

**MICREX DEVELOPMENT CORP.**  
**Management Discussion and Analysis**

The following discussion was prepared December 31, 2014, of the financial condition, changes in financial condition and results of operations of the Corporation for the year ended August 31, 2014 should be read in conjunction with the consolidated financial statements of the Corporation and related notes included therein.

**Forward-Looking Information**

This management discussion and analysis ("MD&A") contains certain forward-looking statements and information relating to Micrex Development Corp. ("Micrex" or the "Corporation") that are based on the beliefs of management as well as assumptions made by and information currently available to the Corporation. When used in this document, the words "anticipate", "believe", "estimate", "expect" and similar expressions, as they relate to the Corporation or its management, are intended to identify forward-looking statements. Such forward-looking statements relate to, among other things, regulatory compliance, the sufficiency of current working capital, the estimated cost and availability of funding for the continued exploration of the Corporation's exploration properties. Such statements reflect the current views of the Corporation with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the actual results, performance or achievement of the Corporation to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements.

Specific forward looking statements include:

- commercialization of the granite property acquisition. Risks include operational problems and the inability to enter into commercially advantageous sales contracts;
- putting the Quebec magnetite property into production. Risks include failure to enter into commercially acceptable supply or sale agreements and technical problems during operations;
- requirement of the Corporation to raise additional equity or sell property interests to raise sufficient capital to continue operations. Risks include the failure to raise such equity due to market conditions or otherwise and failure to find interested parties willing to enter into commercially acceptable agreements.

**Overall Performance**

The Corporation continues its focus as a natural resource corporation with interest in precious metal, industrial minerals and rare earth properties located in Alberta, Quebec, B.C. and New Mexico. The Corporation focuses the majority of its attention on the proving up of prospective properties as exploration dollars can be focused in a direct manner. Active exploration for undiscovered resources is, at present, not a priority. The Corporation is interested in properties which have a demonstrated resource, usually through historical production or testing by credible authorities such as Government Geological Survey personnel. The Corporation gives high priority to those properties which can be brought to production with relatively low cost and in a timely manner.

The Corporation has made some minor sales to date and is focussing on growing sales for its recently acquired granite quarry in Quebec.

One gold exploration property is located in British Columbia and has excellent potential for future development. The Burmis Magnetite property is at the permitting stage. The Corporation has two gold

properties in New Mexico. The Corporation's Quebec property is at the stage where magnetite, apatite and titanium production will be commenced as soon as a firm purchase order is received.

The Corporation is in the middle of the permitting process for its Alberta magnetite property. The Corporation is involved in a long and complicated government process to obtain a mining permit for its Burmis property. The Corporation and its consultants believe that such permit will be granted, but there is no assurance as to when or if that may happen. The Corporation is focusing its efforts on its Quebec properties at this time.

The Corporation continues to discuss possible joint venture or sale transactions in respect to its gold properties, and is actively looking at other opportunities in the industrial minerals sector.

### **Year Ended August 31, 2013**

#### **Results of Operation**

During the year ended August 31, 2013, the Corporation incurred a loss of \$3,251,660, of which \$3,056,017 was the result of impairment charges to the Burmis and Big Horn properties. \$111,065 of impairment reversal on the Mt Royal property was also recorded. Principal activities included seeking customers for magnetite from the Quebec deposit and investigating other opportunities. The Corporation had no revenue. General and administrative expenses amounted to approximately \$425,968, including wages in the form of consulting fees. Depreciation was \$3,240, and there was stock based compensation expense of nil. The Corporation had no income other than \$122,500 which was recorded as income for accounting purposes as a result of satisfying flow through obligations.

#### **Liquidity and Capital Resources**

As at August 31, 2013 the Corporation had 57,937,439 common shares outstanding. During the year, 450,000 shares were issued in return for a property interest at a deemed cost of \$45,000. Corporation had cash and cash equivalents of \$10,440 and accounts receivable of \$21,496. Like all mineral exploration companies, until production can be achieved, the Corporation is reliant on raising equity or selling property interests to continue operations.

Additional capital will need to be raised for additional exploration programs on the Corporation's properties. The amount and timing of such will depend upon the results of current exploration programs and market conditions at the time.

### **Year Ended August 31, 2014**

#### **Results of Operation**

During the year ended August 31, 2014, the Corporation incurred a loss from operations of \$1,084,971, of which \$254,292 was the result of impairment charges to the Burmis and Big Horn properties. The Corporation had no revenue. General and administrative expenses amounted to approximately \$417,849, including wages in the form of consulting fees. Depreciation was \$2,127, and stock based compensation was expensed at \$20,844. Interest on promissory notes was accrued at \$15,732.

#### **Liquidity and Capital Resources**

During the year the Corporation borrowed \$310,000, making the loan amount outstanding, together with accrued interest, \$413,120. Most of these notes are with insiders and it is expected that all of these notes will be extended.

As at August 31, 2014 the Corporation had 58,937,439 common shares outstanding. During the year, 1,000,000 shares were issued for \$30,000 as partial consideration for the acquisition of the granite property.

### **Quarter Ended August 31, 2013**

#### **Results of Operation**

During the quarter ended August 31, 2013, the Corporation incurred a loss of approximately \$3,068,863 which include a write down of \$3,056,017 of the Burmis and Big Horn properties. The Corporation added back \$111,065 as a result of impairment reversal on its Mt. Royal property in New Mexico. The Corporation had no revenue other than \$122,500 in revenue for accounting purpose. General and administrative expenses amounted to approximately \$123,099, including wages in the form of consulting fees. Depreciation was \$810 and there was no stock based compensation in the period.

#### **Liquidity and Capital Resources**

As at August 31, 2013 the Corporation had 57,937,439 common shares outstanding. During the period 450,000 shares were issued for \$45,000 as the yearly option payment on the Quebec Magnetite property.

Additional capital will need to be raised for additional exploration programs on the Corporation's properties. The amount and timing of such will depend upon the results of current exploration programs and market conditions at the time. The Corporation's ability to continue to fund its operations depends upon its ability to sell shares to raise equity both on a flow-through and non flow-through basis or to sell property interests as it has no source of revenue. The planned acquisition the Quebec granite quarry is anticipated to provide enough income to at least cover the overhead of the Corporation. This acquisition will be financed through loans from insiders.

### **Quarter Ended August 31, 2014**

#### **Results of Operation**

During the quarter ended August 31, 2014, the Corporation incurred a net and comprehensive loss of \$797,110, which include a write down of \$354,292 of the Burmis and Big Horn properties. Principal activities included seeking customers for granite and for magnetite from the Quebec deposit. General and administrative expenses amounted to approximately \$139,811, including wages in the form of consulting fees. Depreciation was \$531, and there was stock based compensation equal to \$20,844.

#### **Liquidity and Capital Resources**

During the period the Corporation issued no shares. At August 31, 2014, the Corporation had cash on hand of \$1,261 and accounts receivable of \$38,157. The Corporation's current liabilities exceed its current assets by \$1,499,631 as at August 31, 2014. Like all mineral exploration companies, until production can be achieved, the Corporation is reliant on raising equity or selling property interest to continue operations.

#### **Outlook**

The Corporation plans to raise the funds necessary to put the Quebec magnetite property into production with a combination of debt, including equipment vendor lease-backs, and equity. The total funds required to be raised in this respect is approximately \$2,500,000.

For the balance of 2015, the Corporation plans to continue to focus its efforts on its Quebec magnetite property and the operations of the Quebec granite quarry. The Alberta permitting process has been slow and expensive, but it appears to be nearing the end. However, this is not a current focus for the

Corporation. In Quebec several potential customers have expressed interest in the magnetite, and one has placed a substantial order. Progress has been made towards getting the Quebec magnetite deposit into production. With that and the recent granite acquisition, the Corporation anticipates receiving significant production revenue during the 2015 calendar year.

The Corporation has received some interest in both its Big Horn gold property and New Mexico properties continue to attract attention from third parties looking to participate or acquire the same.

The Corporation's ability to continue as a going concern is dependent on Micrex either developing a cash generating business or continuing to raise money or sell assets. There is little apparent appetite for equity of junior mineral exploration companies currently, and given the fact that most mineral exploration companies have no monies available to purchase assets, Micrex has determined that its best chance to succeed in today's mining environment is to acquire a business that generates cash flow. It's recent acquisition of the granite quarry was financed by insider loans as no other source of funding was available. These loans provide for an interest rate of 5% and a cumulative 5% royalty on production on industry standard terms until repaid, and then 2% thereafter. The Corporation anticipates that this acquisition will result in a regular source of cash, in sufficient amount as to meet its overhead obligations, reduce debt and provide an exploration budget for its other properties.

## **Risk Factors**

### **(a) Operating History**

The business of the Corporation should be considered highly speculative due to its present stage of development. The Corporation has limited cash and other assets, no revenue and a limited business history.

### **(b) Mining Operations**

Exploration for minerals involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Further, most of the properties of the Corporation (the "Properties") have no known commercial reserves. There is no assurance that further commercial quantities of ore will be discovered by the Corporation. Except for the magnetite properties, none of the Properties contain a known body of commercial ore and any exploration programs thereon are exploratory searches for commercial ore, which increases the degree of risk substantially as compared to properties in the development stage. In addition, some of the Properties may be difficult or impossible to access during periods of inclement weather, which are risks normally encountered by most industry participants.

Mineral exploration and development involve significant risks and few properties which are explored are ultimately developed into producing mines. There is no assurance that commercial quantities of minerals will be discovered on the Properties nor is there any guarantee that the exploration programs thereon will yield positive results. The discovery of mineral deposits depends upon a number of factors, not the least of which is the technical skill for the exploration personnel involved. The exploration and development of mineral properties and the marketability of any minerals contained in such properties will also be affected by numerous factors beyond the control of the Corporation. These factors include government regulation, high levels of volatility in market prices, availability of adequate transportation and refining facilities and the imposition of new, or amendments to existing, taxes and royalties. The effect of these factors cannot be accurately predicted.

Whether a mineral deposit once discovered will be commercially viable also depends on a number of factors some of which include the particular attributes of the deposit, such as

size, grade and proximity of infrastructure, as well as metal prices, which are highly cyclical. Most of the above factors are beyond the control of the Corporation. The Corporation must also compete with a number of companies that have greater technical or financial resources. The Corporation is unable to predict the amount of time which may elapse between the date when any new mineral reserve may be discovered and the date when production will commence from any such discovery.

**(c) Government Regulations and Market**

Mining operations are subject to government regulation. Operations may be affected in varying degrees by government regulation such as restrictions on production, price controls, tax increases, expropriation of property, environmental and pollution controls or changes in conditions under which minerals may be marketed. Should the Corporation be unable to obtain the necessary regulatory approvals, or should obtaining or complying with the terms of the necessary approvals require funds in excess of the resources of the Corporation, the development of the Properties may be delayed.

An excess supply of certain minerals may exist from time to time due to lack of markets and restrictions on exports. The marketability of both base and precious metals will be affected by numerous factors beyond the control of the Corporation. These factors include market fluctuations and government regulations relating to prices, taxes, royalties, allowable production and importing and exporting minerals. The effect of these factors cannot be accurately determined.

**(d) Conflicts**

The directors of the Corporation are engaged and will continue to be engaged in the search for mining interests on their own behalf and on behalf of other companies, and situations may arise where the directors and officers may be in direct competition with the Corporation. Conflicts of interest, if any, which arise will be subject to and governed by procedures prescribed by the *Business Corporations Act* (Alberta) which require a director or officer of a corporation who is a party to, or is a director or an officer of or has a material contract with the Corporation to disclose his interest and, in the case of directors, to refrain from voting on any matter in respect of such contract unless otherwise permitted under the *Business Corporations Act* (Alberta).

**(e) Need for Additional Funds**

The Corporation has limited financial resources and has no assurance that additional funding will be available to it for further exploration and development of its projects. There can be no assurance that the Corporation will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of its projects with the possible loss of such properties. If financing is raised through the issuance of shares from the Corporation's treasury, control of the Corporation may change and investors may be subject to further dilution.

**(f) Operating Hazards and Environmental Liabilities**

The operations to be conducted by the Corporation will be subject to all of the operating risks normally attendant upon mineral exploration and development. The Corporation carries basic liability insurance with other insurance needs met on a project by project basis.

The Corporation may become subject to liability for destruction of mineral properties or facilities, personal injury, pollution and other hazards against which it cannot insure or against which it may elect not to insure because of high premium costs or other reasons. The payment for such liabilities would reduce the funds available for exploration and mining activities, and may have a material adverse effect on the Corporation's financial position.

**(g) Industry Conditions**

The mining industry is highly competitive and the Corporation must compete with many companies with greater financial strength and technical resources. Generally, there is intense competition for the acquisition of resource properties considered to have commercial potential. Prices paid for minerals produced are subject to market fluctuations and will directly affect the profitability of producing any mineral reserves which may be developed by the Corporation. Mining operations, including exploration, are subject to extensive government regulation. Operations may be affected from time to time in varying degrees by political and environmental developments, such as restrictions on production, price controls, tax increases, expropriation of property, pollution controls and changes in conditions under which certain minerals may be exported.

**(h) Foreign Jurisdiction**

Certain of the Properties are located in foreign jurisdiction. The enforceability, certainty and permanence of laws in foreign countries are not always like that in Canada. The Corporation's title to its foreign Properties, the right to work the same and to expatriate profits, if any, may be adversely affected. The Corporation is also at risk to adverse foreign exchange movements.

Mining operations in Canada, United States and elsewhere are subject to extensive regulation by local, provincial and federal governments. Future changes in governments and regulation could adversely affect mining in Canada and the United States. The development of mines and related facilities is contingent upon government approval which must be obtained through statutory review processes.

No current title opinion or report has been obtained regarding the Properties. The Properties may be subject to prior unregistered agreements, interests or native land claims and title may be affected by undetected defects.

**Selected Financial Information**

**Annual Financial Data for the Three Fiscal Years ended August 31, 2014**

		<b>August 31, 2014</b>	<b>August 31, 2013</b>	<b>August 31, 2012</b>
1.	Net sales or total revenues	Nil	Nil	Nil
2.	Loss from continuing operations in total	\$1,084,971	\$3,251,660	\$593,348
	Loss per share	\$0.019	\$0.057	\$0.011
3.	Loss in total	\$1,084,971	\$3,251,660	\$593,348
	Net loss per share on a fully diluted basis	\$0.019	\$0.057	\$0.011
4.	Total assets	\$2,213,156	\$2,516,542	\$5,005,093

		<b>August 31, 2014</b>	<b>August 31, 2013</b>	<b>August 31, 2012</b>
5.	Total non-current financial liabilities	170,000	\$86,978	Nil
6.	Total liabilities	1,714,049	613,308	265,199
7.	Cash dividends declared	Nil	Nil	Nil

As the Corporation is a mineral exploration company which has never recorded any mining production operations or revenue, the above annual figures are not particularly significant, other than to indicate the amount of the expenditures by the Corporation on exploration work in each of the years. The figures represent variances in the Corporation's levels of activity which, in turn, has been largely dictated by the amount of funding which the Corporation has had available from time to time to expend on exploration.

### Summary of Quarterly Results

#### Two Year Quarterly Financial Data

<b>2014</b>	<b>Nov 30/13</b>	<b>Feb 28/14</b>	<b>May 31/14</b>	<b>Aug. 31/14</b>
Total Revenue (\$)	Nil	Nil	Nil	Nil
Total Income (loss) (\$)	(58,689)	(137,004)	(104,660)	(797,110)
Income (loss) per share (\$)	(0.001)	(0.002)	(0.002)	(0.014)

  

<b>2013</b>	<b>Nov 30/12</b>	<b>Feb 28/13</b>	<b>May 31/13</b>	<b>Aug. 31/13</b>
Total Revenue (\$)	Nil	Nil	\$122,500	Nil
Total Income (loss) (\$)	(72,970)	(107,153)	(182,757)	(2,888,740)
Income (loss) per share (\$)	(0.001)	(0.002)	(0.003)	(0.05)

### Transactions with Related Parties

During the period Micrex accrued \$150,000 (2013 - \$150,000) to Stan Marshall, president and a director for consulting and management services provided.

The Corporation also accrued legal fees of \$80,479 (2013 - \$85,000) to a law firm of which the corporate secretary is a partner.

The balance of \$310,000 (2013 - \$85,000) due to shareholders and directors are unsecured, non interest bearing and are due on demand.

During the year, the Company recorded expenses of \$97,200 (2013 - \$112,200) to certain shareholders for subcontract services.

The above transactions occurred in the normal course of operations and are recorded at the exchange amount which represents the consideration established and agreed to by the related parties.

### Outstanding Share Data

As at August 31, 2014 the following shares, warrants and options are outstanding:

58,937,439 common voting shares.

## Management and Directors' Options Outstanding

Number	Exercise Price	Expiry Date
870,000	0.17	April 15, 2015
746,000	0.11	October 18, 2015
375,521	0.22	January 6, 2016
968,570	0.24	March 24, 2016
381,484	0.16	December 9, 2016
578,452	0.10	April 24, 2017
787,616	0.10	July 16, 2017
521,100	0.10	January 10, 2019

The following warrants were also outstanding at the date hereof:

Number of Warrants	Exercise Price	Expiry
340,000	0.10	31/12/2014

### **Critical Accounting Policies**

#### **Critical Judgments**

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statements within the next financial year are discussed below.

### **Mineral Property Exploration and Evaluation Expenditure**

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after an expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the profit or loss in the period the new information becomes available.

### **Title to Mineral Property Interests**

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

### **Rehabilitation Provisions**

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including rehabilitation provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and also on properties in which it has previously had an interest.

The Company believes it conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.



### **Shareholder Indemnity**

The Company raised capital through the issuance of flow through shares in 2013 and provided an indemnity to the subscriber for additional taxes payable if the Company was unable to, or failed to, renounce the qualifying expenditures as agreed. The Company was not able to spend the flow through funds raised on eligible expenditures. The Company is exposed to costs for the indemnification of the subscribers which has been estimated and accrued (see Note 8 of the financial statements). The accrued amount is subject to measurement uncertainty due to the tax filing positions of the subscribers, their tax rates and the amount of personal taxes that may be payable and the interpretation of the indemnity agreement, which will not be known until potentially affected subscribers are reassessed for their tax positions by the Canada Revenue Agency and these amounts become known to the Company.

### **Acquisitions**

The Company applies judgment in determining whether the assets it acquires are considered to be asset acquisitions or business combinations. Key factors in this determination are whether commercial viability has been established, whether the project is capable of being managed as a business by a market participant, and the nature of the additional work to convert resources into reserves. The Company has considered all exploration and evaluation assets acquired to date to be asset acquisitions.

### **Critical Accounting Estimates**

#### **Mineral Property Exploration and Evaluation Expenditure**

The Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain mineral reserves that are economically recoverable. The amounts shown as mineral exploration and evaluation assets represent costs incurred after the acquisition of a qualifying technical evaluation less impairment, which the Company has chosen to defer until it gathers sufficient data on the mineral properties to determine if mineral reserves exist in large enough quantities of a sufficient grade to permit the economic recovery of such resources. The costs deferred do not necessarily represent present or future values. The recoverability of these amounts is dependent upon the discovery of economically recoverable mineral reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the development, commodity prices, changes in environmental and other government regulations, political and economic factors and future profitable production or proceeds from the disposition thereof. The recoverable amount is the greater of its value-in-use and its fair value less costs to sell. Value-in-use calculations require estimates for future recoverable resources, future commodity prices, expected future operating and capital costs and the current market assessment of the time value of money. Fair value less costs to sell involves estimates of the arm's length transaction price between knowledgeable, willing parties less the costs of disposal.

#### **Share-based Payment Transactions**

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are set out in the notes to the financial statements.

#### **Market Interest Rate**

The Promissory Notes and the Granite Property Obligation, as defined in the notes to the financial statements, bear interest below the market rates. As a result, the Company estimated the fair value

interest rate used to calculate the amortized cost of the loan payable based on the rate it expects it would be charged on a loan from third party.

### **Expected Revenue**

The Granite Property Obligation and the Promissory Notes both contain a royalty which is based on a percentage of the gross revenue from granite property acquired during the year. Estimates have been used to determine the expected revenue from the granite property in order to calculate the expected cash disbursements related to the royalty. The timing and amount of the expected royalty cash disbursements have been used to determine the carrying value of the Granite Property Obligation and the Promissory Notes.

### **Additional Disclosure**

	<b>August 31, 2013</b> \$	<b>August 31, 2014</b> \$
Consulting fees and sub-contracting fees	262,200	222,200
Stock based compensation	Nil	20,844
Professional fees	117,695	131,736
Total general and administrative costs	425,968	417,849

<b>Deferred Exploration and acquisition costs, by property:</b>	<b>August 31, 2013</b> \$	<b>August 31, 2014</b> \$
Burmis Magnetite Deposit	Nil	nil
Big Horn Mine	350,000	nil
Quebec Deposit	1,877,501	1,480,703
Deadwood Mount Royal Mine	244,541	248,072
Accumulated deferred exploration and acquisition total	2,472,042	1,728,775

Further information with respect to the Corporation can be found on its website at [www.mixcorp.com](http://www.mixcorp.com) and on the SEDAR website.