

## **GAR LIMITED**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE *THREE AND NINE MONTH PERIOD ENDED OCTOBER 31, 2014***

The objective of this Management Discussion and Analysis Report ("MD&A") released by GAR Limited (the "Company" or "GAR") is to allow the reader to assess our operating results as well as our financial position for the *three month period ended October 31, 2014*. This report is based on all available information up to *November 12, 2014* and should be read in conjunction with the audited financial statements for the year ended **January 31, 2014** and **January 31, 2013**, as well as the accompanying notes. Both the audited financial statements for the year ended **January 31, 2014** and the audited financial statements for the period ended **January 31, 2013** are prepared under International Financial Reporting Standards ("IFRS"). Unless otherwise indicated, all amounts are expressed in Canadian dollars.

The Company discloses, on a regular basis, additional information on its operations, which is recorded on the System for Electronic Document Analysis and Retrieval ("SEDAR") in Canada at [www.sedar.com](http://www.sedar.com).

#### **Forward Looking Statement**

The information provided in this document is not intended to be a comprehensive review of all matters concerning the Company. It should be read in conjunction with all other disclosure documents provided by the Company. No securities commission or regulatory authority has reviewed the accuracy or adequacy of the information presented herein.

The document may contain forward-looking statements that reflect management's current expectations with regards to future events. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results to differ from expected results. Such factors include the following: mineral exploration and development costs and results, fluctuation in the prices of commodities for which the Company is exploring, foreign operations and foreign government regulations, competition, uninsured risks, recoverability of resources discovered, capitalization requirements, commercial viability, environmental risks and obligations, and the requirement for obtaining permits and licenses for the Company's operations in the jurisdictions in which it operates.

#### **Nature of Activities and Continuation of Exploration Activities**

Gar Limited was incorporated on February 20, 1987 under the Business Corporations Act (Ontario). Historically the Company has been in the business of acquiring, exploring and developing mineral properties in Canada. The current registered office of the Corporation is Box 122, 288 Kenogami Lane, Swastika, Ontario, P0K 1T0.

#### **Overall Objective**

The primary objective of the Company is to acquire, explore and if warranted, develop mineral properties and interests in copper, silver, and gold and other minerals exploration and development activities.

#### **Corporate Highlights**

The Company had not conducted any material business since the Ontario Securities Commission ("OSC"), the Alberta Securities Commission ("ASC") and the British Columbia Securities Commission ("BCSC") imposed a cease trade order on trading of the Company's common shares on June 24, 1998, October 2, 1998 and October 1, 1998 respectively for failure to file timely quarterly financial statements.

The Company had been on a "care and maintenance" program until the Cease Trade Orders' were fully revoked and the ban from trading in the Company's common shares was lifted by the OSC on September 30, 2013, the ASC on October 2, 2013 and the BCSC on October 1, 2013.

On February 28, 2014 the Company sold its 100% interest in a property in the township of Grenfell for a cash consideration of \$71,144. The property was sold to a relative of the President resulting in an accounting gain of \$3,355.

On April 14, 2014, the Company signed an option agreement to acquire a mineral property containing 41 mining claims which are located in Burt, Gross and Flavelle Townships in the Larder Lake Mining Division of Ontario.

On October 24, 2014, Morgan Resources Corp. ("Morgan" or "Morgan Resources") (TSXN: MOR) executed an agreement to acquire a 51% interest in the Lucky Irish base metal and precious metal property. In order to earn this interest Morgan must spend \$2,500,000 in mining exploration expenditures on the Lucky Irish Property; make cash payments of \$750,000 (Paid \$200,000); and the issue of 1,400,000 common shares over a period of four years (issued \$300,000 common shares all subject to Canadian Stock Exchange approval).

The Company has also submitted an application for trading of its common shares with the Canadian Stock Exchange.

### **Mineral Exploration Properties**

In the event that the Company wishes to acquire an interest in another resource property, make a significant capital expenditure or enter into agreements with a third party requiring corporate expenditures, the Company will be required to raise additional capital. It is expected that any capital raised will be by equity financing, likely in the form of a private placement, as opposed to issuing other debt instruments or undertaking other forms of debt financing. The Company does not currently make use of any other financial instruments, and does not anticipate making use of any such instruments in the short term.

The Company does not own any significant exploration properties and therefore has not conducted any exploration activities in recent years.

The Company has signed an option agreement on April 14, 2014 to acquire a property containing 41 claims located in Burt, Gross and Flavelle Townships and has applied for an exploration permit with the Ministry of Northern Development and Mines but not granted the permit to date.

### **Trends**

The Company is engaged in the business of preliminary or early stage mineral exploration and mine development. The Company holds no interest in producing or commercial deposits. The company does not have a source of revenue and is considered to be in the exploration stage. The trend of losses from operations, therefore, is expected to continue for the foreseeable future until a mineral resource property is acquired and brought into commercial production. As is the case with resource properties or other junior exploration companies, it is impossible to determine the likelihood or estimated time frame for the acquisition and production of a mineral resource property.

There are significant uncertainties regarding the price of copper, silver, gold and other minerals and the availability of equity financing for the purpose of exploration and development.

Financial markets are likely to be volatile, reflecting ongoing concerns about the stability of the global economy and weakening global growth prospects. Unprecedented uncertainty in the credit markets has also led to increased difficulties in borrowing and raising funds. Companies worldwide have been affected particularly negatively by these trends. As a result, The Company may have difficulties raising equity financing for purposes of copper, silver, gold and other mineral exploration and development, particularly without excessively diluting the interest of existing shareholders. These trends may limit the ability of the Company to develop and/or further explore its current mineral exploration properties and any other property interests that may be acquired in the future.

## Selected Annual Financial Information

The following selected financial data derived from the audited financial statements of the Company at **January 31, 2013 2012 and 2011**.

### Selected Annual Information

	Years ended January 31		
	2014	2013	2012
	\$	\$	\$
Revenue	-	-	-
Income (Loss)	254,175	(33,178)	(28,172)
Per share-basic and fully-diluted	12.63	(0.02)	(0.02)
Total assets	73,202	92,378	67,778

### Results of Operations

#### For the Years ended January 31

	2014	2013	2012
	\$	\$	\$
Amortization	1,217	1,548	1,542
Office, general and miscellaneous	3,521	1,757	340
Legal an audit	32,234	7,673	12,500
Listing and regulatory fees	19,752	-	-
Management and consulting fees	46,025	22,200	14,400
	(102,749)	(33,178)	(28,782)
<b>Other Items</b>			
Cost recoveries	63,822	-	-
Gain on settlement of debt	293,102	-	-
Income (Loss) and comprehensive Income (loss) for the year	254,175	(33,178)	(28,872)

The Company's net income totalled \$254,175 for the year ended January 31, 2014 with basic and fully diluted net income per share of \$ 0.12. This compares with a net income for the twelve months ended January 31, 2013 of \$254,175 with a basic and fully diluted income per share of \$(0.02). The increase of \$287,353 was principally because:

- The Company recorded a gain of 293,102 on a gain on settlement of debt by the issuance of 500,000 common shares to a former officer of the Company and recorded cost recoveries of 63, 822 for the year ended January 31, 2014.
- The Company incurred an increase in office, general and administration of \$1,764 for the twelve months ended January 31, 2014. The increase can be attributed to increased general corporate activities.
- The Company incurred an increase in management and consulting fees of \$23,825 for the twelve months ended January 31, 2014. The increase can be attributed to increased general management activities in 2014.
- The Company incurred an increase in legal and audit fees of \$24,561 in listing and regulatory fees of \$19,752 and increase in for the twelve months ended January 31, 2014. This total increase of \$44,313 relates to the Company obtaining a Cease Trade Order lifted by the Ontario Securities Commission as well as the Alberta Securities Commission and the British Columbia Securities Commission.

The Company's net (loss) totalled \$(33,178) for the year ended January 31, 2013 with basic and fully diluted net (loss) per share of \$ (0.02). This compares with a net income for the twelve months ended January 31, 2012 of \$(33,178) with a basic and fully diluted (loss) per share of \$(0.02). The nominal increase of \$4,396 was principally because:

- The Company incurred an increase in office, general and administration of \$1,417 for the twelve months ended January 31, 2013. The increase can be attributed to increased general corporate activities.
- The Company incurred an increase in management and consulting fees of \$7,800 for the twelve months

ended January 31, 2013.

- The Company incurred a decrease in legal and audit fees of \$4,827 for the twelve months ended January 31, 2013.

### Selected Quarterly Information

	Q3-15 (i)	Q2-15 (ii)	Q1-14 (iii)	Q4-13 (iv)	Q3-12 (v)	Q2-13 (vi)	Q1-13 (vii)	Q4-12 (viii)
<b>Revenue</b>	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
<b>Net income (loss) (\$)</b>	(14,246)	(46,228)	(22,398)	314,515	(47,430)	(5,488)	(7,552)	(6,118)
<b>Per share (\$)</b>	(0.00)	(0.00)	(0.00)	0.15	(0.00)	(0.00)	(0.00)	(0.0.)

### Narrative Analysis of Quarterly Results

- i) The loss for the third quarter of 2015 as compared to 2014 shows a decrease of \$33,184 and is due to an increase in management and consulting fees of \$4,300 for the three months ended October 31, 2014 as compared to the three months ended October 31, 2013 and incurred a decrease in regulatory and transfer agent's fees of \$ (12,407) and legal and audit of \$(13,689) for the three months ended October 31, 2014 as compared to the three months ended October 31, 2013. In addition the Company incurred \$3,000 for office rent which were not incurred in 2013 as a result of an overall decrease in corporate activities.
- ii) The loss for the second quarter of 2015 as compared to 2014 shows an increase \$40,740 and is due to an increase in management and consulting fees of \$12,000 for the three months ended July 31, 2014 as compared to the three months ended July 31, 2013 and incurred an increase in regulatory and transfer agent's fees of \$4,708 for the three months ended July 31, 2014 as compared to the three months ended January 31, 2013. In addition the Company incurred expenses of \$2,792 for automobile operating costs, \$8,514 for general exploration expenditures, \$5,696 for legal and audit fees and \$6,000 for office rent none of which were incurred in 2013 as a result of an overall increase in corporate activities.
- iii) The loss for the first quarter of 2015 as compared to 2014 shows an increase of \$14,846 and is due to an increase in management and consulting fees of \$11,500; an increase in regulatory and transfer agent's fees of \$3,010. The increase can be attributed directly to cost incurred to having the cease trade order lifted.
- iv) The income for the fourth quarter of 2014 as compared to 2013 shows an increase of \$314,515 in net income primarily due to a gain on settlement of debt of \$293,102 and cost recoveries of \$63,922 offset by increases of increases in listing and regulatory fees of \$6,063, legal and audit fees of \$12,493 and management fees of \$21,525 .
- v) The loss for the third quarter of 2014 as compared to 2013 shows an increase of \$39,725 primarily due to an increase in legal and audit of \$13,727; management and consulting fees of \$3,800; and an increase in regulatory and transfer agent's fees of \$13,689.
- vi) The loss for the second quarter of 2014 as compared to 2013 shows an increase of \$8,493 primarily due to an increase in legal and audit of \$7,000; management and consulting fees of \$1,500; and an increase in office, general and miscellaneous of \$1,857
- vii) The loss for the first quarter of 2014 as compared to the same period in 2012 shows a small net increase of \$3,913 which is due primarily to an increase in office and administration of \$329 and an increase in management and consulting fees of \$ 3,300.
- viii) The loss for the fourth quarter of 2013 as compared to 2012 shows a decrease of \$11,804 and is

primarily due to an increase in amortization of \$6; an increase in office, general and miscellaneous of \$990; a decrease in legal and audit of \$12,500 and a decrease in management and consulting fees of \$300..

### Results of Operations

**Three Month Period Ended October 31, 2014 as compared to October 31, 2013:**

	2014	2013
	\$	\$
Advertising & promotion	(4,134)	-
Amortization	-	501
Automobile	(84)	-
Consulting fees	2,776	-
General exploration expenditures	198	-
Management fees	15,000	10,700
Legal and audit	-	13,744
Property taxes	-	1,955
Office rent	3,000	-
Transfer agent's & regulatory fees	1,282	13,689
Office, general & administration	258	841
(Loss before the following:	(18,477)	(47,430)
Unrealized gain on marketable securities	4,500	-
Net(Loss) and comprehensive (loss) for the period	\$ (14,246)	\$ (47,430)

The Company's net loss totalled \$(14,246) for the three months ended October 31, 2014 with basic and fully diluted income per share of \$(0.00). This compares with a net loss for the three months ended October 31, 2013 of \$(47,300) with a fully diluted loss per share of \$(0.00). The increase in net loss of \$37,240 was principally because:

- The Company incurred an increase in management and consulting fees of \$4,300 for the three months ended October 31, 2014 as compared to the three months ended October 31, 2013. The increase can be attributed to increased general management activities in 2014.
- The Company incurred a decrease in legal and audit fees of \$nil as compared to \$13,689 in 2013 which was attributed to the applications filed with the Ontario Securities commission.
- The Company incurred a decrease in regulatory and transfer agent's fees of \$(12,407) for the three months ended October 31, 2014 as compared to the three months ended October 31, 2013.
- The Company incurred expenses for general exploration expenditures, \$198 and \$3,000 for office rent, none of which were incurred in 2013 as a result of general increases in corporate activity.

### Liquidity and Capital Resources

The Company is not in commercial production on any of its mineral resource properties, and accordingly, the Company has no revenues. The Company finances its operations by raising capital in the equity markets.

Future cash requirements will depend primarily on the extent of future expenditures on the Company's exploration programs. The cost and duration of future exploration programs will depend on the results of current exploration programs and therefore, the Company is not able to forecast future cash requirements. The Company will require additional financing to fund its operations and complete exploration programs in 2014 and future years.

As at **October 31, 2014**, the Company had working capital of \$117,611 and cash and cash equivalents of \$146,447. This compares to a working capital deficit of \$(106,805) and cash of \$87 as **at January 31, 2014**. The decrease in the working capital deficit is due to receiving \$100,000 in cash and 300,000 common shares with market value of \$45,000 from the option agreement with Morgan Minerals and the sale of its Grenfell property to a related party for \$74,144.

## **Risks and Uncertainties**

The Company is in the exploration stage and has not yet determined whether its mineral resource properties contain reserves that are economically recoverable. In addition, the Company has a working capital of \$117,611. Continued operations of the Company and the recoverability of amounts shown for mineral resource properties is dependent upon the ability of the Company to obtain financing to finance its operations and to complete the exploration and development of its mineral resource properties, the existence of economically recoverable reserves and future profitable production, or alternatively, upon the Company's ability to recover its costs through a disposition of its mineral resource properties.

The Company is subject to numerous risk factors that may affect its business prospects in the future. These risks include, but are not limited to, the Company's access to additional capital to fund future activities, the loss of mineral properties or the inability to obtain mining licenses, the inherently risky nature of the Company's activities and its lack of experience in bringing an exploration property into production, foreign exchange fluctuations, the political stability and economic uncertainty of those areas in which the Company carries on operations and the lack of infrastructure in those areas, title risks, the risks and uncertainties associated with joint ventures and the Company's reliance on third parties, statutory and regulatory compliance, the adequacy and availability of insurance coverage, the Company's dependence upon employees and consultants and fluctuations in mineral prices.

## **Basis of preparation and going concern**

These financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"). The accounting policies which are disclosed in **Note 3 to the annual audited financial statements for the year ended January 31, 2014** have been applied consistently to all periods presented.

### Future accounting policies

At the date of authorization of these Financial Statements, the IASB and IFRIC has issued the following new and revised Standards and Interpretations which are not yet effective for the relevant reporting periods and which the Company has not early adopted these standards, amendments and interpretations. However, the Company is currently assessing what impact the application of these standards or amendments will have on the financial statements of the Company.

- IFRS 7 '*Financial Instruments, Disclosures*' - effective for annual periods beginning on or after January 1, 2013, IFRS 7 has been amended to provide more extensive quantitative disclosures for financial instruments that are offset in the statement of financial position or that are subject to enforceable master netting similar arrangements.
- IFRS 9 '*Financial Instruments: Classification and Measurement*' - effective for annual periods beginning on or after January 1, 2015, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments.
- IFRS 10 '*Consolidated Financial Statements*' - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.
- IFRS 11 '*Joint Arrangements*' - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form.

- IFRS 12 '*Disclosure of Interests in Other Entities*' - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.
- IFRS 13 '*Fair Value Measurement*' - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, provides the guidance on the measurement of fair value and related disclosures through a fair value hierarchy.
- IAS 1 '*Presentation of Financial Statements*' - the IASB amended IAS 1 with a new requirement for entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss.
- IAS 27 '*Separate Financial Statements*' - effective for annual periods beginning on or after January 1, 2013, as a result of the issue of the new consolidation suite of standards, IAS 27 Separate Financial Statements has been reissued, as the consolidation guidance will now be included in IFRS 10. IAS 27 will now only prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.
- IAS 28 '*Investments in Associates and Joint Ventures*' - effective for annual periods beginning on or after January 1, 2013, as a consequence of the issue of IFRS 10, IFRS 11 and IFRS 12, IAS 28 has been amended and will provide the accounting guidance for investments in associates and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The amended IAS 28 will be applied by all entities that are investors with joint control of, or significant influence over, an investee.
- IAS 32 '*Financial Instruments, Presentation*' - In December 2011, effective for annual periods beginning on or after January 1, 2013, IAS 32 was amended to clarify the requirements for offsetting financial assets and liabilities. The amendments clarify that the right of offset must be available on the current date and cannot be contingent on a future date.

### **Accounting estimates and critical judgments**

The preparation of financial statements requires management to make estimates, assumptions and judgements about future events. These estimates and judgements are constantly challenged. They are based on past experience and other factors, particularly, forecasts of future events that are reasonable in the circumstances. The actual results are likely to differ from the estimates, assumptions and judgments made by management, and may not equal estimated results.

The following paragraphs describes the most critical management estimates and assumptions in the recognition of assets, liabilities and expenses and the most critical management judgement's in applying accounting policies:

#### **Impairment of assets**

An impairment loss is recognized when the carrying amount of an asset is not recoverable and exceeds its fair value. Management reviews on a regular basis the impairment assessment of its Mineral property interests without a recovery test as disclosed in the Company's 2013 Annual Financial Statements.

#### **Share based payments**

The estimation of share-based payment costs require the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Company has made estimates as to the volatility of its own share price, the probable life of options, the time of exercise of those options and expected extinguishments. The valuation model used by the Company is Black-Scholes.

#### **Income taxes and deferred taxes**

The Company is subject to taxes from different tax jurisdictions. It maintains allowances for uncertain tax positions that, in its opinion, appropriately reflect the risks related to the tax positions related to the tax positions subject to discussions, audits, differences of opinion and appeals with the tax authorities or that are otherwise uncertain. These allowances are determined using best estimates of the amounts payable

based on a qualitative assessment of all relevant information. These allowances are reassessed at the end of each financial reporting period to determine if the amount is sufficient. However, audits by the tax authorities could subsequently result in an additional liability.

### Related Party Transactions

During the three month periods ended **October 31, 2014 and 2013**, the Company entered into the following transactions with related parties not disclosed elsewhere in the financial statements:

- a) Paid or accrued management fees of \$9,000; (2013 - \$ 4,500) to the president of the Company John Rapski.
- b) Paid or accrued management fees of \$6,000; (2013 - \$ nil) to the Chief Financial Officer of the Company Wm. Andrew Campbell. In 2013 Mr. Campbell was paid or accrued consulting fees of \$2,000.
- c) Paid or accrued occupancy costs space of \$3,000 (2013 - nil) to a relative of the President, Eileen Rapski.

As at **October 31, 2014 and January 31, 2014**, due to related parties includes the following:

	<b>October 31, 2014</b>	<b>January 31, 2014</b>
Amounts due to the Chief Financial Officer and director, Wm. Andrew Campbell that are unsecured, non-interest bearing and have no fixed terms of repayment.	\$ 6,000	\$ 18,000
Amounts due to the President and a company controlled by the president and director, John Rapski and a person related to Mr. Rapski that are unsecured, non-interest bearing and have no fixed terms of repayment.	<u>16,440</u>	<u>64,447</u>
	<u>\$ 22,440</u>	<u>\$ 82,447</u>

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

### Contingencies

The Company is not aware of any contingencies or pending legal proceedings as **of November 12, 2014**.

### Additional Disclosure for Venture Issuers without Significant Revenue

There have been no amounts capitalized for exploration and development costs during the period ended October 31, 2014.

### Disclosure of Outstanding Share Data

As of **October 31, 2014**, the Company had 9,598,630 common shares issued and outstanding and 7,180,000 warrants which entitle the holder to acquire one common share at a price per share of \$0.075 until December 15, 2015.

### Subsequent Events

There are no subsequent events to report up to and including November 12, 2014, the date the Board of Directors approved these financial statements except the following:

\*On November 11, 2014, the Company issued 1,100,000 common shares for proceeds of \$82,500 to settle loans and advances and debts from related parties.



\*On November 12, 2014, the Company issued 500,000 common shares for proceeds of \$25,000 as an option payment (see Note 3).