

## FORM 7

### **MONTHLY PROGRESS REPORT**

Name of Listed Issuer: Metalo Manufacturing Inc. (the "Issuer").

Trading Symbol: MMI

Number of Outstanding Listed Securities: 17,368,955

Date: January 3, 2017

This Monthly Progress Report must be posted before the opening of trading on the fifth trading day of each month. This report is not intended to replace the Issuer's obligation to separately report material information forthwith upon the information becoming known to management or to post the forms required by Exchange Policies. If material information became known and was reported during the preceding month to which this report relates, this report should refer to the material information, the news release date and the posting date on the Exchange website.

This report is intended to keep investors and the market informed of the Issuer's ongoing business and management activities that occurred during the preceding month. Do not discuss goals or future plans unless they have crystallized to the point that they are "material information" as defined in the Policies. The discussion in this report must be factual, balanced and non-promotional.

#### **General Instructions**

- (a) Prepare this Monthly Progress Report using the format set out below. The sequence of questions must not be altered nor should questions be omitted or left unanswered. The answers to the items must be in narrative form. State when the answer to any item is negative or not applicable to the Issuer. The title to each item must precede the answer.
- (b) The term "Issuer" includes the Issuer and any of its subsidiaries.
- (c) Terms used and not defined in this form are defined or interpreted in Policy 1 – Interpretation and General Provisions.

#### **Report on Business**

1. Provide a general overview and discussion of the development of the Issuer's business and operations over the previous month. Where the Issuer was inactive disclose this fact.

**Metalco Manufacturing Inc. (MMI) has an indirect holding of 26.4% in North Atlantic Iron Corporation's (NAIC) proposed pig iron manufacturing plant. The trading symbol is 'MMI' and it trades on the Canadian Securities Exchange (CSE).**

**The Bankable Feasibility Study (BFS) is in draft form and under review by project partners.**

**The BFS highlights, once the additional items are re-presented to Board members for their review and approval, will be made public. As discussed at the Annual General Meeting on December 5, 2016, the Company is currently assessing potential implications on final site selection due to two recent events:**

- 1. The recent announcement by the Federal government as it relates to Carbon penalties increasing to \$50/tonne of CO<sub>2</sub>, over time. The Project has a world class technology to manage emissions. The potential impacts of this are yet to be understood and are being assessed.**
- 2. The next US President-elect has indicated in the media that there will be no carbon penalties in the US; potential tariffs on imports; the likelihood of a resurgence in the US steel industry; implications of the anticipated infrastructure program which may see a preference given to US producers of raw materials; and, expected lower corporate income taxes. These events could influence the site selection process.**

**Sites in Quebec and Ohio remain under review as they have been for the past 2 years. Both locations offer solid operating economics with each offering unique strengths. While a decision remains imminent, the above events have created the need for a reassessment as the implications could be significant.**

**GRI remains focused on the raising of additional capital based upon a CDN\$97.5 million project valuation. The key use will be for detailed engineering and major project financing. It is expected that CDN\$13.5 million will be secured, with a lead commitment of CDN\$5.2 million. We continue ongoing discussions with potential strategic and financial partners.**

**NAIC, 60% owned by GRI, is developing a merchant pig iron plant and will be unique in North America as the first plant fully dedicated to making pig iron. Until now pig iron has primarily been imported to North America from Brazil, Russia, South Africa, and Ukraine (Canada currently produces approximately 20-30,000 tonnes annually of pig iron, as a secondary product and the remainder of the approximately 4-5 million tonnes consumed by North America is imported).**

The pre-engineering and design, reveal emissions from the plant will meet or better all present environmental standards, and it is expected to set an industry low for CO<sub>2</sub> tonnes per tonne of pig iron – coming in significantly below its global competitors. Considerable effort is being dedicated to improvements/changes in the process to ensure NAIC will be a leader in environmental stewardship.

GRI owns the test furnaces used by NAIC to develop its proprietary method for producing high-grade pig iron, and is presently in advanced discussions with potential partners interested in a joint venture for a standalone, self-sustaining, commercial operation, utilizing these test furnaces in Pennsylvania, currently operating as Forks Specialty Metals (FSM). The most promising opportunity is focused on smelting electronic waste to capture and recycle copper, gold and other valuable metals found in end of life electronic units. The potential joint venture will be one of the few such smelting operations in the United States focused on electronic waste. Access to equipment for testing, by NAIC, at FSM, will be available for any further advanced testing required on various materials to make our pig iron. The target is to achieve a commercial use for the furnaces shortly.

Test work continues with the mineral sands in Labrador, and has been focused on various minerals of “economic interest” contained within the resource. The work undertaken by Worley Parsons and SRK Consultants in the Preliminary Economic Assessment (PEA) was filed on SEDAR in June 2014 and primarily identified an iron ore resource.

Discussions are ongoing with a potential Chinese partner.

The ongoing focus is to better understand the economics of the other minerals such as garnet, zircon, feldspars, silica sands, etc.

GRI continues to assess its 45km<sup>2</sup> of claims currently held near Happy Valley-Goose Bay, NL.

2. Provide a general overview and discussion of the activities of management.

*The Issuer* continues to monitor the progress of GRI, and through GRI, the Issuer’s indirect shareholding in NAIC. The current mandate of NAIC is to be North America’s first dedicated pig iron producer.

*MMI* currently has 17,368,955 shares issued and outstanding.

The partners in NAIC are GRI, as a majority shareholder with 60% (the Issuer’s 43.92% ownership of GRI equates to an indirect interest in NAIC of 26.4%) and Petmin at 40%.

3. Describe and provide details of any new products or services developed or offered. For resource companies, provide details of new drilling, exploration or production programs and acquisitions of any new properties and attach any mineral or oil and gas or other reports required under Ontario securities law.

**There have been no acquisitions. The Issuer was previously awaiting the results from the NAIC BFS. The Issuer continues to encourage and receive proposals for review on additional opportunities for investment.**

4. Describe and provide details of any products or services that were discontinued. For resource companies, provide details of any drilling, exploration or production programs that have been amended or abandoned.

**Not applicable**

5. Describe any new business relationships entered into between the Issuer, the Issuer's affiliates or third parties including contracts to supply products or services, joint venture agreements and licensing agreements etc. State whether the relationship is with a Related Person of the Issuer and provide details of the relationship.

**None**

6. Describe the expiry or termination of any contracts or agreements between the Issuer, the Issuer's affiliates or third parties or cancellation of any financing arrangements that have been previously announced.

**None**

7. Describe any acquisitions by the Issuer or dispositions of the Issuer's assets that occurred during the preceding month. Provide details of the nature of the assets acquired or disposed of and provide details of the consideration paid or payable together with a schedule of payments if applicable, and of any valuation. State how the consideration was determined and whether the acquisition was from or the disposition was to a Related Person of the Issuer and provide details of the relationship.

**None**

8. Describe the acquisition of new customers or loss of customers.

**Not applicable**

9. Describe any new developments or effects on intangible products such as brand names, circulation lists, copyrights, franchises, licenses, patents, software, subscription lists and trade-marks.

**None**

10. Report on any employee hiring's, terminations or lay-offs with details of anticipated length of lay-offs.

**None**

11. Report on any labour disputes and resolutions of those disputes if applicable.

**Not applicable**

12. Describe and provide details of legal proceedings to which the Issuer became a party, including the name of the court or agency, the date instituted, the principal parties to the proceedings, the nature of the claim, the amount claimed, if any, if the proceedings are being contested, and the present status of the proceedings.

**No changes**

13. Provide details of any indebtedness incurred or repaid by the Issuer together with the terms of such indebtedness.

**None**

14. Provide details of any securities issued and options or warrants granted.

Security	Number Issued	Details of Issuance	Use of Proceeds <sup>(1)</sup>
None			

*(1) State aggregate proceeds and intended allocation of proceeds.*

15. Provide details of any loans to or by Related Persons.

**Forest Lane Holdings Limited, a related party, provided a \$500,000 line of credit to GRI with interest at 6% per annum to be drawn down in increments as required. To date GRI has drawn down \$350,000 on this line. The funds have been used for general working capital purposes.**

**The GRI loan of \$250,000 from Forest Lane Holdings Limited, a related party, due December 28, 2016 has been extended for an additional 90 days at the same rate of interest with no further consideration.**

16. Provide details of any changes in directors, officers or committee members.

**None**

17. Discuss any trends which are likely to impact the Issuer including trends in the Issuer's market(s) or political/regulatory trends.

**The Issuer remains focused on its investment in GRI whose primary vision is value-add to iron ore – a manufacturing process. The primary aspect of the MMI investment in GRI, and thus NAIC, is focused on manufacturing, and value-add, within the iron foundry and steel mill supply chain.**

**The likelihood of an increased emphasis on carbon penalties or carbon taxes has arrived. Project partners believe that they have chosen a technology solution that will be regarded as one of the lowest greenhouse gas generators globally on a per tonne metal basis. The technology approach is considerably more respectful to the environment than current producers as it relates to greenhouse gas emissions.**

**The forecast for iron ore prices remains uncertain. Thus, the project's business strategy is fully based upon the manufacturing of pig iron required by foundries and electric arc furnace steel mills. Imports of pig iron to North America for 2015 remain above 4 million tonnes.**

**In summary, the goal for NAIC is to add value to mineral resources and become a low cost North American producer of a quality pig iron product required by foundries and steel mills.**

## Certificate of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Certificate of Compliance.
2. As of the date hereof there is no material information concerning the Issuer which has not been publicly disclosed.
3. The undersigned hereby certifies to the Exchange that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all Exchange Requirements (as defined in CNSX Policy 1).
4. All of the information in this Form 7 Monthly Progress Report is true.

Dated January 3, 2017.

Lorne S. MacFarlane  
Name of Director or Senior  
Officer

Signed "Lorne S. MacFarlane"  
Signature  
CFO  
Official Capacity

<b>Issuer Details</b> Name of Issuer <b>Metalo Manufacturing Inc.</b>	For Month End Dec 2016	Date of Report YY/MM/D 17/01/3
Issuer Address Suite 1600-141 Adelaide Street West		
City/Province/Postal Code Toronto, ON M5H 3L5	Issuer Fax No. (902)423-1624	Issuer Telephone No. (902)499-7150
Contact Name Francis MacKenzie	Contact Position President & CEO	Contact Telephone No. 902-499-7150
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