Sep-16	30-Sep-15
	$	$	$	$	$	$	$	$	$	$	$	$
Revenue - external customers	-	-	-	-	-	-	-	-	-	-	-	-
Revenue - intersegment	-	-	22,612	524,433	-	-	349,280	460,435	(371,892)	(984,868)	-	-
	-	-	22,612	524,433	-	-	349,280	460,435	(371,892)	(984,868)	-	-
Operating expenses	45,351	38,391	85,702	112,529	697,356	613,248	441,692	591,036	(387,246)	(811,956)	882,854	543,246
EBITDA	(45,351)	(38,391)	(63,089)	411,904	(697,356)	(613,248)	(92,412)	(130,600)	15,354	(172,912)	(882,854)	(543,246)
Depreciation and Amortization	-	-	(457)	(818)	(3,936)	(378)	(101,651)	(128,991)	-	-	(106,044)	(130,186)
Interest and bank charges	(45,376)	(43,824)	(8,556)	(3,599)	(252)	(326)	(1,231)	(25,012)	-	-	(55,416)	(72,761)
Expense recovery	-	-	-	167,370	-	-	-	-	-	-	-	167,370
Realized loss on investments	-	-	-	(26,925)	-	-	-	-	-	-	-	(26,925)
Unrealized gain on investments	-	-	25,742	47,688	-	-	-	-	-	-	25,742	47,688
	(45,376)	(43,824)	16,728	183,716	(4,188)	(703)	(102,882)	(154,003)	-	-	(135,719)	(14,814)
Segment income (loss) before taxes	(90,727)	(82,215)	(46,361)	595,620	(701,544)	(613,950)	(195,294)	(284,603)	15,354	(172,912)	(1,018,573)	(558,060)
Total assets	5,579,646	5,219,958	4,778,440	5,909,487	60,277,073	62,844,691	2,860,438	3,408,380	(10,828,886)	(13,020,191)	62,666,711	64,362,324
Total liabilities	9,023,405	10,141,933	612,093	161,661	3,840,984	1,296,475	3,623,526	3,484,612	(4,633,959)	(3,066,038)	12,466,049	12,018,643

Inter-segment revenues are eliminated upon consolidation and reflected in the "eliminations" column.

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").

20. SEGMENTED INFORMATION (continued)

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 period ending September 30, 2016 was $ nil (September 30, 2015 $nil)

Non-current assets:

	30-Sep-16 $	30-Sep-15 $
Canada	59,477,871	58,215,896
United States of America	1,931,351	2,849,415
Total non-current assets	61,409,222	61,065,311

APPENDIX B: MD&A

METALO MANUFACTURING INC.
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

The following is a discussion of the audited consolidated financial condition and results of operations of Metalo Manufacturing Inc. ("MMI" or "the Corporation") for the year ended June 30, 2017. This discussion and analysis should be read in conjunction with the Corporation's annual audited consolidated financial statements for the year ended June 30, 2017 and the related notes.

The Corporation's principle asset is a 43.92% (43.92% at June 30, 2017 and 44.3% at June 30, 2016) interest in Grand River Ironsands Inc. ("GRI"). GRI owns 60.0% (60.0% at June 30, 2017 and 60.0% at June 30, 2016) of North Atlantic Iron Corporation ("NAIC"), a joint venture investing to become a vertically integrated pig iron producer with a mineral sands project in Labrador and Newfoundland. NAIC owns 100%% of 8593302 Canada Inc., a corporation incorporated in Canada engaged in steel manufacturing. GRI also owns 100% of Forks Specialities Metal Inc. ("FSM"), which owns and operates two submerged arc smelting furnaces in Pennsylvania, USA.

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 June 30, 2017.

Additional information about MMI can be found on SEDAR at www.sedar.com and on the Canadian Securities Exchange at www.cnsx.ca

This MD&A is dated as of October 30, 2017 and contains discussion of material events up to and including that date.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

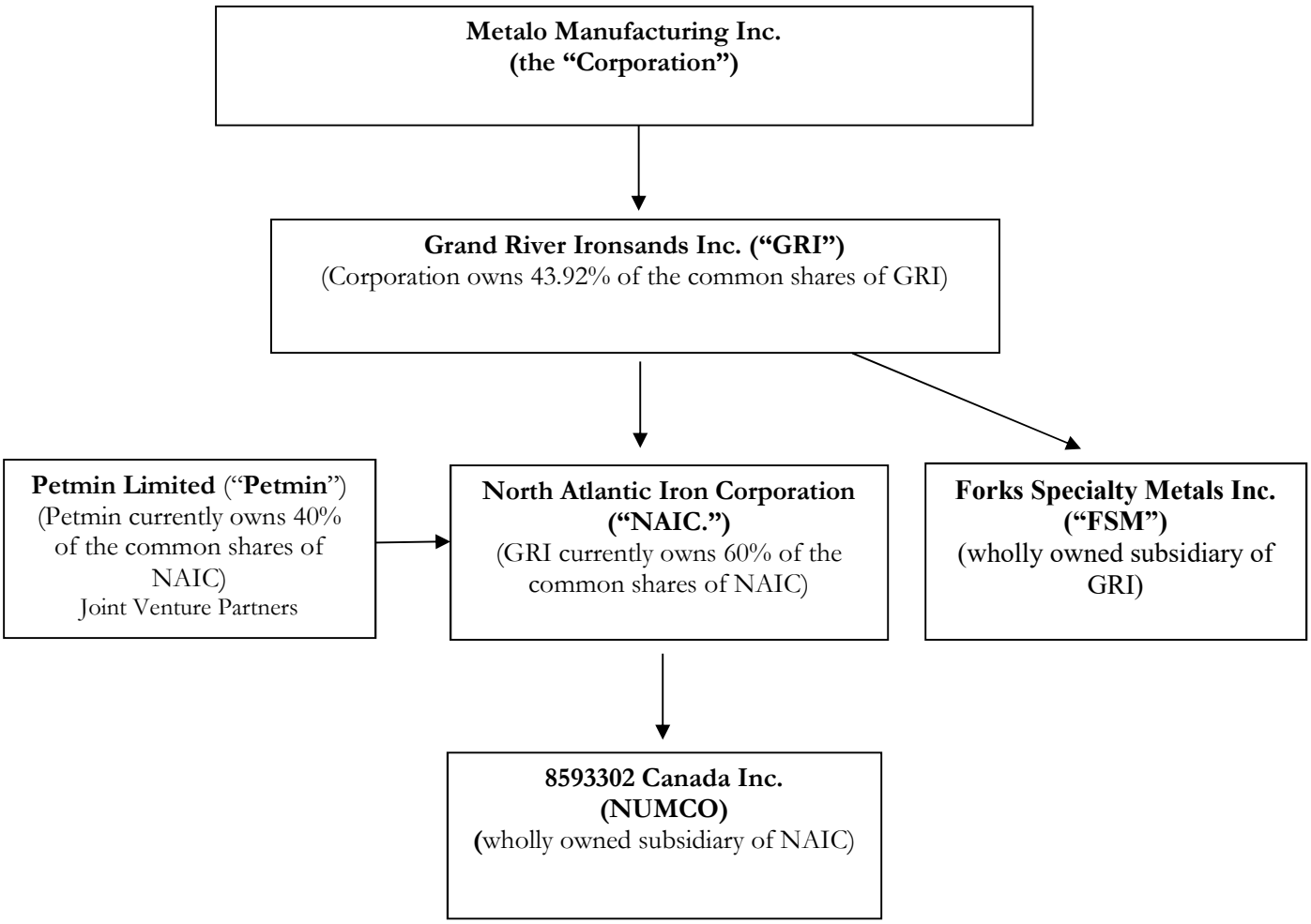
The following discussion and analysis contains forward-looking statements which reflects management's expectations regarding the Corporation's future growth, results of operations, performance, and business prospects and opportunities. Although the forward-looking statements reflect management's current assumptions based upon information currently available to management and based upon what management believes to be reasonable assumptions, the Corporation cannot be certain that actual results will be consistent with these forward-looking statements. Forward-looking statements involve significant known and unknown risks, assumptions and uncertainties that may cause the Corporation's actual results, performance, prospects, and opportunities in future periods to differ materially from those expressed or implied by such forward looking statements. These risks and uncertainties include, among other things, market demand, commodity pricing, regulatory matters, currency risks, liability claims, integration of new operations, financing risks, and interest rate risks. Although the Corporation has attempted to identify important risks and factors that could cause actual results to differ materially from those described in the forward-looking statements, there may be other factors and risks that may cause results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results may differ materially from those anticipated in such statements. Certain factors that may impact operations are also discussed. Such comments will be affected by, and may involve, known and unknown risks and uncertainties that may cause the actual results of the Corporation to be materially different from those expressed or implied. Accordingly, readers should not place undue reliance

on forward-looking statements. These forward-looking statements are made as of the date of this MD&A and, except as required by law, the Corporation assumes no obligation to update or revise them to reflect new events or circumstances.

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.

Below is a chart of the corporate structure of the Corporation and its wholly and partially owned subsidiaries, along with the current and potential joint venture partners hereinafter explained:



The Corporation has a 43.92% shareholding in GRI, a private company which was incorporated on March 24, 2001, in the Province of Nova Scotia, pursuant to the *Companies Act* (Nova Scotia). GRI has a 60% shareholding in NAIC, a joint venture investing to become a pig iron producer through its wholly owned Canadian subsidiary NUMCO which is headquartered in Quebec. In addition, NAIC is involved in the exploration and development of a mineral sands project near Happy Valley-Goose Bay, NL, Canada. GRI and its subsidiary, NAIC, entered into a share purchase agreement with Petmin Limited, a privately held mining company in South Africa, dated September 15, 2010, as amended, whereby GRI contributed its mineral

claims to NAIC and Petmin acquired shares in NAIC through cash investments. Since entering into the Joint Venture agreement with GRI, Petmin has invested a total of US$25 million into NAIC and currently holds a 40% ownership position. Petmin has the option to acquire an additional 9.9% of the common shares of NAIC, at a fair market price, increasing its potential ownership of NAIC to 49.9% on a fully diluted basis.GRI also owns 100% of Forks Specialty Metal Inc. ("**FSM**"), which owns and operates two electric arc smelting furnaces in Easton, PA, USA.

OVERVIEW OF NAIC

GRI and its JV partner, Petmin Ltd. (South Africa's largest anthracite coal producer), plan to build a merchant pig iron plant and become the first specialized producer in North America of premium pig iron for export to the United States and Europe. NAIC business model is to be a low cost North American producer of foundry grade pig iron. Project partners remain confident they can achieve this standard and thereby ensure premium prices for its products. North America currently imports 4-5 million tonnes of pig iron annually primarily from Brazil, Russia, South Africa and the Ukraine. This plant is being 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.

The Bankable Feasibility Study (BFS) is nearly complete for the Quebec site and at present, effort is principally focused on the US site with the intent of having all engineering work completed by March 31, 2018. The Quebec site requires confirmation of the impact of the proposed carbon tax for the plant and if the Quebec government are prepared to mitigate the impact with other tax measures or other assistance. The Ohio site requires the finalization of construction costs and clarification of the impact the proposed reduction of US corporate income tax, impact of the proposed "Border Adjustment Tax", and implications of the speculated "Buy America" program.

GRI and Petmin have recently invested an additional $3.7 million in debt to ensure continued progress. Efforts for additional financing will continue with the view to soon move to detailed engineering and then construction. Upon finalizing adjustments to the Bankable Feasibility Study, a work has been underway for more than one year, decisions will be made by the project partners.

Given that the Corporation will be acquiring iron ore pellets from the merchant market, discussions with potential providers and testing of their respective iron ore for the pig iron manufacturing plant will be ongoing. Iron ores from two producers have been tested along with steel mill reverts (waste material containing iron ore) and those results were successful.

The key goals for the initial pig iron manufacturing initiative for the next several months will be to (i) finalize the site selection and complete the permitting process; (ii) complete and release 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.

Labrador Mineral Sands

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

Claim No	No Claims	Issued	Status	Renewal Date	NTS Map
South Branch					
017911M	44	8/23/2010	Active	8/23/2020	13F/02, 13F/07
Muskrat					
017907M	23	8/23/2010	Active	8/23/2020	13F/07
Hoffman					
018325M	114	1/6/2011	Active	1/6/2021	13F/03, 13F/02
Total	**181**				

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.

FORKS SPECIALTY METALS (FSM)

FSM owns and operates two submerged arc furnaces in Pennsylvania. These furnaces were essential for testing various iron ore composition and coals and will continue to be required as a laboratory for refining the pig iron process going forward. However, they are underutilized and GRI management continues to seek partnering and/or joint venture opportunities to more fully utilize this major asset. FSM have been successful in proving the feasibility of the smelting of electronic waste to capture and recycle the copper, gold, platinum group metals (PGM) and other valuable metals found in end of life electronic units and have been meeting with electronic waste recyclers to determine if an economical supply of scrap material can be guaranteed to sustain a smelting operation. While testing efforts were a success, including one under the supervision of a major PGM recycler - to date this effort to conclude a commercial contract has not met with any success. In the event a commercial acceptable solution cannot be found within the next 30-60 days, GRI will close the operation and liquidate any and all assets related to the

operation. In addition, on or about October 18, 2017, SK 3700 Glover Road Owner LLC 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$1,189,562.71 for rental arrears, accelerated rent and attorney's fees. Forks has 30 days from the receipt of Judgment to dispute the claim and Forks is currently assessing its rights and remedies and is also considering outside counsel in the relevant jurisdiction.

Due to the uncertain future of FSM, the undepreciated capital cost of the industrial equipment was written off resulting in an impairment charge of $1,990,435CDN in fiscal 2017.

Depending on the outcome and the legal dispute and potential market for the industrial equipment and potential acquirers, the outcomes may differ from management expectations and additional losses may occur.

FINANCIAL SUMMARY

The Corporation is in the mining, exploration and manufacturing sectors through its interest in GRI.

The audited consolidated financial statements for the year ended June 30, 2017 include all the accounts of the Corporation, including GRI, NAIC, FSM and NUMCO.

The following discussion addresses the operating results and financial condition of the Corporation for the year ended June 30, 2017. This discussion and analysis is qualified in its entirety by reference to and should be read in conjunction with the Corporation's audited consolidated financial statements for the year ended June 30, 2017 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 year ended June 30, 2017, and to the date of this MD&A

- On August 2, 2016, the Corporation issued 25,518 common shares to Forest Lane Holdings Limited ("FLH"), a company controlled by an insider of the Corporation. 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. The securities are subject to a four-month hold period following the date of issuance.

- On August 25, 2016 GRI borrowed $250,000 from an unrelated party bearing interest at 6% per annum calculated monthly plus 50,000 three-year warrants at an exercise price of $0.01 per share.

- On September 29, 2016 GRI borrowed $250,000 from Forest Lane Holdings Limited, a related party, bearing interest at 6% per annum calculated monthly plus 50,000 three-year warrants at an exercise price of $0.01 per share.

- 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. The securities are subject to a four-month hold period following the date of issuance.

- On September 30, 2016, Directors and Officers exercised options to purchase 205,000 shares GRI at an exercise price of $1.25 per share for aggregate proceeds of $256,250.

- 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. The securities are subject to a four month hold period following the date of issuance.

- Between December 6, 2016 and June 30, 2017 Forest Lane Holdings advanced GRI an additional $2,105,000 against a line of credit bearing interest at 6% per annum calculated monthly.

- 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. The securities are subject to a four month hold period following the date of issuance.

- On August 1, 2017, the Corporation issued 41,667 common shares to Forest Lane Holdings Limited. 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. The securities are subject to a four month hold period following the date of issuance.

- 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 repayable, without penalty, on or before August 31, 2018.

- On August 25, 2017, NAIC received a shareholder loan, with no fixed terms of repayment, in the amount of US$1,259,654 from Petmin. This loan represents Petmin's proportionate share of the NIAC's projected cash requirements. GRI has also advanced to NAIC their proportionate share of those projected requirements.

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.

The following tables summarize selected yearly and quarterly financial results from operation for the last two fiscal years.

Selected Consolidated Operating Results				
	Three Months		Year Ended	
	30-Jun-17	30-Jun-16	30-Jun-17	30-Jun-16
	$'s	$'s	$'s	$'s
Revenue	-	-	-	-
Expenses				
Advertising and promotion	164,104	(26,099)	174,409	4,143
Utilities	55,094	15,312	131,247	112,181
Dues and fees	2,932	2,327	14,398	23,761
Exploration Costs	-	-	13,179	1,264
Project feasibility costs	86,271	46,220	103,900	46,220
Foreign exchange losses	(359,703)	11,336	(272,460)	(83,205)
General and administrative	11,144	74,213	42,631	182,875
Insurance	23,653	24,964	97,502	100,422
Management fees	472,498	379,364	1,398,966	1,389,618
Professional fees	15,874	7,500	104,159	31,450
Rental	276,899	246,045	1,077,341	1,058,984
Travel	161,682	316,942	631,316	494,542
Stock based compensation	-	288,000	-	288,000
Salaries and wages	142,064	134,753	573,650	547,063
Operating loss before under noted	**(1,052,512)**	**(1,520,877)**	**(4,090,238)**	**(4,197,318)**
Amortization	302,361	(134,200)	(22,728)	(533,589)
Interest icluding accretion	(555,449)	(67,252)	(774,087)	(294,675)
Consolidated income (loss)	**(1,305,600)**	**(1,722,329)**	**(4,887,053)**	**(5,025,582)**
Expense recovery Porcupine Strand	-	327,609	-	494,979
Loss on sale of equipment	-	-	-	(853)
Impairment of property and equipment	(1,990,435)	-	(1,990,435)	-
Gain (loss) on investments	(1,640)	(1,170)	13,571	7,277
Income tax recovery	1,134,166	134,304	2,175,998	1,071,789
Other comprehensive income	(15,688)	(3,683)	48,132	82,508
Non-controlling interest	1,507,888	926,181	3,002,431	2,398,898
Comprehensive (loss) attributable to MMI	**(671,310)**	**(339,089)**	**(1,637,356)**	**(970,983)**
Income (Loss) per share	(0.039)	(0.020)	(0.094)	(0.056)
Avg. Weighted Shares O/S	**17,384,638**	**17,260,049**	**17,384,638**	**17,260,049**

Overall performance for the year ended June 30, 2017

The consolidated loss for the three-month period ended June 30, 2017, was ($1,305,600) compared to a loss of ($1,722,329) for the prior year. For the year ended June 30, 2017 the consolidated loss before extraordinary items was ($4,887.053) compared to a loss of ($5,025,582) for the prior year. The level of expenditures was consistent year over year other than the absence of stock option costs in the current year, which amounted to $288,000 in 2016 and the capitalization of all consulting costs related to the construction of the proposed Quebec pig iron plant, as well as the increase in interest costs resulting from the corporation's increase in debt financing and the recognition of the full carrying value of a previously discounted loan from

the State of Pennsylvania for FSM, which subsequent to year end was deemed to be in default for late payments and at June 30, 2017 is reflected on the balance sheet as a current liability. (Refer to Note 9 of the consolidated financial statements)

For the year ended June 30, 2017 the comprehensive loss attributed to MMI shareholders was ($1,637,356) ($0.094 per share) compared to a loss of ($970,984) ($0.056 per share) for the prior year. No stock options were issued during the year and therefore no related cost compared to a cost of $288,000 in the prior year. In the current fiscal year the Corporation took a charge of $1,990,435 related to the impairment charge related to the industrial equipment at FSM. (Refer to FSM comments on page 4&5)

Revenue

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

Expense Highlights

Exploration Costs

Exploration costs relate to carrying costs of mineral claims and licenses and are all associated with the corporation property in Happy Valley- Goose Bay, Newfoundland and Labrador. There were minimal exploration costs in 2017.

Stock based compensation

For the year ended June 30, 2017, the Corporation issued no stock options and therefore had no stock based compensation for the year compared to stock option expense of $288,000 for the prior year.

Amortization

At June 30, 2017 the corporation recorded the write down of the industrial equipment at FSM and reversed all amortization charged in previous quarters resulting in amortization costs of $22,728 compared to amortization expenses of $533,589 for the prior year. Amortization was mainly associated to the Forks industrial equipment.

Interest and accretion expense

For the year ended June 30, 2017, the Corporation had interest expense of $774,087 compared to interest expenses of $294,675 for the compared to the prior year. These amounts do not include interest expense that was capitalized during the year. The increase reflects the impact of the convertible debenture and the increase in debt load. This increase is also the result of the one- time recognition of interest accretion related to the FSM industrial equipment loan. (Refer to Note 9 of the consolidated financial statements)

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 15 of the consolidated financial statements)

Selected Quarterly Financial Data

The following table reports the operating results for the last eight quarters. The quarterly data has been restated to give effect to the reclassification of Forks industrial equipment in fiscal 2016.

Selected Quarterly Financial Data								
	30-Jun 2017	31-Mar 2017	31-Dec 2016	30-Sep 2016	30-Jun 2016	31-Mar 2016 Restated	31-Dec 2015 Restated	30-Sep 2015 Restated
Expenses								
Advertising and promotion	164,104	9,222	(3,714)	4,797	(26,099)	30,242	-	-
Utilities	55,094	44,660	21,673	9,820	15,312	51,692	25,556	19,621
Dues and fees	2,932	3,113	5,923	2,430	2,327	2,419	16,020	2,995
Exploration Costs	-	-	13,179	-	-	1,264	-	-
Profect feasibility costs	86,271	7,505	5,186	4,938	46,220	-	-	-
Foreign exchange losses	(359,703)	22,469	33,779	30,995	11,336	135,003	(13,233)	(216,311)
General and administrative	11,144	1,886	14,762	14,839	74,213	13,565	18,393	76,704
Insurance	23,653	23,770	24,820	25,259	24,964	21,776	27,057	26,625
Management fees	472,498	322,120	337,099	267,249	379,364	324,564	368,027	317,663
Professional fees	15,874	48,446	19,034	20,805	7,500	7,500	16,450	-
Rental	276,899	267,101	272,058	261,283	246,045	288,868	261,162	262,909
Travel	161,682	265,087	113,739	90,808	316,942	116,571	140,497	(79,468)
Stock based compensation	-	-	-	-	288,000	-	-	-
Salaries and wages	142,064	143,780	138,175	149,631	134,753	144,973	134,829	132,508
Operating loss before under noted	**(1,052,512)**	**(1,159,159)**	**(995,713)**	**(882,854)**	**(1,520,877)**	**(1,138,437)**	**(994,758)**	**(543,246)**
Expense recovery Porcupine Strand	-	-	-	-	327,609	-	-	167,370
Other comprehensive income	(15,688)	18,060	34,417	11,343	(3,683)	(140,972)	78,561	148,602
Amortization	302,361	(107,166)	(111,879)	(106,044)	(134,200)	(134,624)	(134,578)	(130,187)
Interest expense including accretion	(555,449)	(93,261)	(69,961)	(55,416)	(67,252)	(78,990)	(75,673)	(72,760)
Loss on sale of equipment	-	-	-	-	-	-	(853)	-
Impairment of property and equipment	(1,990,435)	-	-	-	-	-	-	-
Gain (loss) on investments	(1,640)	(12,871)	2,340	25,742	(1,170)	1,170	(13,486)	20,763
Income tax recovery	1,134,166	425,748	344,911	271,173	134,304	406,748	370,018	160,719
Consolidated Income (Loss)	**(2,179,198)**	**(928,649)**	**(795,885)**	**(736,056)**	**(1,265,269)**	**(1,085,107)**	**(770,769)**	**(248,739)**
Non-controlling interest	1,507,888	476,501	555,553	462,489	926,181	885,343	566,205	21,169
Comprehensive (Loss)	**(671,310)**	**(452,148)**	**(240,332)**	**(273,567)**	**(339,088)**	**(199,764)**	**(204,564)**	**(227,570)**
Income (Loss) per share	($0.039)	($0.026)	($0.014)	($0.016)	($0.020)	($0.012)	($0.012)	($0.013)
Avg. Weighted Shares O/S	**17,384,638**	**17,440,330**	**17,356,295**	**17,323,404**	**17,260,049**	**17,251,018**	**17,251,018**	**17,251,018**

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.

Non-current assets	30-Jun-17	30-Jun-16
	$	$
Canada	60,131,729	59,270,250
United State of America	20,611	2,016,263
Total non-current assets	**60,152,340**	**61,286,513**

	Corporate		GRI		NAIC		FSM		Eliminations		Consolidated	
	30/Jun/17	30/Jun/16	30/Jun/17	30/Jun/16	30/Jun/17	30/Jun/16	30/Jun/17	30/Jun/16	30/Jun/17	30/Jun/16	30/Jun/17	30/Jun/16
	$	$	$	$	$	$	$	$	$	$	$	$
Revenue - external customers	-	-	-	-	-	-	-	-	-	-	-	-
Revenue - intersegment	-	-	65,697	579,511	-	-	1,332,728	1,962,048	(1,398,425)	(2,541,559)	-	-
	-	-	65,697	579,511	-	-	1,332,728	1,962,048	(1,398,425)	(2,541,559)	-	-
Operating expenses	218,784	216,587	2,114,989	2,215,903	1,865,216	6,283,697	1,916,613	1,936,952	(2,025,363)	(6,455,821)	4,090,238	4,197,318
EBITDA	**(218,784)**	**(216,587)**	**(2,049,292)**	**(1,636,392)**	**(1,865,216)**	**(6,283,697)**	**(583,885)**	**25,095**	**626,938**	**3,914,262**	(4,090,238)	**(4,197,318)**
Depreciation and Amortization	-	-	(1,830)	(2,579)	(15,745)	(19,869)	(5,153)	(511,142)	-	-	(22,728)	(533,589)
Interest and bank charges	(187,590)	(180,309)	(89,087)	(19,423)	(44,401)	(39,550)	(453,008)	(93,558)	-	38,166	(774,087)	(294,675)
Expense recovery	-	-	-	494,979	-	-	-	-	-	-	-	494,979
Loss on sale of fixed assets	-	-	-	(853)	-	-	(1,990,435)	-	-	-	(1,990,435)	(853)
Realized loss on investments	-	-	974	(234,046)	-	-	-	-	-	-	974	(234,046)
Unrealized gain on investments	-	-	12,597	241,323	-	-	-	-	-	-	12,597	241,323
	(187,590)	**(180,309)**	**(77,345)**	**479,402**	**(60,147)**	**(59,419)**	**(2,448,596)**	**(604,700)**	**-**	**38,166**	**(2,773,679)**	**(326,860)**
Segment income (loss) before tax	**(406,374)**	**(396,896)**	**(2,126,637)**	**(1,156,990)**	**(1,925,363)**	**(6,343,115)**	**(3,032,481)**	**(579,605)**	**626,938**	**3,952,428**	**(6,863,917)**	**(4,524,178)**
Total assets	5,434,826	5,615,118	4,791,085	4,033,382	58,209,788	57,680,912	588,695	2,810,914	(8,267,512)	(7,684,981)	60,756,882	62,455,344
Total Liabilities	7,214,406	9,264,322	2,869,227	76,923	2,975,621	2,625,072	4,152,181	3,390,052	(2,826,485)	(3,556,493)	14,384,951	11,799,876

Selected Consolidated Financial Information

Selected items from the Consolidated Balance Sheet as at June 30, 2017 with comparable numbers for the prior two fiscal years.

Selected Consolidated Balance Sheet Items			
	Year Ended June 30, 2017 $'s	Year End June 30, 2016 $'s	Year End June 30, 2015 $'s
Cash	169,039	591,665	1,375,031
Restricted cash	-	-	610,000
Other receivables	64,006	114,337	179,796
Prepaid and other deposits	351,019	446,448	532,240
Investment and loan receivable	20,478	16,381	92,266
Resource Properties	57,138,760	57,109,885	60,396,574
Project development costs	2,924,994	2,074,815	-
Property and equipment	88,586	2,101,813	141,808
Accounts Payable	(2,670,498)	(1,105,061)	(2,952,818)
Short Term Loans	(2,664,504)	-	-
Current portion long term debt	(1,560,467)	(1,171,550)	(1,184,923)
Long term debt	(1,931,549)	(1,789,334)	(1,663,511)
Deferred Taxes	(5,557,933)	(7,733,931)	(8,805,720)
Shareholders' Equity (Deficiency)	20,197,582	21,746,827	19,718,228
Shareholders' Equity associated with Non controlling interests	26,174,349	28,908,641	29,002,515

Details of significant balance sheet items are detailed below.

Restricted Cash

On March 24, 2015 by contractual agreement with the "Government of Newfoundland and Labrador" the licenses of Porcupine Strand were terminated in exchange for compensation in the amount of $610,000. On September 14, 2015, it was confirmed that all conditions had been met and the funds are released.

Account and Other Receivables

Principally consists of HST receivable.

Prepaid and Other Deposits

The prepaid and other deposits in the amount of $351,019 at June 30, 2017 consists principally of a rent security deposit for the smelting facility in Forks, PA, prepaid liability and environmental insurance and various utilities prepaid.

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 30-Jun-16	Additions	Deletions	Balance 30-Jun-17
	$	$	$	$
Labrador Mineral Sands	57,109,885	28,875		57,138,760

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.

Project Development Costs				
	Balance 30-Jun-16	Additions	Deletions	Balance 30-Jun-17
	$	$	$	$
Site selection, engineering & design	**2,074,815**	**850,179**	**-**	**2,924,994**

Property and Equipment

	Cost				Accumulated Depreciation				Net Book	Net Book
Description	Balance 30-Jun-16	Impairment Charge	Net Additions	Balance 30-Jun-17	Balance 30-Jun-16	Depreciation	Impact of Assets Impaired	Balance 30-Jun-17	Value 30-Jun-16	Value 30-Jun-17
Computer hardware	15,138	-	-	15,138	10,488	1,395	-	11,884	4,650	3,255
Industrial Equipment	2,580,056	(2,383,626)	-	196,430	620,528	16,091	(504,559)	132,060	1,959,528	64,369
Office furniture and equipment	42,658	-	-	42,658	25,171	5,242	-	30,413	17,487	12,245
Foreign exchange differences	120,149	(111,368)	(64)	8,717	-	-	-	-	120,149	8,717
	2,758,001	**(2,494,994)**		**262,943**	**656,187**	**22,728**	**(504,559)**	**174,357**	**2,101,814**	**88,586**

Note: In October, 2017 a judgement was granted against Forks by the Court in Pennsylvania, USA in the amount of US$1,189,562.71 for rental arrears, accelerated rent and attorney's fees. Forks has 30 days from the receipt of Judgment to dispute the claim and Forks is currently assessing its rights and remedies and is also considering outside counsel in the relevant jurisdiction. The industrial equipment was pledged to the lessor as collateral, and therefore deemed impair at June 30, 2017 resulting in a charge to operations in the net amount of $1,990,435 (Cost $2,494,994 less $504,559 in accumulated depreciation))

Accounts Payable

The accounts payable balance at June 30, 2017 was $2,670,497 compared to $1,105,061 at June 30, 2016. The significant increase is billed costs of approximately $1,635,000 related to site selection, permitting, and feasibility studies for the pig iron manufacturing plant, which have been settled subsequent to year end. The remainder represents year end accruals and trade accounts payable.

Short Term Loans

On September 29, 2016 GRI borrowed $250,000 from Forest Lane Holdings Limited, a related party, for 90 days with interest at 6% per annum calculated monthly plus 50,000 three-year warrants at an exercise price of $0.01 per share.

During the year the corporation was advanced funds from a related party that including interest amounted to approximately $2,400,000 at June 30, 2017.

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 shareholders 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 if required.

Currently the Corporation has approximate cash on hand of $1,462,000 CDN equivalent. Approximately $1,362,000 of these funds are held in NAIC and can only be used to fund expenditures associated with the operation of NAIC, and the finalization of the feasibility and site selection work associated with the proposed pig iron plant.

The Corporation expects that it will operate at a loss for the foreseeable future. The Corporation believes that outside sources for debt and additional equity capital, if needed, will be available to finance ongoing operations and expansion. The form of any financing will vary depending upon prevailing market and other conditions, and may include short or long-term borrowings from financial institutions, or the issuance of additional equity or debt securities. However, there can be no assurance that funds will be available on terms acceptable to the Corporation and its actions with respect to these activities will be guided accordingly.

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, 2019 and repayments will commence in December 2019.

FSM received a loan from the State of Pennsylvania in the amount of US$1, 600,000 ($1,682,880) to partially finance the acquisition of industrial equipment in Forks Township, Pennsylvania. The loan bears interest at 1% and is repayable in monthly principal installments of US$14,017, commencing March 1, 2013, maturing on February 1, 2023. The carrying value of the loan has been discounted using an effective interest rate of 9%. At June 30, 2017, and June 30, 2016, in accordance with the lending terms, the loan was deemed to be in default for late payments. Accordingly, the discounted value of the loan has been presented as a current liability on the consolidated balance sheet at June 30, 2017 in the amount of $1,560,467CDN.

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 June 30, 2017 is presented below:

COMMON STOCK ISSUED AND OUTSTANDING	June 30, 2017		June 30, 2016	
Authorized: Unlimited number of common shares	**Number of Shares**	**$**	**Number of Shares**	**$**
Opening Balance	**17,307,039**	**8,973,978**	**17,251,018**	**8,948,978**
Shares issued for convertible debt interest	174,363	100,000	56,021	25,000
Closing Balance	**17,481,402**	**9,073,978**	**17,307,039**	**8,973,978**

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 3 years from the date of the grant. The Corporation has reserved 3,450,203 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:

Continuity of Stock Options Issued and Outstanding				
	June 30, 2017		June 30, 2016	
	Number of Stock Options	Weighted Average Exercise Price	Number of Stock Options	Weighted Average Exercise Price
Beginning balance	**2,114,000**	**$0.77**	**2,114,000**	**$0.77**
Cancelled during the year	-	-	-	-
Issued during the year	-	-	-	-
Ending Balance	**2,114,000**	**$0.77**	**2,114,000**	**$0.77**

Options outstanding at June 30, 2017 are as follows:

Grant Date	Expiry Date	Exercise Price	Issued June 30, 2017	Exercisable June 30, 2017
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
Total			**2,114,000**	**2,114,000**

Note: There were no MMI stock options issued during fiscal 2017.

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 June 30, 2017, there were 2,376,933 common shares eligible for issuance pursuant to the stock option plan, of which 1,206,000 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.

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.

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

Continuity of Stock Options Issued and Outstanding				
	June 30, 2017		June 30, 2016	
	Number of Stock Options	Weighted Average Exercise Price	Number of Stock Options	Weighted Average Exercise Price
Beginning Balance	**2,116,000**	**$1.73**	**2,356,000**	**$1.60**
Expired during the year	(705,000)	**$1.25**	(390,000)	$1.25
Excercised during the year	(205,000)	**$1.25**		
Issued during the year	-	-	150,000	$2.50
Ending Balance	**1,206,000**	**$2.09**	**2,116,000**	**$1.73**

Note: There were no GRI stock options issued during fiscal 2017.

Options outstanding at June 30, 2017

Grant Date	Expiry Date	Exercise Price	Issued June 30, 2017	Exercisable June 30, 2017
Nov. 05, 2012	Nov. 05, 2017	$1.25	87,000	87,000
Dec. 06, 2013	Dec. 06, 2018	$2.10	475,000	475,000
Dec. 08, 2014	Dec. 08, 2019	$2.10	494,000	494,000
May 27,2016	May 27, 2021	$2.50	150,000	150,000
Total			**1,206,000**	**1,206,000**

Continuity of Stock Based Payment Reserve for the year ended June 30, 2017 and fiscal year June 30, 2016 are presented below:

Continuity of Stock Based Payment Reserve		
	30-Jun-17	30-Jun-16
Beginning balance	**$ 1,284,000**	**$ 1,284,000**
Stock Compensation expense	-	-
Ending balance	**$ 1,284,000**	**$ 1,284,000**

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 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").

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. 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 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.

Critical Accounting Estimates

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 period. 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. Refer to note 2(o) of the consolidated financial statements for details on accounting estimates and assumptions that may impact its reported financial position, results of operations and cash flows.

RISK FACTORS

Limited Business History

The likelihood of success of the Corporation must be considered in light of the problems, expenses, difficulties, complications and delays frequently encountered in connection with the establishment of any business. The Corporation has limited financial resources and there is no assurance that additional funding shall be available to it for further operations or to fulfill its obligations under applicable agreements. There is no assurance that the Corporation can generate revenues, operate profitably, or provide a return on investment, or that it shall successfully implement its plans.

Property Commitments

The property of NAIC in which the Corporation has an indirect interest is subject to work commitments and may be subject to other land payments, royalties and/or work commitments to the land claim holder, the Innu Second Nation. Failure by GRI and NAIC to meet their payment obligations or otherwise fulfill its commitments under these agreements could result in the loss of related property interests and dilution.

Potential Joint Ventures

Due to the cost of establishing and operating mining operations, the Corporation may enter into joint ventures in respect of certain mineral exploration properties that may be acquired by the Corporation. Any failure of such joint venture partners to meet their obligations to the Corporation or to third parties could have a material adverse effect on the joint ventures and the Corporation as a result. In addition, the Corporation may be unable to exert influence over strategic decisions made in respect.

Resources and Reserves

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 resources estimates, detailed mineral analysis, and detailed results from the smelting and melt tests conducted by the Corporation. 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 particular project.

Properties Remote

The property of NAIC is located in a remote area with limited infrastructure. Exploration activities on such projects are particularly vulnerable to delays and additional costs due to weather conditions, labour shortages and other unforeseeable issues.

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.

Competition for Mineral Acquisition Opportunities

Significant and increasing competition exists for mineral acquisition opportunities throughout the world. As a result of this competition, some of which is with larger, better established mining companies with substantial capabilities and greater financial and technical resources, the Corporation may be unable to acquire rights to exploit additional attractive mining properties on terms that the Corporation considers acceptable. If the Corporation is not able to acquire such interests, this could have an adverse impact on the Corporation's future cash flows, earnings, results of operations and financial condition.

Exploration and Development Activities May Not be Successful

Exploration for and development of mineral properties involves significant financial risks which even a combination of careful evaluation, experience and knowledge may not eliminate. Few properties which are explored are ultimately developed into producing mines. The Corporation cannot ensure that its future exploration and development programs shall result in profitable commercial mining operations.

Properties May be Subject to Defects in Title

Although the Corporation is not aware of any existing title uncertainties with respect to the property, there is no assurance that such uncertainties shall not result in future losses or additional expenditures, which 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.

Decommissioning and Reclamation

Environmental regulators are increasingly requiring financial assurances to ensure that the cost of decommissioning and reclaiming sites is borne by the parties involved, and not by government. It is not possible to predict what level of decommissioning and reclamation (and financial assurances relating thereto) may be required in the future by regulators.

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 on a daily basis but long-erm 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.

Key Personnel

The senior officers of the Corporation are critical to its success. In the event of the departure of a senior officer, the Corporation believes that it shall be successful in attracting and retaining qualified successors but there can be no assurance of such success. Recruiting qualified personnel as the Corporation grows is critical to its success. The number of persons skilled in the acquisition, exploration and development of mining properties is limited and competition for such persons is intense. As the Corporation's business activity grows, it shall require additional key financial, administrative and mining personnel as well as additional operations staff. If the Corporation is not successful in attracting and training qualified personnel, the efficiency of its operations could be affected, which could have an adverse impact on the Corporation's future cash flows, earnings, results of operations and financial condition.

Price Volatility of Publicly Traded Securities

In recent years, the securities markets in Canada have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continuing fluctuations in price shall not occur. It may be anticipated that any quoted market for the shares of the Corporation shall be subject to market trends generally, notwithstanding any potential success of the Corporation in creating revenues, cash flows or earnings. The value of the Corporation's shares shall be affected by such volatility. An active public market for the Corporation's shares might not develop or be sustained after completion of the Proposed Transactions.

Legal Proceedings

On or about October 18, 2017, SK 3700 Glover Road Owner LLC 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$1,189,562.71 for rental arrears, accelerated rent and attorney's fees. Forks has 30 days from the receipt of Judgment to dispute the claim and Forks is currently assessing its rights and remedies and is also considering outside counsel in the relevant jurisdiction.

Market for Securities

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

Trading Data for 2017				
Month	High	Low	Close	Volume
Jul-16	1.05	0.75	0.75	67,675
Aug-16	0.90	0.70	0.70	19,262
Sep-16	0.80	0.60	0.60	18,394
Oct-16	0.61	0.60	0.61	17,331
Nov-16	0.51	0.26	0.50	2,750
Dec-16	0.57	0.45	0.57	13,099
Jan-17	0.57	0.31	0.42	47,245
Feb-17	0.41	0.26	0.26	9,738
Mar-17	0.50	0.26	0.50	36,030
Apr-17	1.00	0.65	0.90	33,323
May-17	0.65	0.65	0.65	1,000
Jun-17	0.60	0.60	0.60	1,000
	1.05	0.26	0.60	266,847

Cash Flow Requirements

The long-term contractual obligations for the next five years are as follows:

Description	Total	Less than one year	2-3 years	4-5 years	After 5 years
Loan- ACOA	$ 500,000	$ -	$ -	$ 250,000	$ 250,000
Loan -State of Pennsylvania	1,170,000	1,170,000	-	-	-
Convertible Debenture(inclusive of interest)	2,280,000	100,000	2,180,000	-	-
Plant Rental -Forks Township, Pennsylvania	1,706,538	1,133,713	572,825	-	-
	$ 5,656,538	$ 2,403,713	$ 2,752,825	$ 250,000	$ 250,000

Conversion Rate used was $1.25 CDN. Refer to Note 9 of the audited consolidated financial statements at June 30, 2017 for detailed terms and repayments requirements for the Atlantic Canada Opportunity Agency (ACOA), State of Pennsylvania loans and Convertible Debenture.

Transactions with Related Parties

The Corporation incurred the following related party expenditures for the fourth quarter and year ended June 30, 2017.

	Quarter		Year ended	
	30-Jun-17	30-Jun-16	30-Jun-17	30-Jun-16
Purpose of Transaction	$	$	$	$
Directors Fees	3,850	2,100	15,750	15,750
Management Fees	41,250	41,250	165,000	165,000
Stock based compensation	-	(83,000)	-	288,000
Consulting fees	373,283	269,742	931,513	834,021
Salaries and benefits	63,411	272,617	573,621	686,672
	481,794	**502,709**	**1,685,884**	**1,989,443**
Capitalized	-	(59,023)	-	-
	481,794	**561,732**	**1,685,884**	**1,989,443**

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, Chief Financial Officer and Chief Corporate Affairs, Geologist, and Chief Operating Offer 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.

This document may contain forward-looking statements, which may include sales, earnings, and profitability comments. These statements may contain words such as "anticipated", "expected", "could", "should", "may", "plans", "will", or similar expressions that are based on and arise out of our experience, our perception of trends, current conditions and expected future developments as well as other factors. These statements are not a guarantee of future performance. By their very nature, forward-looking statements involve uncertainties and risks that the forecasts and targets will not be achieved.

Readers are cautioned not to place undue reliance on forward looking statements as a number of important factors, as disclosed herein and in the Corporation's other continuous disclosure documents, could cause actual results to differ materially from those expressed in such forward looking statements. The Corporation includes in publicly available documents filed from time to time with securities commissions, and the Canadian Securities Exchange, a thorough discussion of the risk factors that can cause the Corporation's anticipated outcomes to differ from actual outcomes. The Corporation disclaims any intention or obligation to update or revise forward-looking statements.

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 additional information is also available on the Canadian Securities Exchange at www.cnsx.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
Lorne S MacFarlane, Chief Financial Officer
Lina Tannous, 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: Lorne S. MacFarlane
380 - 311 Bedford Highway
Halifax, NS B3M 2L4

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:	bert@metalo.ca
Website:	www.metalo.ca

METALO MANUFACTURING INC.
INTERIM MD&A-QUARTERLY HIGHLIGHTS
FOR THE THIRD QUARTER ENDED MARCH 31, 2017

The following is a discussion of the unaudited interim consolidated financial statements and results of operations of Metalo Manufacturing Inc. ("MMI" or "the Corporation") for the third quarter and the nine months ended March 31, 2017. This interim discussion and analysis should be read in conjunction with the Corporation's annual audited consolidated financial statements and the annual MD&A for the year ended June 30, 2016.

The interim 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 March 31, 2017.

Additional information about MMI can be found on SEDAR at www.sedar.com and on the Canadian Securities Exchange at www.cnsx.ca

This Interim MD&A is dated as of May 26, 2017 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 has a 43.9% shareholding in Grand River Ironsands Incorporated (GRI), a private company incorporated in the Province of Nova Scotia. GRI has a 60% shareholding in NAIC, a private corporation which is planning to construct a pig iron manufacturing plant in North America. The remaining NAIC shares (40%) are held by Petmin (JSE: PET), a publicly traded mining company in South Africa, who have invested a total of US$25 million into NAIC. In addition, NAIC is involved in the exploration and development of a mineral sands project near Happy Valley-Goose Bay, NL, Canada. GRI also owns 100% of Forks Specialty Metal Inc. ("**FSM**"), which owns and operates two electric arc smelting furnaces in Easton, PA, USA.

OVERVIEW OF NAIC

GRI and its' JV partner, Petmin Ltd. (South Africa's largest anthracite coal producer), have made their intentions to build a merchant pig iron plant in North America widely known.

Pig Iron Plant

NAIC business model is to be a low cost North American producer of foundry grade pig iron. Project partners remain focused on those specifications and remain confident they can achieve this standard and thereby ensure premium prices for its products. North America currently imports 4-5 million tonnes of pig iron annually primarily from Brazil, Russia, South Africa and the Ukraine. This plant is being 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. It is also encouraging that the pig iron market has recently begun to show signs of strengthening after more than 2 years of substandard pricing. The site selection process has been shortened to two potential locations; either north of the Ohio River (on Lake Erie) or near the St. Lawrence Seaway.

The Bankable Feasibility Study (BFS) is currently in near final form for both sites. However, effort is currently focused on the US site and all engineering work is expected to be completed within 60-90 days of fiscal year end June 30, 2017. The Quebec site requires confirmation of the impact of the proposed carbon tax for the plant and if the Quebec government are prepared to mitigate the impact with other tax measures or other assistance. The Ohio site requires the finalization of construction costs and clarification of the impact the proposed reduction of US corporate income tax, impact of the proposed Boarder Adjustment Tax, and implications of the speculated "Buy America" program.

Given that the Corporation will be acquiring iron ore pellets from the merchant market, discussions with potential providers and testing of their respective iron ore for the pig iron manufacturing plant will be ongoing. Iron ores from two producers have been tested along with steel mill reverts (waste material containing iron ore) and those results were successful.

The key goals for the initial pig iron manufacturing initiative for the next several months will be to (i) finalize the site selection and complete the permitting process; (ii) complete and release 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.

Labrador Mineral Sands

NAIC's exploration properties are in the Happy Valley-Goose Bay region of Newfoundland and Labrador. The claims are in central Labrador west of the Town of Happy Valley-Goose Bay. At the date of the MD&A the property comprises 321 claims in 3 claim blocks with a total area of approximately 45 square kilometres.

NAIC continues testing work on its minerals sands resource in Labrador to evaluate the "economic potential" of the non- iron minerals contained within the resource. Assessments efforts on the mineral sands with a Chinese firm have been ongoing and a market study is being completed to determine the scope and size of a potential mining operation. Recent discussions with mineral sands experts in China will serve as the basis for continued efforts in the remainder of 2017.

The ongoing focus is to better understand the economics of the other minerals such as garnet, zircon, feldspars, and silica sands, as well as the recovery of vanadium and titanium from slag if the iron ore material is used to make pig iron. A major Chinese engineering firm considered a global expert in mineral sands is developing a market plan to assess and advance the mineral sands of Labrador.

Forks Specialty Metals (FSM)

FSM owns and operates two electric arc furnaces in Pennsylvania. These furnaces were essential for testing various iron ore composition and coals and will continue to be required as a laboratory for refining the pig iron process going forward. However, they are underutilized and GRI management continues to seek partnering and/or joint venture opportunities to more fully utilize this major asset. Currently, an MOU has been signed with a major corporation for the recovery of precious metals from slag created from the recycling of catalytic convertors. The finalization of the MOU is subject to one final smelt test, which is currently in progress. This is an attractive opportunity and management are currently assessing financing options to achieve commercialization.

FINANCIAL SUMMARY

The following discussion addresses the operating results and financial condition of the Corporation for the Third quarter ended March 31, 2017. 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 March 31, 2017 and the audited consolidated financial statements for the year ended June 30, 2016 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 third quarter and nine months ended March 31, 2017, and to the date of this MD&A.

- On August 2, 2016, the Corporation issued 25,518 common shares to Forest Lane Holdings Limited ("FLH"), a company controlled by an insider of the Corporation in lieu of the required quarterly cash payment in the amount of $25,000. The securities are subject to a four-month hold period following the date of issuance.

- On August 26, 2016 GRI borrowed $250,000 from an unrelated party bearing interest at 6% per annum calculated monthly plus 50,000 5 year warrants at an exercise price of $0.01 per share.

- On September 29, 2016 GRI borrowed $250,000 from Forest Lane Holdings Limited, a related party, bearing interest at 6% per annum calculated monthly plus 50,000 5 year warrants at an exercise price of $0.01 per share.

- On November 1, 2016, the Corporation issued 36,398 common shares to Forest Lane Holdings Limited, a company controlled by an insider of the Corporation in lieu of the required quarterly cash payment in the amount of $25,000. The securities are subject to a four month hold period following the date of issuance.

- On December 31, 2017, Directors and Officers exercised options to purchase 205,000 shares GRI at an exercise price of $1.25 per share for aggregate proceeds of $256,250.

- During the quarter GRI received an additional $550,000 from Forest Lane Holdings Limited, a related party, as an advance on a line of credit bearing interest at 6% per annum calculated monthly.

- On February 1, 2017, the Corporation issued 48,685 common shares to Forest Lane Holdings Limited, a company controlled by an insider of the Corporation in lieu of the required quarterly cash payment in the amount of $25,000. The securities are subject to a four month hold period following the date of issuance.

- Between March 31, 2017 and May 5, 2017 Forest Lane Holdings advanced GRI an additional $805,000 against a line of credit bearing interest at 6% per annum calculated monthly.

- On May 1, 2017, the Corporation issued 63,762 common shares to Forest Lane Holdings Limited, a company controlled by an insider of the Corporation in lieu of the required quarterly cash payment in the amount of $25,000. The securities are subject to a four month hold period following the date of issuance.

Financial and operational results
NON-GAAP Financial Measures

There are measures included in this MD&A that does 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 several 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 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		Year -to -date	
	31-Mar-17	31-Mar-16	31-Mar-17	31-Mar-16
	$'s	$'s	$'s	$'s
Revenue	-	-	-	-
Expenses				
Advertising and promotion	9,222	30,242	10,305	30,242
Utilities	44,660	51,692	76,153	96,869
Consulting	-	42,700	-	219,437
Dues and fees	3,113	2,419	11,466	21,434
Exploration Costs	-	1,264	13,179	1,264
Project feasibility costs	7,505	-	17,629	-
Foreign exchange losses	22,469	135,003	87,243	(94,541)
General and administrative	1,886	13,565	31,487	108,662
Insurance	23,770	21,776	73,849	75,458
Management fees	322,120	281,864	926,468	790,817
Professional fees	48,446	7,500	88,285	23,950
Rental	267,101	288,868	800,442	812,939
Travel	265,087	116,571	469,634	177,600
Stock based compensation	-	-	-	-
Salaries and wages	143,780	144,973	431,586	412,310
Operating loss before under noted	**(1,159,159)**	**(1,138,437)**	**(3,037,726)**	**(2,676,441)**
Amortization	(107,166)	(134,624)	(325,089)	(399,389)
Interest	(93,261)	(78,990)	(218,638)	(227,423)
Consolidated income (loss)	**(1,359,587)**	**(1,352,051)**	**(3,581,453)**	**(3,303,255)**
Expense recovery Porcupine Strand	-	**-**	-	**167,370**
Loss on sale of fixed assets	**-**	**-**	-	**(853)**
Gain (loss) on investments	(12,871)	1,170	15,211	8,448
Income tax recovery	425,748	406,748	1,041,832	937,485
Other comprehensive income	18,060	(140,973)	63,820	86,191
Non-controlling interest	476,501	893,439	1,494,543	1,497,006
Comprehensive (loss) attributable to MMI	**(452,148)**	**(191,668)**	**(966,047)**	**(607,610)**
Income (Loss) per share	(0.026)	(0.011)	(0.056)	(0.035)
Avg. Weighted Shares O/S	**17,400,330**	**17,251,018**	**17,359,715**	**17,251,018**

Overall performance for the third quarter and nine months ended March 31, 2017

The consolidated loss for the third quarter and ended March 31, 2017, was ($1,359.587) compared to a loss of ($1,352,051) for the prior year.

The consolidated loss for the nine months ended March 31, 2017, was ($3,581,453) compared to a loss of ($3,303,255) for the prior year. The increase in the consolidated loss was largely due to the increase foreign exchange losses that occur in comparable period in 2016.

For the year third quarter ended March 31, 2017 the comprehensive loss attributed to MMI shareholders was ($452.148) ($0.026 per share) compared to a loss of ($191,668) ($0.011 per share) for the prior year.

For the year nine months ended March 31, 2017 the comprehensive loss attributed to MMI shareholders was ($966.047) ($0.056 per share) compared to a loss of ($607,610) ($0.035 per share) for the prior year

Revenue

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

Expense Highlights

Amortization

For the third quarter and nine months ended March 31, 2017 the Corporation had amortization expense of $107,166 and $325,089 respectively compared to $134,624 and $399,389 or the comparable periods in the prior year and is principally associated with the amortization of the industrial equipment at FSM.

Interest Expense

For the third quarter and six month periods ended March 31, 2017 the Corporation had interest expense of $93,621 and $218,638 respectively compared to $78,990 and $227,423 for the comparable periods in the prior year. These amounts do not include interest expense that was capitalized during the year.

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.

Selected Quarterly Financial Data

The following table reports the operating results for the last eight quarters. The quarterly data has been restated to give effect to the reclassification of Forks industrial equipment.

Selected Quarterly Financial Data								
	31-Mar 2017	31-Dec 2016	30-Sep 2016	30-Jun 2016	31-Mar 2016 Restated	31-Dec 2015 Restated	30-Sep 2015 Restated	30-Jun 2015
Expenses								
Advertising and promotion	9,222	(3,714)	4,797	(26,099)	30,242	-	-	1,008
Utilities	44,660	21,673	9,820	15,312	51,692	25,556	19,621	42,221
Consulting	-	-	-	24,911	42,700	104,007	72,730	1,893
Dues and fees	3,113	5,923	2,430	2,327	2,419	16,020	2,995	2,284
Exploration Costs	-	13,179	-	-	1,264	-	-	494,415
Profect feasibility costs	7,505	5,186	4,938	46,220	-	-	-	-
Foreign exchange losses	22,469	33,779	30,995	11,336	135,003	(13,233)	(216,311)	96,477
General and administrative	1,886	14,762	14,839	74,213	13,565	18,393	76,704	98,070
Insurance	23,770	24,820	25,259	24,964	21,776	27,057	26,625	27,596
Management fees	322,120	337,099	267,249	354,453	281,864	264,020	244,933	239,654
Professional fees	48,446	19,034	20,805	7,500	7,500	16,450	-	12,450
Rental	267,101	272,058	261,283	246,045	288,868	261,162	262,909	247,916
Travel	265,087	113,739	90,808	316,942	116,571	140,497	(79,468)	87,783
Stock based compensation	-	-	-	288,000	-	-	-	959,000
Salaries and wages	143,780	138,175	149,631	134,753	144,973	134,829	132,508	126,974
Operating loss before under noted	**(1,159,159)**	**(995,713)**	**(882,854)**	**(1,520,877)**	**(1,138,437)**	**(994,758)**	**(543,246)**	**(2,513,964)**
Expense recovery Porcupine Strand	-	-	-	327,609	-	-	167,370	-
Other comprehensive income	18,060	34,417	11,343	(3,683)	(140,972)	78,561	148,602	290,413
Amortization	(107,166)	(111,879)	(106,044)	(134,200)	(134,624)	(134,578)	(130,187)	(9,705)
Interest expense	(93,261)	(69,961)	(55,416)	(67,252)	(78,990)	(75,673)	(72,760)	(38,353)
Loss on sale of fixed assets	-	-	-	-	-	(853)	-	-
Gain (loss) on investments	(12,871)	2,340	25,742	(1,170)	1,170	(13,486)	20,763	(16,943)
Income tax recovery	425,748	344,911	271,173	134,304	406,748	370,018	160,719	489,338
Consolidated Income (Loss)	**(928,649)**	**(795,885)**	**(736,056)**	**(1,265,269)**	**(1,085,107)**	**(770,769)**	**(248,739)**	**(1,799,214)**
Non-controlling interest	476,501	555,553	462,489	926,181	893,439	566,205	29,266	510,777
Comprehensive (Loss)	**(452,148)**	**(240,332)**	**(273,567)**	**(339,088)**	**(191,668)**	**(204,564)**	**(219,473)**	**(1,288,437)**
Income (Loss) per share	($0.026)	($0.014)	($0.016)	($0.020)	($0.012)	($0.012)	($0.013)	($0.075)
Avg. Weighted Shares O/S	**17,400,330**	**17,356,295**	**17,323,504**	**17,260,049**	**17,251,018**	**17,251,018**	**17,251,018**	**17,251,018**

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.

Non-current assets	31-Mar-17	30-Jun-16
	$	$
Canada	60,121,586	59,270,250
United State of America	1,755,058	2,016,263
Total non-current assets	**61,876,644**	**61,286,513**

Selected Consolidated Financial Information

Selected items from the Consolidated Balance Sheet as at March 31, 2017 with comparable numbers for the prior two fiscal years.

Selected Consolidated Balance Sheet Items			
	Quarter Ended March 31, 2017 $'s	Year End June 30, 2016 $'s	Year End June 30, 2015 $'s
Cash	349,053	591,665	1,375,031
Restricted cash	-	-	610,000
Other receivables	62,448	114,337	179,796
Prepaid and other deposits	385,734	446,448	532,240
Investment and loan receivable	31,593	16,381	92,266
Iron interests	57,131,296	57,109,885	60,396,574
Project development costs	2,920,112	2,074,815	-
Property and equipment	1,825,236	2,101,813	141,808
Accounts Payable	(2,541,358)	(1,105,058)	(2,952,818)
Short term loans	(1,851,893)	-	-
Current portion long term debt	(1,199,738)	(1,171,550)	(1,184,923)
Long term debt	(1,894,256)	(1,789,334)	(1,663,511)
Deferred Taxes	(6,692,099)	(7,733,931)	(8,805,720)
Shareholders' Equity (Deficiency)	21,541,891	22,444,827	19,718,228
Shareholders' Equity associated with Non controlling interests	26,984,237	28,210,641	29,002,515

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 $385,734 at March 31, 2017 consists principally of a rent security deposit for the smelting facility in Forks, PA, prepaid liability and environmental insurance and various utilities prepaid.

Iron interests

Iron Interests				
	Balance 30-Jun-16	Additions	Deletions	Balance 31-Mar-17
	$	$	$	$
Labrador Mineral Sands	57,109,885	21,411	-	57,131,296
	57,109,885	**21,411**	**-**	**57,131,296**

Project development costs

Project Development Costs				
	Balance			Balance
	30-Jun-16	Additions	Deletions	31-Mar-17
	$	$	$	$
Site selection, engineering & design	2,074,815	845,297	-	2,920,112

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

Foreign exchange differences reflect the restatement of the industrial equipment at Forks Specialty Metals located in the USA to Canadian dollar equivalent for reporting purposes.

	Cost			Accumulated Depreciation				Net Book	Net Book
	Balance	Net	Balance	Balance			Balance	Value	Value
Description	30-Jun-16	Additions	31-Mar-17	30-Jun-16	Depreciation	Disposals	31-Mar-17	30-Jun-16	31-Mar-17
Computer hardware	15,138	-	15,138	10,488	1,308	-	11,797	4,650	3,341
Industrial Equipment	2,580,056	-	2,580,056	620,528	319,741	-	940,270	1,959,528	1,639,786
Office furniture and equipment	42,658	-	42,658	25,171	4,039	-	29,210	17,487	13,448
Foreign exchange differences	120,149	48,512	168,661	-	-	-	-	120,149	168,661
	2,758,001	48,512	2,806,513	656,187	325,088		981,277	2,101,814	1,825,236

Accounts Payable

The accounts payable balance at March 31, 2017 was $2,541,358 compared to $1,105,058 at June 30, 2016. The increase is principally the additional accrued and billed costs related to site selection, permitting, and feasibility charges for the pig iron manufacturing plant.

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 $185,000 CDN equivalent. The Corporation expects that it will operate at a loss for the foreseeable future. The Corporation believes that outside sources for debt and additional equity capital, if needed, will be available to finance ongoing operations and expansion. The form of any financing will vary depending upon prevailing market and other conditions, and may include short or long-term borrowings from financial institutions, or the issuance of additional equity or debt securities. However, there can be no assurance that funds will be available on terms acceptable to the Corporation and its actions with respect to these activities will be guided accordingly.

Short-term Loans

Represents advances and loans from related parties on competitive terms to provide on-going working capital pending the closing of a major financing. At the date of this MD&A advances amounted to approximately $1,100,000.

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, 2019 and repayments will commence in December 2019. The carrying value of the loan has been discounted using an effective interest rate of 9%.

FSM received a loan from the State of Pennsylvania in the amount of US$1,600,000 ($1,682,880) to partially finance the acquisition of industrial equipment in Forks Township, Pennsylvania. The loan bears interest at 1% and is repayable in monthly principal installments of US$14,017, commencing March 1, 2013, maturing on February 1, 2023. 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. 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 of the Interim financial statements for further details and explanations related to long term debt.

Share Capital

A summary of the Corporation's common shares outstanding as of March 31, 2017 is presented below:

COMMON STOCK ISSUED AND OUTSTANDING	March 31, 2017		June 30, 2016	
Authorized: Unlimited number of common shares	Number of Shares	$	Number of Shares	$
Opening Balance	17,307,039	8,973,978	17,251,018	8,948,978
Shares issued for convertible debt interest	110,601	75,000	56,021	25,000
Closing Balance	**17,417,640**	**9,048,978**	**17,307,039**	**8,973,978**

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.

Options outstanding at March 31, 2017:

Grant Date	Expiry Date	Exercise Price	Issued March 31, 2017	Exercisable March 31, 2017
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
Total			**2,114,000**	**2,114,000**

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.

Options outstanding at March 31, 2017:

Grant Date	Expiry Date	Exercise Price	Issued March 31, 2017	Exercisable March 31, 2017
May 31, 2012	May 31, 2017	$1.25	495,000	495,000
Nov. 05, 2012	Nov. 05, 2017	$1.25	87,000	87,000
Dec. 06, 2013	Dec. 06, 2018	$2.10	475,000	475,000
Dec. 08, 2014	Dec. 08, 2019	$2.10	494,000	494,000
May 27,2016	May 27, 2021	$2.10	150,000	150,000
Total			**1,701,000**	**1,701,000**

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

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 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 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 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, 2016. 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

There are no outstanding legal proceedings against the Corporation.

Transactions with Related Parties

The Corporation incurred the following related party expenditures for the third quarter ended March 31, 2017.

	Quarter		Year -to -date	
	31-Mar-17	31-Mar-16	31-Mar-17	31-Mar-16
Purpose of Transaction	$	$	$	$
Management Fees	41,250	41,250	123,750	123,750
Consulting fees	142,388	208,272	558,230	628,676
Salaries and benefits	173,566	189,287	510,210	501,022
	359,304	**441,609**	**1,204,090**	**1,266,398**
Capitalized	-	14,770	-	63,271
Operating expenses	**359,304**	**426,839**	**1,204,090**	**1,203,127**

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, Chief Financial Officer and Chief Corporate Affairs, Geologist, and Chief Operating Offer 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 after the date of their evaluation, and there were no corrective actions regarding 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 additional information is also available on the Canadian Securities Exchange at www.cnsx.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
Lorne S MacFarlane, Chief Financial Officer
Lina Tannous, 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: Lorne S. MacFarlane
380 - 311 Bedford Highway
Halifax, NS B3M 2L4

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:	bert@metalo.ca
Website:	www.metalo.ca

METALO MANUFACTURING INC.
INTERIM MD&A-QUARTERLY HIGHLIGHTS
FOR THE SECOND QUARTER ENDED DECEMBER 31, 2016

The following is a discussion of the unaudited interim consolidated financial statements and results of operations of Metalo Manufacturing Inc. ("MMI" or "the Corporation") for the second quarter and the six months ended December 31, 2016. This interim discussion and analysis should be read in conjunction with the Corporation's annual audited consolidated financial statements and the annual MD&A for the year ended June 30, 2016.

The interim 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 December 31, 2016.

Additional information about MMI can be found on SEDAR at www.sedar.com and on the Canadian Securities Exchange at www.cnsx.ca

This Interim MD&A is dated as of February 27, 2017 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 has a 43.9% shareholding in Grand River Ironsands Incorporated (GRI), a private company incorporated in the Province of Nova Scotia. GRI has a 60% shareholding in NAIC, a private corporation which is planning to construct a pig iron manufacturing plant in North America. The remaining NAIC shares (40%) are held by Petmin (JSE: PET), a publicly traded mining company in South Africa, who have invested a total of US$25 million into NAIC. In addition, NAIC is involved in the exploration and development of a mineral sands project near Happy Valley-Goose Bay, NL, Canada. GRI also owns 100% of Forks Specialty Metal Inc. ("**FSM**"), which owns and operates two electric arc smelting furnaces in Easton, PA, USA.

OVERVIEW OF NAIC

GRI and its' JV partner, Petmin Ltd. (South Africa's largest anthracite coal producer), have made their intentions to build a merchant pig iron plant in North America widely known.

Pig Iron Plant

NAIC business model is to be a low cost North American producer of foundry grade pig iron. Project partners remain focused on those specifications and remain confident they can achieve this standard and thereby ensure premium prices for its products. North America currently imports 4-5 million tonnes of pig iron annually primarily from Brazil, Russia, South Africa and the Ukraine. This plant is being 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. It is also encouraging that the pig iron market has recently begun to show signs of strengthening after more than 2 years of substandard pricing. The site selection process has been shortened to two potential locations; either north of the Ohio River (on Lake Erie) or near the St. Lawrence Seaway.

The Bankable Feasibility Study (BFS) is currently in near final form for both sites. The Quebec site requires confirmation of the impact of the proposed carbon tax for the plant and if the Quebec government are prepared to mitigate the impact with other tax measures or other assistance. The Ohio site requires the finalization of construction costs and clarification of the impact the proposed reduction of US corporate income tax, impact of the proposed Boarder Adjustment Tax, and implications of the speculated "Buy America" program. This study is a substantive document that has been an intense effort between SNC Lavalin (construction) and Tenova/Techint (technology) and will form the basis for advancing the project. Project partners are focused on ensuring a higher level of confidence on these outcomes before making a final recommendation on location. All decisions are undergoing a definitive assessment, and require clarification from governments and their related agencies.

Given that the Corporation will be acquiring iron ore pellets from the merchant market, discussions with potential providers and testing of their respective iron ore for the pig iron manufacturing plant will be ongoing. Iron ores from two producers have been tested along with steel mill reverts (waste material containing iron ore) and those results were successful.

The key goals for the initial pig iron manufacturing initiative for the next several months will be to (i) finalize the site selection and complete the permitting process; (ii) complete and release 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.

Labrador Mineral Sands

NAIC's exploration properties are in the Happy Valley-Goose Bay region of Newfoundland and Labrador. The claims are in central Labrador west of the Town of Happy Valley-Goose Bay. At the date of the MD&A the property comprises 321 claims in 3 claim blocks with a total area of approximately 45 square kilometres.

NAIC continues testing work on its minerals sands resource in Labrador to evaluate the "economic potential" of the non- iron minerals contained within the resource. Recent discussions with mineral sands experts in China will serve as the basis for continued efforts in the remainder of 2017. The ongoing focus is to better understand the economics of the other minerals such as garnet, zircon, feldspars, and silica sands, as well as the recovery of vanadium and titanium from slag if the iron ore material is used to make pig iron. A major Chinese engineering firm considered a global expert in mineral sands is developing a market plan to assess and advance the mineral sands of Labrador.

The efforts over the next several months on the Labrador mineral sands resource; will be primarily two-fold – to establish the potential economics of other valuable minerals other than the iron products; secondly, to better understand the economic and operational issues related to the port infrastructure, locating a plant and transport solutions.

Forks Specialty Metals (FSM)

FSM owns and operates two electric arc furnaces in Pennsylvania. These furnaces were essential for testing various iron ore composition and coals and will continue to be required as a laboratory for refining the pig iron process going forward. However, they are underutilized and GRI management continues to seek partnering and/or joint venture opportunities to more fully utilize this major asset. Currently, an MOU has been signed with a major corporation for the recovery of precious metals from slag created from the recycling of catalytic convertors. The finalization of the MOU is subject to one final smelt test, which based

on passed results should be positive. This is a very attractive opportunity and management are currently assessing financing options to achieve commercialization.

FINANCIAL SUMMARY

The following discussion addresses the operating results and financial condition of the Corporation for the Second quarter ended December 31, 2016. 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 December 31, 2016 and the audited consolidated financial statements for the year ended June 30, 2016 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 second quarter and six months ended December 31, 2016, and to the date of this MD&A.

- On August 2, 2016, the Corporation issued 25,518 common shares to Forest Lane Holdings Limited ("FLH"), a company controlled by an insider of the Corporation. 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. The securities are subject to a four-month hold period following the date of issuance.

- On August 26, 2016 GRI borrowed $250,000 from an unrelated party bearing interest at 6% per annum calculated monthly plus 50,000 5 year warrants at an exercise price of $0.01 per share.

- On September 29, 2016 GRI borrowed $250,000 from Forest Lane Holdings Limited, a related party, bearing interest at 6% per annum calculated monthly plus 50,000 5 year warrants at an exercise price of $0.01 per share.

- On November 1, 2016, the Corporation issued 36,398 common shares to Forest Lane Holdings Limited, a company controlled by an insider of the Corporation. 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 $0.68685 per share, which is the volume-weighted trading price for the 20 trading days ending October 3, 2016. The securities are subject to a four month hold period following the date of issuance.

- On December 31, 2016, Directors and Officers exercised options to purchase 205,000 shares GRI at an exercise price of $1.25 per share for aggregate proceeds of $256,250. On January 30, 2017 GRI received an additional $250,000 from Forest Lane Holdings Limited, a related party, as an advance on a line of credit bearing interest at 6% per annum calculated monthly.

- On January 30, 2017 GRI received an additional $250,000 from Forest Lane Holdings Limited, a related party, as an advance on a line of credit bearing interest at 6% per annum calculated monthly.

- On February 1, 2017, the Corporation issued 48,685 common shares to Forest Lane Holdings Limited, a company controlled by an insider of the Corporation. 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. The securities are subject to a four month hold period following the date of issuance.

- On February 27, 2017 GRI received an additional $300,000 from Forest Lane Holdings Limited, a related party, as an advance on a line of credit bearing interest at 6% per annum calculated monthly.

Financial and operational results

NON-GAAP Financial Measures

There are measures included in this MD&A that does 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 several 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 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		Year -to -date	
	31-Dec-16	31-Dec-15	31-Dec-16	31-Dec-16
	$'s	$'s	$'s	$'s
Revenue	-	-	-	-
Expenses				
Advertising and promotion	(3,714)	-	1,083	-
Utilities	21,673	25,556	31,493	45,177
Consulting	-	104,007	-	176,737
Dues and fees	5,923	16,020	8,353	19,015
Exploration Costs	13,179	-	13,179	-
Project feasibility costs	5,186	-	10,124	-
Foreign exchange losses	33,779	(13,233)	64,774	(229,544)
General and administrative	14,762	18,393	29,601	95,097
Insurance	24,820	27,057	50,079	53,682
Management fees	337,099	264,020	604,348	508,953
Professional fees	19,034	16,450	39,839	16,450
Rental	272,058	261,162	533,341	524,071
Travel	113,739	140,497	204,547	61,029
Stock based compensation	-	-	-	-
Salaries and wages	138,175	134,829	287,806	267,337
Operating loss before under noted	**(995,713)**	**(994,758)**	**(1,878,567)**	**(1,538,004)**
Amortization	(111,879)	(134,578)	(217,923)	(264,765)
Interest	(69,961)	(75,673)	(125,377)	(148,433)
Consolidated income (loss)	**(1,177,553)**	**(1,205,009)**	**(2,221,867)**	**(1,951,202)**
Expense recovery Porcupine Strand	-	**-**	-	**167,370**
Loss on sale of fixed assets	**-**	**(853)**	-	**(853)**
Gain (loss) on investments	2,340	(13,485)	28,082	7,278
Income tax recovery	344,911	370,018	616,084	530,737
Other comprehensive income	34,417	78,561	45,760	227,164
Non-controlling interest	555,553	574,301	1,018,042	603,567
Comprehensive (loss) attributable to MMI	**(240,332)**	**(196,469)**	**(513,899)**	**(415,942)**
Income (Loss) per share	(0.014)	(0.011)	(0.030)	(0.024)
Avg. Weighted Shares O/S	**17,356,295**	**17,251,018**	**17,346,746**	**17,251,018**

Overall performance for the second quarter and six months ended December 31, 2016

The consolidated loss for the second quarter and ended December 31, 2016, was ($1,177, 553) compared to a loss of ($1,205,009) for the prior year.

The consolidated loss for the six months ended December 31, 2016, was ($2,221,867) compared to a loss of ($1,951,202) for the prior year. The increase in the consolidated loss was due to the absence of positive foreign exchange gains that occur in comparable period in 2015, in the amount of ($229,544).

For the year second quarter ended December 31, 2016 the comprehensive loss attributed to MMI shareholders was ($240,332) ($0.014 per share) compared to a loss of ($196,469) ($0.011 per share) for the prior year.

For the year six months ended December 31, 2016 the comprehensive loss attributed to MMI shareholders was ($513,899) ($0.030 per share) compared to a loss of ($415,942) ($0.024 per share) for the prior year

Revenue

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

Expense Highlights

Amortization

For the second quarter and six months ended December 31, 2016 the Corporation had amortization expense of $111,879 and $217,923 respectively compared to $134,578 and $264,765 for the comparable periods in the prior year and is principally associated with the amortization of the industrial equipment at FMI.

Interest Expense

For the second quarter and six month periods ended December 31, 2016 the Corporation had interest expense of $69,961 and $125,377 respectively compared to $75,673 and $148,143 for the comparable periods in the prior year. These amounts do not include interest expense that was capitalized during the year.

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. As at December 31, 2016 the Corporation and its subsidiaries had approximately $16,300,000 of non-capital losses carried forward to reduce future years' taxable income. The deferred tax benefit of these losses has been recognized as a reduction of the deferred tax liabilities.

Selected Quarterly Financial Data

The following table reports the operating results for the last eight quarters. The quarterly data has been restated to give effect to the reclassification of Forks industrial equipment.

Selected Quarterly Financial Data								
	31-Dec 2016	30-Sep 2016	30-Jun 2016	31-Mar 2016 Restated	31-Dec 2015 Restated	30-Sep 2015 Restated	30-Jun 2015	31-Mar 2015
Expenses								
Advertising and promotion	(3,714)	4,797	(26,099)	30,242	-	-	1,008	619
Utilities	21,673	9,820	15,312	51,692	25,556	19,621	42,221	47,059
Consulting	-	-	24,911	42,700	104,007	72,730	1,893	-
Dues and fees	5,923	2,430	2,327	2,419	16,020	2,995	2,284	2,250
Exploration Costs	13,179	-	-	1,264	-	-	494,415	5,226
Profect feasibility costs	5,186	4,938	46,220	-	-	-	-	-
Foreign exchange losses	33,779	30,995	11,336	135,003	(13,233)	(216,311)	96,477	92,881
General and administrative	14,762	14,839	74,213	13,565	18,393	76,704	98,070	25,904
Insurance	24,820	25,259	24,964	21,776	27,057	26,625	27,596	22,709
Management fees	337,099	267,249	354,453	281,864	264,020	244,933	239,654	239,943
Professional fees	19,034	20,805	7,500	7,500	16,450	-	12,450	6,090
Rental	272,058	261,283	246,045	288,868	261,162	262,909	247,916	242,989
Travel	113,739	90,808	316,942	116,571	140,497	(79,468)	87,783	373,758
Stock based compensation	-	-	288,000	-	-	-	959,000	-
Salaries and wages	138,175	149,631	134,753	144,973	134,829	132,508	126,974	125,839
Operating loss before under noted	**(995,713)**	**(882,854)**	**(1,520,877)**	**(1,138,437)**	**(994,758)**	**(543,246)**	**(2,513,964)**	**(1,182,442)**
Expense recovery Porcupine Strand	-	-	327,609	-	-	167,370	-	-
Other comprehensive income	34,417	11,343	(3,683)	(140,972)	78,561	148,602	290,413	-
Amortization	(111,879)	(106,044)	(134,200)	(134,624)	(134,578)	(130,187)	(9,705)	(9,009)
Interest expense	(69,961)	(55,416)	(67,252)	(78,990)	(75,673)	(72,760)	(38,353)	(9,768)
Loss on sale of fixed assets	-	-	-	-	(853)	-	-	-
Gain (loss) on investments	2,340	25,742	(1,170)	1,170	(13,486)	20,763	(16,943)	45,105
Income tax recovery	344,911	271,173	134,304	406,748	370,018	160,719	489,338	347,490
Consolidated Income (Loss)	**(795,885)**	**(736,056)**	**(1,265,269)**	**(1,085,105)**	**(770,769)**	**(248,739)**	**(1,799,214)**	**(808,624)**
Non-controlling interest	555,553	462,489	926,181	**885,343**	566,205	29,266	510,777	519,103
Comprehensive (Loss)	**(240,332)**	**(273,567)**	**(339,088)**	**(199,762)**	**(204,564)**	**(219,473)**	**(1,288,437)**	**(289,521)**
Income (Loss) per share	($0.014)	($0.016)	($0.020)	($0.012)	($0.012)	($0.013)	($0.075)	($0.017)
Avg. Weighted Shares O/S	**17,356,295**	**17,323,504**	**17,260,049**	**17,251,018**	**17,251,018**	**17,251,018**	**17,251,018**	**17,251,018**

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.

Non-current assets	31-Dec-16	30-Jun-16
	$	$
Canada	60,072,356	59,270,250
United State of America	1,872,944	2,016,263
Total non-current assets	**61,945,300**	**61,286,513**

Selected Consolidated Financial Information

Selected items from the Consolidated Balance Sheet as at December 31, 2016 with comparable numbers for the prior two fiscal years.

Selected Consolidated Balance Sheet Items			
	Quarter Ended December 31, 2016 $'s	Year End June 30, 2016 $'s	Year End June 30, 2015 $'s
Cash	157,932	591,665	1,375,031
Restricted cash	-	-	610,000
Other receivables	143,246	114,337	179,796
Prepaid and other deposits	325,926	446,448	532,240
Investment and loan receivable	44,464	16,381	92,266
Iron interests	57,113,396	57,109,885	60,396,574
Project development costs	2,883,228	2,074,815	-
Property and equipment	1,948,676	2,101,813	141,808
Accounts Payable	(2,142,045)	(1,105,058)	(2,952,818)
Short term loans	(859,857)	-	-
Current portion long term debt	(1,209,194)	(1,171,550)	(1,184,923)
Long term debt	(1,858,147)	(1,789,334)	(1,663,511)
Deferred Taxes	(7,117,847)	(7,733,931)	(8,805,720)
Shareholders' Equity (Deficiency)	21,969,040	22,444,827	19,718,228
Shareholders' Equity associated with Non controlling interests	27,460,738	28,210,641	29,002,515

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 $325,926 at December 31, 2016 consists principally of a rent security deposit for the smelting facility in Forks, PA, prepaid liability and environmental insurance and various utilities prepaid.

Iron interests

Iron Interests				
	Balance 30-Jun-16	Additions	Deletions	Balance 31-Dec-16
	$	$	$	$
Labrador Mineral Sands	57,109,885	3,511	-	57,113,396
	57,109,885	3,511	-	57,113,396

Project development costs

Project Development Costs				
	Balance 30-Jun-16	Additions	Deletions	Balance 31-Dec-16
	$	$	$	$
Mineral claim deposits	2,074,815	808,413	-	2,883,228

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

Foreign exchange differences reflect the restatement of the industrial equipment at Forks Specialty Metals located in the USA to Canadian dollar equivalent for reporting purposes.

	Cost			Accumulated Depreciation				Net Book	Net Book
Description	Balance 30-Jun-16	Net Additions	Balance 31-Dec-16	Balance 30-Jun-16	Depreciation	Disposals	Balance 31-Dec-16	Value 30-Jun-16	Value 31-Dec-16
Computer hardware	15,138	-	15,138	10,488	810	-	11,298	4,650	3,840
Industrial Equipment	2,580,056	-	2,580,056	620,528	214,403	-	834,932	1,959,528	1,745,124
Office furniture and equipment	42,658	-	42,658	25,171	2,710	-	27,881	17,487	14,777
Foreign exchange differences	120,149	64,786	184,935	-	-	-	-	120,149	184,935
	2,758,001	**64,786**	**2,822,787**	**656,187**	**217,923**		**874,111**	**2,101,814**	**1,948,676**

Accounts Payable

The accounts payable balance at December 31, 2016 was $2,142,045 compared to $1,105,058 at June 30, 2016. The increase is principally the additional accrued and billed costs related to site selection, permitting, and feasibility charges for the pig iron manufacturing plant.

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 $415,000 CDN equivalent. The Corporation expects that it will operate at a loss for the foreseeable future. The Corporation believes that outside sources for debt and additional equity capital, if needed, will be available to finance ongoing operations and expansion. The form of any financing will vary depending upon prevailing market and other conditions, and may include short or long-term borrowings from financial institutions, or the issuance of additional equity or debt securities. However, there can be no assurance that funds will be available on terms acceptable to the Corporation and its actions with respect to these activities will be guided accordingly.

Short-term Loans

Represents advances and loans from related parties on competitive terms to provide on -going working capital pending the closing of a major financing. At the date of this MD&A advances amounted to approximately $1,100,000.

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, 2019 and repayments will commence in December 2019. The carrying value of the loan has been discounted using an effective interest rate of 9%.

FSM received a loan from the State of Pennsylvania in the amount of US$1, 600,000 ($1,682,880) to partially finance the acquisition of industrial equipment in Forks Township, Pennsylvania. The loan bears interest at 1% and is repayable in monthly principal installments of US$14,017, commencing March 1, 2013, maturing on February 1, 2023. 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. 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 of the Interim financial statements for further details and explanations related to long term debt.

Share Capital

A summary of the Corporation's common shares outstanding as of December 31, 2016 is presented below:

COMMON STOCK ISSUED AND OUTSTANDING	December 31, 2016		June 30, 2016	
Authorized: Unlimited number of common shares	Number of Shares	$	Number of Shares	$
Opening Balance	17,307,039	8,973,978	17,251,018	8,948,978
Shares issued for convertible debt interest	61,696	50,000	56,021	25,000
Closing Balance	**17,368,735**	**9,023,978**	**17,307,039**	**8,973,978**

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.

Options outstanding at December 31, 2016:

Grant Date	Expiry Date	Exercise Price	Issued December 31, 2016	Exercisable December 31, 2016
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
Total			**2,114,000**	**2,114,000**

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.

Options outstanding at December 31, 2016:

Grant Date	Expiry Date	Exercise Price	Issued December 31, 2016	Exercisable December 31, 2016
May 31, 2012	May 31, 2017	$1.25	495,000	495,000
Nov. 05, 2012	Nov. 05, 2017	$1.25	87,000	87,000
Dec. 06, 2013	Dec. 06, 2018	$2.10	475,000	475,000
Dec. 08, 2014	Dec. 08, 2019	$2.10	494,000	494,000
May 27,2016	May 27, 2021	$2.10	150,000	150,000
Total			**1,701,000**	**1,701,000**

Note: There were no GRI stock options issued during the quarter, 210,000 GRI stock options expired during the quarter and 205,000 GRI stock options were exercised during the quarter.

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 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 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 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, 2016. 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

There are no outstanding legal proceedings against the Corporation.

Transactions with Related Parties

The Corporation incurred the following related party expenditures for the second quarter ended December 31, 2016.

	Quarter		Year -to -date	
	31-Dec-16	31-Dec-15	31-Dec-16	30-Sep-15
Purpose of Transaction	**$**	**$**	**$**	**$**
Management Fees	41,250	41,250	82,500	82,500
Consulting fees	209,530	211,653	415,843	420,406
Salaries and benefits	167,430	156,400	336,644	311,735
	428,010	**419,453**	**844,787**	**824,791**
Capitalized	-	20,604	-	48,501
Operating expenses	**428,010**	**398,849**	**844,787**	**776,290**

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, Chief Financial Officer and Chief Corporate Affairs, Geologist, and Chief Operating Offer 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 after the date of their evaluation, and there were no corrective actions regarding 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 additional information is also available on the Canadian Securities Exchange at www.cnsx.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
Lorne S MacFarlane, Chief Financial Officer
Lina Tannous, 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: Lorne S. MacFarlane
380 - 311 Bedford Highway
Halifax, NS B3M 2L4

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:	bert@metalo.ca
Website:	www.metalo.ca

METALO MANUFACTURING INC.
INTERIM MD&A-QUARTERLY HIGHLIGHTS
FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2016

The following is a discussion of the unaudited interim consolidated financial statements and results of operations of Metalo Manufacturing Inc. ("MMI" or "the Corporation") for the first quarter ended September 30, 2016. This interim discussion and analysis should be read in conjunction with the Corporation's annual audited consolidated financial statements and the annual MD&A for the year ended June 30, 2016.

The interim 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, 2016.

Additional information about MMI can be found on SEDAR at www.sedar.com and on the Canadian Securities Exchange at www.cnsx.ca

This Interim MD&A is dated as of November 25, 2016 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 has a 43.92% shareholding in Grand River Ironsands Incorporated (GRI), a private company incorporated in the Province of Nova Scotia. GRI has a 60% shareholding in NAIC, a private corporation which is planning to construct a pig iron manufacturing plant in North America. The remaining NAIC shares (40%) are held by Petmin (JSE: PET), a publicly traded mining company in South Africa, who have invested a total of US$25 million into NAIC. In addition, NAIC is involved in the exploration and development of a mineral sands project near Happy Valley-Goose Bay, NL, Canada. GRI also owns 100% of Forks Specialty Metal Inc. ("**FSM**"), which owns and operates two electric arc smelting furnaces in Easton, PA, USA.

OVERVIEW OF NAIC

GRI and its' JV partner, Petmin Ltd. (South Africa's largest anthracite coal producer), have made their intentions to build a merchant pig iron plant in North America widely known. The site selection process has been shortened to two potential locations; either north of the Ohio River (on Lake Erie) or near the St. Lawrence Seaway. Management expects the final decision will be made shortly.

Pig Iron Plant

NAIC business model is to be a low cost North American producer of foundry grade pig iron. Project partners remain focused on those specifications and remain confident they can achieve this standard and thereby ensure premium prices for its products. NAIC's initial manufacturing plant will be the first in North America dedicated solely to the production of pig iron. North America currently imports 4-5 million tonnes of pig iron annually primarily from Brazil, Russia, South Africa and the Ukraine. This plant is being 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. It is also encouraging that the pig iron market has recently begun to show signs of strengthening after more than 2 years of substandard pricing.

- The Bankable Feasibility Study (BFS) is currently in draft form and being presented to project partners. This is a substantive document that has been an intense effort between SNC Lavalin (construction) and Tenova/Techint (technology) and will form the basis for advancing the project. No significant issues have been encountered during the process.

- Negotiations are continuing with a Canadian province and efforts are now being devoted to finalizing a formal contract that will be mutually acceptable and announced before the end of 2016. The project has secured a site option on suitable land that will remain in effect for at least one-year. The contract for site permitting was awarded to "SNC Lavalin" and work is progressing on schedule. Permitting efforts will see public consultations over the next 45 days with a view to better understanding any key issues prior to concluding a formal contract. Indications to date from the pre-engineering and design reveal emissions from the plant will meet or better all present environmental standards Positive environmental outputs will positively impact the permitting effort.

- The Corporation are currently assessing recent developments that will, if implemented, significantly impact our site selection evaluation. The first concern is that Canada are aggressively considering a carbon tax, estimated to cost $7 million annually at our facility, while the US will have no carbon tax. The second issue is that there has been indications and comments that the US may be considering reducing the corporate taxes from the current 35% rate to 15%.

- Given that the Corporation will be acquiring iron ore pellets from the merchant market, discussions with potential providers and testing of their respective iron ore for the pig iron manufacturing plant will be ongoing. Iron ores from two producers have been tested along with steel mill reverts (waste material containing iron ore) and those results were successful.

The key goals for the initial pig iron manufacturing initiative for the next several months will be to (i) finalize the site selection and complete the permitting process for the first pig iron making facility; (ii) complete and release 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.

Labrador Mineral Sands

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. Over the last several months GRI has undertaken a major review of all claims with a view to only maintain those claims that are critical to the mining operation. At the date of the MD&A the property comprises 321 claims in 3 claim blocks with a total area of approximately 45 square kilometres. Management are confident that this reduction in claims will have no material impact on a future development solution.

- 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 iron sands resource estimate, detailed mineral analysis, and detailed results from the smelting and melt tests conducted by the Corporation.

- FSM in Pennsylvania undertook the extensive smelting tests required to prove the technical and economic viability of producing pig iron from NAIC's iron sands as well as merchant products. However, due to several factors, including the current over supply of iron ore feedstock, it was decided to source iron ore from other Canadian producers for its first pig iron plant. This has resulted a significant reduction in both time and costs from earlier estimates.

- NAIC continues testing work on its minerals sands resource in Labrador to evaluate the "economic potential" of the non- iron minerals contained within the resource. Recent discussions with mineral sands experts in China will serve as the basis for continued efforts in the remainder of 2016. The ongoing focus is to better understand the economics of the other minerals such as garnet, zircon, feldspars, and silica sands, as well as the recovery of vanadium and titanium from slag if the iron ore material is used to make pig iron. A major Chinese engineering firm considered a global expert in mineral sands is developing a market plan to assess and advance the mineral sands of Labrador.

The efforts over the next 12 months on the Labrador mineral sands resource; will be primarily two-fold – to establish the potential economics of other valuable minerals other than the iron products; secondly, to better understand the economic and operational issues related to the port infrastructure, locating a plant and transport solutions.

Forks Specialty Metals (FSM)

FSM owns and operates two electric arc furnaces in Pennsylvania. These furnaces were essential for testing various iron ore composition and coals and will continue to be required as a laboratory for refining the pig iron process going forward. However, they are underutilized and GRI management continues to seek partnering and/or joint venture opportunities to more fully utilize this major asset. FSM is continuing to access the feasibility of the smelting of electronic waste to capture and recycle the copper, gold and other valuable metals found in end of life electronic units. This potential joint venture will be one of the few such smelting operations in the United States focused on electronic waste. FSM is meeting with electronic waste recyclers to determine if an economical supply of scrap material can be guaranteed to sustain a smelting operation. The target is to achieve a commercial use for the furnaces by year end.

FINANCIAL SUMMARY

The following discussion addresses the operating results and financial condition of the Corporation for the first quarter ended September 30, 2016. 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, 2016 and the audited consolidated financial statements for the year ended June 30, 2016 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, 2016, and to the date of this MD&A.

- On August 2, 2016, the Corporation issued 25,518 common shares to Forest Lane Holdings Limited ("FLH"), a company controlled by an insider of the Corporation. 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. The securities are subject to a four-month hold period following the date of issuance.

- On August 26, 2016 GRI borrowed $250,000 from an unrelated party for 90 days with interest at 6% per annum calculated monthly plus 50,000 5 year warrants at an exercise price of $0.01 per share.

- On September 29, 2016 GRI borrowed $250,000 from Forest Lane Holdings Limited, a related party, for 90 days with interest at 6% per annum calculated monthly plus 50,000 5 year warrants at an exercise price of $0.01 per share.

- On September 30, 2016, Directors and Officers exercised options to purchase 205,000 shares GRI at an exercise price of $1.25 per share for aggregate proceeds of $256,250.

Financial and operational results

NON-GAAP Financial Measures

There are measures included in this MD&A that does 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 several 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 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.

The financial statements have been restated for the first three quarters of fiscal 2016 to give effect to the reclassification of the industrial equipment at Forks.

Selected Consolidated Operating Results		
	Three Months	
	30-Sep-16	30-Sep-15
	$'s	$'s
		(Restated)
Revenue	-	-
Expenses		
Advertising and promotion	4,797	-
Utilities	9,820	19,621
Consulting	-	72,730
Dues and fees	2,430	2,995
Exploration Costs	-	-
Project feasibility costs	4,938	-
Foreign exchange losses	30,995	(216,311)
General and administrative	14,839	76,704
Insurance	25,259	26,625
Management fees	267,249	244,933
Professional fees	20,805	-
Rental	261,283	262,909
Travel	90,808	(79,468)
Stock based compensation	-	-
Salaries and wages	149,631	132,508
Operating loss before under noted	**(882,854)**	**(543,246)**
Amortization	(106,044)	(130,187)
Interest	(55,416)	(72,760)
Consolidated income (loss)	**(1,044,314)**	**(746,193)**
Expense recovery Porcupine Strand	-	**167,370**
Loss on sale of fixed assets	-	-
Gain (loss) on investments	25,742	20,763
Income tax recovery	271,173	160,719
Other comprehensive income	11,343	148,602
Non-controlling interest	462,489	29,266
Comprehensive (loss) attributable to MMI	**(273,567)**	**(219,474)**
Income (Loss) per share	(0.016)	(0.013)
Avg. Weighted Shares O/S	**17,323,504**	**17,251,018**

Overall performance for the first quarter ended September 30, 2016

The consolidated loss for the three-month period ended September 30, 2016, was ($1,044,314) compared to a loss of ($746,193) for the prior year. The increase in the consolidated loss was due to the absence of positive foreign exchange gains that occur in comparable quarter in 2015, in the amount of ($216,311).

For the year first quarter ended September 30, 2016 the comprehensive loss attributed to MMI shareholders was ($273,567) ($0.016 per share) compared to a loss of ($219,474) ($0.013 per share) for the prior year.

Revenue

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

Expense Highlights

Amortization

For the three-month period ended September 30, 2016 the Corporation had amortization expense of $106,044 compared to $130,187 for the comparable period in the prior year and is principally associated with the amortization of the industrial equipment at FMI.

Interest Expense

For the three-month period ended September 30, 2016 the Corporation had interest expense of $55,415 compared to $72,760 for the comparable period in the prior year. These amounts do not include interest expense that was capitalized during the year.

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. As at September 30, 2016 the Corporation and its subsidiaries had approximately $16,000,000 of non-capital losses carried forward to reduce future years' taxable income. The deferred tax benefit of these losses has been recognized as a reduction of the deferred tax liabilities.

Selected Quarterly Financial Data

The following table reports the operating results for the last eight quarters. The quarterly data has been restated to give effect to the reclassification of Forks industrial equipment.

Selected Quarterly Financial Data								
	30-Sep 2016	30-Jun 2016	31-Mar 2016 Restated	31-Dec 2015 Restated	30-Sep 2015 Restated	30-Jun 2015	31-Mar 2015	31-Dec 2014
Expenses								
Advertising and promotion	4,797	(26,099)	30,242	-	-	1,008	619	-
Utilities	9,820	15,312	51,692	25,556	19,621	42,221	47,059	22,166
Consulting	-	24,911	42,700	104,007	72,730	1,893	-	173
Dues and fees	2,430	2,327	2,419	16,020	2,995	2,284	2,250	14,637
Exploration Costs	-	-	1,264	-	-	494,415	5,226	374,268
Profect feasibility costs	4,938	46,220	-	-	-	-	-	-
Foreign exchange losses	30,995	11,336	135,003	(13,233)	(216,311)	96,477	92,881	(33,009)
General and administrative	14,839	74,213	13,565	18,393	76,704	98,070	25,904	43,581
Insurance	25,259	24,964	21,776	27,057	26,625	27,596	22,709	8,842
Management fees	267,249	354,453	281,864	264,020	244,933	239,654	239,943	318,513
Professional fees	20,805	7,500	7,500	16,450	-	12,450	6,090	19,710
Rental	261,283	246,045	288,868	261,162	262,909	247,916	242,989	141,333
Travel	90,808	316,942	116,571	140,497	(79,468)	87,783	373,758	92,271
Stock based compensation	-	288,000	-	-	-	959,000	-	371,000
Salaries and wages	149,631	134,753	144,973	134,829	132,508	126,974	125,839	124,966
Operating loss before under noted	**(882,854)**	**(1,520,877)**	**(1,138,437)**	**(994,758)**	**(543,246)**	**(2,513,964)**	**(1,182,442)**	**(1,425,052)**
Expense recovery Porcupine Strand	-	327,609	-	-	167,370	-	-	-
Other comprehensive income	11,343	(3,683)	(140,972)	78,561	148,602	290,413	-	-
Amortization	(106,044)	(134,200)	(134,624)	(134,578)	(130,187)	(9,705)	(9,009)	(9,009)
Interest expense	(55,416)	(67,252)	(78,990)	(75,673)	(72,760)	(38,353)	(9,768)	(7,222)
Loss on sale of fixed assets	-	-	-	(853)	-	-	-	-
Gain (loss) on investments	25,742	(1,170)	1,170	(13,486)	20,763	(16,943)	45,105	(72,946)
Income tax recovery	271,173	134,304	406,748	370,018	160,719	489,338	347,490	343,631
Consolidated Income (Loss)	**(736,056)**	**(1,265,269)**	**(1,085,105)**	**(770,769)**	**(248,739)**	**(1,799,214)**	**(808,624)**	**(1,170,598)**
Non-controlling interest	462,489	926,181	885,343	566,205	29,266	510,777	519,103	416,915
Comprehensive (Loss)	**(273,567)**	**(339,088)**	**(199,762)**	**(204,564)**	**(219,473)**	**(1,288,437)**	**(289,521)**	**(753,683)**
Income (Loss) per share	($0.016)	($0.020)	($0.012)	($0.012)	($0.013)	($0.075)	($0.017)	($0.044)
Avg. Weighted Shares O/S	**17,323,504**	**17,260,049**	**17,251,018**	**17,251,018**	**17,251,018**	**17,251,018**	**17,251,018**	**17,251,018**

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.

Non-current assets	30-Sep-16	30-Jun-16
	$	$
Canada	59,477,871	59,270,250
United State of America	1,931,351	2,016,263
Total non-current assets	**61,409,222**	**61,286,513**

Selected Consolidated Financial Information

Selected items from the Consolidated Balance Sheet as at September 30, 2016 with comparable numbers for the prior two fiscal years.

Selected Consolidated Balance Sheet Items			
	Quarter Ended	Year End	Year End
	September 30, 2016	June 30, 2016	June 30, 2015
	$'s	$'s	$'s
Cash	554,766	591,665	1,375,031
Restricted cash	-	-	610,000
Other receivables	256,018	114,337	179,796
Prepaid and other deposits	404,581	446,448	532,240
Investment and loan receivable	42,124	16,381	92,266
Iron interests	57,116,862	57,109,885	60,396,574
Project development costs	2,279,852	-	-
Mineral claim deposits	-	-	-
Property and equipment	2,012,508	2,101,813	2,101,813
Accounts Payable	1,498,828	(1,105,058)	(1,105,058)
Short term loans	500,000	-	-
Current portion long term debt	1,181,276	(1,171,550)	(1,171,550)
Long term debt	1,823,186	(1,789,334)	(1,789,334)
Deferred Taxes	7,462,758	(7,733,931)	(7,733,931)
Shareholders' Equity (Deficiency)	22,184,372	22,444,827	22,444,827
Shareholders' Equity associated with Non controlling interests	28,016,291	28,210,641	28,210,641

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 $404,581 at September 30, 2016 consists principally of a rent security deposit for the smelting facility in Forks, PA, prepaid liability and environmental insurance and various utilities prepaid.

Iron interests

Iron Interests				
	Balance			Balance
	30-Jun-16	Additions	Deletions	30-Sep-16
	$	$	$	$
Labrador Mineral Sands	57,109,885	6,977	-	57,116,862
	57,109,885	6,977	-	57,116,862

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

The major increase fixed assets in the current year represents the reclassification of industrial equipment at Forks Specialty Metals with a cost basis of $3,527,932 and accumulate depreciation of $1,154,843 previously used in the evaluation of the technical feasibility of the Corporation's iron interests to property and equipment.

Description	Cost			Accumulated Depreciation				Net Book Value	Net Book Value
	Balance 30-Jun-16	Net Additions	Balance 30-Sep-16	Balance 30-Jun-16	Depreciation	Disposals	Balance 30-Sep-16	30-Jun-16	30-Sep-16
Computer hardware	15,138	-	15,138	10,488	349	-	10,837	4,650	4,301
Other Equipment	2,580,056	-	2,580,056	620,528	104,371	-	724,900	1,959,528	1,855,156
Office furniture and equipment	42,658	-	42,658	25,171	1,324	-	26,495	17,487	16,163
Foreign exchange differences	120,149	16,739	136,888	-	-	-	-	120,149	136,888
	2,758,001	**16,739**	**2,774,740**	**656,187**	**106,044**		**762,232**	**2,101,814**	**2,012,508**

Accounts Payable

The accounts payable balance at September 30, 2016 was $1,498,828 compared to $1,105,058 at June 30, 2016. The increase is principally the additional accrued and billed costs related to site selection, permitting, and feasibility charges for the pig iron manufacturing plant.

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 $231,000 CDN equivalent. The Corporation expects that it will operate at a loss for the foreseeable future. The Corporation believes that outside sources for debt and additional equity capital, if needed, will be available to finance ongoing operations and expansion. The form of any financing will vary depending upon prevailing market and other conditions, and may include short or long-term borrowings from financial institutions, or the issuance of additional equity or debt securities. However, there can be no assurance that funds will be available on terms acceptable to the Corporation and its actions with respect to these activities will be guided accordingly.

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, 2019 and repayments will commence in December 2019. The carrying value of the loan has been discounted using an effective interest rate of 9%.

FSM received a loan from the State of Pennsylvania in the amount of US$1, 600,000 ($1,682,880) to partially finance the acquisition of industrial equipment in Forks Township, Pennsylvania. The loan bears interest at 1% and is repayable in monthly principal installments of US$14,017, commencing March 1, 2013, maturing on February 1, 2023. 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. 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 of the Interim financial statements 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, 2016 is presented below:

COMMON STOCK ISSUED AND OUTSTANDING	September 30, 2016		June 30, 2016	
Authorized: Unlimited number of common shares	Number of Shares	$	Number of Shares	$
Opening Balance	17,307,039	8,973,978	17,251,018	8,948,978
Shares issued for convertible debt interest	25,518	25,000	56,021	25,000
Closing Balance	**17,332,557**	**8,998,978**	**17,307,039**	**8,973,978**

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.

Options outstanding at September 30, 2016:

Grant Date	Expiry Date	Exercise Price	Issued September 30, 2016	Exercisable September 30, 2016
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
Total			**2,114,000**	**2,114,000**

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.

Options outstanding at September 30, 2016:

Grant Date	Expiry Date	Exercise Price	Issued September 30, 2016	Exercisable September 30, 2016
May 31, 2012	May 31, 2017	$1.25	495,000	495,000
Nov. 05, 2012	Nov. 05, 2017	$1.25	87,000	87,000
Dec. 06, 2013	Dec. 06, 2018	$2.10	475,000	475,000
Dec. 08, 2014	Dec. 08, 2019	$2.10	494,000	494,000
May 27,2016	May 27, 2021	$2.10	150,000	150,000
Total			**1,701,000**	**1,701,000**

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

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 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 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 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, 2016. 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

There are no outstanding legal proceedings against the Corporation.

Transactions with Related Parties

The Corporation incurred the following related party expenditures for the first quarter ended September 30, 2016.

	Quarter	
	30-Sep-16	30-Sep-15
Purpose of Transaction	**$**	**$**
Management Fees	41,250	41,250
Consulting fees	206,313	208,753
Salaries and benefits	169,214	155,335
	416,777	**405,338**
Capitalized	-	-
Operating expenses	**416,777**	**405,338**

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, Chief Financial Officer and Chief Corporate Affairs, Geologist, and Chief Operating Offer 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 after the date of their evaluation, and there were no corrective actions regarding 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 additional information is also available on the Canadian Securities Exchange at www.cnsx.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
C.H. (Bert) Loveless, Vice President
Lorne S MacFarlane, Chief Financial Officer
Lina Tannous, 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: Lorne S. MacFarlane
380 - 311 Bedford Highway
Halifax, NS B3M 2L4

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:	bert@metalo.ca
Website:	www.metalo.ca