

## FORM 7

### **MONTHLY PROGRESS REPORT**

Name of CNSX Issuer: Musktrat Minerals Incorporated (the "Issuer").

Trading Symbol: YYR

Number of Outstanding Listed Securities: 17,251,015

Date: November 6, 2013

This Monthly Progress Report must be posted before the opening of trading on the fifth trading day of each month. This report is not intended to replace the Issuer's obligation to separately report material information forthwith upon the information becoming known to management or to post the forms required by the CNSX Policies. If material information became known and was reported during the preceding month to which this report relates, this report should refer to the material information, the news release date and the posting date on the CNSX.ca website.

This report is intended to keep investors and the market informed of the Issuer's on-going business and management activities that occurred during the preceding month. Do not discuss goals or future plans unless they have crystallized to the point that they are "material information" as defined in the CNSX Policies. The discussion in this report must be factual, balanced and non-promotional.

#### **General Instructions**

- (a) Prepare this Monthly Progress Report using the format set out below. The sequence of questions must not be altered nor should questions be omitted or left unanswered. The answers to the items must be in narrative form. State when the answer to any item is negative or not applicable to the Issuer. The title to each item must precede the answer.
- (b) The term "Issuer" includes the Issuer and any of its subsidiaries.
- (c) Terms used and not defined in this form are defined or interpreted in Policy 1 – Interpretation and General Provisions.

#### **Report on Business**

1. Provide a general overview and discussion of the development of the Issuer's business and operations over the previous month. Where the Issuer was inactive disclose this fact.

There has been no significant change in the Issuer's business and operations during the month.

2. Provide a general overview and discussion of the activities of management.

Management continues to monitor the operations of its investment in Grand River Ironsands Incorporated (“GRI”) and continues to seek other investment opportunities.

Muskrat Minerals Incorporated (CNSX: YYR) announced on October 28, 2013 that it filed its annual audited consolidated financial statements on SEDAR for the year ended June 30, 2013.

For fiscal 2012 the investment in GRI was recorded using the equity method of accounting. During fiscal 2013 the Issuer acquired additional shares in GRI, increasing its ownership to 41.1%, which, combined with the shareholdings of directors and related parties, resulted in the Issuer acquiring a deemed controlling interest in GRI, requiring a consolidation of operations for fiscal 2013. (Refer to Note 2 of the June 30, 2013 audited financial statements).

Further the Issuer also announced that it will hold its Annual General Meeting on December 6, 2013 in Bedford, Nova Scotia at its corporate office.

The Issuer will address future prospects over the coming six months to determine a strategy for advancing the future. A number of options including raising additional capital will need to be addressed. Currently, without any additional changes, the Issuer has sufficient cash on hand to meet its requirements for the next 12 months.

On October 22, 2013, GRI reported that Petmin Limited (“Petmin”) invested an additional US\$2 million to bring its investment to 30% of North Atlantic Iron Corporation (“NAIC”). When Petmin invests its final \$8 million, its ownership position will be 40% of NAIC. GRI will own the remaining 60% while the Issuer currently indirectly owns 40.4%. GRI is currently seeking to raise an additional approximately \$2 million to ensure progress continues to develop. The GRI Board of Directors has approved raising a minimum of \$1 million and a maximum of \$2.5 million under a combination of Flow Through shares (priced at \$2.25) and conventional cash (priced at \$2.10). The capital raise is closing in tranches, the first of which was completed on October 11, 2013. This will result in a small dilution to all GRI shareholders including Muskrat Minerals Incorporated. The share price for this financing is the highest to date and at a premium to the investment prices of Petmin Limited.

Additionally, GRI and the Issuer have begun to explore a future consolidation of the Issuer’s, GRI’s and Petmin Limited’s holdings in NAIC into one operating entity. No firm time frame for this consolidation has been determined at this point.

## **Project update**

The partners of NAIC, which includes GRI as a majority shareholder (and the Issuer with its indirect 40.4% ownership of GRI) have continued to advance the iron making test program which will demonstrate the economic and technical feasibility of making pig iron using iron concentrate from NAIC's mineral claims. . In October, NAIC was able to conduct demonstration level tests on each piece of the proposed iron making flow sheet. This flow sheet includes three main steps: (i) briquetting of iron concentrate; (ii) direct reduction in a rotary hearth furnace to produce direct reduced iron ("DRI"); (iii) smelting of DRI in an electric furnace.

To demonstrate step (i), NAIC had previously produced briquettes using a proprietary mixture of iron concentrate from Goose Bay, coal, lime and a molasses binder.

To demonstrate step (ii) of the iron making flow sheet, NAIC shipped over 40 tonnes of briquettes to the Midrex Technology Centre in Charlotte, NC, for processing in a rotary hearth furnace, to produce a DRI with a metallization of 70-80%. This testing began on October 3, 2013 and operated for the subsequent two weeks. NAIC successfully produced over 30 tonnes of DRI and was able to achieve the target metallization.

To demonstrate step (iii) of the iron making flow sheet, the DRI produced at the Midrex technology Centre was shipped to the submerged arc furnaces in Forks, PA, where the DRI was smelted to produce a pig iron on October 28-30, 2013. The test smelting program was operated as a number of 12-14 hour batch runs in order to optimize the operating protocols for smelting the DRI. Now that these batch runs have been successfully conducted, NAIC will target December, again under the supervisions of third parties, whereby a 24-36 hour "continuous" campaign will be undertaken. This continues campaign will be the closest possible comparison to how a commercial submerged arc furnace would be operated. The October smelts produced pig iron from the DRI with carbon contents ranging from 1.46% to over 3.7% under different scenarios to better understand tolerances. This data will be assessed and used as the basis for protocols for the continuous melt. This data will additionally be reviewed by Hatch Engineering who witnessed the test.

NAIC will meet with a number of steel mills (electric arc furnace operators) over the coming months to assess their interest in working with NAIC towards advancing its pig iron project.

The site selection process for locating the first plant has been progressing with the preferred site(s) being selected before the end of Q3 2013. Timing of this decision has been slightly deferred to early 2014, to allow steel mills a window of time to review the smelt test results and express any interest in securing pig iron and if there are costs advantages by having the plant located in a certain location. All sites under consideration know that one of the late stage

requirements, before final decision, is to invite end market users to view the process to assess their interest in the pig iron product. This will be important in establishing a broader understanding of the costs to make pig iron. Advanced discussions have been underway with regards to shipping solutions, port facilities and the various components of the Preliminary Economic Assessment ("PEA"). The PEA will provide clarity on best methods for mining as well as beneficiation in Goose Bay. Materials handling has also been an aspect of significance and those options are being investigated.

The summer 2013 drill program was completed in August in Happy Valley-Goose Bay, NL, with a goal to complement the existing resource targets and further assess any potential economic advantages in claim blocks outside of NAIC's current resources. It is widely expected that a second program will be planned for either the Fall of 2013 or the Winter of 2014.

Currently there is an identified resource sufficient to feed a pig iron plant with commercial production of 500,000 tonnes for 20 years. NAIC, in detailed discussions with SRK Consultants, is seeking to increase its resource to support 20-25 years of production for an iron making plant of 800,000 tonnes, as now being assessed. This increase in output improves capital intensity per tonne of pig iron produced and reduces operating costs. As a result, increased drilling is being planned in combination with permitting to increase the resource identification. There is an enormous mineral resource base under staked claim and efforts will be focused on drilling additional resources that focus on strengthening the economics for mining.

3. Describe and provide details of any new products or services developed or offered. For resource companies, provide details of new drilling, exploration or production programs and acquisitions of any new properties and attach any mineral or oil and gas or other reports required under Ontario securities law.

There have been no acquisitions. The Issuer is awaiting drilling and production details from GRI as well as the results from the PEA and is working with all external and independent consultants to organize the key aspects into a single report with future recommendations. The Issuer continues to encourage and receive proposals for review on additional opportunities for investment. NAIC and its partners are assessing both a drill program and potential supplies on iron ore fines from iron ore producers.

4. Describe and provide details of any products or services that were discontinued. For resource companies, provide details of any drilling, exploration or production programs that have been amended or abandoned.

Not applicable

5. Describe any new business relationships entered into between the Issuer, the Issuer's affiliates or third parties including contracts to supply products or

services, joint venture agreements and licensing agreements etc. State whether the relationship is with a Related Person of the Issuer and provide details of the relationship.

The Issuer continues to encourage and assess new investment opportunities.

6. Describe the expiry or termination of any contracts or agreements between the Issuer, the Issuer's affiliates or third parties or cancellation of any financing arrangements that have been previously announced.

Not applicable

7. Describe any acquisitions by the Issuer or dispositions of the Issuer's assets that occurred during the preceding month. Provide details of the nature of the assets acquired or disposed of and provide details of the consideration paid or payable together with a schedule of payments if applicable, and of any valuation. State how the consideration was determined and whether the acquisition was from or the disposition was to a Related Person of the Issuer and provide details of the relationship.

None

8. Describe the acquisition of new customers or loss of customers

Not applicable.

9. Describe any new developments or effects on intangible products such as brand names, circulation lists, copyrights, franchises, licenses, patents, software, subscription lists and trade-marks.

Not applicable.

10. Report on any employee hiring's, terminations or lay-offs with details of anticipated length of lay-offs.

No changes occurred during period.

11. Report on any labour disputes and resolutions of those disputes if applicable.

Not applicable.

12. Describe and provide details of legal proceedings to which the Issuer became a party, including the name of the court or agency, the date instituted, the principal parties to the proceedings, the nature of the claim, the amount claimed, if any, if the proceedings are being contested, and the present status of the proceedings.

No changes.

13. Provide details of any indebtedness incurred or repaid by the Issuer together with the terms of such indebtedness.

None.

14. Provide details of any securities issued and options or warrants granted.

| Security | Number Issued | Details of Issuance | Use of Proceeds <sup>(1)</sup> |
|----------|---------------|---------------------|--------------------------------|
|          |               |                     |                                |
|          |               |                     |                                |
|          |               |                     |                                |

(1) State aggregate proceeds and intended allocation of proceeds.

15. Provide details of any loans to or by Related Persons.

None.

16. Provide details of any changes in directors, officers or committee members.

None

17. Discuss any trends which are likely to impact the Issuer including trends in the Issuer's market(s) or political/regulatory trends.

The primary aspect of this investment is the fact it resides in the manufacturing sector. The goal is to add value to minerals resources (iron ore concentrate, coal and limestone) and become a low cost producer of a product required by steel mills that utilize an electric arc furnace ("EAF") to make steel. EAF's can melt scrap metal and generally add pig iron, hot briquetted iron or direct reduced iron to improve the quantity and quality of the steel produced.

The commodity price of iron ore will not have a direct impact on the viability of the business model of GRI. Any impacts will be felt indirectly should the price of iron ore affect the price pig iron. Because iron ore is only one portion of the cost of producing pig iron, a dollar drop in the price of iron ore does not mean a dollar drop in the price of pig iron. Furthermore, a decrease in the cost of iron ore may provide a buying opportunity for an NAIC pig iron plant should high grade ore (62% fe) become economic as potential supplement to NAIC's lower grade concentrate (c. 54% Fe). This is believed to be a significant differentiating aspect from traditional mining and resource projects. While controlling the resource and its mining is an aspect, the key focus on this investment is the stability from being a manufacturer.

Iron ore prices continue to generate varying opinions of future value and current prices are trading at approximately \$135/tonne CFR China. Pig iron is currently selling for approximately \$410-415/tonne FOB New Orleans. Generally 1.6 to 2.0 tonnes of iron ore concentrate is required to make 1 tonne of steel or pig iron. The model for GRI and its partners is focused on the value-add aspect

(processing) of using iron ore to make pig iron. Iron ore is an input cost in making pig iron and GRI and partners control the resource at an estimated mining cost of approximately \$30-\$35/tonne of iron ore concentrate.

The USA alone imports 4-5 million tonnes of pig iron per annum primarily from Brazil and Russia. Pig iron is blended with scrap iron and metal in the electric arc furnace to make steel. New supplies of metallics in the form of DRI are expected to soon become a part of the supply of metallic to steel mills. The USA requires 55 million tonnes per annum of scrap which has been trading between \$360-385/tonne over the past several months. The cash cost to produce pig iron, as estimated by GRI, will be an estimated \$250-300/tonne. The GRI model remains focused on the benefits of adding value to iron ore as well as the insulation therein provided from price volatility in the iron ore commodity.

The Issuer indirectly owns 40.4% of GRI. GRI will own 60% of NAIC when Petmin Limited has fully invested its \$25 million (for 40% of NAIC). This means that the Issuer will indirectly own approximately 24% of the NAIC project. There is a Memorandum of Understanding with Cardero Resources whereby they can earn a 5.5% equity interest in NAIC upon successfully proving their iron making process will achieve the desired goals with the ironsands. Additionally they will earn a 1% royalty when in production.

One of the key partners in the project, Petmin Limited, released their views on the project and they may be viewed on the website – [www.petmin.co.za](http://www.petmin.co.za) – seek the PDF link – **Petmin Results – June 30, 2013.**

## Certificate Of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Certificate of Compliance.
2. As of the date hereof there were is no material information concerning the Issuer which has not been publicly disclosed.
3. The undersigned hereby certifies to CNSX that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all CNSX Requirements (as defined in CNSX Policy 1).
4. All of the information in this Form 7 Monthly Progress Report is true.

Dated: November 6, 2013.

Lorne S. MacFarlane  
Name of Director or Senior  
Officer

Signed "Lorne S. MacFarlane"  
*Signature*  
CFO  
Official Capacity

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| <b>Issuer Details</b><br>Name of Issuer   | For Month End  | Date of Report<br>YY/MM/D                   |
| <b>Muskrat Minerals Incorporated</b>  | October 2013   | 13/11/06                                    |
| Issuer Address<br><br>Attn: K. Barry Sparks, 610-141 Adelaide Street West                           |  |   |
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| Contact Name<br><br>Francis MacKenzie   | Contact Position<br><br>President & CEO  | Contact Telephone No.<br><br>(902) 499-7150 |
| Contact Email Address<br><a href="mailto:francis@muskratminerals.ca">francis@muskratminerals.ca</a> | Web Site Address<br><a href="http://www.muskratminerals.ca">www.muskratminerals.ca</a> |   |