

## **MUSKRAT MINERALS INCORPORATED MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2015**

The following is a discussion of the audited consolidated financial condition and results of operations of Muskrat Minerals Incorporated (“MMI” or “the Corporation”) for the year ended June 30, 2015. This discussion and analysis should be read in conjunction with the Corporation’s annual audited consolidated financial statements for the year ended June 30, 2015 and the related notes.

The Corporation’s principle asset is a 44.3% (41.3% at June 30, 2015 and 40.2% at June 30, 2014) interest in Grand River Ironsands Inc. (“GRI”). GRI owns 62.2% (64.6% at June 30, 2015 and 67.2% at June 30, 2014) 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.

The consolidated financial statements are presented in Canadian dollars and have been prepared in compliance with International Financial Reporting Standards (“IFRS”), as issued by the IASB, and the Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). These accounting policies are based on the IFRS standards and IFRIC interpretations that are applicable at June 30, 2015.

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

This MD&A is dated as of October 27, 2015 and contains discussion of material events up to and including that date.

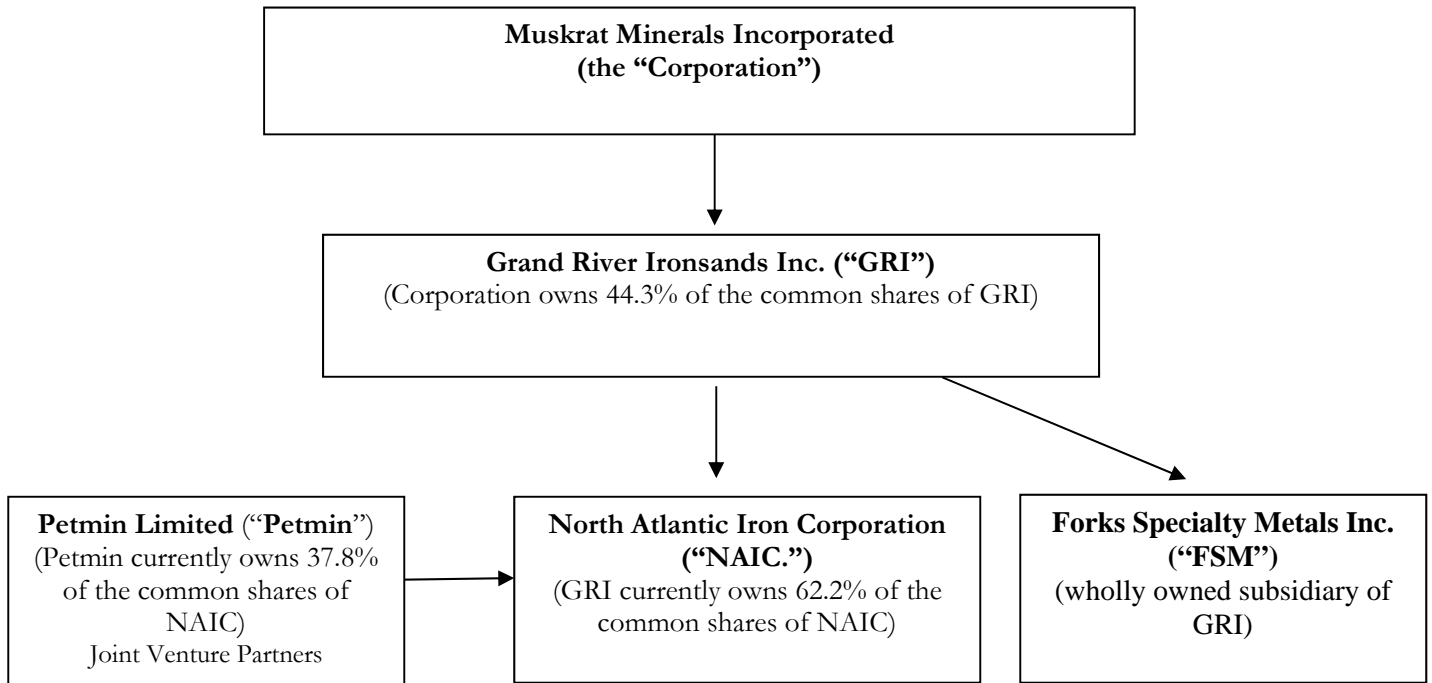
### **CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

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 is a publicly listed Corporation, trading on the Canadian Securities Exchange (the “CSE”), with a ticker symbol “YYR”, headquartered in Toronto, Canada.

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



## CURRENT BUSINESS ACTIVITIES

The Corporation has a 44.3% 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 the issuance of this MD&A, GRI has a 62.2% 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 could provide feed stock for NAIC's intended pig iron production facility. GRI and its 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. Petmin invests its contributions to NAIC. Since entering into the Joint Venture agreement with GRI, Petmin has invested a total of US\$23 million into NAIC and currently holds a 37.8% ownership position. Its latest investment was made on July 8, 2015 (US\$2.0 million) and US\$2 million remains outstanding. Petmin has an option to acquire up to 40% of NAIC for a total of US\$25 million (US\$23 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.

## OVERVIEW OF NAIC

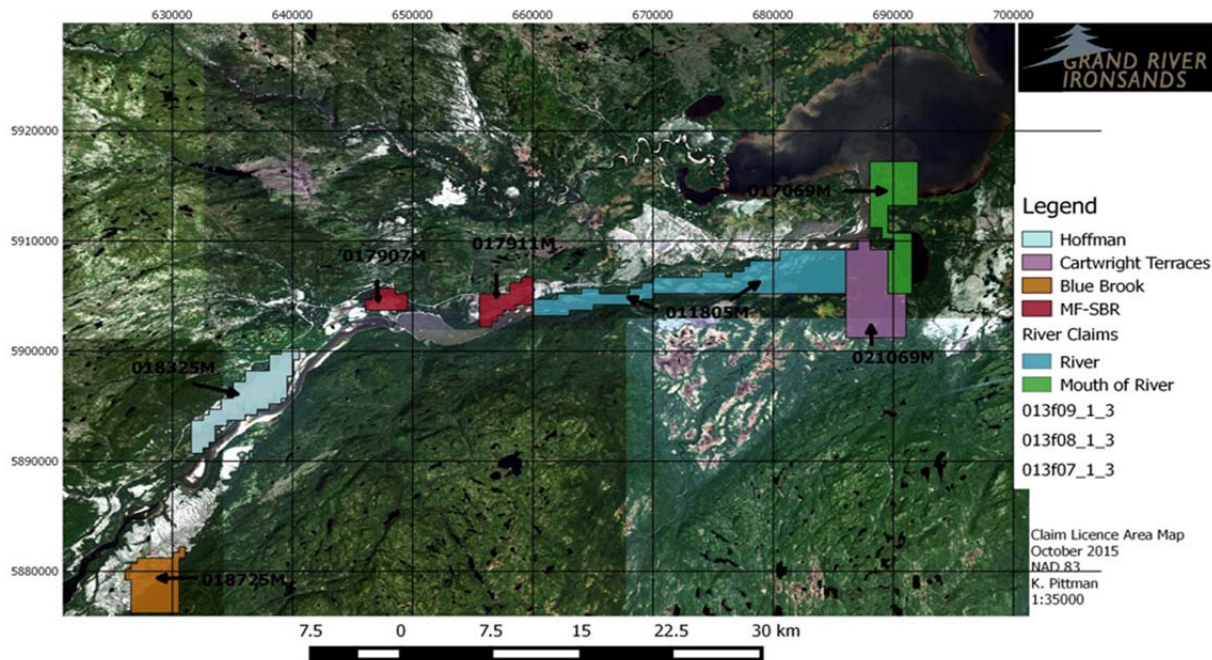
GRI and its' JV partner, Petmin Ltd. (South Africa's largest anthracite coal producer), have made their intentions to build a merchant pig iron plant in North America widely known. The site selection process has been shortened to two potential locations; either north of the Ohio River (on Lake Erie) or on the St. Lawrence Seaway. Management expects the final decision will be made before the end of the calendar year. Site selection is essential to complete the Bankable Feasibility Study which should be completed within five months of selecting the final site.

Discussions have commenced with off-takers and traders as well as potential capital markets partners. It is expected an additional \$13-15 million will be required to finalize the Bankable Feasibility Study and Permitting. It is expected the project will initially source iron ore concentrates from the open market due to the lower prices currently

projected into the foreseeable future. NAIC believes this strategy provides the shortest timeline to production and cash flow.

NAIC’s exploration properties are located in the Goose Bay region of Newfoundland and Labrador. The claims are located in central Labrador immediately to the east, west, south, southwest and southeast of the Town of Happy Valley-Goose Bay. The claims extend west of Muskrat Falls along the lower Churchill River to Hamilton Inlet and from the Churchill River to the boundary of the Mealy Mountains National Park. Over the last several months GRI has undertaken a major review of all claims with a view to only maintain those claims that are critical to the mining operation in Goose Bay, Labrador and Newfoundland to reduce carrying costs and future work commitments. As of June 30, 2015, the property comprises 1358 claims in 12 claim blocks with a total area of approximately 339.5 square kilometres. This review resulted in the cancellation and forfeiture of minerals claims associated with several significant blocks. At the date of the MD&A the property comprises 758 claims in 7 claim blocks with a total area of approximately 189.5 square kilometres. Management are confident that this significant reduction in claims will have no material impact on a future development solution.

### Distribution of North Atlantic’s Claim Blocks along the Churchill River



Claim No	No Claims	Issued	Status	Renewal Date	NTS Map
<b>River Claims</b>					
011805M	233	2003-05-08	Active	2018-05-08	13F/07, 13F/08
017069M	120	2003-11-03	Active	2018-11-03	13F/08
<b>Cartwright Claims</b>					
021069M	140	2008-05-27	Active	2018-05-27	13F/01, 13F/08
<b>Upriver Claims</b>					
018325M	114	2011-01-06	Active	2016-01-06	13F/03, 13F/02
018725M	84	2011-04-08	Active	2016-04-08	13F/03
017907M	23	2010-08-23	Active	2015-08-23	13F/07
017911M	44	2010-08-23	Active	2015-08-23	13F/02, 13F/07
<b>Total</b>	<b>758</b>				

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

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

## **PROJECT BACKGROUND AND OPERATIONAL HIGHLIGHTS**

- A pilot separation plant in Happy Valley-Goose Bay was commissioned in 2012, to produce iron ore concentrate from NAIC’s iron sands resource. Concentrate was transported to the United States and elsewhere to be used as feedstock for significant direct reduction and smelting tests. The majority of the testing occurred at GRI’s, wholly owned subsidiary FSM in Easton, PA. FSM acquired two 1MW submerged arc furnaces (“SAF”) in 2013 to provide demonstration scale versions of what NAIC plans to use in a commercial pig iron production plant. The FSM facilities undertook the extensive smelting tests required to prove the technical and economic viability of producing pig iron from NAIC’s iron sands.
- With 5 melt campaigns completed – with the last 3 campaigns witnessed by a reputable engineering firm – NAIC has consistently demonstrated an ability to produce high purity pig iron using a lower grade iron ore concentrate (lower cost), along with a lower grade thermal coal (lower cost). This achievement supports the corporate focus of NAIC to target becoming a vertically integrated low cost manufacturer.
- The first planned pig iron plant will be located outside of Labrador with a future plant still planned for Labrador when economically feasible. GRI is currently undertaking a detailed work program in Labrador, with a view of broadening the size and scope of the mineral resource near Happy Valley-Goose Bay, NL. As well, efforts are focused on the opportunity to economically separate additional minerals in the sands that may be contained within NAIC’s resource claims. These could include minerals commonly found in other iron sands resources including garnets, zircon, rutile, vanadium, and fracking sands. Testing is underway with a prominent Canadian firm and a prominent mineral sands and separation team in China. To date, revenues from these minerals are not factored into the PEA nor have they been included in the “43-101”. Mining and separation approaches, for the iron concentrate, have been assessed and future work will refine the approaches and economics if other minerals are included
- Given that the Corporation will be acquiring iron ore concentrate from the merchant market, discussions with potential providers and testing of their respective iron ore for the pig iron manufacturing plant will be ongoing. Iron ores from two producers have been tested along with steel mill reverts (waste material containing iron ore) and those results were successful.
- The work to complete the Preliminary Feasibility Study (PFS) for NAIC’s first pig iron production facility has commenced together with a Site Specific Comparative Assessment for the final two potential sites. An engineering firm was engaged to prepare the initial work towards completion of the PFS, their primary focus was on the Ohio site. NAIC management determined that there is compelling rationale to provide greater details on the Quebec site and working with an engineering firm to design, price and layout a pig iron smelting facility specifically for a plant location in Quebec. The second phase of the Bankable Feasibility work strategy began recently and will focus on site specific construction costs, including the materials handling aspect of the operation. Formerly it was planned to have the second phase of the pre-feasibility completed by year end – now the plan is to advance the work efforts and complete a Bankable Feasibility which is the final stage before project financing marketing begins. The Bankable Feasibility is



expected to be completed in the first half of 2016. This is favourable in time savings and a substantial cost savings.

- GRI has undertaken a review of its wholly owned subsidiary FSM, which owned and operates two electric arc furnaces in Pennsylvania. These furnaces were essential for testing various iron ore composition and coals and will continue to be required as a laboratory for refining the pig iron process going forward. However, they are underutilized and GRI management is currently evaluating partnering opportunities or a joint venture operation to more fully utilize this major asset.

The efforts over the next 12 months on the Labrador mineral sands resource; will be primarily two fold – to establish the potential economics of other valuable minerals other than the iron products; secondly, to better understand the economic and operational issues related to the port infrastructure, locating a plant and transport solutions.

The key goals for the initial pig iron manufacturing initiative for the next 12 months will be to (i) finalize the site selection and initiate the permitting process for the first pig iron making facility; (ii) complete the Preliminary Feasibility Study (PFS) and Bankable Feasibility Study at the chosen site; (iii) review the project economics and complete and publish the Economic Assessment; (iv) assess the interest of strategic partners for partnering, off-take and other possible business arrangements; (v) initiate a capital raise campaign and other corporate related requirements with all partners to the project.

## FINANCIAL SUMMARY

The Corporation is in the mining and exploration sector through its interest in GRI.

The audited consolidated financial statements for the year ended June 30, 2015 include the accounts of the Corporation and the following entities:

- 41.3% of GRI (44.3% at the date of the MD&A)
  - GRI is incorporated in Nova Scotia and engaged in the exploration and development of mineral deposits owns;
    - 100% of FSM, incorporated in Pennsylvania and engaged in iron ore smelting and testing.
    - 64.6% (62.2% at the date of this MD&A) of NAIC, incorporated in Newfoundland and Labrador and engaged in the exploration and development of mineral deposits.

Effective August 11, 2014 MMI's wholly owned subsidiaries, VR Interactive International Inc. (VRII) and 3053229 Nova Scotia Limited (NSL), were wound up.

The following discussion addresses the operating results and financial condition of the Corporation for the year ended June 30, 2015. This discussion and analysis is qualified in its entirety by reference to and should be read in conjunction with the Corporation's audited consolidated financial statements year ended June 30, 2015 and the related notes thereto, as well as reference to the forward looking statements within this report. All results in this report are presented in Canadian dollars, unless otherwise indicated.

## HIGHLIGHTS

Following is a summary of the major financial highlights for the year ended June 30, 2015, and to the date of this MD&A

- On October 24, 2014, Petmin purchased 15 additional common shares in NAIC for a consideration of US\$1,000,000, increasing their shareholding to 34.1%, thereby reducing GRI's investment in NAIC to 65.9%.
- On February 17, 2015, Petmin purchased 15 additional common shares in NAIC for a consideration of US\$1,000,000, increasing their shareholding to 35.4%.

- On April 14, 2015 GRI received a cheque for \$610,000 from the Province of Newfoundland and Labrador pursuant to an agreement dated March 24, 2015 between GRI and the Government of Newfoundland and Labrador. This amount represents a recovery of the costs associated with the forfeiture of the Porcupine Strand licenses. The funds, which have been deposited in a separate account, are to be held in trust by GRI pending the finalization of a land transfer agreement between the Government of Canada (“Canada”) and the Government of Newfoundland and Labrador (“the Province”) and the reimbursement by Canada for costs incurred by the Province with respect to the termination of these claims. On September 14, 2015 GRI received a letter from the Province confirming that all conditions of the transfer had been met and the funds were released.
- On May 1, 2015 the Corporation issued an unsecured convertible debenture for proceeds of \$2,000,000. A company controlled by an officer and director of the Corporation fully subscribed to the offering. The debenture will mature on May 1, 2020 and will bear interest at a rate of 5% per annum payable quarterly. The debenture shall be convertible, at the option of the holder, into common shares of the Corporation on or prior to the maturity date. The conversion price will be \$0.80 per common share if exercised within 12 months of closing and will increase by \$0.05 per common share on the anniversary date each year thereafter until the maturity date. At the option of the Corporation, quarterly interest may be converted into common shares of the Corporation at a conversion price equal to the volume-weighted average trading price of the shares for the 20 consecutive trading days prior to conversion.
- On June 5, 2015 MMI acquired an additional 265,000 common shares of GRI representing 1.13% of the outstanding shares for \$132,500.
- On July 8, 2015, Petmin purchased 30 additional common shares in NAIC for a consideration of US\$2,000,000 increasing their holding to 37.8%
- Subsequent to year end MMI acquired an additional 700,000 common shares of GRI for consideration of \$350,000 increasing their holdings to 44.3%.

### Financial and operational results

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

Selected Consolidated Operating Results				
	Fourth Quarter		Year Ended	
	30-Jun-15	30-Jun-14	30-Jun-15	30-Jun-14
	\$'s	\$'s	\$'s	\$'s
Revenue	(76,223)	-	-	-
Expenses				
General & Admin	1,312,466	440,549	2,560,151	1,785,902
Operating	1,125,275	1,419,651	3,433,831	1,768,564
<b>Operating loss before under noted</b>	<b>(2,513,964)</b>	<b>(1,860,200)</b>	<b>(5,993,982)</b>	<b>(3,554,466)</b>
Depreciation	(9,706)	10,198	(36,732)	(18,491)
Interest	(38,353)	(19,002)	(59,825)	(31,243)
<b>Consolidated income (loss)</b>	<b>(2,562,023)</b>	<b>(1,869,004)</b>	<b>(6,090,539)</b>	<b>(3,604,200)</b>
Gain (loss) on investments	(16,943)	358,670	(136,678)	358,670
Income tax recovery	489,340	812,343	1,483,610	812,343
Non-controlling interest	683,518	796,918	2,056,974	1,291,293
<b>Income (loss) attributable to MMI</b>	<b>(1,406,108)</b>	<b>98,927</b>	<b>(2,686,633)</b>	<b>(1,141,894)</b>
Income (Loss) per share	(0.082)	0.006	(0.156)	(0.066)
<b>Avg. Weighted Shares O/S</b>	<b>17,251,018</b>	<b>17,251,018</b>	<b>17,251,018</b>	<b>17,251,018</b>

## Overall performance for the year ended June 30, 2015

Net consolidated loss for the three month period ended June 30, 2015, was (\$3,192,381) compared to income of \$98,927 for the prior year. For the year ended June 30, 2015 the consolidated loss before extraordinary items was (\$4,472,907) compared to (\$1,141,894) for the prior year. The major increase in the consolidated loss was the writing off of \$516,000 related to minerals deposits and exploration costs associated with claims abandon, the first time recognition of the cost of GRI's stock options in the amount of \$959,000 as well as additional costs related to maintenance of mineral deposits \$440,000 as well as additional carrying costs related to Forks Specialty Metals, GRI's wholly owned Unites States subsidiary.

For the year ended June 30, 2015 the loss attributed to MMI shareholders was (\$4,472,907) (\$0.143 per share) compared to a loss of (\$1,141,894) (\$0.066 per share) for the prior year.

The unrealized gain on investments represents the market value of those shares at June 30, 2015.

## Revenue

The Corporation had no revenue in the fourth quarter and previously reported revenue of \$76,233 in the year was netted against the costs of its smelting facility in Easton, PA (FSM) which is included in iron interests in the consolidated financial statements.

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

## General and Administration

For the three month period ended June 30, 2015 the Corporation had General and Administrative Expenses of \$1,312,466 compared to \$440,549 in the comparable period in the prior year. For the year ended June 30, 2015 the Corporation had General and Administrative Expenses of \$2,560,151 compared to \$1,785,902 for the prior year. The fourth quarter and year-end results reflect the costs associated with the first time recognition of GRI's option expense in the amount of \$959,000 together with additional costs associated with the increased activity related to site selection and feasibility assessments.

## Operating

For the three month period ended June 30, 2015 the Corporation had Operating expenses of s of \$971,613 compared to \$1,419,651 in the comparable period in the prior year. For the year ended June 30, 2015 the Corporation had Operating expenses of \$3,280,169 compared to \$1,768,564 for the prior year. The fourth quarter and year-end results reflect costs associated with the forfeiture of mineral deposits and cancelled claims in the amount of \$516,000, increased exploration costs associated with flow through deployed together with increase costs associated with the operation of its US subsidiary FSM.

## Amortization

For the three month period ended June 30, 2015 the Corporation had amortization expense of \$9,008 compared to (\$10,198) in the comparable period in the prior year. In the prior year amortization capitalized for the year was recorded in the fourth quarter only, resulting in a credit balance. For the year ended June 30, 2015, the Corporation had amortization expenses of \$36,034 compared to amortization expenses of \$18,491 for the prior year. These amounts do not include amortization that was capitalized during the year.

## Interest Expense

For the three month period ended June 30, 2015 the Corporation had interest expense of \$38,533 compared to \$19,002 in the comparable period in the prior year. For the year ended June 30, 2014, the Corporation had interest expense of \$59,825 compared to interest expenses of \$31,243 for the comparable periods in the prior year. These

amounts do not include interest expense that was capitalized during the year. The increase reflects the impact of the 5% convertible debenture issued in May 2015.

### Selected Quarterly Financial Data

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

Selected Quarterly Financial Data								
	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep
	2015	2015	2014	2014	2014	2014	2013	2013
Revenue	(76,224)	2,825	73,399	-	-	-	-	-
Expenses								
Gen & Admin	1,312,466	280,032	1,141,710	254,551	538,759	209,305	930,954	207,964
Operating Expenses	1,125,273	905,235	356,742	617,972	1,321,441	116,739	(139,180)	368,484
<b>Operating loss before under noted</b>	<b>(2,513,963)</b>	<b>(1,182,442)</b>	<b>(1,425,053)</b>	<b>(872,523)</b>	<b>(1,860,200)</b>	<b>(326,044)</b>	<b>(791,774)</b>	<b>(576,448)</b>
Depreciation	(9,706)	(9,009)	(9,008)	(9,009)	10,198	(9,551)	(9,561)	(9,577)
Interest expense	(38,353)	(9,768)	(7,222)	(4,482)	(19,002)	6,234	(12,194)	(6,281)
Gain (loss) on investments	(16,943)	45,106	(72,946)	(91,895)	358,670	-	-	-
Income tax recovery	489,340	347,490	343,631	303,151	812,343	-	-	-
<b>Consolidated Income (Loss)</b>	<b>(2,089,625)</b>	<b>(808,624)</b>	<b>(1,170,598)</b>	<b>(674,758)</b>	<b>(697,991)</b>	<b>(329,361)</b>	<b>(813,529)</b>	<b>(592,306)</b>
Non-controlling interest	683,518	519,103	416,915	437,438	796,918	11,713	190,246	292,415
<b>Net Income (Loss)</b>	<b>(1,406,107)</b>	<b>(289,521)</b>	<b>(753,683)</b>	<b>(237,320)</b>	<b>98,927</b>	<b>(317,648)</b>	<b>(623,283)</b>	<b>(299,891)</b>
Income (Loss) per share	(\$0.082)	(\$0.017)	(\$0.044)	(\$0.017)	\$0.006	(\$0.018)	(\$0.036)	(\$0.017)
<b>Avg. Weighted Shares O/S</b>	<b>17,251,018</b>	<b>17,251,018</b>	<b>17,251,018</b>	<b>17,251,018</b>	<b>17,251,018</b>	<b>17,251,018</b>	<b>17,251,018</b>	<b>17,251,018</b>

Explanation of significant variances in quarterly results;

1. Revenue related to the smelting facility (FSM) was netting against the facilities operating costs and included in iron interests in the fourth quarter. No adjustments were paid to previous quarters.
2. In the quarter ended June 30, 2015, general and administration costs includes the first time recognition of the cost of the issuance of GRI options in the amount of \$959,000.

### Segmented Information

The Corporation's Board of Directors monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, the Corporation's income taxes are monitored on a consolidated level and are not allocated to operating segments.

	Corporate		GRI		NAIC		FSM		Eliminations		Consolidated	
	30-Jun-15	30-Jun-14	30-Jun-15	30-Jun-14	30-Jun-15	30-Jun-14	30-Jun-15	30-Jun-14	30-Jun-15	30-Jun-14	30-Jun-15	30-Jun-14
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue - intersegment	-	-	217,946	86,886	-	-	1,901,357	1,387,003	(2,119,303)	(1,473,889)	-	-
	-	-	217,946	86,886	-	-	1,901,357	1,387,003	(2,119,303)	(1,473,889)	-	-
Operating expenses	633,237	895,692	1,653,412	326,853	1,980,191	790,965	1,945,088	1,222,621	(217,947)	318,335	5,993,982	3,554,466
	(633,237)	(895,692)	(1,435,467)	(239,967)	(1,980,191)	(790,965)	(43,730)	164,382	(1,901,356)	(1,792,224)	(5,993,982)	(3,554,466)
Depreciation and Amortization	-	(2,787)	(4,342)	(5,787)	(25,107)	(3,084)	(7,282)	(253,759)	-	246,926	(36,731)	(18,491)
Interest and bank charges	(32,749)	(75)	(5,519)	(8,445)	(1,325)	(5,034)	(20,233)	(17,689)	-	-	(59,826)	(31,243)
Gain (loss) on investments	-	-	(136,678)	358,670	-	-	-	-	-	-	(136,678)	358,670
<b>Segmented Loss before Taxes</b>	<b>(665,986)</b>	<b>(898,554)</b>	<b>(1,582,006)</b>	<b>104,471</b>	<b>(2,006,623)</b>	<b>(799,083)</b>	<b>(71,245)</b>	<b>(107,066)</b>	<b>(1,901,356)</b>	<b>(1,545,298)</b>	<b>(6,227,217)</b>	<b>(3,245,530)</b>
Total assets	5,297,574	88,817	6,165,660	931,142	61,068,304	55,222,280	3,257,578	3,006,238	(12,461,400)	2,313,244	63,327,716	61,561,721
Total liabilities	10,247,977	10,262,275	1,038,618	897,755	780,609	843,665	3,339,619	1,128,874	(2,047,160)	-	13,359,664	13,132,569



## Geographical segments

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

Segment assets are based on the geographical location of the assets.

Non-current assets	30-Jun-15	30-Jun-14
	\$	\$
Canada	57,933,172	56,666,098
United State of America	2,605,211	1,949,139
<b>Total non-current assets</b>	<b>60,538,383</b>	<b>58,615,237</b>

## Selected Consolidated Financial Information

Selected items from the Consolidated Balance Sheet as at June 30, 2015 with comparable numbers for the prior two fiscal years.

Selected Consolidated Balance Sheet Items			
	Year Ended	Year End (Restated)	Year End
	June 30, 2015	June 30, 2014	June 30, 2013
	\$'s	\$'s	\$'s
Cash	1,375,031	1,977,562	1,055,880
Restricted cash	610,000	-	-
Other receivables	179,796	62,598	121,236
Prepaid and other deposits	532,240	431,837	438,357
Investment and loan receivable	92,266	474,487	115,818
Iron interests	60,396,574	58,107,967	53,548,968
Mineral claim deposits	-	334,045	434,677
Property and equipment	141,808	173,225	2,032,209
Accounts Payable	(2,952,818)	(1,390,611)	(1,557,740)
Current portion long term debt	(1,184,923)	-	-
Long term debt	(1,661,511)	(1,453,032)	(1,425,900)
Deferred Taxes	(8,805,720)	(10,289,326)	(11,101,669)
Shareholders' Equity (Deficiency)	19,718,228	18,947,830	16,754,680
Shareholders' Equity associated with Non controlling interests	29,002,515	29,480,922	26,907,155

Details of significant balance sheet items are detailed below.

### Restricted Cash

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

### Account and Other Receivables

Principally consists of contract receivables' related to Forks Specialty Metals of \$62,400 and HST receivable of \$74,500.

### Prepaid and Other Deposits

The prepaid and other deposits in the amount of \$532,240 at June 30, 2015 consists principally of a rent security deposit for the smelting facility in Forks, PA, prepaid liability and environmental insurance, various utilities prepaid and advances in the amount of \$174,100 related to the site selection and feasibility assessment processes.

### Iron interests

Iron Interests				
	Balance(Restated)			Balance
	30-Jun-14	Additions	Deletions	30-Jun-15
	\$	\$	\$	\$
Labrador Mineral Sands	57,992,946	2,470,229	(181,622)	60,281,553
Porcupine Strand	115,021	-	-	115,021
	58,107,967	2,470,229	(181,622)	60,396,574

Over the last several months GRI has undertaken a major review of all claims with a view to only maintain those claims that are critical to the mining operation in Goose Bay, Labrador and Newfoundland to reduce carrying costs and future work commitments. As of June 30, 2015, the property comprises 1358 claims in 12 claim blocks with a total area of approximately 1420 square kilometres. This review resulted in the cancellation and forfeiture of minerals claims associated with several significant blocks. At the date of the MD&A the property comprises 758 claims in 7 claim blocks with a total area of approximately 170 square kilometres. Management are confident that this significant reduction in claims will have no material impact on future mining operation in Goose Bay, Labrador.

### Mineral Claim Deposits

Mineral claim deposits are licenses held by NAIC with the province of Newfoundland and Labrador that required a deposit and commitment by NAIC to inject a prescribed amount of exploration expenditures into the land designated by the license within a five year time frame. If NAIC fulfills their commitment, the deposit will be fully refundable; if NAIC doesn't fulfill their commitment, they will forfeit the deposit, at which time the cost will be written off. As a result of the review and the abandonment of several claim blocks all current mineral claim deposits were forfeited.

Mineral claim deposits				
	Balance			Balance
	30-Jun-14	Additions	Deletions	30-Jun-15
	\$	\$	\$	\$
Mineral claim deposits	334,045	-	334,045	-

## Property and Equipment

Description	Cost			Accumulated Depreciation			Net Book	Net Book
	Balance	Net	Balance	Balance		Balance	Value	Value
	30-Jun-14	Additions	30-Jun-15	30-Jun-14	Depreciation	30-Jun-15	30-Jun-14	30-Jun-15
Computer hardware	15,138	-	15,138	5,651	2,846	8,497	9,487	6,641
Automotive equipment	6,295	-	6,295	1,888	1,322	3,210	4,407	3,085
Other Equipment	196,430	-	196,430	70,712	25,143	95,855	125,718	100,575
Office furniture and equipment	42,658	7,328	49,986	9,045	9,434	18,479	33,613	31,507
	<b>260,521</b>	<b>7,328</b>	<b>267,849</b>	<b>87,296</b>	<b>38,745</b>	<b>126,041</b>	<b>173,225</b>	<b>141,808</b>

## Accounts Payable

The accounts payable balance at June 30, 2015 was \$2,952,819 compared to \$1,390,611 at June 30, 2014. The increase is mainly the result of the accrual of management fees, travel expenses and financing commissions related to Petmin's investment in the amount of approximately \$1,971,000. These charges were adjusted and/or settled in July, 2015. In addition, approximately \$246,000 represents costs associated with work performed on the preliminary economic assessment and site selection process. The remainder represents year end accruals and trade accounts payable.

## 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.

Currently the Corporation had approximate cash on hand of \$1,966,000 CDN equivalent. 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 6 -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

NAIC received an interest-free repayable loan from ACOA, a government agency, in the amount of \$500,000. The loan is repayable in five annual equal and consecutive installments commencing nine months after the end of the fiscal year in which 'Project Success' is achieved. It is anticipated that 'Project Success' will be achieved in the fiscal year ending June 30, 2019 and repayments will commence in December 2019. The carrying value of the loan has been discounted using an effective interest rate of 9%.

FSM received a loan from the State of Pennsylvania in the amount of US\$1, 600,000 (\$1,682,880) to partially finance the acquisition of industrial equipment in Forks Township, Pennsylvania. The loan bears interest at 1% and is repayable in monthly principal installments of US\$14,017, commencing March 1, 2013, maturing on February 1, 2023. The carrying value of the loan has been discounted using an effective interest rate of 9%.

## Convertible debenture

On May 1, 2015 the Corporation announced that it had completed a non-brokered private placement of an unsecured convertible debenture for proceeds of \$2,000,000. A company controlled by an officer and director of the Corporation fully subscribed to the offering.

The debenture will mature on May 1, 2020 and will bear interest at a rate of 5% per annum payable quarterly. The debenture shall be convertible, at the option of the holder, into common shares of the Corporation on or prior to the maturity date. The conversion price will be \$0.80 per common share if exercised within 12 months of closing and will increase by \$0.05 per common share on the anniversary date each year thereafter until the maturity date.

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

## Share Capital

A summary of the Corporation's common shares outstanding as of June 30, 2015 are presented below:

<b>COMMON STOCK ISSUED AND OUTSTANDING</b>		
Authorized: Unlimited number of common shares without par value	Number of Shares	Amount
<b>Issued and outstanding June 30,2014 and June 30, 2015</b>	<b>17,251,018</b>	<b>\$ 8,948,978</b>

There were no stock issuances during the fiscal year and no issuances after June 30, 2015.

## Stock Options

Under the Corporation's employee stock option program, the Board of Directors may, at its discretion, grant options to purchase common shares to directors, officers, employees or consultants of the Corporation. Shareholders approved the number of shares reserved for issuance under the Plan be a maximum of 20% of the issued and outstanding shares, as of the record date, in accordance with the Stock Option Plan approved by Shareholders. However, only 10% can be issued to insiders of the Corporation. Vesting periods are determined by the Board of Directors at the time of the grant and can range up to 3 years from the date of the grant. The Corporation has reserved 3,450,203 common shares pursuant to the stock option plan. Any unexercised options that expire or are forfeited become available again for issuance under the plan. Compensation costs of options granted under the stock option plan are measured at the granting date based upon a fair value of the award and is recognized over the related service period.

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.

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.

On December 8, 2014, 535,000 options were granted to directors, officers, employees and consultants under the stock purchase plan at an exercise price of \$0.75. These options vested immediately and expire in 10 years. The fair value of these option was estimated at the date of grant using the Black-Scholes pricing model with the following weighted average assumptions; risk free interest rates of 1.44%; dividend yields of nil; volatility factor of 157.51%; share prices of \$0.75; and a weighted average expected life of the option of 5 years. The expected volatility is based on historical volatility of the Company's shares since March 30, 2012.

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

<b>Continuity of Stock Options Issued and Outstanding</b>				
	<b>June 30, 2015</b>		<b>June 30, 2014</b>	
	<b>Number of Stock Options</b>	<b>Weighted Average Exercise Price</b>	<b>Number of Stock Options</b>	<b>Weighted Average Exercise Price</b>
<b>Beginning balance</b>	<b>1,579,000</b>	<b>\$0.77</b>	<b>594,000</b>	<b>\$0.73</b>
Cancelled during the year	-	-	-	-
Issued during the year	535,000	\$0.75	985,000	\$0.85
<b>Ending Balance</b>	<b>2,114,000</b>	<b>\$0.77</b>	<b>1,579,000</b>	<b>\$0.77</b>

Options outstanding at June 30, 2015 are as follows:

		<b>Exercise Price</b>	<b>Issued</b>	<b>Exercisable</b>
<b>Grant Date</b>	<b>Expiry Date</b>		<b>June 30, 2015</b>	
May 28, 2012	May 28, 2022	\$0.65	144,000	144,000
Nov. 30, 2012	Nov. 30, 2022	\$0.65	450,000	450,000
Dec. 06, 2013	Dec. 06, 2023	\$0.85	985,000	985,000
Dec. 08, 2014	Dec. 08, 2024	\$0.75	535,000	535,000
<b>Total</b>			<b>2,114,000</b>	<b>2,114,000</b>

### **Grand River Ironsands Incorporated Stock Options**

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

At June 30, 2015, there were 2,356,433 common shares reserved pursuant to the stock option plan, of which 2,356,000 options to acquire common shares have been issued and are outstanding under the plan. Any unexercised options that expire or are forfeited become available again for issuance under the plan.

On December 8, 2014, GRI granted 494,000 options to directors, officers, employees and consultants of GRI under the stock purchase plan at an exercise price of \$2.10. These options vested immediately and expire in 5 years. The fair value of these option was estimated at the date of grant using the Black-Scholes pricing model with the following weighted average assumptions; risk free interest rates of 1.44%; dividend yields of nil; volatility factor of 157.51%; share prices of \$2.10; and a weighted average expected life of the option of 5 years.



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

<b>Continuity of Stock Options Issued and Outstanding</b>				
	<b>June 30, 2015</b>		<b>June 30, 2014</b>	
	<b>Number of Stock Options</b>	<b>Weighted Average Exercise Price</b>	<b>Number of Stock Options</b>	<b>Weighted Average Exercise Price</b>
<b>Beginning Balance</b>	<b>1,862,000</b>	<b>\$1.47</b>	<b>1,842,000</b>	<b>\$1.25</b>
Cancelled/expired during the year	-	-	(480,000)	\$1.25
Issued during the year	494,000	\$2.10	500,000	\$2.10
<b>Ending Balance</b>	<b>2,356,000</b>	<b>\$1.60</b>	<b>1,862,000</b>	<b>\$1.47</b>

#### **Options outstanding at March 31, 2015:**

		<b>Exercise Price</b>	<b>Issued</b>	<b>Exercisable</b>
<b>Grant Date</b>	<b>Expiry Date</b>		<b>June 30, 2015</b>	
Dec. 31, 2010	Dec. 31, 2015	\$1.25	390,000	390,000
Sept. 02, 2011	Sept. 02, 2016	\$1.25	415,000	415,000
May 31, 2012	May 31, 2017	\$1.25	495,000	495,000
Nov. 05, 2012	Nov. 05, 2017	\$1.25	87,000	87,000
Dec. 06, 2013	Dec. 06, 2018	\$2.10	475,000	475,000
Dec. 08, 2014	Dec. 08, 2019	\$2.10	494,000	494,000
<b>Total</b>			<b>2,356,000</b>	<b>2,356,000</b>

Continuity of Stock Based Payment Reserve for the year ended June 30, 2015 and fiscal year June, 30, 2014 are presented below:

<b>Continuity of Stock Based Payment Reserve</b>		
	<b>30-Jun-15</b>	<b>30-Jun-14</b>
<b>Beginning balance</b>	<b>\$ 913,000</b>	<b>\$ 288,000</b>
Stock Compensation expense Corporation	371,000	625,000
Stock Compensation expense Subsidiary	959,000	-
<b>Ending balance</b>	<b>\$ 2,243,000</b>	<b>\$ 913,000</b>

## **CRITICAL ACCOUNTING POLICIES**

### **General**

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

### **Basis of Presentation and Consolidation**

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") as set out in the Chartered Professional Accountants of Canada Handbook –

Accounting – Part 1 (“CPA Canada Handbook”), which incorporates International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

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

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

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

### **Critical Accounting Estimates**

The preparation of consolidated financial statements under IFRS requires the Corporation to make estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of expenses during the period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable. Actual results may differ materially from these estimates. Refer to note 2(n) of the consolidated financial statements for details on accounting estimates and assumptions that may impact its reported financial position, results of operations and cash flows.

### **RISK FACTORS**

#### ***Limited Business History***

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

#### ***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***

On June 17, 2014 the corporation filed on SEDAR “NI 43-101” highlighting resource estimates from three major mineral blocks contained within the Corporation’s Labrador mineral claims, together with extensive mineral analysis, processing tests, smelting, and melt tests conducted over the last 12-24 months. The “NI 43-101” was prepared by SRK Consulting (Canada) Inc. supplemented by technical assistance and review for processes and mineral testing by Hatch Engineering of Mississauga, ON. Please refer to the “NI 43-101” document for detailed resources estimates, detailed mineral analysis, and detailed results from the smelting and melt tests conducted by the Corporation. Ultimately, even if the Corporation has success in identifying mineral resources on any properties it may acquire, the economics of potential projects may be affected by many factors beyond the capacity of it to anticipate and control, such as the marketability of the mineral products under profitable conditions, government regulations relating to health, safety and the environment, the scale and scope of royalties and taxes on production. One or more of these risk elements could have an adverse impact on costs of an operation which, if significant enough, could reduce or eliminate the profitability of a particular project.

### ***Properties Remote***

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

### ***Operational Risks***

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

### ***Competition for Mineral Acquisition Opportunities***

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

### ***Exploration and Development Activities May Not be Successful***

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

### ***Properties May be Subject to Defects in Title***

Although the Corporation is not aware of any existing title uncertainties with respect to the property, there is no assurance that such uncertainties shall not result in future losses or additional expenditures, which could have an adverse impact on the Corporation's future cash flows, earnings, results of operations and financial condition.

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

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

### ***Decommissioning and Reclamation***

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

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

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

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

The price of commodities varies on a daily basis but long 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 including interest and payments under various operating leases for the next five years are as follows:

<b>Contractual Obligations in CDN\$ June 30, 2015</b>					
<b>Description</b>	<b>Total</b>	<b>Less than one year</b>	<b>1-3 years</b>	<b>4-5 years</b>	<b>After 5 years</b>
Loan- ACOA	\$ 500,000	\$ -	\$ -	\$ 150,000	\$ 350,000
Loan -State of Pennsylvania	1,718,493	255,109	440,138	440,138	583,107
Convertible Debenture	2,500,000	100,000	200,000	2,200,000	-
Plant Rental -Forks Township, Pennsylvania	3,326,908	943,020	1,906,362	477,526	-
	\$ 8,045,401	\$ 1,298,129	\$ 2,546,500	\$ 3,267,665	\$ 933,107

Conversion Rate used was \$1.30 CDN. Refer to Note 9 of the audited consolidated financial statements at June 30, 2015 for detailed terms and repayments requirements for the Atlantic Canada Opportunity Agency (ACOA), State of Pennsylvania loans and Convertible Debenture.



## Transactions with Related Parties

The Corporation incurred the following related party expenditures for the fourth quarter and year ended June 30, 2015.

		Quarter		Year -to -date	
		30-Jun-15	30-Jun-14	30-Jun-15	30-Jun-14
Relationship	Purpose of Transaction	\$	\$	\$	\$
Directors of the Company	Directors Fees	4,900	3,850	18,550	13,650
Key Management Personnel	Management Fees	41,250	41,250	165,000	165,000
Directors and Officers -MMI	Stock based compensation	959,000	-	1,330,000	625,000
Key operating personnel	Consulting fees	208,829	(79,411)	773,108	821,606
Key operating personnel	Salaries and benefits	151,204	53,877	565,260	91,534
		<b>1,365,183</b>	<b>19,566</b>	<b>2,851,917</b>	<b>1,716,790</b>
Capitalized		39,555	(345,330)	98,578	88,650
<b>Operating expenses</b>		<b>1,325,628</b>	<b>364,896</b>	<b>2,753,339</b>	<b>1,628,140</b>

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

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 transactions that the board of directors or senior management who believe that confirmation of the decision by the board is probable, have decided to proceed with and that have not been publicly disclosed.

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

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

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

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



## **Changes Internal Control over Financial Reporting**

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

## **ADDITIONAL INFORMATION**

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

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

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

## **Public Securities Filings**

Other information about the Corporation, including the annual information form and other disclosure documents, reports, statements or other information that is filed with Canadian securities regulatory authorities can be downloaded in portable document format (PDF) from the SEDAR web site for Canadian regulatory filings at [www.sedar.com](http://www.sedar.com) additional information is also available on the Canadian Securities Exchange at [www.cnsx.ca](http://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  
1600 - 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	PricewaterhouseCoopers LLP
Transfer Agent & Registrar	Equity Financial Trust Company, Toronto, Ontario

### **Stock Exchange**

Canadian Securities Exchange (“CSE”)  
Trading Symbol: YJR

### **Shareholder Information**

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