MUSKRAT MINERALS INCORPORATED
AMENDED MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE SECOND QUARTER ENDED DECEMBER 31, 2013
(REFILED JUNE 17, 2014)

A review by the Ontario Securities Commission(OSC) in May 2014, resulted in the Corporation having to retract certain disclosures made pertaining to the economic analyses of mineral resources of the Corporation's affiliated entity, North Atlantic Iron Corporation ("NAIC") of its property located in Goose Bay, Newfoundland and Labrador (the "Property"). Certain economic disclosures relating to the Property disclosed by the Corporation in investor materials and publicly available documentation do not comply with National Instrument 43-101 - Standards of Disclosure for Mineral Projects ("NI 43-101"). In addition, NAIC's joint venture partner Petmin Limited ("Petmin"), a South Africa based public corporation, also made economic disclosures in press releases and investor relations documentation. The OSC requested that we refile the MD&A for December 31, 2013 and June 30, 2013.

On June 17, 2014 the corporation filed on SEDAR "NI 43-101" highlighting resource estimates from three major mineral blocks contained within the 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.

The previous filed MD&A references to mineral resource claims, smelting and melt test results and other economic analyses are now supported by the filing of a "NI 43-101" as required by the OSC.

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 three and six months ended December 31, 2013. 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 three and six months then ended and the audited Financial Statements for the fiscal year ended June 30, 2013.

The Corporation's principle asset is an indirect 40.3% (41.1% at June 30, 2013 and 29.9% at June 30, 2012) interest in Grand River Ironsands Inc. ("GRI"). GRI owns 70% (74.85% at June 30, 2013 and 83.1% at June 30, 2012) of North Atlantic Iron Corporation ("NAIC"), a joint venture investing to become a vertically integrated pig iron producer with an iron sands project in Labrador and Newfoundland. GRI also owns 100% of Forks Specialities Metal Inc. ("FSM"), which owns and operates two electric arc smelting furnaces in Pennsylvania, USA.

For fiscal 2012 the investment in GRI was recorded as a "Pooling of Interest" and accounted for on an equity basis. During fiscal 2013 the Corporation, through its wholly owned subsidiary 3053229 Nova Scotia Limited ("NSL"), acquired additional shares in GRI, increasing the ownership to 41.1%. Combined with the shareholdings of directors and related parties, this resulted in the Corporation acquiring a deemed controlling interest in GRI, requiring consolidation of its operations for fiscal 2013. (Refer to Note 2 of the June 30, 2013 audited consolidated financial statements)

The consolidated financial statements are presented in Canadian dollars which is also the Corporation's and its subsidiaries' functional currency 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, 2013.

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 February 20, 2014 and contains discussion of material events up to and including that date.

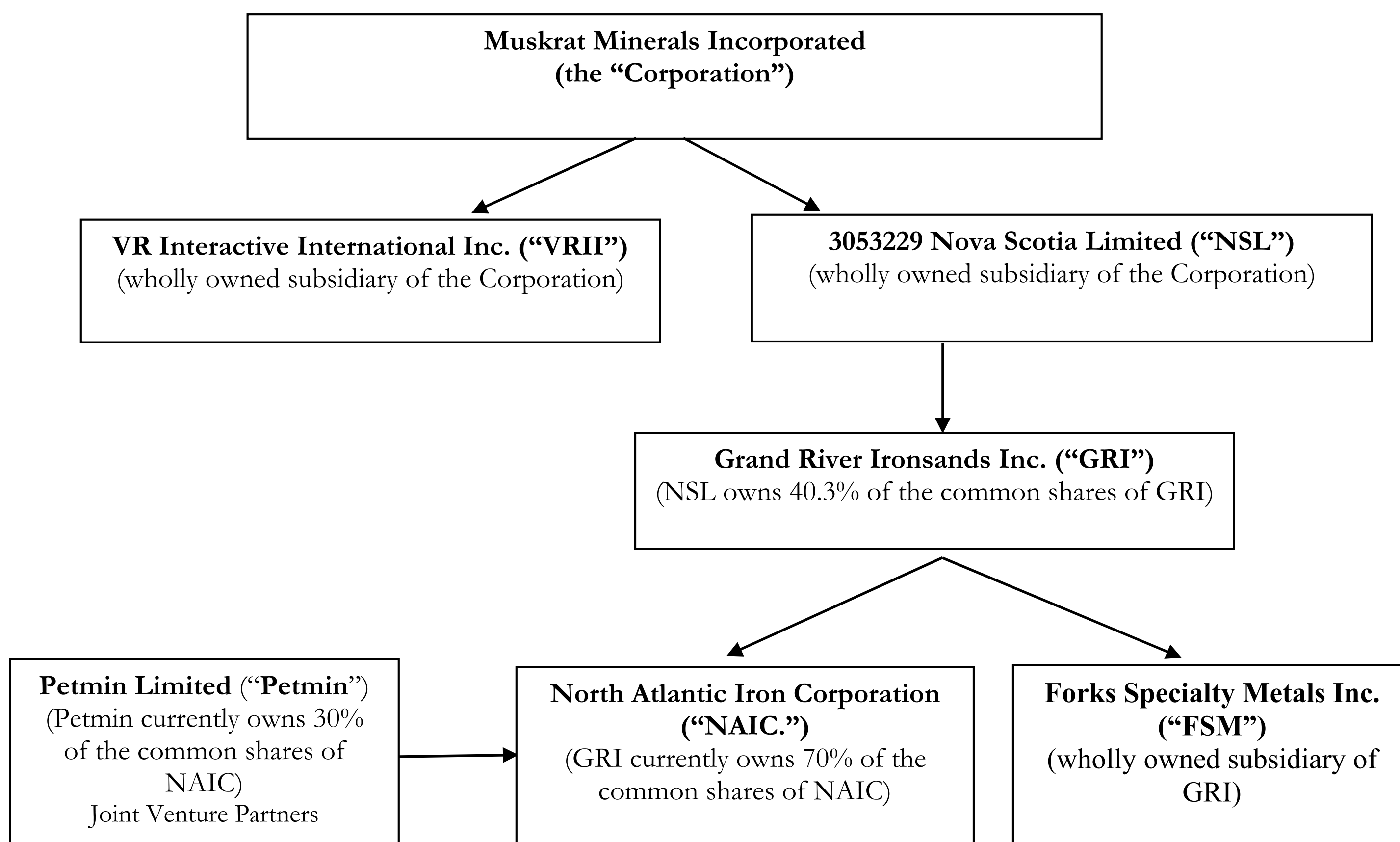
CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

MUSKRAT MINERALS INCORPORATED (the "Corporation") is a publicly listed Corporation, trading on the Canadian Securities Exchange (the "CSE"), with a ticker symbol "YYR". Headquartered in Toronto, Canada, the Corporation wholly-owns VR Interactive International Inc. ("VRII") and 3053229 Nova Scotia Inc. ("NSL"). NSL is a holding company and it owns 40.3% (41.1% at June 30, 2013 and 29.9% at June 30, 2012) of Grand River Ironsands Inc. ("GRI"). GRI in turn owns 70% (74.85% at June 30, 2913 and 89.3% at June 30, 2012) of North Atlantic Iron Corporation ("NAIC"), which is investing to become a vertically integrated pig iron producer with an iron sands project in Labrador and Newfoundland. GRI also owns 100% of Forks Speciality Metals Inc. ("FSM"), which owns and operates two electric arc smelting furnaces in Pennsylvania, USA.

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:



CURRENT BUSINESS ACTIVITIES

The Corporation's subsidiary, NSL, has a 40.3% 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 time of issuance of this MD&A, GRI has a 70% shareholding (undiluted and potentially 50.1% fully diluted) in NAIC, a joint venture investing to become a vertically integrated pig iron producer. In addition, NAIC is involved in the exploration and development of an iron sands project near Happy Valley-Goose Bay, NL, Canada which will provide feed stock for NAIC's intended pig iron production facility.

GRI, prior to the creation of the NAIC joint venture, assembled and secured 1,800 mineral claims covering 450 square kilometres (100% of claims under its previous control) in the area of Happy Valley-Goose Bay, Newfoundland and Labrador, Canada. GRI and its new subsidiary, NAIC, entered into a share purchase agreement with Petmin (JSE: PET), a publicly traded 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.

OVERVIEW OF NAIC

NAIC is the joint venture entity that holds the mineral claim licenses for mineral sands located in Happy Valley-Goose Bay, NL, Canada. NAIC's primary goal is to become a vertically integrated North American pig iron producer utilizing mineral sands owned by NAIC as the primary feed stock. The joint venture project includes the mining of the mineral sands; the separation and production of iron sands; the development of a pig–iron making process; the construction,

commissioning and operation of pig iron smelting plant; and all transportation and logistics systems. This fully integrated pig iron production solution is herein referred as the "Project" or "Joint Venture" or "Joint Venture Project".

Petmin invests its contributions to NAIC. Since entering into the Joint Venture agreement with GRI, Petmin has invested a total of US$17 million into NAIC and currently holds a 30% ownership position. Its latest investment was made on October 22, 2013 (US$2.0 million) and completed Petmin's commitment to advance an additional US $6.0 million in 2013, earning an additional 7.5% ownership in NAIC. At the date of this MD&A Petmin owns 30% of the common shares of NAIC. Petmin has an option to acquire up to 40% of NAIC for a total of US$25 million (US$17 million invested to date). Following the completion of its US$25 million investment, 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.

PROJECT BACKGROUND AND OPERATIONAL HIGHLIGHTS

- A pilot separation plant in Happy Valley-Goose Bay was commissioned on August 13, 2012, to produce iron ore concentrate from NAIC's iron sands resource. 200 tonnes of concentrate was transported to the United States in December 2012 to be used as feedstock for significant smelting tests.

- GRI, through its wholly owned subsidiary FSM, acquired two 1MW electric arc furnaces in early 2013, located in Easton, PA. These furnaces are demonstration scale versions of what NAIC plans to use in a commercial pig iron production plant. They provide the resources and facilities required to undertake the extensive smelting tests required to prove the technical and economic viability of producing pig iron from NAIC's iron sands. Data from these tests support the Preliminary Economic Assessment ("PEA") and future Feasibility Studies.

- The partners of NAIC hot commissioned the FSM furnaces in Easton, PA in February 2013 and smelted their first iron concentrate briquettes (approximately 9000 lbs. of material) producing over 2,600 pounds of hot metal. This first round of testing used a high grade coke as a reductant, similar to what is used by blast furnace steel makers. Following this successful use of a high grade reductant in the pig iron production process, plans were put in place for tests using different lower cost reductants (coal). A second round of testing was conducting using lower cost reductant. Following laboratory scales tests, a thermal coal from the Illinois Basin was chosen. This type of coal is inexpensive and readily available. Using this coal, a three day smelting effort at the FSM facility was completed July 31-August 2, 2013. Pig iron was successfully produced proving that a thermal (low cost) coal could be used as a reductant. (***Refer to NI 43-101 filed June 17, 2014)***

- The first two smelt tests, demonstrated that a wide range of coals can be used as a reductant for producing pig iron from NAIC's iron sands concentrate. The next step for NAIC was to replicate the process of a commercial pig iron plant in a way that demonstrates process and scalability. Over the last 60 days NAIC was able to conduct demonstration level tests on the three major operational components of the proposed iron making process, as summarized below;

  1. **Briquetting of iron concentrate**

     Confirmation that the previously produced briquettes produced by NAIC using a proprietary mixture of iron concentrate from Goose Bay, coal, lime and a molasses binder, were adequate feed stock for the iron making process.

2. **Direct reduction in a rotary hearth furnace to produce direct reduced iron (“DRI”)**

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. During December, briquettes, containing NAIC iron sands and the tested thermal coal, were shipped to a third party Rotary Hearth Furnace (Midrex Technical Centre) in North Carolina, whereby the iron sands briquettes were reduced to make DRI of over 75% metallization. (***Refer to NI 43-101 filed June 17, 2014)***

3. **Smelting of DRI in an electric furnace.**

The DRI produced at the Midrex Technical 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. The pig iron that was produced from the DRI had carbon contents ranging from 1.46% to over 3.7%, depending on the operating protocols utilized. This provided management with an understanding of the production tolerances under different scenarios. The data has been reviewed by Hatch Engineering who were in attendance. (***Refer to NI 43-101 filed June 17, 2014)***

In December, 2013, NAIC was able to conduct demonstration level tests on each piece of the proposed iron making under the independent supervision of Hatch Engineering of Mississauga, ON. This was the 5th melt campaign of 2013, and will provide the information required to be added to the Preliminary Economic Assessment to be published in the near future. The efforts further provided areas for the technical team to improve the overall engineering design of the process to make pig iron, and deemed to be useful and positive. There were 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 process, 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. Once these batch runs had been successfully conducted, NAIC, again under the supervision of third parties, conducted a 24-36 hour “continuous” campaign in December, 2013. This continuous campaign is 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 was assessed and used as the basis for protocols for the continuous melt in early December. This data will additionally be reviewed by Hatch Engineering who witnessed the testing in October, as well as December 2013. (***Refer to NI 43-101 filed June 17, 2014)***

- NAIC will continue to 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 exploration focus in 2014 will concentrate on defining the garnets and zircons, along with other potentially valuable minerals. The goal will be to define the saleable volumes required by the market and to ensure they can be economically processed. While it is believed these valuable minerals will add to the revenue line, they have not been factored in the forthcoming PEA.

- Currently there is an identified resource sufficient to feed a pig iron plant with commercial production of 500,000 tonnes for 20 years. (***Refer to NI 43-101 filed June 17, 2014)*** 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 per year, 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 increasing the resource identification.

- The site selection process for locating the first plant has been progressing with the preferred site(s) being selected in the near future. The timing of this decision has been slightly deferred 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, availability of low cost and abundant electricity, port facilities and the various components of the 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 NI43 -101 compliant PEA which has been underway for the past 12 months is expected to be published before the end of Q1 2014. The PEA covers all aspects of the project including geology, environmental, concentration, smelting, site selection and infrastructure requirements. The PEA will provide clarity on best methods for mining as well as beneficiation. Materials handling has also been an aspect of significance and several options are being reviewed. In addition, advanced discussions have been underway with regards to shipping solutions, port facilities, and other logistics concerns.

- NAIC currently has an inferred resource of 594m tonnes of iron sands at 9.53 wt %, of which 37.46% is FE_2O_3, from which NAIC produces a concentrate of approximately 54% Fe, a quality feed-stock for high-purity pig iron production. An updated NI43-101 compliant statement published by SRK Consulting in February 2013 confirms an indicated resource of 334m tonnes with a further 260m tonnes in the inferred category. The resource statement is based on just 3% of NAIC's 450 square km claim. During the next few months the company will direct efforts to better understanding the potential quantities of other valuable minerals contained in the non-magnetic tailings (e.g. garnet, zircon, etc.) and better understand their economic potential. (***Refer to NI 43-101 filed June 17, 2014***)

- In addition to the iron making technology that NAIC has been focused on for more than four years, a second iron making process has also been under investigation. This process, known as Ausiron, has been developed by Outotec. A scouting test using NAIC iron concentrate and Australian coals successfully produced pig iron in early 2013. Additional and more advanced testing was completed in November, 2013, successfully making a high grade pig iron. This process provides an alternative to the current approach and broadens the use of the ironsands from Labrador. The results from this melting campaign will be delivered early in 2014.

- A review of the relevant environmental regulatory process is complete and NAIC met in January 2013 with senior environmental officials for Newfoundland and Labrador. Canadian regulators require environmental registration shortly after the conclusion of a PEA. Environmental approval for the mine can be expected about 12 months

after registration, whereas approval for a pig iron plant can take between 20 to 24 months. Stantec engineers in Happy Valley-Goose Bay have been engaged to develop the strategy and approach for the environmental permitting and process for the mining operation in Happy Valley-Goose Bay. Community consultation and environmental registration will commence after TWP has completed and NAIC has submitted the PEA.

- Tenova Group has been engaged since January 2012 on the conceptual design and pre-engineering report on the commercial size iron making plant. Hatch Engineering is conducting a technical review and will provide input on the equipment selected, projected production levels and CapEx and OpEx. This work will be the basis for efforts to move forward on permitting, financial modeling, completion of the feasibility report, and eventual financing. The details of this report will be made available, when the PEA is completed and released.

The key goals for 2014 will be to publish the Preliminary Economic Assessment; a review of the economics in the PEA and a decision to initiate a pre-feasibility/bankable feasibility study; assessing interest with strategic partners for partnering, off-take and other possible business arrangement; finalizing the site selection and initiate the permitting process for the first pig iron making facility; complete an Impacts Benefits Agreement with the Innu Nation; initiate a capital raise campaign and other corporate related requirements with all partners to the project including MMI, Petmin Limited and Grand River Ironsands Incorporated. In addition, the Corporation may seek growth opportunities for its shareholders by investing in related projects in Newfoundland and Labrador, and/or by continuing to increase its ownership of GRI.

FINANCIAL SUMMARY

The Corporation is in the mining and exploration sector through its wholly owned subsidiary NSL. During the fiscal year ended June 30, 2013 the Corporation acquired additional shares in GRI increasing the ownership from 29.9% to 41.1%, which, combined with the shareholdings of directors and related parties, resulted in the Corporation acquiring a deemed controlling interest in GRI, requiring the reporting and disclosure on a consolidated basis of GRI and its operating subsidiaries.

The December 31, 2013 consolidated financial statements include the accounts of the Corporation and the following entities:

- 100% VR Interactive International Inc. (“VRI”)
  An inactive company incorporated in Nova Scotia
- 100% 3053229 Nova Scotia Limited (“NSL”)
  A holding company incorporated in Nova Scotia
  - 40.3% Grand River Ironsands Incorporated (“GRI”)
    A company incorporated in Nova Scotia and engaged in the exploration and development of mineral deposits
    - 100% Forks Specialty Metals Inc. (“FSM”)
      A company incorporated in Pennsylvania and engaged in iron ore smelting
    - 74.85% (70% at the date of this MD&A) North Atlantic Iron Corporation (“NAIC”)
      A corporation incorporated in Newfoundland and Labrador and engaged in the exploration and development of mineral deposits

The following discussion addresses the operating results for the three and six month periods ended December 31, 2013. This discussion and analysis is qualified in its entirety by reference to and should be read in conjunction with the Corporation’s unaudited consolidated financial statements at December 31, 2013, 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 three and six months ended December 31, 2013, and to the date of this MD&A

- On July 17, 2013, Petmin Limited, an unrelated entity, acquired an additional 23 common shares of NAIC increasing its non-controlling interest in NAIC from 25.1% to 27.4%, in exchange for cash consideration of $2,070,400 US$2,000,000).

- During October and November GRI issued 222,206 flow through common shares at $2.25 per share and 211,376 non-flow through common shares at $2.10 per share for an aggregate consideration of $943,853. The shares issuances reduce the Corporation's interest in GRI to 40.3%.

- On October 22, 2013 Petmin advanced the final US$2 million against its commitment to invest an additional US$6 million in NAIC for an additional 7.5% of the project. Petmin's overall stake in NAIC now stands at 30%.

Financial and operational results

The following tables summarize selected financial results from operation for the three and six months ended December 31, 2013 with comparative numbers for the previous year. The results are only consolidated for fiscal 2013 and subsequent quarters making comparisons to prior years difficult.

Selected Consolidated Operating Results				
	Three Months Ended		Six Months Ended	
	31-Dec-13	31-Dec-12	31-Dec-13	31-Dec-12
	$'s	$'s	$'s	$'s
Revenue	-	-	-	-
Expenses				
General & Admin	921,482	298,160	1,124,043	340,023
Operating	(129,708)	5,569	244,179	10,390
Operating loss before under noted	**(791,774)**	**(303,729)**	**(1,368,222)**	**(350,414)**
Share of Loss in GRI	-	(74,399)	-	(121,571)
Depreciation	(9,561)	(232)	(19,138)	(481)
Interest	(12,194)	(17)	(18,475)	(357)
Consolidated income (loss)	**(813,529)**	**(378,377)**	**(1,405,835)**	**(472,822)**
Non-controlling interest	**190,246**	**-**	**482,661**	**-**
Income (loss) attributable to MMI	**(623,283)**	**(378,377)**	**(923,174)**	**(472,822)**
Income (Loss) per share	(0.0361)	(0.0219)	(0.0535)	(0.0274)
Avg. Weighted Shares O/S	**17,251,015**	**17,251,015**	**17,251,015**	**17,251,015**

Overall performance for the three and six months ended December 31, 2013

Net loss for the three month period ended December 31, 2013, was $623,283 ($0.036 per share) compared to a net loss of $378,377 ($0.022 per share) for the prior year. On a year to date basis the net loss was $923,174 ($0.535 per share) compared to a loss of $472,822 ($0.0274 per share) for the prior year. The major increase in the loss in both the three month and six month periods ended December 31, 2013 was the result of the increase in operating costs resulting from the consolidation of GRI for the current periods.

The three month and year to date loss for the period ended December 31, 2013 includes a non-cash expenditure for option expense in the amount of $625,000 compared to a non-cash expenditure for option expense of $218,000 for the prior year

periods. In addition, the three month and year to date loss for the prior year includes $74,399 and $121,571 respectively, representing the Corporation share of the operating loss of GRI. There was no such loss in the current year due to consolidation of the operations of GRI and its subsidiaries.

Revenue

The Corporation had no operational revenue for the three and six months ended December 31, 2013, and does expect any significant revenues in the immediate future.

General and Administration

For the three month period ended December 31, 2012 the Corporation had General and Administrative Expenses of $931,482 compared to $298,160 in the comparable period in the prior year. On a year to date basis, the Corporation had General and Administrative Expenses of $1,124,043 compared to $340,023 for the comparable period in the prior year. The current year results reflect the costs associated with the financial consolidation of the operations of GRI and its subsidiaries. In addition, general and administrative expenses include $625,000 of share-based payment charges relating to options issued during the second quarter of 2013 compared to $218,000 for share-based payment charges relating to options issued in the comparative period of 2012.

Amortization

For the three and six month ended December 31, 2013, the Corporation had amortization expenses of $9,561 and $19,138 respectively, compared to amortization expenses of $232 and $481 for the comparable periods in 2012. The increase reflects the consolidation of the operations of GRI.

Interest Expense

Interest expense three and six month ended December 31, 2013 was $12,194 and $19,138 respectively as compared to $17 and $357 for the comparable periods in 2012. The increase reflects the interest associated with the loans of GRI and its subsidiaries.

Selected Quarterly Financial Data

The following table reports the operating results for the last eight quarters. The adjustments and restatements necessary to reflect the consolidation of the Corporation with GRI and its subsidiaries were all recorded in the June 30, 2013 quarter, making comparison to previous quarters difficult.

Selected Quarterly Financial Data								
	31-Dec 2013	30-Sep 2013	30-Jun 2013	31-Mar 2013	31-Dec 2012	30-Sep 2012	30-Jun 2012	31-Mar 2012
Revenue	-	-	-	-	-	-	-	-
Expenses								
Gen & Admin	921,482	207,964	622,119	39,911	303,729	46,685	168,725	90,114
Operating Expenses	(129,708)	368,484	1,166,238	-	-	-	-	-
Operating loss before under noted	**(791,774)**	**(576,448)**	**(1,788,357)**	**(39,911)**	**(303,729)**	**(46,685)**	**(168,725)**	**(90,114)**
Share of Loss in associate	-	-	234,494	(112,923)	(74,399)	(47,172)	(62,815)	-
Depreciation	(9,561)	(9,577)	(7,189)	(216)	(232)	(249)	(268)	(288)
Interest expense	(12,194)	(6,281)	(19,594)	(17)	(17)	(339)	(53)	(1,846)
Gain on Debt forgiveness	-	-	373,463	-	-	-	-	-
Gain on acquisition of control	-	-	8,709,672	-	-	-	-	-
Bargain purchase gain	-	-	2,784,620	-	-	-	-	-
Income tax recovery	-	-	1,058,339	-	-	-	-	-
Consolidated Income (Loss)	**(813,529)**	**(592,306)**	**11,345,447**	**(153,067)**	**(378,377)**	**(94,445)**	**(231,861)**	**(92,248)**
Non-controlling interest	190,246	292,415	**355,912**	**-**	**-**	**-**	**-**	**-**
Net Income (Loss)	**(623,283)**	**(299,891)**	**11,701,359**	**(153,067)**	**(378,377)**	**(94,445)**	**(231,861)**	**(92,248)**
Income (Loss) per share	($0.036)	($0.034)	$0.678	($0.009)	($0.022)	($0.005)	($0.013)	($0.024)
Avg. Weighted Shares O/S	**17,251,015**	**17,251,015**	**17,251,015**	**17,251,015**	**17,251,015**	**17,251,015**	**17,251,015**	**3,830,437**

Segmented Information

	Corporate		GRI		NAIC		FSM		Eliminations		Consolidated	
	31-Dec-13	31-Dec-12	31-Dec-13	31-Dec-12	31-Dec-13	31-Dec-12	31-Dec-13	31-Dec-12	31-Dec-13	31-Dec-12	31-Dec-13	31-Dec-12
	$	$	$	$	$	$	$	$	$	$	$	$
Revenue - external customers	-	-	-	-	-	-	-	-	-	-	-	-
Revenue - intersegment	-	-	39,394	-	-	-	580,447	-	619,840		-	-
	-	-	39,394	-	-	-	580,447	-	619,840	-	-	-
Operating expenses	724,972	350,414	108,907	-	659,760	-	540,944	-	666,359	-	1,368,223	350,414
	(724,972)	(350,414)	(69,513)	-	(659,760)	-	39,503	-	(46,519)	-	(1,368,223)	(350,414)
Share of loss of an associate	-	(121,571)	-	-	-	-	-	-	-	-	-	(121,571)
Depreciation	(361)	(481)	(2,893)	-	(15,884)	-	18,261	-	18,261	-	(19,138)	(481)
Interest and bank charges	(75)	(357)	(5,845)	-	(5,845)	-	(8,081)	-	(1,371)	-	(18,475)	(357)
	(436)	(122,408)	(8,738)	-	(21,729)	-	10,180	-	16,890	-	(37,612)	(122,408)
Segment income (loss) before taxes	(725,407)	(472,822)	(78,251)	-	(681,489)	-	49,683	-	(29,629)	-	(1,405,835)	(472,822)

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.

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.

Non-current assets	31-Dec-13	31-Dec-12
	$	$
Canada	55,795,202	4,021,468
United State of America	1,903,183	-
Total non-current assets	**57,698,386**	**4,021,468**

Selected Consolidated Financial Information

Selected items from the Consolidated Balance Sheet as at December 301 2013, with comparable numbers for the prior two fiscal years.

Selected Consolidated Balance Sheet Items			
	Second Quarter	Year End	Year End
	Dec. 31, 2013	June 30, 2013	June 30, 2012
	$'s	$'s	$'s
Cash	1,605,522	1,055,880	1,796,393
Other receivables	199,513	121,236	23,448
Prepaid and other deposits	405,646	438,357	-
Investment and loan receivable	115,818	115,818	-
Investment in associate	-	-	2,813,328
Iron interests	54,940,711	53,548,968	-
Mineral claim deposits	434,677	434,677	-
Property and equipment	2,322,997	2,032,209	3,684
Accounts Payable	(1,128,922)	(1,557,741)	(50,547)
Directors and Shareholder advances	-	-	-
Long term debt	(1,460,158)	(1,425,900)	-
Deferred Taxes	(11,101,669)	(11,101,669)	-
Shareholders' Equity (Deficiency)	17,883,263	16,754,681	4,586,346
Shareholders' Equity associated with Non controlling interests	28,450,873	26,907,155	-

All monetary assets are located in Nova Scotia. Investment in GRI, a Nova Scotia private company whose operate an iron sands project, located in Newfoundland and Labrador, and a smelting facility in Pennsylvania, USA. Details of significant balance sheet items are detailed below.

Prepaid and Other Deposits

The prepaid and other deposits in the amount of $405,646 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	Balance
	30-Jun-13	Additions	Deletions	31-Dec-13	31-Dec-12
	$	$	$	$	$
Labrador Mineral Sands	53,433,947	1,391,743	-	54,825,690	-
Porcupine Strand	115,021	-	-	115,021	-
	53,548,968	1,391,743	-	54,940,711	-

The Happy-Valley, Goose Bay mineral sands relate to 22 licenses held by NAIC, which include Churchill River, Mud Lake, Muskrat Lake, Goose Bay, and Hamilton River. The Porcupine Strand property was acquired from a former director of GRI for $NIL cash consideration other than reimbursement of staking costs. The property consists of four mineral licenses covering approximately 3.5 square kilometers in Happy-Valley, Goose Bay. NAIC received notice that the federal government intends to establish the Mealy Mountain National Park which will encompass the lands to which NAIC has staked these claims. While the plans for the park have not yet been approved or finalized, NAIC has renewed the claims as recently as November 2010, but has been refused exploration permits in this regard. NAIC anticipates receiving compensation sufficient to recover any investment it has made in these claims to date.

Mineral Claim Deposits

Mineral claim deposits are licenses held by NAIC which the Province of Newfoundland and Labrador 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. All required expenditures have been made to the date this MD&A.

Mineral claim deposits					
			Balance	Balance	Balance
	Balance	Additions	Deletions	31-Dec-13	31-Dec-12
	30-Jun-13	$	$	$	$
Mineral claim deposits	434,677	-	-	434,677	-
NAIC is required to inject the folloing exploration expenditures:					
		2013		182,593	
		2014		596,265	
		2015		210.275	
		2018		24.981	
		2022		162,900	

Property and Equipment

Description	Cost			Accumulated Depreciation			Net Book
	Balance		Balance	Balance		Balance	Value
	30-Jun-13	Additions	31-Dec-13	30-Jun-13	Depreciation	31-Dec-13	31-Dec-13
Computer hardware	88,913		88,913	73,461	2,308	75,769	13,144
Automotive equipment	5,500	795	6,295	-	944	944	5,351
Industrial equipement	2,296,345	432,313	2,728,658	303,254	138,075	441,329	2,287,329
Office furniture and equipment	29,735		29,735	11,569	994	12,563	17,172
	2,420,493	**433,108**	**2,853,601**	**388,284**	**142,320**	**530,604**	**2,322,997**

Accounts Payable

The accounts payable balance at December 31, 2013 was $1,128,922 and are normal trade payables that are for the most part current.

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.

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 December 31, 2013 the Corporation had cash on hand of $1,605,522.

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 12 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

During the last year, 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, 2015 and repayments will commence in December 2015. The carrying value of the loan has been discounted using an effective interest rate of 9%.

During the last fiscal year, FSM received a loan from the State of Pennsylvania in the amount of US$1, 600,000 ($1,628,987) 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%.

Share Capital

A summary of the Corporation's common shares outstanding as of December 31, 2013 are presented below:

COMMON STOCK ISSUED AND OUTSTANDING		
Authorized: Unlimited number of common shares without par value	Number of Shares	Amount
Issued and outstanding June 30, 2013 and December 31, 2013	**17,251,015**	**$ 8,948,981**

There were no stock issuances during the period.

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 Meeting of Shareholders ("AGM") held on November 30, 2012 shareholders approved the number of shares reserved for issuance under the Plan be increased to 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.

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.

On May 28, 2012, 144,000 options were granted to Directors and Officers under the stock purchase plan at an exercise price of $0.65. These options vested immediately.

On November 30, 2012, 450,000 options were granted to Directors and Officers under the stock option plan at an exercise price of $0.65. These options vested immediately.

A summary of the Corporation's outstanding stock option and changes during the six month period ended December 31, 2013 and the prior fiscal year ended June 30, 2013 are presented below:

Continuity of Stock Options Issued and Outstanding				
	December 31, 2013		June 30, 2013	
	Number of Stock Options	Weighted Average Exercise Price	Number of Stock Options	Weighted Average Exercise Price
Beginning balance	**594,000**	**$0.65**	**331,500**	**$0.73**
Cancelled during the year	-	-	(187,500)	$0.80
Issued during the year	985,000	$0.85	450,000	$0.65
Ending Balance	**1,579,000**	**$0.77**	**594,000**	**$0.65**

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.

Options outstanding at December 30, 2013 are as follows:

Grant Date	Expiry Date	Exercise Price	Issued	Exercisable
			December 31, 2013	
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
Total			**1,579,000**	**1,579,000**

Continuity of Contributed Surplus six month period ended December 31, 2013 and fiscal year June, 30, 2013 are presented below:

Continuity of Contributed Surplus		
	31-Dec-13	30-Jun-13
Beginning balance	**$ 288,000**	**$ 178,300**
Reclassification of expired options	-	(108,300)
Stock Compensation Expense	625,000	218,000
Ending balance	**$ 913,000**	**$ 288,000**

The fair value of the option issued during the six months ended December 31, 2013 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%, share price of $0.85, and a weighted average expected life of the option of 5 years.

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.

As at December 31, 2013, there were 2,306,970 common shares reserved pursuant to the stock option plan (2,350,328 reserved as at the date of this MD&A). There are 1,842,000 options to acquire common shares issued and outstanding under the plan as at December 31, 2013. Any unexercised options that expire or are forfeited become available again for issuance under the plan.

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

Continuity of Stock Options Issued and Outstanding				
	December 31, 2013		June 30, 2013	
	Number of Stock Options	Weighted Average Exercise Price	Number of Stock Options	Weighted Average Exercise Price
Beginning Balance	**1,842,000**	**$1.25**	**2,120,000**	**$1.25**
Cancelled/expired during the year	-	-	(365,000)	$1.25
Issued during the year	-	-	87,000	$1.25
Ending Balance	**1,842,000**	**$1.25**	**1,842,000**	**$1.25**

Options outstanding at December 31, 2013:

Grant Date	Expiry Date	Exercise Price	Issued December 31, 2013	Exercisable December 31, 2013
May 31, 2009	May 31, 2014	$1.25	365,000	365,000
Dec. 31, 2010	Dec. 31, 2015	$1.25	365,000	365,000
Sept. 02, 2011	Sept. 02, 2016	$1.25	480,000	480,000
May 31, 2012	May 31, 2017	$1.25	545,000	545,000
Nov. 05, 2012	Nov. 05, 2017	$1.25	87,000	87,000
Total			**1,842,000**	**1,842,000**

GRI does not calculate and expense the fair value of options issued due to the fact there is no public market for the shares and therefore no liquidity or basis for established fair value.

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, SECOND-time Adoption of International Financial Reporting Standards. These accounting policies are based on the IFRS standards and IFRIC interpretations that are applicable at December 31, 2013.

International Financing Reporting Standards (IFRS)

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods after June 30, 2013. Those pronouncements that are not applicable or do not have a significant impact to the Corporation have been excluded from the table below. The following have not yet been adopted and are being evaluated to determine the resultant impact on the Corporation.

- IFRS 9 Financial Instruments ("IFRS 9") was issued by the IASB in October 2010 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. Earlier application is permitted.

- IFRS 10 Consolidated Financial Statements ("IFRS 10") was issued by the IASB in May 2011. IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 replaces the consolidation requirements in SIC-12 Consolidation—Special Purpose

Entities and IAS 27 Consolidated and Separate Financial Statements and is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.

- IFRS 11 Joint Arrangements ("IFRS 11") was issued by the IASB in May 2011. IFRS 11 provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities. IFRS 11 supersedes IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities - Non-Monetary Contributions by Venturers, and is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.

- IFRS 12 Disclosure of Interests in Other Entities ("IFRS 12") was issued by the IASB in May 2011. IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.

- IFRS 13 Fair Value Measurement ("IFRS 13") was issued by the IASB in May 2011. IFRS 13 provides a consistent and less complex definition of fair value; it establishes a single source of guidance for determining fair value and introduces consistent requirements for disclosures related to fair value measurement. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. The standard is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.

- IFRS 7 Financial Instruments: Disclosures was amended by the IASB in December 2011 to provide additional information about offsetting of financial assets and financial liabilities. Additional disclosures will be required to enable users of financial statements to evaluate the effect or potential effect of netting arrangements on the entity's financial position. The amendments are effective for annual periods beginning on or after January 1, 2013.

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 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

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 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 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.

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

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

The long-term debt repayments or payments under various operating leases for the next five years are as follows:

Contractual Obligations					
Description	Total	Less than one year	1-3 years	4-5 years	After 5 years
Loan repayment- ACOA- CAD	$ 500,000	$ -	$ 200,000	$ 200,000	$ 100,000
Loan repayment - State of PA	1,566,375	169,284	338,568	338,568	719,955
Property Rental- FSM	3,021,000	725,000	1,450,000	846,000	-
	$ 5,087,375	$ 894,284	$ 1,988,568	$ 1,384,568	$ 819,955

Transactions with Related Parties

During the quarter ended December 31, 2013, the Corporation incurred the following related party expenditures.

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

Relationship	Purpose of Transaction	Amount ($)
Directors of the Company	Directors Fees	5,600
Key Management Personnel	Consulting Fees	76,900
Directors and Officers -MMI	Stock based compensation	625,000
Key operating personnel	Consulting fees	558,057
Key operating personnel	Salaries	25,760
		1,291,317
Capitalized		244,012
Operating expenses		1,047,305

Key management personnel includes 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 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 June 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 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 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 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

Muskrat Minerals Incorporated
Attn: K. Barry Sparks
610 - 141 Adelaide Street West
Toronto, ON M5H 3L5
Fax Number: (902) 484-7599
Phone Number: (902) 499-7150

Mailing Address

Muskrat Minerals Incorporated
Attn: Lorne S. MacFarlane
380 - 311 Bedford Highway
Halifax, NS B3M 2L4

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	Equity Financial Trust Company, Toronto, Ontario

Stock Exchange

Canadian Securities Exchange (“CSE”}
Trading Symbol: YYR

Shareholder Information

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