

## MICREX DEVELOPMENT CORP.

### Management Discussion and Analysis

The following discussion prepared January 27, 2016, of the financial condition, changes in financial condition and results of operations of the Corporation for the period ended November 30, 2015 should be read in conjunction with the condensed interim 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, failure to obtain government permits, failure to raise sufficient start-up capital 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 and industrial mineral 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 past year saw the Corporation make little headway in the face of continued headwinds in the mining sector. 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 project financing can be arranged.

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. No steps have been taken on this over the past year as the Corporation is focusing its efforts on its Quebec property 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. The Corporation sold its dormant BC placer property in Q4, 2015 for \$45,000.

### **Three Months Ended November 30, 2015**

#### **Results of Operation**

During the period ended November 30, 2015, the Corporation incurred a loss of \$1,834. The Corporation has no revenue. General and administrative expenses amounted to approximately \$5,008, no wages in the form of consulting fees were accrued, and \$34,500 in previously accrued subcontracted fees were reversed. Depreciation was \$260 and stock based compensation was nil. Interest and accretion on promissory notes and amounts owing in respect to the granite property acquisition equaled \$32,704.

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

As at November 30, 2015 the Corporation had 58,937,439 common shares outstanding. No securities were issued during the quarter.

At November 30, 2015 the Corporation held cash and accounts receivable of approximately \$46,876 against current payables of \$1,971,414, which includes \$1,037,588 payable to shareholders and directors.

### **Three Months Ended November 30, 2014**

#### **Results of Operation**

During the period ended November 30, 2014, the Corporation incurred a loss of \$45,688. The Corporation had no revenue. General and administrative expenses amounted to approximately \$45,316, including wages in the form of subcontracting fees. Depreciation was \$372, and stock based compensation was \$nil.

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

As at November 30, 2014 the Corporation had 58,937,439 common shares outstanding. During the quarter no securities were issued. At November 30, 2014 the Corporation held cash and accounts receivable of \$47,518 against trade payables of \$375,256. In addition the Corporation owed other current liabilities of \$1,200,209. While most of this amount is to insiders, the ability of the Corporation to continue as a going concern is in doubt.

#### **Outlook**

The Corporation plans to raise the funds necessary to put the Quebec magnetite property into production with one or a combination of project finance methods, including equipment vendor lease-backs, royalty

streaming, off-take agreements, debt and equity. The total funds required to be raised in this respect is approximately \$2,500,000.

For the balance of 2016, the Corporation plans to continue to focus its efforts on its Quebec magnetite property and the operations of the Quebec granite quarry. 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 production revenue during the 2016 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. Its 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 still 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. In the meantime the Corporation is also taking steps to put its Quebec magnetite/apatite/titanium property into production.

## **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 and no recurring revenue.

### **(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.

**Summary of Quarterly Results**

**Two Year Quarterly Financial Data**

<u>2015</u>	<u>Feb 28/15</u>	<u>May 31/15</u>	<u>Aug 31/15</u>	<u>Nov 30/15</u>
Total Revenue (\$)	Nil	Nil	Nil	Nil
Total Income (loss) (\$)	(144,261)	(115,555)	(122,750)	(1,834)
Income (loss) per share (\$)	(0.002)	(0.002)	(0.002)	(0.001)

2014	Feb 28/14	May 31/14	Aug 31/14	Nov 30/14
Total Revenue (\$)	Nil	Nil	Nil	Nil
Total Income (loss) (\$)	(137,004)	(104,660)	(797,110)	(45,688)
Income (loss) per share (\$)	(0.002)	(0.002)	(0.014)	(0.001)

### Transactions with Related Parties

(a) **Due to Shareholders and Directors**

The balance of \$497,794 (August 31, 2015: \$507,044) due to shareholders and directors are unsecured, non-interest bearing and have no specific terms of repayment. These loans are shown as current liabilities as all of the loans are due on demand.

(b) **Promissory Note**

All of the \$75,000 (2014: \$60,000) in promissory notes issued during the period were from related parties.

(c) **Legal Fees**

Legal fees of \$12,393 (2014: \$576), incurred in the period were paid to a law firm of which one partner is an officer of the Company. At November 30, 2015, \$150,712 (2014: \$103,048) owing to this legal firm was included in accounts payable. The 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.

(d) **Subcontract Services**

During the period, the Company recorded a reversal of expenses previously accrued of \$34,500 (2014: amount accrued was \$6,900) to certain shareholders for subcontract services. At November 30, 2015, \$5,400 (2014: \$3,600) owing was included in accounts payable. The 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.

(e) **Key Management Compensation**

Key management personnel compensation comprised:

	November 30 2015	November 30, 2014
Short term employee benefits and director fees	\$-	\$-
Share-based payments	-	-
	<u>-</u>	<u>\$ -</u>

### Outstanding Share Data

As at November 30, 2015 the following shares, warrants and options are outstanding:

59,937,439 common voting shares.

**Management and Directors' Options Outstanding at November 30, 2015:**

<b>Number</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
375,521	0.22	January 6, 2016
968,570	0.24	March 24, 2016
381,484	0.16	December 19, 2016
578,452	0.10	April 24, 2017
787,616	0.10	July 16, 2017
521,100	0.10	January 10, 2019

**No warrants were outstanding as at the date hereof.**

**Critical Accounting Policies**

The critical accounting policies are disclosed in note 3 to the consolidated financial statements. There were no changes to accounting policies or new accounting standards with a significant impact on the Company's results adopted during the year. New accounting standards applicable at a future date are disclosed in note 3 to the consolidated financial statements.

**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.

### **Going Concern**

When preparing the consolidated financial statements, management make an assessment of the Company's ability to continue as a going concern for at least twelve months from the end of the reporting period. The Company prepares its consolidated financial statements on the going concern basis of accounting. Should the Company not be deemed to be a going concern, potentially material adjustments to the carrying values of the Company's assets and liabilities would be required. No such adjustments are recorded in these consolidated financial statements.

### **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.

### **Off Balance Sheet Arrangements**

The Company is not party to any off balance sheet arrangements.

### **Financial Instruments**

Financial instruments consist of recorded amounts of cash, as well as trade and other payables, due to shareholders and directors, other liabilities, granite property obligation and promissory notes, which will result in future cash outlays.

The Company's activities expose it to a variety of risks in respect of certain of the financial instruments held. Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

### **Market Risk**

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, commodity and equity prices.

#### *Interest Rate Risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is primarily exposed to interest rate price risk as the promissory notes and granite obligations attract fixed and nil rates of interest, respectively. The Company is also exposed to cash flow interest rate risk from the Canada Revenue Agency's prescribed interest rate risk as it relates to the Company's other liabilities described in Note 8 to the consolidated financial statements.

#### *Commodity Risk*

The Company is exposed to fluctuations in commodity prices and has no contracts in place to mitigate these exposures.

### **Credit Risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's credit risk is primarily attributable to cash. Cash is

held with a reputable Canadian chartered bank, from which management believes the risk of loss to be minimal. The Company's maximum exposure to credit risk is the carrying value of cash.

### **Liquidity Risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when they come due. The Company currently does not have enough cash to cover the current trade and other payables, due to shareholders and directors, promissory notes, granite property obligation and other liabilities. The Company has historically raised funds through the issuance of debt, equity, or monetization of non-core assets. The Company will continue to review additional sources of capital and replacement debt structures to continue its operations and discharge its commitments as they become due.

Besides the promissory notes, which mature on December 31, 2016, and the granite property obligation, the Company has no financial instruments maturing beyond one year.

### **Fair Value Risk**

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The consolidated statement of financial position carrying amounts for cash, trade and other payables, due to shareholders and directors, and other liabilities approximate their fair values due to the immediate or short term maturity of these instruments. Due to the use of subjective judgments and uncertainties in the determination of fair values, these values should not be interpreted as being realizable in an immediate settlement of the financial instruments.

### **Additional Disclosure**

	<b>August 31, 2015</b>	<b>November 30, 2015</b>
	<b>\$</b>	<b>\$</b>
Consulting fees and sub-contracting fees	198,300	(34,500)
Stock based compensation	nil	nil
Professional fees	84,072	2,609
Total general and administrative costs	323,728	5,008

<b>Deferred exploration and acquisition costs, by property:</b>	<b>August 31, 2015</b>	<b>November 30, 2015</b>
	<b>\$</b>	<b>\$</b>
Big Horn Mine	nil	nil
Burmis Magnetite Deposit	nil	nil
Quebec Deposit	1,481,315	1,482,064
Deadwood / Mount Royal	248,072	248,072
Accumulated deferred exploration and acquisition total	1,729,387	1,730,136

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.