



**METALO MANUFACTURING INC.  
INTERIM MD&A - QUARTERLY HIGHLIGHTS  
FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2019**

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 following is a discussion of the unaudited interim consolidated financial condition and results of operations of Metalo Manufacturing Inc. (“MMI” or “the Corporation”) for the first quarter ended September 30, 2019. This interim discussion and analysis should be read in conjunction with the Corporation’s quarterly unaudited interim financial statements for the quarter ended September 30, 2019 and the annual audited consolidated financial statements and the annual MD&A for the year ended June 30, 2019.

The Corporation’s principal asset is a 43.92% shareholding in Grand River Ironsands Incorporated (GRI), a private company incorporated in the Province of Nova Scotia. GRI owns 90% of North Atlantic Iron Corporation (“NAIC”), a private corporation that is involved in the exploration and development of a mineral sands project near Happy Valley-Goose Bay, NL, Canada. GRI also owns 100% of Pure Fonte Ltée (“PFL” or “Pure Fonte”), a Federal corporation based in Quebec established to construct a pig iron plant.

The unaudited 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 September 30, 2019.

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.cse.ca](http://www.cse.ca)

This MD&A is dated as of November 22, 2019 and contains discussion of material events up to and including that date.

**CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

The following discussion and analysis contain 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

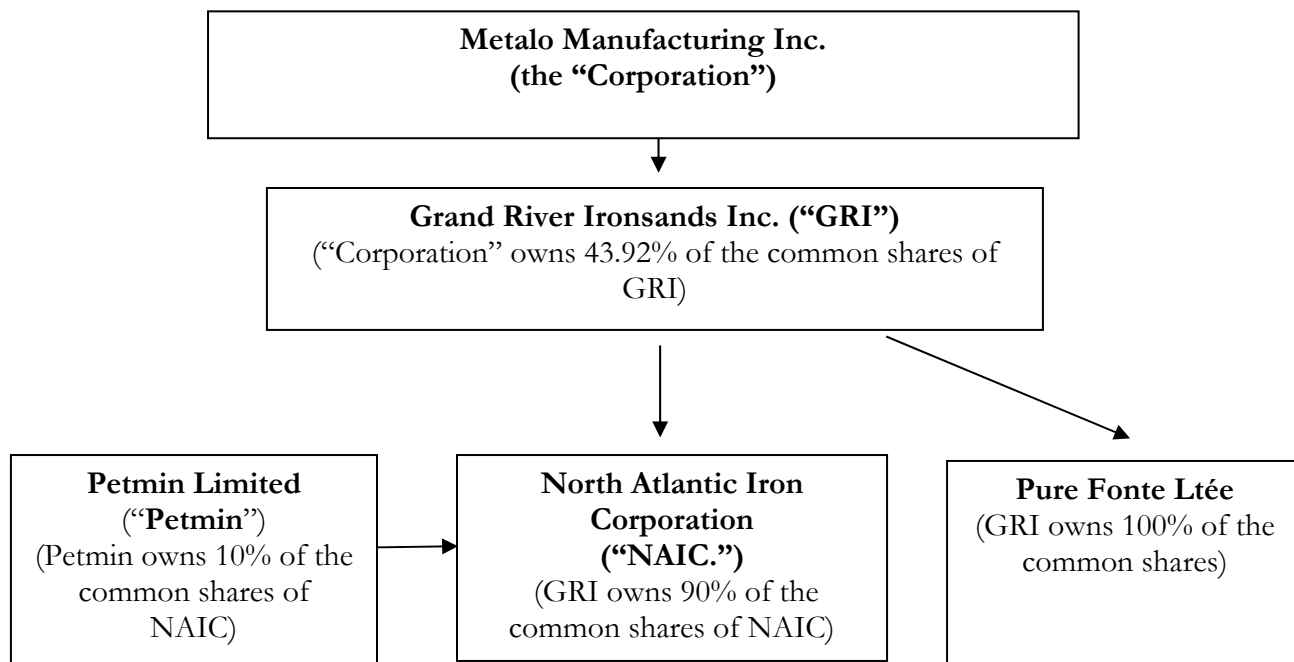


and based upon what management believes to be reasonable assumptions, the Corporation cannot be certain that actual results will be consistent with these forward-looking statements. Forward-looking statements involve significant known and unknown risks, assumptions and uncertainties that may cause the 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

The following chart displays the corporate structure and ownership structure post restructuring.



## OVERVIEW OF NAIC

NAIC's exploration properties are in the Happy Valley, Goose Bay region of Newfoundland and Labrador. The claims are in central Labrador immediately to the west, south, southwest and southeast 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. 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 Happy Valley-Goose Bay, Newfoundland and Labrador and to reduce carrying costs and future work commitments. 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 181 claims in 3 claim blocks with a total area of approximately 23 square kilometres. Management are confident that this significant reduction in claims will have no material impact on a future development solution.

### NAIC Mineral Claims

| Claim No            | No Claims  | Issued    | Status | Renewal Date | NTS Map        |
|---------------------|------------|-----------|--------|--------------|----------------|
| <b>South Branch</b> |            |           |        |              |                |
| 017911M             | 44         | 8/23/2010 | Active | 8/23/2020    | 13F/02, 13F/07 |
| <b>Muskrat</b>      |            |           |        |              |                |
| 017907M             | 23         | 8/23/2010 | Active | 8/23/2020    | 13F/07         |
| <b>Hoffman</b>      |            |           |        |              |                |
| 018325M             | 114        | 1/6/2011  | Active | 1/6/2021     | 13F/03, 13F/02 |
| <b>Total</b>        | <b>181</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.

NAIC has had ongoing communications with engineering firms experienced in mineral sands in China and Germany. The discussions and negotiations with interested Chinese advisors, off-takers and investors have been placed on hold until the political matters between China and Canada have been resolved. In the interim, meetings have been held with a firm able to undertake technical, market and feasibility work in Germany. Additionally, NAIC has actively been exploring funding solutions, including issuing flow through shares in Canada. Industrial minerals (silica quartz, feldspars, garnets, zircon, etc.) are not commonly understood in Canada by experts or investors. This complexity may require broadening the investment efforts. NAIC has been in ongoing discussions to raise up to \$5 million to advance the asset through permitting, feasibility and market assessment efforts. Community consultation will be activated in Q1 2020 in Newfoundland and Labrador. As pertinent information is obtained, it will be shared with through a media release or CSE Form 7A monthly filing.

## Historical

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.

In 2015, due to the oversupply of iron ore feedstock, it was decided to source iron ore from other Canadian producers for the pig iron plant. NAIC also began pursuing the evaluation of accessory minerals associated with the Labrador mineral sands properties. These minerals primarily include garnet, zircon, feldspars, and silica sands. In 2017, NAIC made the decision to abandon further evaluation of the iron interests with the objective to pursue the accessory minerals only. NAIC expects to commission a market feasibility study in the near term to further understand the development potential associated with the accessory minerals in the properties.

In determining the recoverable amount of the resource properties, NAIC has made estimates regarding the quantity of accessory minerals to be extracted, the accessory mineral prices expected to be in place at the time of extraction, the direct costs associated with mining these minerals and total project capital expenditures. Based on this analysis, NAIC believes the carrying amount to be recoverable. Given the uncertainty associated with each of the above assumptions, it is reasonably possible that outcomes which differ from these assumptions could require material adjustment to the carrying amount of the resource properties in the future.

NAIC plan to revisit the viability of the mineral sands from an economic, market, permitting and economic development opportunity for the community and Province. Other considerations will include access to required electricity and labour as well as the future plans of the Port in the local area to accommodate increased traffic. Equally important will be the support of the Innu First Nations and other aboriginal communities and local residents.

## OVERVIEW OF PURE FONTE LTÉE (PFL)

NAIC and GRI have invested substantial funds (more than an estimated \$35 million) in all related measures to solve and prove the economic viability and to develop a bankable feasibility study related to the planned construction of the pig iron facility, this included site selection, preliminary environmental assessment and permitting, process design and engineering and logistics. Approximately \$2.9 million was capitalized through PFL as project development costs.

GRI currently owns 100% of the investment in PFL and NAIC will focus solely on the development of the mineral sands resource in Newfoundland and Labrador. PFL will focus solely on the financing and construction of a pig iron manufacturing plant in Quebec.

PFL has accelerated its efforts to advance the pig iron plant. This plant will be a specialized producer in North America of premium grade pig iron and has been designed to provide a new standard for environmental emissions and stewardship. As well, it will be strategically located to provide

competitive advantage in both access to raw materials as well as access to markets in North America and Europe.

The design attributes required are as follows:

1. lowest generation of greenhouse gases (GHGs) per tonne of pig iron produced in the industry;
2. economic returns necessary to ensure the required capital investment is available;
3. manufacturing process capable of producing premium grade pig iron to guarantee best pricing and least market volatility;
4. location supported by the government and the community, with the ability to provide skilled labour and competitive infrastructure; and
5. location must serve and be competitive in both European and North American markets.

The bankable feasibility study (the “BFS”) is complete for the US\$408 million pig iron manufacturing plant for the Quebec site. The environmental assessment work in Quebec was placed on hold in 2019 until greater visibility on capital raising for the pre-construction work was obtained. Those efforts are now advancing with a plan to finalize. The pre-construction work is comprehensive and will include the financing of the permitting, front end engineering and design (site related), detailed engineering (plant), negotiating the capital required for project financing and other corporate and legal related matters.

Plans are to close a tranche of US\$20 million prior to the end of March, 2020 to fulfil those financial needs identified as pre-construction. This has remained a challenge, however management remains optimistic in securing a solution.

The economics of the plant continues to improve, due to the market for pig iron remaining in the US\$290-380/tonne for more than one year, with the price for premium pig iron reaching US\$525/tonne. Also, raw material prices for iron ore have exceeded the process modelled and remain within an acceptable range. The model economics remained intact when the price of iron ore increased as they were offset by other costs that were reduced in the market. Natural gas and electricity prices have remained in forecasted ranges. Letters of undertaking have been secured to purchase 100% of the plant production.

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

As with NAIC, MMI will provide pertinent information through media releases and/or Form 7A filed monthly with the Canadian Securities Exchange (CSE) – [www.cse.com](http://www.cse.com) entering the stock symbol MMI.

## **FINANCIAL SUMMARY**

The Corporation is in the mining, exploration and manufacturing sectors through its indirect interest in NAIC and PFL.

The unaudited interim consolidated financial statements for the quarter ended September 30, 2019 include all the accounts of the Corporation, GRI, NAIC, FSM and PFL.

The following discussion addresses the operating results and financial condition of the Corporation for the first quarter ended September 30, 2019. 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 for the year ended June 30, 2019 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

The following is a summary of the major financial highlights for the first quarter ended September 30, 2019.

- On August 1, 2019, the Corporation issued 85,749 common shares to FLH. This represents interest due August 1, 2018 in the aggregate amount of \$25,000 on the convertible debenture and was made at a deemed price of \$0.2915 per share, which is the volume-weighted trading price for the 20 trading days ending July 11, 2019. The securities are subject to a four month hold period following the date of issuance.
- On September 18, 2019, a six-month loan, guaranteed by the Corporation, in the amount of \$575,000 was closed by GRI from a non-related party. The loan bears interest at a rate of 24% per annum if paid after January 17, 2020, and a rate of 20% per annum if paid between December 17, 2019 and January 16, 2020. The lender withheld an interest reserve amount of \$62,500 from the proceeds disbursed to GRI.
- On November 1, 2019, the Corporation issued 90,171 common shares to FLH. This represents interest due November 1, 2019, in the aggregate amount of \$25,000 on the convertible debenture and was made at a deemed price of \$0.2773 per share, which is the volume-weighted trading price for the 20 trading days ending October 3, 2019. 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 do 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 a number of 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 in an effort 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>30-Sep-19</b><br>\$'s | <b>30-Sep-18</b><br>\$'s |
| Revenue  | -                        | -                        |
| Expenses   |                          |                          |
| Utilities  | 137                      | 204                      |
| Dues and fees  | 2,886                    | 3,161                    |
| Foreign exchange losses                                | 2,940                    | 4,326                    |
| General and administrative                             | 1,671                    | 5,223                    |
| Insurance  | 875                      | 875                      |
| Management and consulting fees                         | 107,250                  | 194,079                  |
| Professional fees                                      | 40,616                   | 17,000                   |
| Rental   | 855                      | 8,482                    |
| Travel   | 30,721                   | 8,160                    |
| Salaries and wages                                     | 15,764                   | 18,661                   |
| <b>Consolidated operating loss before under noted</b>  | <b>(203,715)</b>         | <b>(260,172)</b>         |
| Amortization   | (881)                    | (1,123)                  |
| Interest including accretion                           | (207,470)                | (175,565)                |
| Gain (loss) on investments                             | 400                      | 80                       |
| <b>Net Income (before taxes)</b>                       | <b>(411,666)</b>         | <b>(436,780)</b>         |
| Income tax (expense) recovery                          | 123,554                  | 122,016                  |
| <b>Net Income</b>                                      | <b>(288,112)</b>         | <b>(314,764)</b>         |
| Non-controlling interest                               | (128,260)                | 137,843                  |
| <b>Comprehensive income (loss) attributable to MMI</b> | <b>(159,852)</b>         | <b>(176,921)</b>         |
| Income (Loss) per share                                | (0.009)                  | (0.010)                  |
| <b>Avg. Weighted Shares O/S</b>                        | <b>18,139,144</b>        | <b>17,743,363</b>        |

For the quarter ended September 30, 2019, the consolidated operating loss before interest, amortization income tax and other unusual items was (\$203,715) compared to a loss of (\$260,172) for the prior year. For the quarter ended September 30, 2019 the comprehensive loss attributed to MMI shareholders was (\$159,852) (\$0.008) per share compared to a loss of (\$176,921) (\$0.105 per share) for the prior year.

### **Additional explanations**

#### **Revenue**

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

## Interest and accretion expense

For the first quarter ended September 30, 2019, the Corporation had an interest and accretion expense of \$207,470 compared to an interest expenses of \$175,565 for the prior year. These amounts do not include interest expense or accretion 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. The deferred tax benefit of these losses has been recognized as a reduction of the deferred tax liabilities. (Refer to Note 15 of the consolidated financial statements)

## Selected Quarterly Financial Data

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

| Selected Quarterly Financial Data                  |                  |                  |                  |                  |                  |                  |                  |                |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|----------------|
|  | 30-Sep           | 30-Jun           | 31-Mar           | 31-Dec           | 30-Sep           | 30-Jun           | 31-Mar           | 31-Dec         |
|  | 2019             | 2019             | 2019             | 2018             | 2018             | 2018             | 2018             | 2017           |
| Expenses   |                  |                  |                  |                  |                  |                  |                  |                |
| Advertising and promotion                          | -                | -                | -                | -                | -                | -                | (1,396)          | 1,396          |
| Utilities  | 137              | -                | 268              | 1,574            | 204              | -                | 499              | (12,411)       |
| Dues and fees                                      | 2,886            | 3,121            | 4,129            | 8,925            | 3,161            | 12,497           | 4,232            | 7,957          |
| Facility costs                                     | -                | -                | -                | -                | -                | 13,043           | (14,032)         | (4,733)        |
| Foreign exchange losses (gains)                    | 2,940            | (2,457)          | (2,163)          | (110)            | 4,326            | 62,642           | 28,205           | (444,322)      |
| General and administrative                         | 1,671            | (8,720)          | 596              | 11,591           | 5,223            | 3,201            | 1,534            | 5,020          |
| Insurance  | 875              | 1,167            | 583              | 875              | 875              | 875              | 875              | 25,696         |
| Management fees                                    | 107,250          | 151,635          | 108,550          | 198,746          | 194,079          | 249,271          | 2,970            | 196,024        |
| Professional fees                                  | 40,616           | 112,343          | 11,577           | 19,750           | 17,000           | (5,795)          | 49,745           | (10,086)       |
| Rental   | 855              | 16,744           | 822              | 14,341           | 8,482            | 8,208            | 10,350           | 85,171         |
| Travel   | 30,721           | 23,266           | 3,734            | 106,904          | 8,160            | (54,425)         | 228,405          | 12,327         |
| Salaries and wages                                 | 15,764           | 23,046           | 10,276           | 67,824           | 18,661           | 41,168           | 56,635           | (21,720)       |
| <b>Operating (loss) income) before under noted</b> | <b>(203,715)</b> | <b>(320,145)</b> | <b>(138,372)</b> | <b>(430,421)</b> | <b>(260,172)</b> | <b>(330,685)</b> | <b>(368,022)</b> | <b>159,681</b> |
| Expense recovery Porcupine Strand                  | -                | -                | -                | -                | -                | -                | -                | -              |
| Cumulative Translations adjustments                | -                | -                | -                | -                | -                | 175,364          | 245,688          | (470,952)      |
| Amortization                                       | (881)            | (1,965)          | (280)            | (1,122)          | (1,123)          | (2,352)          | (3,480)          | (2,489)        |
| Interest expense including accretion               | (207,470)        | (228,058)        | (177,238)        | (175,601)        | (175,565)        | (162,281)        | (159,678)        | (168,769)      |
| Gain on deconsolidation of subsidiary              | -                | -                | -                | -                | -                | -                | -                | 1,562,459      |
| Gain on sale of intangible asset                   | -                | -                | -                | -                | -                | -                | 2,249,678        | -              |
| Impairment of property and equipment               | -                | -                | -                | -                | -                | -                | -                | (20,609)       |
| Gain on sale of equipment                          | -                | -                | -                | -                | -                | 6,177            | -                | -              |
| Valuation discount term loan                       | -                | 234,526          | -                | -                | -                | -                | -                | -              |
| Gain (loss) on investments                         | 400              | 1,120            | (1,120)          | (480)            | 80               | (1,040)          | 1,440            | 603            |
| Income tax recovery                                | 123,554          | 290,171          | 93,081           | 169,200          | 122,016          | 430,034          | (330,229)        | (492,590)      |
| <b>Consolidated Income (Loss)</b>                  | <b>(288,112)</b> | <b>(24,351)</b>  | <b>(223,929)</b> | <b>(438,424)</b> | <b>(314,764)</b> | <b>115,216</b>   | <b>1,635,397</b> | <b>567,334</b> |
| Non-controlling interest                           | 128,260          | 185,430          | 87,532           | 194,725          | 137,843          | (773,403)        | (598,730)        | (369,292)      |
| <b>Comprehensive Income (Loss)</b>                 | <b>(159,852)</b> | <b>161,079</b>   | <b>(136,396)</b> | <b>(243,699)</b> | <b>(176,921)</b> | <b>(658,186)</b> | <b>1,036,667</b> | <b>198,042</b> |
| Income (Loss) per share                            | (\$0.009)        | \$0.009          | (\$0.008)        | (\$0.014)        | (\$0.010)        | (\$0.037)        | \$0.024          | \$0.011        |
| Avg. Weighted Shares O/S                           | 18,139,144       | 18,208,212       | 17,862,991       | 17,809,894       | 17,743,363       | 17,676,321       | 17,584,713       | 17,558,230     |

## 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. The segments are managed on a worldwide basis, but operate in one principal geographical area, namely, Canada. Segment assets are based on the geographical location of the assets.

|                                      | Corporate |           | GRI       |           | NAIC       |            | Pure Fonte |           | Eliminations |              | Consolidated |            |
|--------------------------------------|-----------|-----------|-----------|-----------|------------|------------|------------|-----------|--------------|--------------|--------------|------------|
|                                      | 30-Sep-19 | 30-Sep-18 | 30-Sep-19 | 30-Sep-18 | 30-Sep-19  | 30-Sep-18  | 30-Sep-19  | 30-Sep-18 | 30-Sep-19    | 30-Sep-18    | 30-Sep-19    | 30-Sep-18  |
|                                      | \$        | \$        | \$        | \$        | \$         | \$         | \$         | \$        | \$           | \$           | \$           | \$         |
| Revenue - intersegment               | 4,463     | -         | -         | -         | -          | -          | -          | -         | (4,463)      | -            | -            | -          |
| Operating expenses                   | (24,694)  | (26,491)  | (111,712) | (182,470) | (1,728)    | (16,713)   | (65,580)   | (34,498)  | -            | -            | (203,716)    | (260,172)  |
| Depreciation and Amortization        | -         | -         | (220)     | (280)     | (661)      | (842)      | -          | -         | -            | -            | (881)        | (1,123)    |
| Interest and bank charges            | (25,058)  | (20,185)  | (122,379) | (109,053) | (122)      | (242)      | (8,197)    | (10,585)  | 4,463        | -            | (151,293)    | (140,065)  |
| Interest accretion                   | (40,802)  | (35,500)  | -         | -         | -          | -          | (15,375)   | -         | -            | -            | (56,177)     | (35,500)   |
| Gain (loss) on subsidiary debt       | -         | -         | -         | -         | -          | -          | -          | -         | -            | -            | -            | -          |
| Valuation discount on term loan      | -         | -         | -         | -         | -          | -          | -          | -         | -            | -            | -            | -          |
| Gain on sale of intangible asset     | -         | -         | -         | -         | -          | -          | -          | -         | -            | -            | -            | -          |
| Impairment of property & equipment   | -         | -         | -         | -         | -          | -          | -          | -         | -            | -            | -            | -          |
| Loss on sale of property & equipment | -         | -         | -         | -         | -          | -          | -          | -         | -            | -            | -            | -          |
| Realized gain (loss) on investments  | -         | -         | 400       | 80        | -          | -          | -          | -         | -            | -            | 400          | 80         |
| Unrealized gain on investments       | -         | -         | 400       | 80        | -          | -          | -          | -         | -            | -            | 400          | 80         |
|                                      | (86,091)  | (82,176)  | (233,911) | (291,724) | (2,511)    | (17,796)   | (89,153)   | (45,083)  | 4,463        | -            | (411,667)    | (436,780)  |
| Segment income (loss) before taxes   | (90,554)  | (82,176)  | (233,911) | (291,724) | (2,511)    | (17,796)   | (89,153)   | (45,083)  | -            | -            | (411,667)    | (436,780)  |
| Total assets                         | 5,237,100 | 5,279,368 | 6,580,024 | 6,079,889 | 57,654,070 | 57,304,760 | 2,926,955  | 3,016,454 | (13,288,843) | (12,770,097) | 59,109,306   | 58,910,373 |
| Total liabilities                    | 6,935,921 | 7,385,692 | 6,559,166 | 5,629,426 | 768,032    | 561,699    | 3,318,852  | 2,505,175 | (3,073,975)  | (2,655,233)  | 14,507,996   | 13,426,761 |

## Selected Consolidated Financial Information

Selected items from the Consolidated Balance Sheet the prior three fiscal years.

| Selected Consolidated Balance Sheet Items                      |                    |               |               |
|--|--------------------|---------------|---------------|
|  | Year End           | Year End      | Year End      |
|  | September 30, 2019 | June 30, 2019 | June 30, 2018 |
|  |                    |               | Restated      |
|  | \$'s               | \$'s          | \$'s          |
| Cash   | 347,315            | 7,138         | 28,148        |
| Other receivables  | 25,070             | 15,241        | 13,511        |
| Prepaid and other deposits                                     | 71,426             | 29,031        | 51,458        |
| Investment and loan receivable                                 | 3,200              | 2,800         | 3,200         |
| Resource Properties  | 57,184,031         | 57,175,564    | 57,170,334    |
| Project development costs                                      | 1,462,322          | 1,462,322     | 1,462,322     |
| Property and equipment   | 15,940             | 16,821        | 21,311        |
| Accounts Payable   | (948,426)          | (922,540)     | (403,370)     |
| Short Term Loans   | (7,829,746)        | (4,892,256)   | (4,828,844)   |
| Long term debt   | (869,066)          | (3,045,386)   | (2,093,401)   |
| Deferred Taxes   | (4,860,756)        | (4,984,312)   | (5,658,778)   |
| Shareholders' Equity   | 17,829,679         | 17,964,531    | 18,260,469    |
| Shareholders' Equity associated with Non controlling interests | 26,771,632         | 26,899,892    | 27,505,422    |

## Account and Other Receivables

This principally consists of HST receivable.

## Prepaid and Other Deposits

The increase in prepaid and other deposits in the amount of \$71,426 at September 30, 2019 as compared to \$29,031 at June 30, 2019 relates to prepaid financing and interest costs associated with the capitalization of Pure Fonte.

## Resource Properties

NAIC's exploration properties are in Happy Valley- Goose Bay region of Newfoundland and Labrador. At the date of the MD&A the property comprises 181 claims in 3 claim blocks with a total area of approximately 23 square kilometres.

| Resource Properties    |            |           |            |
|------------------------|------------|-----------|------------|
|                        | Balance    | Interest  | Balance    |
|                        | 30-Jun-19  | Accretion | 30-Sep-19  |
|                        | \$         | \$        | \$         |
| Labrador Mineral Sands | 57,175,564 | 8,467     | 57,184,031 |

## Project development costs

This represents engineering and consulting costs associated with the preparation of the BFS, site selection and permitting for the proposed pig iron facility.

| Project Development Costs            |           |           |           |
|--------------------------------------|-----------|-----------|-----------|
|                                      | 30-Jun-19 | Additions | 30-Sep-19 |
|                                      | \$        | \$        | \$        |
| Site selection, engineering & design | 1,462,322 | -         | 1,462,322 |

## Property and Equipment

| Description                    | Cost      |           |           | Accumulated Depreciation |              |           | Net Book  | Net Book  |
|--------------------------------|-----------|-----------|-----------|--------------------------|--------------|-----------|-----------|-----------|
|                                | Balance   |           | Balance   | Balance                  |              | Balance   | Value     | Value     |
|                                | 30-Jun-19 | Additions | 30-Sep-19 | 30-Jun-18                | Depreciation | 30-Sep-19 | 30-Jun-19 | 30-Sep-19 |
| Computer hardware              | 2,278     | -         | 2,278     | 683                      | 120          | 803       | 1,595     | 1,476     |
| Industrial Equipment           | 18,751    | -         | 18,751    | 3,751                    | 750          | 4,501     | 15,000    | 14,249    |
| Office furniture and equipment | 282       | -         | 282       | 56                       | 11           | 67        | 226       | 215       |
|                                | 21,311    | -         | 21,311    | 4,490                    | 881          | 5,371     | 16,821    | 15,940    |

## Accounts Payable

The accounts payable balance at September 30, 2019 was \$948,246 comparable to \$922,540 at June 30, 2019.

## Short Term Loans (refer to Note 8 of the consolidated financial statements)

On August 25, 2016, GRI borrowed \$250,000 from an unrelated party for 90 days with interest at 6% per annum, accruing monthly, plus 50,000 common share purchase warrants exercisable on or before August 25, 2019 at an exercise price of \$0.01 per share. The repayment date in the original loan agreement has been extended to December 31, 2019 and the warrant expiry date has been extended to December 31, 2020. Including accrued interest the balance outstanding at September 30, 2019 totaled \$300,183.

On September 29, 2016, GRI borrowed \$250,000 from Forest Lane Holdings Limited “FLH”, a company controlled by a Director of the Corporation, for 90 days with interest at 6% per annum, accruing monthly, plus 50,000 common share purchase warrants exercisable on or before September 29, 2019 at an exercise price of \$0.01 per share. FLH also extended a line of credit facility bearing interest at 6% per annum, accruing monthly, to GRI in the amount of \$2,105,000. The loan and line of credit have been combined into a demand note, with no fixed terms of repayment, for \$2,355,000 with interest at 6% per annum accruing monthly. The original loan amount was increased by an additional \$14,000 on March 14, 2019, bringing the total loan amount to \$2,369,000. The warrant expiry time was also extended to December 31, 2020. Including accrued interest, the balance outstanding at September 30, 2019 totaled \$2,762,449.

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 with FLH. The debenture matures on May 1, 2020 and bears interest at a rate of 5% per annum payable quarterly and in previous years was reflected in long-term debt. The debenture is 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.

On September 18, 2019, a six-month loan, guaranteed by the Corporation, in the amount of CAD \$575,000 was provided to Grand River Ironsands Incorporated by a non-related party. The loan bears interest at a rate of 24% per annum if paid after January 17, 2020, and a rate of 20% per annum if paid between December 17, 2019 and January 16, 2020. The lender withheld an interest reserve amount of \$62,500 from the proceeds disbursed to GRI.

On August 31, 2017, GRI received from David J. Hennigar, Chairman of the Corporation, a loan of \$2,000,000 bearing interest at 12% per annum payable monthly. This loan was previously reflected in short-term debt, however, subsequent to year end, a loan extension was signed extending the payment of principal, without penalty, on or before August 31, 2020, and the holder has the option to convert the principal of the loan and the interest accrued on the loan to common shares at a conversion rate of \$2.10 per share. Including accrued interest the balance outstanding at September 30, 2019 totaled \$2,275,825. This loan was reclassified to current liabilities in the quarter.

## 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 the sale of its equity securities by way of private placements and/or shareholder loans and advances. There can be no assurances that equity financing or other sources of capital will be available or available on terms acceptable to the Corporation when required.

At November 22, 2019 the Corporation has cash on hand of approximately \$223,000 and has a working capital deficiency of approximately \$8,300,000. The Corporation has had recurring negative cash flows from operations and will require additional financing to fund its continuing business 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 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.

### 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, 2020 and repayments will commence in December 2020.

On July 5, 2018 an unsecured loan in the amount of \$621,000 was provided to Pure Fonte by a non-related party. The loan bears interest at a rate of 5% per annum and matures three years from the date of receipt. The interest shall accrue and will be capitalized to the end of term. The principal and accumulated interest can be converted into shares at the option of the holder discounted by 25%. The loan can be paid in advance, however, is subject to a 15% penalty.

Please refer to Note 9 of the consolidated financial statement for further details.

### Share Capital

A summary of the Corporation's common shares outstanding as of September 30, 2019

| COMMON STOCK ISSUED AND OUTSTANDING           |                  |           |
|---|------------------|-----------|
| Authorized: Unlimited number of common shares | Number of Shares | \$        |
| Opening Balance June 30, 2019                 | 18,053,395       | 9,273,978 |
| Shares issued for convertible debt interest   | 85,749           | 25,000    |
| Closing Balance September 30, 2019            | 18,139,144       | 9,298,978 |

## 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 5 years from the date of the grant. The Corporation has reserved 3,504,614 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.

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

| <b>Options Outstanding and Exercisable</b> |                    |                          |                                      |
|--|--------------------|--------------------------|--------------------------------------|
| <b>Number of options outstanding</b>       | <b>Expiry Date</b> | <b>Exercise Price \$</b> | <b>Number of options exercisable</b> |
| 144,000                                    | 28-May-2022        | 0.65                     | 144,000                              |
| 450,000                                    | 30-Nov-2022        | 0.65                     | 450,000                              |
| 985,000                                    | 6-Dec-2023         | 0.85                     | 985,000                              |
| 535,000                                    | 8-Dec-2024         | 0.75                     | 535,000                              |
| <b>2,114,000</b>                           |                    | <b>0.77</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 September 30, 2019, there were 2,376,933 common shares eligible for issuance pursuant to the stock option plan, of which 598,000 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 May 27, 2016, GRI granted 150,000 options to directors, officers, employees and consultants of GRI under the stock purchase plan at an exercise price of \$2.50. 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 0.78%; dividend yields of nil; volatility factor of 164.02%; share prices of \$2.07; and a weighted average expected life of the option of 5 years.

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

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

| Grant Date    | Expiry Date   | Exercise Price | September 30, 2019 |                |
|---------------|---------------|----------------|--------------------|----------------|
|               |               |                | Issued             | Exercisable    |
| Dec. 08, 2014 | Dec. 08, 2019 | \$2.10         | 448,000            | 448,000        |
| May 27, 2016  | May 27, 2021  | \$2.50         | 150,000            | 150,000        |
| <b>Total</b>  |               | <b>\$2.20</b>  | <b>598,000</b>     | <b>598,000</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 Going Concern

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 matters and conditions indicate a material uncertainty 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. These consolidated financial statements do not reflect adjustments to 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(q) 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.

### *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***

On December 28, 2017, Forks Specialty Metals Inc., a wholly owned subsidiary of Grand River Ironsands Incorporated, filed for bankruptcy under Chapter 7 of the United States Bankruptcy Code in the United States Bankruptcy Court, Eastern District of Pennsylvania. The bankruptcy proceedings are on hold pending the result of an adversary complaint filed on February 8, 2019 in the United States Bankruptcy Court for the Eastern District of Pennsylvania by the trustee for the estate of Forks against the Corporation, GRI, NAIC and Francis MacKenzie (collectively, the "Defendants"). The trustee is alleging that the Defendants are responsible for the debts of Forks. The Defendants maintain that the suit has no merit and have retained local counsel to defend its position. Several motions have been filed and the matter is ongoing.

### ***Market for Securities***

The Common Shares of the Corporation are listed and posted for trading on the Canadian Securities Exchange (CSE) under the trading symbol "MMI". The stock is thinly traded and investors should be aware that there may be no market for their shares.

| <b>12 Months Trading Data</b> |              |              |              |                |
|-------------------------------|--------------|--------------|--------------|----------------|
| <b>Month</b>                  | <b>High</b>  | <b>Low</b>   | <b>Close</b> | <b>Volume</b>  |
| Oct-18                        | 0.380        | 0.300        | 0.300        | 2,125          |
| Nov-18                        | 0.400        | 0.190        | 0.200        | 29,800         |
| Dec-18                        | 0.320        | 0.185        | 0.300        | 12,300         |
| Jan-19                        | 0.400        | 0.245        | 0.245        | 4,000          |
| Feb-19                        | 0.270        | 0.200        | 0.200        | 21,090         |
| Mar-18                        | 0.250        | 0.200        | 0.250        | 48,388         |
| Apr-19                        | 0.250        | 0.150        | 0.250        | 66,081         |
| May-19                        | 0.350        | 0.215        | 0.350        | 23,665         |
| Jun-19                        | 0.350        | 0.210        | 0.270        | 85,000         |
| Jul-19                        | 0.27         | 0.12         | 0.17         | 50,167         |
| Aug-19                        | 0.260        | 0.017        | 0.020        | 38,704         |
| Sep-19                        | 0.350        | 0.130        | 0.035        | 10,664         |
|                               | <b>0.400</b> | <b>0.150</b> | <b>0.270</b> | <b>336,889</b> |

## Cash Flow Requirements

Refer to Notes 8 and 9 of the audited consolidated financial statements at June 30, 2019 for detailed terms and repayments requirements for the Atlantic Canada Opportunity Agency (ACOA) and Convertible Debenture and other short term loans. The long-term contractual obligations for the next five years are as follows:

| Contractual Obligations in CDN\$ September 30, 2019 |               |                    |              |            |               |
|---|---------------|--------------------|--------------|------------|---------------|
| Description   | Total         | Less than one year | 2-3 years    | 4-5 years  | After 5 years |
| Loan- ACOA  | \$ 500,000    | \$ -               | \$ 125,000   | \$ 250,000 | \$ 125,000    |
| Short term notes and loans                          | 7,829,746     | 5,829,746          | 2,000,000    | -          | -             |
| Term Loan (interest capitalized)                    | 652,504       | -                  | 702,000      |            |               |
| Short term notes and loans                          | \$575,000     | 575,000            |              |            |               |
| Convertible Debenture( inclusive of interest)       | 2,100,000     | 2,100,000          | -            | -          | -             |
|   | \$ 11,657,251 | \$ 8,504,746       | \$ 2,827,000 | \$ 250,000 | \$ 125,000    |

## Transactions with Related Parties

The Corporation incurred the following related party expenditures for the fourth quarter and year ended June 30, 2019.

| Relationship             | Purpose of Transaction | Three months ended |                | Year to Date   |                |
|--------------------------|------------------------|--------------------|----------------|----------------|----------------|
|                          |                        | 30-Sep-19          | 30-Sep-18      | 30-Sep-19      | 30-Sep-18      |
|                          |                        | \$                 | \$             | \$             | \$             |
| Key Management Personnel | Management Fees        | 102,750            | 65,000         | 102,750        | 65,000         |
| Consulting Services      | Consulting fees        | -                  | -              | -              | -              |
| Key operating personnel  | Salaries and benefits  | 20,264             | 18,661         | 20,264         | 18,661         |
|                          |                        | <b>123,014</b>     | <b>152,411</b> | <b>123,014</b> | <b>152,411</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, and Corporate Affairs Director 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 interim filings. The certifying officers have concluded that disclosure controls and procedures are effective at September 30, 2019. 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.cse.com](http://www.cse.com)

### CORPORATE PROFILE

|   |  |
|---|--|
| <p><b>Board of Directors</b><br/>         J. Paul Allingham<br/>         David J. Hennigar<br/>         C.H. (Bert) Loveless<br/>         Francis H. MacKenzie<br/>         Jean-Marc MacKenzie<br/>         Paul R. Snelgrove<br/>         K. Barry Sparks<br/>         E. Christopher Stait-Gardner</p> | <p><b>Corporate Officers</b><br/>         David J. Hennigar, Chairman<br/>         Francis H. MacKenzie, President &amp; Chief Executive Officer<br/>         Kevin Kemper, Vice President Business Development<br/>         C.H. (Bert) Loveless, Vice President and Interim CFO<br/>         Lina Tannous, Corporate Secretary</p> |
| <p>Corporate Head Office<br/>         Metalo Manufacturing Inc.<br/>         Attn: K. Barry Sparks<br/>         1400 - 141 Adelaide Street West<br/>         Toronto, ON M5H 3L5<br/>         Fax Number: (902) 484-7599<br/>         Phone Number: (902) 499-7150</p>                                    | <p>Mailing Address<br/>         Metalo Manufacturing Inc.<br/>         Attn: Francis MacKenzie<br/>         PO Box 14<br/>         535 Larry Uteck Blvd<br/>         Bedford, NS B3M 0G3</p>   |

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

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