

# **GOLDREA RESOURCES CORP.**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Three ended October 31, 2015 and 2014.

This management's discussion and analysis ("MD&A") was prepared as of December 30, 2015 and should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements and notes thereto for the periods ended October 31, 2015 and 2014 and the Company's audited consolidated financial statements and notes thereto for the for the years ended July 31, 2015 and 2014. These consolidated accounts, including comparatives, have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") and in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting*. All dollar amounts referred to in this MD&A are expressed in Canadian dollars except where indicated otherwise.

**Cautionary Note Regarding Forward-Looking Information**

This document may contain "forward-looking information" within the meaning of Canadian securities legislation ("forward-looking statements"). These forward-looking statements are made as of the date of this document and Company does not intend, and does not assume any obligation, to update these forward-looking statements, except as required under applicable securities legislation.

Forward-looking statements relate to future events or future performance and reflect the Company management's expectations or beliefs regarding future events and include, but are not limited to, estimation of mineral reserves and mineral resources, the realization of mineral reserve estimates, the timing and amount of estimated future production, costs of production, capital expenditures, success of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims and limitations on insurance coverage. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved" or the negative of these terms or comparable terminology. In this document, certain forward-looking statements are identified by words including "may", "future", "expected", "intends" and "estimates". By their very nature forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, risks related to actual results of current exploration activities; changes in project parameters as plans continue to be refined; future prices of resources; possible variations in ore reserves, grade or recovery rates; accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities; as well as those factors detailed from time to time in the Company's interim and annual consolidated financial statements and management's discussion and analysis of those statements, all of which are filed and available for review under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com). Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. The Company provides no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

For more information, visit the Company's website at [www.goldrea.com](http://www.goldrea.com) or at [www.sedar.com](http://www.sedar.com).

## 1.1 Overall performance

### *Description of business*

Goldrea Resources Corp., ("the "Company") was incorporated under the provisions of the Business Corporations Act (British Columbia) on March 2, 1981, and is an exploration stage company engaged in the acquisition, exploration and development of mineral properties. In addition to the Company's ongoing work program on the properties, it continues to actively evaluate new potential projects. The Company is listed for trading on the Canadian Securities Exchange under the symbol "GOR". The Company is engaged in the business of exploring, acquiring, and if warranted, developing mineral properties and placing such properties into production. The Company currently holds interests in several resource properties as follows:

1. British Columbia – Crowrea/Empress
2. British Columbia – Dobbin I
3. British Columbia – Tadpole (Dobbin II)
4. British Columbia – Flap

Exploration and development requires significant amounts of capital and even if the funds were available, the outcome is dependent on finding sufficient quantities and grades of minerals, permitting the project, successful dealings with various stakeholder groups, constructing the processing and ancillary facilities and starting commercial production. This process takes time, and many factors including commodity prices, political and economic conditions may change affecting the viability of the projects.

### *Operations, property interests and activities*

The Company has entered into a contract with Canadian Mining S.A. (CMSA) to jointly build and operate a gold processing plant in Peru. Permitting and construction of an initial plant is in progress.. Under the terms of the contract, the proposed plant will operate through a Peruvian subsidiary, Goldrea Peru that is wholly owned by Goldrea. In exchange for funding all capital and operating costs of the proposed plant, Goldrea will receive 80% of the after-tax profits while CMSA will be entitled to 20% of the after-tax profits in exchange for constructing and managing the plant. In addition, CMSA will receive a bonus of \$20,000 once the plant has successfully operated for 30 consecutive days, and a bonus of \$100,000 in the event that in the plant's revenues for any one month results in an after-tax profit of \$1,000,000 or greater.

Constrained by funding, the Company conducted limited exploration activities on its Canadian properties,

A summary of the status for each property is as follows:

#### Nevada Clean Magnesium Inc.(formerly Molycor Gold Corporation) JV, White Rocks Mountain, BC, Canada:

The Company's focus on Goldrea/Nevada Clean Magnesium Inc. JV will entail work on the following contiguous mineral properties as follows (Crowrea/Empress located 15 kms south of the past producing Brenda Molybdenum/Copper Mine near Penticton, BC; Dobbin, Tadpole Lake, and Flap properties located 27 kms northeast of Kelowna, BC) :

##### i. The Crowrea/Empress Molybdenum Property:

The Company has not perform exploration work on the property in the three months ended October 31, 2015, The Company still intends to keep the remaining claims in good standing and plans to conduct further exploration when financial conditions improve.

##### ii. Dobbin I Platinum/Palladium/Copper property:

The Company has not performed exploration work on the property in the three months ended October 31, 2015, but it still keeps the property in good standing, and will temporarily cease exploration until market conditions improve.

##### iii. Tadpole Lake Molybdenum (Dobbin II) property:

The Company has not performed exploration work on the property for three years, but it still keeps the property in good standing, and may try to option the property to a third party.

iv. Flap Gold property:

The Company did not perform exploration work on the property in the three months ended October 31, 2015, but it still keeps the property in good standing, and will temporarily cease exploration until market conditions improve.

Impairment of exploration and evaluation assets:

At July 31, 2015, the Company had no budgeted or planned exploration on the exploration and evaluation assets located in British Columbian and Arizona, USA (as described above) for the next twelve months and, therefore, the Company wrote down these exploration and evaluation assets to \$1.

Due to the economic conditions of resource market, the Company has decided to allow the claims in the USA to lapse and as of September 2015, no longer has any claims in the USA.

Other items

Goldrea consolidated the shares of the Company on a 10:1 ratio in May 2015.

In June 2015, Goldrea closed the first tranche of a non-brokered private placement of \$189,600 through the issuance of 3,792,000 units at a price of \$0.05 per Unit. Each Unit is comprised of one common share in the capital of the Company plus a one share purchase warrant. Each Warrant entitles the holder to purchase one common share at a price of \$0.10 for one year from the date of issuance.

**1.2 Results of operations**

For the three months ended October 31, 2015 the Company recorded a consolidated net loss of \$72,247 or \$0.01 per share, compared to a consolidated net loss of \$50,559 or \$0.01 per share for the three months ended October 31, 2014.

Expenses were \$70,676 in the period ending October 31, 2015, compared to \$50,585 in the same period of 2014. Consulting fees remained consisted at \$42,248 in the current period, compared to \$42,303 in the same period last year. Professional fees were \$Nil in the current period, a decrease from \$464 in the same period last year. Office and administration expenses were \$25,417 in the current period compared to \$4,457 in the prior period. The current year includes the Peru operations.

**1.3 Summary of quarterly results**

|                                  | Quarter ended<br>April 30, 2015 | Quarter ended<br>July 31, 2015 | Quarter ended<br>April 30, 2015 | Quarter ended<br>January 31,<br>2015 |
|----------------------------------|---------------------------------|--------------------------------|---------------------------------|--------------------------------------|
| Net income (loss)                | \$ (72,247)                     | \$ (984,047)                   | \$ (50,347)                     | \$ (64,952)                          |
| Basic and diluted loss per share | \$ (0.00)                       | \$ (0.09)                      | \$ (0.00)                       | \$ (0.01)                            |

  

|                                  | Quarter ended<br>October 31,<br>2014 | Quarter ended<br>July 31, 2014 | Quarter ended<br>April 30, 2014 | Quarter ended<br>January 31,<br>2014 |
|----------------------------------|--------------------------------------|--------------------------------|---------------------------------|--------------------------------------|
| Net Income (loss)                | \$ (50,559)                          | \$ (31,610)                    | \$ (81,583)                     | \$ 65,945                            |
| Basic and diluted loss per share | \$ (0.00)                            | \$ (0.00)                      | \$ (0.00)                       | \$ (0.00)                            |

#### **1.4 Liquidity and solvency**

The Company had no revenue in the three months ended October 31, 2015. The Company has financed its operations and met its capital requirements primarily through the sale of capital stock by way of private placements and increasing of accounts payable. As at October 31, 2015, the Company had cash and cash equivalents of \$4,013.

Cash flow from operations for the three months ended October 31, 2015 was a net cash outflow of \$36,676, compared to net cash outflow of \$65,110 in the same period last year.

Investing activities include \$Nil spent on mineral exploration and acquisition, compared to \$6,085 spent on mineral exploration.

Financing activities were \$6,040 for the three months ended October 31, 2015 compared to \$Nil in the same period last year.

As at October 31, 2015, the Company had unrestricted cash of \$4,013. The Company's current assets were \$129,353 and total current liabilities were \$145,425. The financial statements have been prepared assuming the Company will continue on a going concern basis. The Company has incurred losses since inception. The Company has insufficient cash resources to meet its current obligations and planned expenditures and is in the process of seeking additional financing. As at October 31, 2015, the Company has a working capital deficiency of \$116,072. The ability of the Company to continue as a going concern depends upon its ability to raise adequate financing to pursue its business objectives and develop profitable operations. There can be no assurance that the Company will be able to continue to raise funds, in which case, the Company may be unable to meet its obligations. These conditions raise substantial doubt about the Company's ability to continue as a going concern. These financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities, contingent obligations and commitments in other than the normal course of business and at amounts different from those in the financial statements.

#### **1.5 Capital resources**

As at October 31, 2015, the Company had Nil outstanding stock options.

#### **1.6 Off-balance sheet arrangements**

As of the report date, the Company has no material off-balance sheet arrangements.

#### **1.7 Transactions with related parties**

Details of transactions with related parties that are not disclosed elsewhere of these consolidated financial statements are disclosed below:

|                                                | <b>October 31, 2015</b> |               | <b>July 31, 2015</b> |        |
|------------------------------------------------|-------------------------|---------------|----------------------|--------|
| Due from directors and officers of the Company | \$                      | <b>27,597</b> | \$                   | 31,597 |
| Due to directors and officers of the Company   | \$                      | <b>35,542</b> | \$                   | 4,042  |

Amounts due to and from officers, directors and companies with common directors are interest free, unsecured and have no specified terms of repayment. They have arisen from the provision of services and expense reimbursements or advances.

During the period ended October 31, 2015: consulting fees of \$31,500 (2014 - \$31,500) were accrued to executive directors and officers of the Company.

The above transactions were in the normal course of business and were measured at the exchange amount which is the amount agreed to by the related parties.

#### **1.8 Proposed transactions**

None

#### **1.9 Recent Accounting Pronouncements**

The following IFRS standards have been recently issued by the International Accounting Standards Board ("IASB"). The Company anticipates that the application of the above new and revised standards, amendments and interpretations will have no material impact on its results and financial position. Disclosure changes are anticipated:

IFRS 9 - Financial Instruments:

IFRS 9, Financial Instruments ("IFRS 9") was issued by the IASB on November 12, 2009, and will replace IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized costs or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company is currently evaluating the impact of IFRS 9 on its financial statements.

The Company anticipates that the application of the above new and revised standards, amendments and interpretations will have no material impact on its results and financial position. Disclosure changes are anticipated.

#### **1.11 Risks and uncertainties**

The exploration and development of mineral properties are highly speculative activities and are subject to significant risks, including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but from finding mineral deposits which, though present, are insufficient in size to return a profit from production. The Company's ability to realize on its investments in exploration projects is dependent upon a number of factors; including management's ability to continue to raise the financing necessary to complete the exploration and development of those projects and the existence of economically-recoverable reserves within the projects.

At the present time the Company does not hold any interest in a mining property in commercial production. The Company has incurred net losses since inception, and has limited financial resources and no positive mineral operating cash flow. No assurance can be given that additional funding will be available for further exploration and development of the Company's projects or to fulfill the Company's obligations under any applicable agreements. Other uncertainties include currency and metal price fluctuations, permits and licences, environmental regulatory requirement changes, mineralization estimates, and political risks.

#### Competitive industry

Mining industry is intensely competitive and the company will compete with other companies that have far greater resources.

#### Fluctuating metal and share prices

Factors beyond the control of the Company may affect the marketability of gold, molybdenum, or any other metals or minerals discovered. Commodity prices fluctuate widely and are affected by numerous factors beyond the Company's control whose effect cannot accurately be predicted.

In recent periods, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered exploratory and development stage companies, have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying assets values or prospects of such companies. There can be no assurance that continual and extreme fluctuations in price will not occur.

#### Permits and licences

The operations of the Company will require licences and permits from various governmental authorities, which have been applied for and/or will be applied for at the proper time. There can, however, be no assurance that the Company will be able to obtain all necessary licences and permits required to carry out exploration, development and mining operations of its projects.

#### Environmental regulation

The operations of the Company are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in the imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which means stricter standards, and enforcement, fines and penalties for non-compliance are becoming more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and their directors, officers and employees. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of future operations. The Company may become subject to liability for pollutions or hazards against which it cannot insure or against which it may elect not to insure where premium costs are disproportionate to the Company's perception of the relevant risks. The payment of such insurance premiums and of such liabilities would reduce the funds available for exploration and production activities.

#### Estimates of mineral resources may not be realized

The mineral resource estimates published from time to time by the Company with respect to its properties are estimates only and no assurance can be given that any particular level of recovery of minerals will in fact be realized or that an identified resource will ever qualify as a commercially mineable (or viable) deposit which can be legally and economically exploited. In addition, the grade of mineralization ultimately mined may differ from that indicated by drilling results and such differences could be material. Production can be affected by such factors as permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations, inaccurate or incorrect geologic, metallurgical or engineering work, and work interruptions, among other things. Short-term factors, such as the need for orderly development of deposits or the processing of new or different grades, may have an adverse effect on mining operations or the results of operations. There can be no assurance that minerals recovered in small-scale laboratory tests will be duplicated in large-scale tests under on-site conditions or in production scale operations. Material changes in resources, grades, stripping ratios or recovery rates may affect the economic viability of projects. The estimated resources described herein should not be interpreted as

assurances of mine life or of the profitability of future operations. The Company has engaged expert independent technical consultants to advise it with respect to mineral resources and project engineering, among other things. The Company believes that those experts are competent and that they have carried out their work in accordance with all internationally recognized industry standards. However, if the work conducted by those experts is ultimately found to be incorrect or inadequate in any material respect, the Company may experience delays and increased costs in developing its properties.

**Dependence on key personnel**

The Company is dependent on the services of its senior management, including James Elbert, its President and Chief Executive Officer, and Larry Reaugh, a director of the Company, and a small number of other skilled and experienced employees and consultants. The loss of any such individuals could have a material adverse effect on the Company's operations.

The following are the risks related to the Company's financial instruments:

**a. Credit risk**

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company is subject to credit risk on the cash balances at the bank, its short-term bank guaranteed investment certificates and amounts receivable. Cash and investments are with Schedule 1 banks or equivalent, with majority of cash held in Canadian based banking institutions, authorized under the Bank Act to accept deposits, which may be eligible for deposit insurance provided by the Canadian Deposit Insurance Corporation. The credit risk in amounts receivable is considered low by management as they consist primarily of amounts owing from government authorities in relation to refundable GST.

**b. Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has in place a planning and budgeting process to assist in determining the funds required to support normal operating requirements on an ongoing basis, including capital development and exploration expenditures. As at July 31, 2015, the Company has a cash and cash equivalent balance of \$34,649 (July 31, 2014 - \$203,757) to settle current liabilities of \$115,423 (July 31, 2014 - \$133,652). Accounts payable and accrued liabilities are due within the current operating period. As at July 31, 2015, the Company has working capital deficiency of \$54,311 compared to a working capital at July 31, 2014 of \$123,931 and was relying on the financial support of a related company and subsequently on equity financing activity. These financial statements assume the related company will not demand repayment of the debt prior to Goldrea generating sufficient cash to repay this amount. See note 1 for additional discussion on going concern.

**c. Market risk**

The Company's primary market risk is in the areas of metal prices and foreign exchange risk on financial instruments denominated in other than Canadian dollars. At October 31, 2015, the Company had no hedging agreements in place with respect to metal prices or exchange rates:

**(i) Commodity price risk:**

The value of the Company's primary mineral property is dependent on the price of gold and the outlook for this metal. The value of exploration stage gold and molybdenum properties is also dependent on the price of gold and molybdenum and the outlook for these metals.

Market prices for these metals historically have fluctuated widely and are affected by numerous factors outside of the Company's control including but not limited to, levels of worldwide production, short-term changes in supply and demand, industrial and retail demand, central bank lending, and forward sales by producers and speculators, as well as certain other factors related specifically to gold.

The profitability of the Company's primary property is highly correlated to the market price of gold. If gold prices decline for a prolonged period below the cost of production it may not be economically feasible to continue towards production.

The Company has not entered into any hedging or commodity based risk instruments.

(ii) Currency risk:

As at July 31, 2015, the Company does not hold the significant foreign currency financial assets and liabilities.

(iii) Equity price risk:

Equity price risk arises from available-for-sale equity securities. The Company's exposure at October 31, 2015 was \$4,998. The shares are publicly traded, market-prices are readily available, and their carrying value is equal to the market value at October 31, 2015.

(iv) 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's cash and cash equivalents contain highly liquid investments that earn interest at market rates and have maturities of 90 days or less. The interest is typical of Canadian banking rates, which are presently low, however this conservative investment strategy mitigates the risk of deterioration to the investment. A change of 100 basis points in the interest rates would not be material to the consolidated financial statements.

#### **1.12 Outstanding share data**

As of the report date, the Company has 11,329,925 common shares outstanding. The Company also has 3,792,000 outstanding share purchase warrants with an exercise price of \$0.10 per share expiring on June 2, 2016. On a fully diluted basis, therefore, the Company has 14,121,925 common shares outstanding.

#### **1.12 Approval**

The Board of Directors of the Company has approved this Management Discussion and Analysis on December 30, 2015. Additional information is available on the Company's website, [www.goldrea.com](http://www.goldrea.com), or on the SEDAR website, [www.sedar.com](http://www.sedar.com).