



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

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

The interim consolidated financial statements are presented in Canadian dollars and have been prepared in compliance with International Financial Reporting Standards (“IFRS”), as issued by the IASB, and the Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). These accounting policies are based on the IFRS standards and IFRIC interpretations that are applicable at March 31, 2017.

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

This Interim MD&A is dated as of May 26, 2017 and contains discussion of material events up to and including that date.

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

This MD&A may contain forward-looking statements that are based on the Corporation’s expectations, estimates and projections regarding its business and the economic environment in which it operates. These statements speak only as of the date on which they are made, are not guarantees of future performance and involve risks and uncertainties that are difficult to control or predict. Examples of some of the specific risks associated with the operations of the Corporation are set out below under “Risk Factors”. Actual outcomes and results may differ materially from those expressed in these forward-looking statements and readers should not place undue reliance on such statements.

#### **CORPORATE OVERVIEW**

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

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

#### **OVERVIEW OF NAIC**

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



## **Pig Iron Plant**

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

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

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

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

## **Labrador Mineral Sands**

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

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

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

## **Forks Specialty Metals (FSM)**

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



## FINANCIAL SUMMARY

The following discussion addresses the operating results and financial condition of the Corporation for the Third quarter ended March 31, 2017. This discussion and analysis is qualified in its entirety by reference to and should be read in conjunction with the Corporation's unaudited financial statements for the quarter ended March 31, 2017 and the audited consolidated financial statements for the year ended June 30, 2016 and the related notes thereto, as well as reference to the forward-looking statements within this report. All results in this report are presented in Canadian dollars, unless otherwise indicated.

### Highlights

Following is a summary of the major financial highlights for the third quarter and nine months ended March 31, 2017, and to the date of this MD&A.

- On August 2, 2016, the Corporation issued 25,518 common shares to Forest Lane Holdings Limited ("FLH"), a company controlled by an insider of the Corporation in lieu of the required quarterly cash payment in the amount of \$25,000. The securities are subject to a four-month hold period following the date of issuance.
- On August 26, 2016 GRI borrowed \$250,000 from an unrelated party bearing interest at 6% per annum calculated monthly plus 50,000 5 year warrants at an exercise price of \$0.01 per share.
- On September 29, 2016 GRI borrowed \$250,000 from Forest Lane Holdings Limited, a related party, bearing interest at 6% per annum calculated monthly plus 50,000 5 year warrants at an exercise price of \$0.01 per share.
- On November 1, 2016, the Corporation issued 36,398 common shares to Forest Lane Holdings Limited, a company controlled by an insider of the Corporation in lieu of the required quarterly cash payment in the amount of \$25,000. The securities are subject to a four month hold period following the date of issuance.
- On December 31, 2017, Directors and Officers exercised options to purchase 205,000 shares GRI at an exercise price of \$1.25 per share for aggregate proceeds of \$256,250.
- During the quarter GRI received an additional \$550,000 from Forest Lane Holdings Limited, a related party, as an advance on a line of credit bearing interest at 6% per annum calculated monthly.
- On February 1, 2017, the Corporation issued 48,685 common shares to Forest Lane Holdings Limited, a company controlled by an insider of the Corporation in lieu of the required quarterly cash payment in the amount of \$25,000. The securities are subject to a four month hold period following the date of issuance.
- Between March 31, 2017 and May 5, 2017 Forest Lane Holdings advanced GRI an additional \$805,000 against a line of credit bearing interest at 6% per annum calculated monthly.
- On May 1, 2017, the Corporation issued 63,762 common shares to Forest Lane Holdings Limited, a company controlled by an insider of the Corporation in lieu of the required quarterly cash payment in the amount of \$25,000. The securities are subject to a four month hold period following the date of issuance.

*Financial and operational results*  
*NON-GAAP Financial Measures*

There are measures included in this MD&A that does not have a standardized meaning under GAAP and therefore may not be comparable to similarly titled measures presented by other publicly traded companies. The Corporation includes these measures because it believes certain investors use these measures as a means of assessing financial performance. Management believes that the measure 'Loss before the undernoted' is an important indicator of the Corporation's ability to generate liquidity through operating cash flow to fund future working capital requirements, service outstanding debt, and fund future capital expenditures and uses this measure for that purposes. In addition, the Corporation's management reporting system evaluates performance based on several factors; however, the primary profitability measure is the earnings from operations before depreciation, amortization, net financing income or expense and income taxes ("EBITDA"). Management adjusts measures to provide investors and analysts with a more comparable year-over-year performance measure than the basic measure, by excluding certain items. These items could impact the analysis of trends in performance and affect the comparability of our financial results. By excluding these items, management is not implying they are non-recurring.

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



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

The consolidated loss for the third quarter and ended March 31, 2017, was (\$1,359,587) compared to a loss of (\$1,352,051) for the prior year.

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

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

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

## Revenue

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

## Expense Highlights

### Amortization

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

### Interest Expense

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

### Income tax recovery

Income taxes are calculated using the liability method. A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

## Selected Quarterly Financial Data

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



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

## Geographical segments

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

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

## Selected Consolidated Financial Information

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



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

Details of significant balance sheet items are detailed below.

#### Account and Other Receivables

Principally consists of HST receivable.

#### Prepaid and Other Deposits

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

#### Iron interests

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





## Project development costs

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

Represents engineering and consulting costs associated with the preparation of the Bankable Feasibility Study, site selection and permitting for the proposed pig iron facility.

## Property and Equipment

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

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

## Accounts Payable

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

## LIQUIDITY AND CAPITAL RESOURCES

The Corporation has no revenue generating operations from which it can internally generate funds. To date, the Corporation's ongoing operations have been predominantly financed through sale of its equity securities by way of private placements and or shareholder loans and advances. There can no assurances that equity financing or other sources of capital will be available or available on terms acceptable to the Corporation when required.

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





### Short-term Loans

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

### Long-Term Debt

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

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

### Convertible debenture

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

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

**Please refer to Note 9 of the Interim financial statements for further details and explanations related to long term debt.**

### Share Capital

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

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

### Stock Options

Under the Corporation's employee stock option program, the Board of Directors may, at its discretion, grant options to purchase common shares to directors, officers, employees or consultants of the Corporation. Shareholders approved the number of shares reserved for issuance under the Plan be a maximum of 20% of the issued and outstanding shares, as of the record date, in



accordance with the Stock Option Plan approved by Shareholders. However, only 10% can be issued to insiders of the Corporation.

Options outstanding at March 31, 2017:

		Exercise	Issued	Exercisable
Grant Date	Expiry Date	Price	March 31, 2017	
May 28, 2012	May 28, 2022	\$0.65	144,000	144,000
Nov. 30, 2012	Nov. 30, 2022	\$0.65	450,000	450,000
Dec. 06, 2013	Dec. 06, 2023	\$0.85	985,000	985,000
Dec. 08, 2014	Dec. 08, 2024	\$0.75	535,000	535,000
<b>Total</b>			<b>2,114,000</b>	<b>2,114,000</b>

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

### Grand River Ironsands Incorporated Stock Options

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

Options outstanding at March 31, 2017:

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

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

## CRITICAL ACCOUNTING POLICIES

### General

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

### Basis of Presentation and Going Concern

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



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

## **RISK FACTORS**

**For a complete list of risk factors please refer to the annual MD&A for June 30, 2016. Following are the most significant risk factors.**

### ***Resources and Reserves***

Ultimately, even if the Corporation has success in identifying mineral resources on any properties it may acquire, the economics of potential projects may be affected by many factors beyond the capacity of it to anticipate and control, such as the marketability of the mineral products under profitable conditions, government regulations relating to health, safety and the environment, the scale and scope of royalties and taxes on production. One or more of these risk elements could have an adverse impact on costs of an operation which, if significant enough, could reduce or eliminate the profitability of a project.

### ***Operational Risks***

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

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

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

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

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

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

The price of commodities varies daily but long term averages are the best method of estimating future prices. However, price volatility could have dramatic effects on the Corporation's results of operations and the ability of the Corporation to execute its business plan.



### ***Currency Fluctuations***

The Corporation presently maintains its accounts in Canadian dollars. The Corporation's future operations may make it subject to foreign currency fluctuations and such fluctuations may materially affect its financial position and results.

### ***Legal Proceedings***

There are no outstanding legal proceedings against the Corporation.

### **Transactions with Related Parties**

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

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

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

Key management personnel include the President, Vice President and the Chief Financial Officer of MMI, the President, Chief Executive Officer, Chief Financial Officer and Chief Corporate Affairs, Geologist, and Chief Operating Offer for GRI.

These transactions with related parties have been valued in the consolidated financial statements at the estimated fair value, which is the amount of consideration established and agreed to by the related parties.

### **Off-Balance Sheet Arrangements**

The Corporation has no off-balance sheet arrangements.

### **Proposed Transactions**

As at the date of this MD&A there are no transactions that the board of directors or senior management who believe that confirmation of the decision by the board is probable, have decided to proceed with and that have not been publicly disclosed.

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

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



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

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

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

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

### **ADDITIONAL INFORMATION**

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

### **Public Securities Filings**

Other information about the Corporation, including the annual information form and other disclosure documents, reports, statements or other information that is filed with Canadian securities regulatory authorities can be downloaded in portable document format (PDF) from the SEDAR web site for Canadian regulatory filings at [www.sedar.com](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  
Kevin Kemper, Vice President Business Development  
C.H. (Bert) Loveless, Vice President  
Lorne S MacFarlane, Chief Financial Officer  
Lina Tannous, Secretary

### Corporate Head Office

Metalo Manufacturing Inc.  
Attn: K. Barry Sparks  
1600 - 141 Adelaide Street West  
Toronto, ON M5H 3L5  
Fax Number: (902) 484-7599  
Phone Number: (902) 499-7150

### Mailing Address

Metalo Manufacturing Inc.  
Attn: Lorne S. MacFarlane  
380 - 311 Bedford Highway  
Halifax, NS B3M 2L4

### Corporate Information

Bankers	Bank of Montreal, Main Branch, Halifax, Nova Scotia
Auditors	PricewaterhouseCoopers LLP
Transfer Agent & Registrar	TSX Trust Company, Toronto, Ontario

### Stock Exchange

Canadian Securities Exchange ("CSE")  
Trading Symbol: MMI

### Shareholder Information

Contact Person:	C H Bert Loveless
Contact Telephone Number:	(902) 471-8028
Contact E-Mail Address:	<a href="mailto:bert@metalo.ca">bert@metalo.ca</a>
Website:	<a href="http://www.metalo.ca">www.metalo.ca</a>

