MUSKRAT MINERALS INCORPORATED
(formerly VR Interactive Corporation)

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2012

The following is a discussion of the unaudited consolidated financial condition and results of operations of Muskrat Minerals Incorporated ("MMI" or "the Corporation") for the first quarter ended September 30, 2012. This discussion and analysis should be read in conjunction with the Corporation's unaudited condensed consolidated financial statements and the related notes thereto for the quarter then ended. The Corporation changed its year end to June 30 from March 31, to coincide with the fiscal year end of Grand River Ironsands Incorporated where the Corporation has an indirect 41.1% (29.9% at June 30, 2012) interest as discussed elsewhere in this document. This investment has been recorded as a "Pooling of Interest" and will be accounted for on an equity basis, the change in the year end simplified the accounting and consolidation of the Corporation's financial statements.

The condensed consolidated financial statements for the first quarter ended September 30, 2012 have been prepared in accordance with International Accounting Standards (IAS) 34 , "Interim Financial Reporting", as issued by the International Accounting Standards Board ("IASB"). All references to dollars are in Canadian funds unless otherwise indicated.

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

This MD&A is dated as of November 28, 2012 and contains discussion of material events up to and including that date.

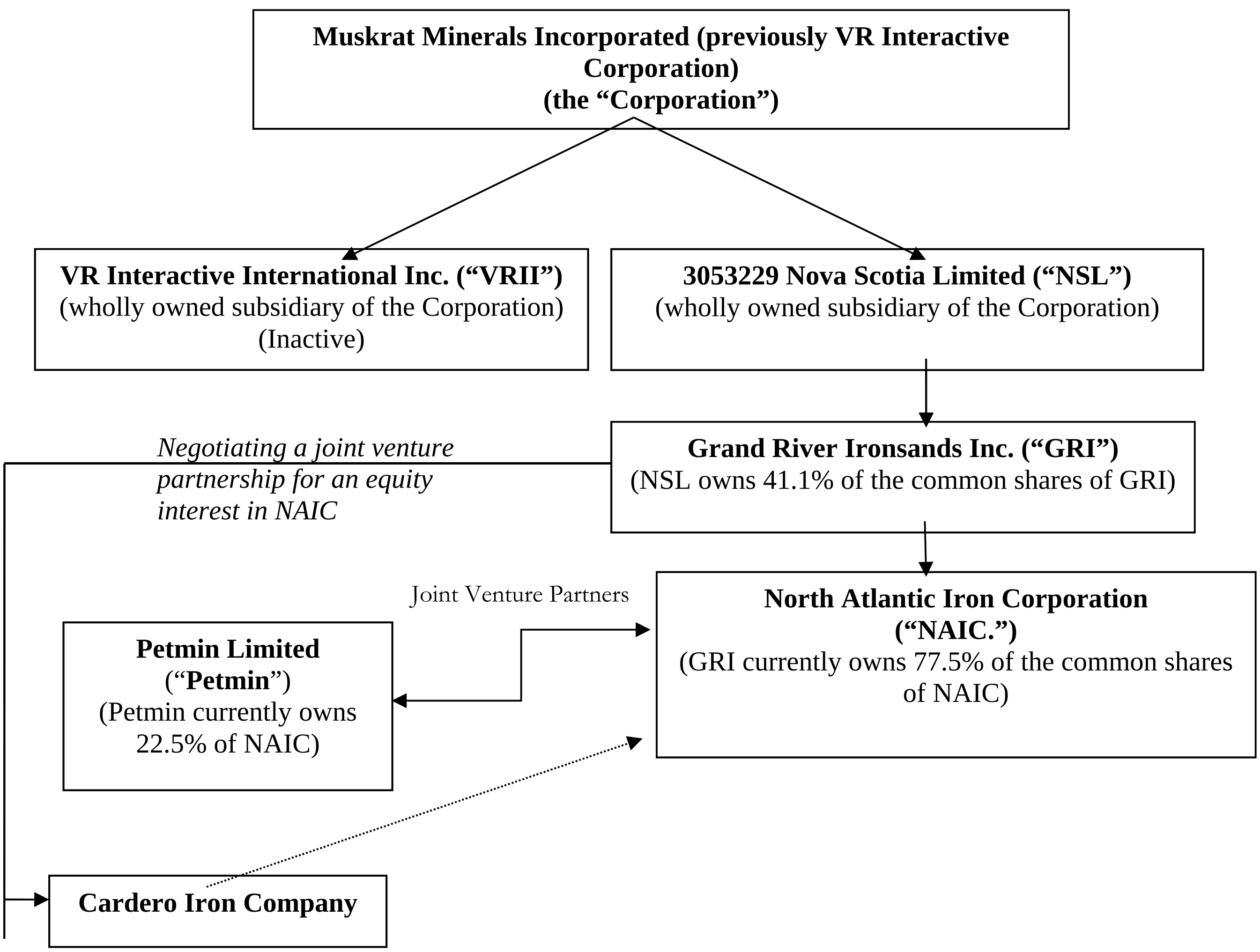
CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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 reflects 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

MUSKRAT MINERALS INCORPORATED (the "Corporation") is a publicly listed Corporation, trading on the Canadian National Stock Exchange (the "CNSX"), with a ticker symbol "YYR". Headquartered in Toronto, Canada, the Corporation wholly-owns VR Interactive International Inc. ("VRII"), which is currently not operational, and 3053229 Nova Scotia Inc. ("NSL") which owns 41.1% (29.9% at June 30, 2012) of Grand River Ironsands Inc. ("GRI"). GRI in turn owns 77.5% (83.1% at June 30, 2012) of North Atlantic Iron Corporation ("NAIC"), which is a significant joint venture iron sands project in Labrador and Newfoundland. The Corporation is classified as a resource based company with a principal focus on industrial minerals and investment in mineral projects of interest. The Corporation's major goal is the maximization of the value of its investment in GRI and its joint venture project in Newfoundland and Labrador.

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:



SIGNIFICANT HIGHLIGHTS

During the first quarter ended September 30, 2012, and to the date of this MD&A, MMI has significantly advanced its investment in Grand River Ironsands Inc. and indirectly in North Atlantic Iron Corporation.

Highlights of activities during and subsequent to the fiscal year–end are as follows;

- On July 20th Muskrat Minerals Incorporated (CNSX: YYR) concluded a share acquisition from two shareholders in the privately-owned GRI. In total, 2,380,017 shares in GRI were acquired for $1,190,009 by the Corporation, increasing its NSL subsidiary's ownership position in GRI from 6,900,000 shares (29.9% of GRI shares issued) to 9,280,017 shares (40.22%).

- On August 21, 2012 project partner Petmin Limited ("Petmin") of Johannesburg, South Africa, pursuant to the joint –venture agreement with GRI announced that the Corporation has increased its investment in NAIC by $4.5 million, or an additional 5.6% of the project , taking its overall stake to 22.5%.

- On August 31, 2012 the Corporation acquired an additional 195,000 shares of GRI increasing its NSL subsidiary's ownership from 40.2% (9,280,017 shares) to 41.1% (9,475,017 shares). The shares were acquired for an aggregate consideration of $136,500 from three unrelated shareholders of the privately-owned GRI.

- GRI has recently hired a Vice President of Business Development from a global leader in advising major mining companies in raising capital. This addition to the team is a significant step in preparing the Company in moving down the path to secure the required capital in these very challenging markets.

CURRENT BUSINESS ACTIVITIES

The Corporation's 100% owned NSL Subsidiary has a 41.1% 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). As of November 28, 2012, GRI has an 77.5% shareholding (undiluted and potentially 50.1% (fully diluted) in NAIC, which is involved in the exploration and development of an iron sands project near Happy Valley-Goose Bay, NL, Canada.

GRI has assembled and secured 1,800 mineral claims covering 450 square kilometres (100% of claims under their previous control) in the area of Happy Valley-Goose Bay, Newfoundland and Labrador, Canada. GRI and its new subsidiary, NAIC, entered into a joint venture by a share purchase agreement dated September 15, 2010, as amended on August 22, 2011 with Petmin (JSE: PET and AIM: PTMN), a publicly traded mining company in South Africa. A Memorandum of Understanding with Cardero was signed on August 5, 2011. The summary details of the Joint Venture were publicly announced on November 18, 2011.

GRI's other major mineral claim was known as the Porcupine Strand. Exploration was scheduled to commence and flow–through funds were raised to carried out the exploration and development. The Ministry of Natural Resources would not grant a drilling permit to spend the monies after leading GRI to believe such efforts were acceptable. GRI was reassessed by the Canada Revenue Agency for not spending the flow –through funds as required and as originally approved. A Director of GRI absorbed the costs and implications related to the Canada Revenue Agency re-assessment, thereby, relieving all other 2007 flow-through investors of any personal impact. GRI has filed a request for compensation to Parks Canada through NL Ministry of Natural Resources, and in addition has sought relief under the "Fairness Provision "of the *Income Tax Act* (Canada). It was denied because there was no provision to accommodate such a unique situation. GRI continues to seek a solution with the governments and remains fully prepared to file a Statement of Claim to recover at a minimum all direct and indirect costs, penalties and interest fees. The monies have beenfully reimbursed to the Director by GRI for all his associated costs. GRI remains fully committed to recovering such amounts from government.

OVERVIEW OF NAIC

NAIC is the Joint Venture entity holding the mineral claim licenses for the mineral sands of the project near Happy Valley-Goose Bay and where Petmin invests its contributions. Since entering into the Joint Venture agreement with GRI Petmin has invested a total of US$11 million into NAIC and currently holds a 22.5% ownership position. Their latest investments were made on July 5, 2012 (US$2.0 million) and July 13, 2012 (US$2.5 million).

Operationally, progress has been made on a number of fronts.

The separation plant in Happy Valley-Goose Bay was commissioned on August 13, 2012. The pilot plant is separating more than 7,000 tonnes of sands collected earlier to produce the iron ore concentrate for a large scale melt test in before year end. Originally it was scheduled to be completed early in the fourth quarter; however, delivery times of key components for the iron making process remain in backlog.

On August 13, it was announced by Federal Ministers the Hon. Bernard Valcourt and Hon. Peter Penashue that the Federal Government, through the Atlantic Canada Opportunities Agency, made a $500,000 investment into the pilot separation plant located in Happy Valley-Goose Bay in the name of the holding company owned by Grand River Ironsands Incorporated and Petmin Limited.

The key events for the next six months remain focused on a number of priorities and market acceptance:

- Continued exploration efforts on expanding and defining the resource with an Indicated Resource statement in Q4 2012 – laboratory results are imminent (again due to backlogs in most labs) as well as resource modeling by SRK Consultants.

- During 2012, the Company undertook drilling of 21 holes to 40-50 metres in depth to better understand the resource at depth. Most of the 1000+ holes drilled to date have been averaging 10-12 metres in depth. The result of this drilling program will not be known until 2013.

- A large scale bulk sample (7,000 tonnes+) was collected and the separation of the iron bearings sands has been underway since August 2012. This work is scheduled to be completed at the Pilot Separation Plant in Happy Valley–Goose Bay before the end of 2012. These events will clearly demonstrate the proof of concept using the chosen iron making technology as well as the grade of the pig iron and composition of the slag material produced.

- Continued dialogue with the Innu First Nation on an Impacts Benefit Agreement and all the matters normally contained within such agreement.

- Since the first phase of operation in Labrador will be focused on mining and processing the sands, the goal will be to initiate environmental permitting on that aspect.

- Site selection and review for the location of the first iron making plant will continue with a target by the end of 2012 to select the location that best meets the needs of the Company.

- Continued work on the engineering and design of the mining plan and separately on the pig iron making plant. As of November 28, 2012

  - ✓ Tenova have been fully engaged, since January 2012, in finalizing the Conceptual Design and Pre-Engineering of the commercial iron making plant.

  - ✓ TWP of Peru has been engaged to undertake and complete the Preliminary Economic Assessment (PEA) of the project including an independent assessment of mining options and separation models.

  - ✓ Stantec Engineers in Happy Valley-Goose Bay have been engaged to develop the requirements and strategy for the environmental permitting process for the mining and shipping model in Happy Valley-Goose Bay.

  - ✓ An external consultant has been appointed to head up the site selection process as well as an assessment of the shipping and logistics solutions and cost assessment for all proposed locations.

  - ✓ Continued efforts on securing the capital required to advance the mining operation as well as the pig iron production plant and all the steps to achieve such including Preliminary Feasibility Study, Bankable Feasibility Study, negotiations with capital markets on debt and equity requirements as well as obtaining all the necessary permits.

The next several months will be active for NAIC as they complete the resource measurement, pilot production, conceptual plant design, site selection and Bankable Feasibility Study. The Corporation will work closely with NAIC and its partners to ensure milestones are met and will assist in any way to move the project to commercial success.

In addition, the Corporation will seek growth opportunities for Shareholders by investing in related projects in Newfoundland and Labrador, or by continuing to increase its ownership of GRI.

FINANCIAL SUMMARY

The major emphasis for the past year has been focused on the restructuring of the Corporation and securing share equity to provide much needed liquidity. Management will continue to review emerging opportunities to preserve and enhance shareholder value.

The following table summarizes quarterly financial results from operation for the quarter ended September 30, 2012 and the prior seven quarters. This information should be read in conjunction with the consolidated annual audited financial statements for the 15 months ended June 30, 2012 and the unaudited financial statements for the quarter ended September 30, 2012 and related notes. The operating results for any past period are not indicative of results for any future period.

Overall performance for the three months ended September 30, 2012

The following discussion addresses the operating results of the Corporation for the three months ended September 30, 2012. This discussion and analysis is qualified in its entirety by reference to and read in conjunction with the Corporation's unaudited consolidated financial statements for the three months ended September 30, 2012 , and the related notes thereto, as well as reference to the forward looking statements within this report.

	30-Sep 2012	30-Jun 2012	31-Mar 2012	31-Dec 2011	30-Sep 2011	30-Jun 2011	31-Mar 2011	31-Dec 2010
Operating expenses								
Gen & Admin	46,685	168,726	90,114	11,280	11,290	7,602	6,956	10,850
Research		-	-	-	-	-	-	-
Depreciation	249	268	288	309	333	358	385	414
Loss before the undernoted	(46,934)	(168,993)	(90,402)	(11,589)	(11,623)	(7,960)	(7,341)	(11,264)
Share of loss of associate	47172	62,815						
Interest expense	339	53	1,846	1,851	1,836	1,837	40,183	40,524
Loss before income tax	(94,445)	(231,861)	(92,248)	(13,440)	(13,459)	(9,797)	(47,524)	(51,788)
Deferred tax recovery							435,155	
Net income (loss) and comprehensive income (loss)	(94,445)	(231,861)	(92,248)	(13,440)	(13,459)	(9,797)	387,631	(51,788)
Net income (loss) per share	($0.005)	($0.013)	($0.024)	($0.004)	($0.004)	($0.003)	$0.115	($0.015)

Results of continuing operations for the three months ended September 30, 2012

Net loss for the quarter ended September 30, 2012, was $94,445 ($0.005 per share) compared to a net loss of $13,459 ($0.004 per share) for the prior year's quarter ended September 30, 1011 . The major increase in the loss is the result of the restructuring of the Corporation and positioning to advance its investments in industrial minerals and mining operations. The loss in the current period includes a loss of $47,172 in the investment in an associate, there was no such loss in the prior year.

Revenue

The Corporation had no operational revenue for the quarters ended September 30, 2012 and September 30, 2011, and does expect any significant revenues in the immediate future.

General and Administration

For the quarter ended September 30, 2012 the Corporation had General and Administrative Expenses of $46,685 compared to $11,290 in the comparable quarter ended September 30, 2011. The results for the current period reflect the costs associated with restructuring and refocusing the Corporation, and the cost of the increase operational activity.

Amortization

For the quarter ended September 30, 2012, the Corporation had amortization expenses of $249, compared to amortization expenses of $333 for the comparable quarter in 2011.

Interest Expense

Interest expense for the quarter ended September 30, 2012 was $339 as compared to $1,836 in the comparable quarter in 2011. This decrease is attributable to the settlement of both long term debt and shareholders advances.

Provision for Income Taxes

The Corporation uses the liability method of tax allocation. Under this method, future tax assets and liabilities are recognized for the estimated tax recoverable or payable, which would arise if assets and liabilities were recovered and settled at the financial statement carrying amounts. Future tax assets and liabilities are measured using tax rates expected to apply to taxable income in the quarters in which temporary differences are expected to be recovered or settled. Changes to these balances are recognized in income in the period in which they occur. No recognition of future income tax assets has been reflected in these financial statements as the Corporation has yet to achieve profitable operations.

Selected Consolidated Financial Information

Selected items from the consolidated Balance Sheets as at September 30, 2012, and audited consolidated Balance Sheets as at June 30, 2012 and March 31, 2011. This information should be read in conjunction with the consolidated annual audited financial statements for the 15 months ended June 30, 2012 and the unaudited condensed consolidated financial statements for the quarter ended September 30, 2012 and related notes.

Selected Consolidated Balance Sheet Items			
	Q1	Year End	Year End
	30-Sep-12	30-Jun-12	31-Mar-11
	$'s	$'s	$'s
Cash	418,686	1,796,393	486
Accounts Receivable	28,633	23,448	
Investment accounted for using equity method	4,139,836	2,813,328	-
Accounts Payable	(51,517)	(50,547)	(46,951)
Directors and Shareholder advances	-	-	(1,169,891)
Long term debt due within one year	-	-	(81,168)
Long term debt due	-	-	(378,566)
Shareholders Equity (Deficiency)	4,539,073	4,586,346	(1,669,091)

All monetary assets are located in Nova Scotia. Investment in associate consists of an equity investment in a Canadian private company whose operations are located in Newfoundland and Labrador.

Accounts payable of $51,517 at September 30, 2012 is virtually unchanged when compared to June 30, 2012 year-end balance.. The Corporation is current on all operating liabilities at September 30, 2012.

The increase in Investments is the result of the purchase of an additional 2,575,017 shares of GRI in two separate transactions as detailed in Corporate Overview on page 3. In addition refer to Note 4 to the September 30, 2012 consolidated financial statements.

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 and when required.

At September 30, 2012 the Corporation's had cash on hand of $418,686 compared to $1,796,393 at June 30, 2012 year end. This decrease is directly associated with the acquisition of additional ownership in GRI during the quarter.

As at September 30, 2012, the Corporation had working capital of approximately $396,000 compared to a working capital deficiency of approximately $1,769,000 at June 30, 2012 year-end.

The Corporation expects that it will operate at a loss for the foreseeable future, but believes the current cash will be sufficient for it to complete discretionary activities, and fund its currently anticipated general and administrative costs, through the next 18 to 24 months.

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

The Corporation had no long-term debt outstanding at September 30, 2012.

Shareholders' Equity

A summary of the Corporation's common shares outstanding as of quarter end September 30, 2012, year end June 30, 2012 together with changes during the periods ending on those dates are presented below:

COMMON STOCK ISSUED AND OUTSTANDING	Quarter End 30-Sep-12		Year -End 30-Jun-11	
Authorized: Unlimited number of common shares	**Number of Shares**	**$**	**Number of Shares**	**$**
Opening Balance	26,983,333	2,638,509	26,983,333	2,638,509
Reduction resulting from 8:1 share consolidation	-	-	(23,610,416)	-
Shares issued for debt	-	-	2,578,098	1,320,453
Issued on asset acquisition	-	-	6,900,000	5,679,857
Private Placement	-	-	4,400,000	2,024,000
Issue related Costs		-		(207,981)
Closing Balance	**26,983,333**	**2,638,509**	**26,983,333**	**2,638,509**

At the Annual General and Special Shareholders ("AGM") meeting Shareholders held on February 10, 2012 shareholders:

- approved a Special Resolution to consolidate the Corporation's Common Shares on the basis of one (1) new common share for eight (8) existing common shares. At the time of the meeting there were 26,983,333 common share outstanding, resulting in a reduction in the common shares outstanding to 3,372,917 Common Shares outstanding prior to giving effect to the issuance of any Common Shares issued in exchange for debt; prior to giving effect o the issuance of any Common Shares for project acquisition; and prior to giving effect to the issuance of any Common Shares to recapitalize the Corporation.

- approved a Special Resolution providing for the issuance of 2,578,098 post consolidation Common Shares at a deemed value of $0.51218 per Common Share in settlement of current Directors and Shareholders loans to the Corporation in the aggregate amount of $1,320,450;

- approved a Special Resolution approving the acquisition of one hundred percent (100%) of 3053229 Nova Scotia Limited ("NSL" incorporated under the Nova Scotia Companies Act, through the issuance of issuance of 6,900,000 post consolidation common shares of the Corporation to NSL common shareholders. NSL holds a 29.90% interest in Grand River Iron Sands Incorporated ("GRI") incorporated under the Nova Scotia Companies Act an Nova Scotia Incorporated Company. (See Note 14 to the unaudited Financial Statements at September 30, 2012)

On March 28, 2012 the Corporation closed a non-brokered private placement raising gross proceeds of $2,024,000 with the issuance of 4,400,000 post-consolidation common shares of the Corporation at an issuance price of $0.46 per common share. Closing and legal cost amounted to $207,981 for net proceeds of $1,816,019.

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. At the Annual General and Special Shareholders ("AGM") meeting Shareholders held on February 10, 2012 shareholders approved revisions to the Option Plan for the Corporation; which include increasing the maximum number of shares which may be issued under the program from 10% to 20% of the issued and outstanding shares. 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 674,583 common shares pursuant to the stock option plan. There are 144,500 options to acquire common shares outstanding under the plan as at September 30, 2012. 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 grant date, based upon a fair value of the award and are recognized over the related service period.

In July 2007, 237,500 options were granted to Directors, Officers, and employees under the stock purchase plan at an exercise price of $0.80. These options vested immediately. Upon the resignation of two directors of the Corporation in November and December of 2011 50,000 of these options expired. On July 27, 2012 the remaining 187,500 (post consolidation) options expired without being exercised.

The number of options and exercise price have been adjusted to reflect the 1 for 8 share consolidation effective March 28, 2012. 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.

No stock options were issued during the quarter ended September 30, 2012.

A summary of the Corporation's outstanding stock option as of September 30, 2012 and June, 30, 2012, and changes during the periods ended on those dates are presented below:

	Quarter Ended 30-Sep-12		Fiscal Year End 30-Jun-12	
	Number of Stock Options	Weighted Average Exercise Price	Number of Stock Options	Weighted Average Exercise Price
Balance, beginning of period	**331,500**	**$0.73**	**1,900,000**	**$0.10**
Cancelled December, 2011	-	-	(400,000)	$0.10
Reduction from 1;8 share consolidation	-	-	(1,312,500)	
Adjusted Balance	**331,500**	**$0.73**	**187,500**	**$0.80**
Granted May 28, 2012	-	-	144,000	$0.65
Cancelled July 27, 2012	(187,500)	$0.80	-	-
Balance, end of period	**144,000**	**$0.65**	**331,500**	**$0.73**

Options outstanding at September 30, 2012 are as follows:

Grant Date	Expiry Date	Exercise Price	Issued 30-Sep-12	Exercisable 30-Sep-12
May 28, 2012	May 28, 2022	$0.65	144,000	144,000
Total			**144,000**	**144,000**

Continuity of Contributed Surplus the quarter ended September 30, 2012 and fiscal year end June, 30, 2012, are presented below:

Contributed Surplus (in thousands of dollars)	**Quarter Ended 30-Sep-12**	**Fiscal Year End 30-Jun-12**
	$	**$**
Balance beginning of year	108,300	108,300
Stock Compensation	-	70,000
Balance end of year	**108,300**	**108,300**

There was no stock option issued during quarter ended September 30, 2012. The stock option expense for 2012 included in the statement of operations is $70,000.

The fair value of the option issued in 2012 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 yield of nil, volatility factor of 100% and a weighted average expected life of the option of 5 years.

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 Consolidation

The consolidated financial statements 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"). As the financial statements represent the Corporation's initial presentation of its annual results and financial position under IFRS, they were prepared in accordance with IFRS 1, First-time Adoption of International Financial Reporting Standards. These accounting policies are based on the IFRS standards and IFRIC interpretations that are applicable at September 30, 2012. .

The acquisition of 3053229 Nova Scotia Limited ("NSL") has been accounted for as an asset acquisition, whereby the value attributed to the assets acquired is based on the fair value of the Corporation's common shares issued as consideration.

Changes in Accounting Policy

The Corporation has changed its fiscal year end from March 31 to June 30 to align the Corporation's fiscal year with that of GRI to facilitate consolidated financial reporting and disclosure and valuation of its equity interests. As a result of the Corporation changing its fiscal year end to June 30 the consolidated financial statements are for the 15 month period ending September 30, 2012.

International Financing Reporting Standards (IFRS)

The Corporation has completed the conversion to IFRS and there were no changes required to the opening balance sheet as at April 1, 2011.

The conversion to IFRS is discussed in detail in Note 3 to the consolidated financial statements for the 15 months ended September 30, 2012.

Income taxes

The Corporation uses the liability method of tax allocation. Under this method, future tax assets and liabilities are recognized for the estimated tax recoverable or payable, which would arise if assets and liabilities were recovered and settled at the financial statement carrying amounts. Future tax assets and liabilities are measured using tax rates expected to apply to taxable income in the quarters in which temporary differences are expected to be recovered or settled. Changes to these balances are recognized in income in the period in which they occur. No recognition of future income tax assets has been reflected in these financial statements as the Corporation has yet to achieve profitable operations.

Critical Accounting Estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect: the reported amounts of assets and liabilities; the disclosure of contingent assets and liabilities at the date of the consolidated financial statements; and the reported amounts of revenue and expenses during the reporting period. Management believes that the estimates and assumptions used in preparing its consolidated financial statements are reasonable and prudent; however, actual results could differ from those estimates. Following is a list of critical accounting estimates and assumptions that the Corporation believes could impact its reported financial position, results of operations and cash flows.

Management of Capital

The Corporation defines capital that it manages as the aggregate of its loans from directors and shareholders, ACOA long-term debt, share capital, contributed surplus and deficit. Its objectives when managing capital are to ensure that the Corporation will continue as a going concern, so that it can provide returns to its shareholders.

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.

Stock-based compensation and other stock-based payments

The Corporation has a stock option plan for directors, officers, consultants and employees. The Corporation recognizes the value of stock options over their vesting periods as compensation expense. This accounting policy is applied prospectively to all stock options awarded to employees and directors that call for settlement by issuance of equity instruments. The fair value of stock options and other stock-based compensation is determined using the Black-Scholes option pricing model. Once fair value is measured, the value is expensed over the period the options vest and contributed surplus is increased by the corresponding amount. Any consideration paid on the exercise of stock options is credited to capital stock and the related fair value amount of stock-based compensation is transferred from contributed surplus to capital stock.

Non employees

The Corporation recognizes stock-based compensation issued to non-employees as an asset or expense based on the fair value of the equity instrument issued.

Government financing

The Corporation makes periodic applications for financial assistance under available government assistance programs in the jurisdictions in which the Corporation operated. Grants related to capital expenditures are reflected as a reduction of the cost of the related assets. Grants related to current operating expenditures are generally recorded as a reduction of expenditures at the time the eligible expenditures are incurred. Repayable interest free loans are carried at discounted present value with the offsetting benefit credited against the property, plant and equipment for capital programs and grants for current operating programs.

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.

Additional Funding Requirements

The Joint Venture shall require additional financing to continue its operations. There can be no assurance that GRI, NAIC or its joint venture partners shall be able to obtain adequate financing in the future, or that the terms of such financing shall be favourable for further evaluation, exploration and development of its projects or investments. Failure to obtain such additional financing could result in delay or indefinite postponement of exploration and development and the indirect property interests of the Corporation with the possible dilution or loss of such interests. Further, revenues, financings and profits, if any, shall depend upon various factors, including the success, if any, of exploration programs and general market conditions for natural resources.

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 First 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 of such properties as a result of its indirect interests.

Resources and Reserves

The property of NAIC and others in which the Corporation shall have an indirect interest does not contain identified mineral resources (NI 41-101) currently. 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 are 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 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 it 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.

Additional Financing Required and Resale of Shares

The continued operation of the Corporation shall be dependent upon its ability to generate operating revenues and to procure additional financing. There can be no assurance that any such revenues can be generated or that other financing can be obtained. If the Corporation is unable to generate such revenues or obtain such additional financing, any investment in the Corporation may be lost. In such event, the probability of resale of the Corporation's shares would be diminished.

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

There are no outstanding legal proceedings against the Corporation.

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 "YYR".

Cash Flow Requirements

There are no long-term debt repayments or payments under various operating leases for the next five years.

Transactions with Related Parties

During the year ended September 30, 2012, the Corporation incurred the following related party expenditures.

Relationship	Purpose of Transaction	Amount
Key Management Personnel	Consulting Fees	$ 22,500

Key management personnel include the Corporation's President, Vice President and the Chief Financial officer.

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 proposed 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 Multilateral Instrument 52-109 issued by the Canadian Securities Exchange Administrators ("MI52-109"), MMI's Chief Executive Officer (CEO) and MMI 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 September 30, 2012. 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 that 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 CNSX 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 National Stock Exchange Disclosure Hall 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, Secretary & Chief Financial Officer

Corporate Head Office

Muskrat Minerals Incorporated
Attn: K. Barry Sparks
1470 – 141 Adelaide Street West
Toronto, ON M5H 3L5
Fax Number: (902) 484-7599
Phone Number: (902) 499-7150

Corporate Information

Bankers	Bank of Montreal, Main Branch, Halifax, Nova Scotia
Lawyers	RBC Law, Halifax, Nova Scotia
Auditors	Collins Barrow Toronto LLP
Transfer Agent & Registrar	Canadian Stock Transfer Corporation, Calgary, Alberta

Stock Exchange

Canadian National Stock Exchange ("CNSX"}
Trading Symbol: YYR

Shareholder Information

Contact Person:	C H Bert Loveless
Contact Telephone Number:	(902) 471 -8028
Contact E-Mail Address:	bert@muskratminerals.ca.