

# **GOLDREA RESOURCES CORP.**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the years ended July 31, 2017 and 2016.

This management's discussion and analysis ("MD&A") was prepared as of November 29, 2017 and should be read in conjunction with the Company's audited consolidated financial statements and notes thereto for the years ended July 31, 2017 and July 31, 2016. 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 TSX Venture 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 - Cannonball
2. Quebec – Gaspé Lithium
3. Quebec – Argos
4. USA - Lift

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's interests are in Canada (British Columbia). Mineral prospects focus on gold, copper, silver, platinum, palladium, molybdenum, and iron as the major metals of interest.

The Company has suspended 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. Under the terms of the contract, the proposed plant would operate through a Peruvian subsidiary, Goldrea Peru that is wholly owned by Goldrea. Goldrea Peru is still a legal entity, and could explore opportunities in the region without CMSA.

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). The Company has not performed exploration work on the properties in the year ended July 31, 2017 and has abandoned the properties and let the titles of the properties lapse.

### Cannonball property

During the year ended July 31, 2016, the Company entered into an agreement (the "Cannonball Property Agreement") to purchase 1,490 hectares, located approximately 15 kilometers northeast of the former Snip mine in the Iskut River district of northwestern B.C. Under the term of the agreement, the Company purchased a 100% interest in the property, for 2,000,000 shares of the Company and a 2% NSR royalty of which the Company can purchase one percent from the holder at any time for the sum of \$1,000,000.

During the year ended July 31, 2016, the Company issued 2,000,000 shares of the Company in accordance with the Cannonball Property Agreement, these shares were valued at the Company's common share's trading price at the date of issuance.

Gaspe Lithium property

A newly acquired property in Gaspe, Quebec where a \$13,840 survey, mapping and sampling program was done in fiscal 2017. Under the term of the agreement, the Company paid a \$10,000 non-refundable deposit and will issue 600,000 shares to the vendors upon final transfer of the claims by the Quebec government. During the year ended July 31, 2017, the property title was transferred to the Company and the Company issued 600,000 shares value to the Company's common share trading price at the date of issuance.

Argos property

During the year ended July 31, 2017, the Company entered into an agreement to acquire the Argos Property, located in Windfall Lake, Quebec (the "Argos Property Agreement"). Under the term of the Argos Property Agreement, the Company paid a \$2,500 for staking costs and issued 700,000 shares of the Company, valued at the Company's common share trading price at the date of issuance, to the vendors

Lift property

During the year ended July 31, 2017, the Company entered into an agreement to purchase a 100% interest in a lithium prospect (the "Lift Property Agreement"), known as the Lift Property, located in the Clayton Valley, Esmeralda County, Nevada. USA. The Lift Property is comprised by sixty lode claims covering approximately 1200 acres of land. The claims are situated adjacent to Noram's lithium property and in proximity to Pure Energy and Cypress' interests in the Clayton Valley. Consideration for the acquisition consists of US\$30,000 cash, 500,000 common shares of the Company, and a 3% net smelter return royalty which can be bought back for US\$2.5 million. During the year ended July 31, 2017, the Company paid US\$15,000 and issued 500,000 shares of the Company valued at the Company's common share trading price at the date of issuance. In connection with the Lift Property Agreement, the Company agreed to pay the remaining US\$15,000 on or before October 7, 2017 (unpaid). As at July 31, 2017, the Lift Property title has not been transferred to the Company.

Impairment of exploration and evaluation assets:

As at July 31, 2016, the Company had no budgeted or planned exploration on Cannonball Property for the next twelve months and, accordingly, the Company wrote down Cannonball Property to \$1. During the year ended July 31, 2017, the Company abandoned Empress Property and let its title lapsed, therefore, the balance of this property is written off. As at July 31, 2017, the Company had no budgeted or planned exploration on Gaspe Lithium, Argpos and Lift Property for the next twelve months and, accordingly, the Company wrote down these properties to \$nil.

Other items

In August 2016, the Company issued 7,575,000 common shares in connection with the completion of a private placement at a price of \$0.06 per unit, for total proceeds of \$454,500 (of which \$219,000 has been received during the year ended July 31, 2016). Each unit is comprised of one common share of the Company and one half of the share purchase warrant. Each whole share purchase warrant entitles its holder to acquire one common share of the Company at an exercise price of \$0.12 per share for one year period from the private placement completion date. The Company also paid \$5,376 cash and issued 89,600 share purchase warrants with a fair value of \$6,079 as a finder's fee in connection with this private placement. The total transaction costs of \$11,455 were recorded as a reduction from the share capital issued. The finder's share purchase warrants have the same terms of the share purchase warrants issued under the private placements. The Company has allocated \$447,924 to common shares and \$nil to share purchase warrants by applying the residual method. As at July 31, 2017, the subscription proceeds in the amount of \$1,200 have not been received.

In May 2017, 404,200 common shares of the Company were issued for two arm's-length service providers to settle a portion of outstanding debts incurred by the Company in the amount of \$29,258. The 404,200 common shares are subject to a four-month hold period. Also see Note 13.

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During the year ended July 31, 2017, the Company also issued 1,800,000 common shares in connection with the acquisition of exploration and evaluation assets (see Note 9). In October 2017, the Company announced a non-brokered \$0.06 unit private placement of up to 5 million units and up to \$300,000 in gross proceeds. Each unit comprises of one common share and one-half of a common share purchase warrant with an exercise price of \$0.10 for a period of one year.

**Selected annual information**

	Year ended July 31, 2017	Year ended July 31, 2016	Year ended July 31, 2015
Net income (loss)	(645,018)	(430,762)	(1,149,902)
Net Loss per share (basic and diluted)	0.03	0.04	0.14
Working capital (deficit)	92,028	40,728	(54,311)
Total assets	80,343	146,084	146,488
Exploration and evaluation assets	1	2	1
Mineral properties	-	-	-

**1.2 Results of operations**

During the year ended July 31, 2017, the Company recorded a net loss of \$645,018 or \$0.03 per share, compared to a loss of \$430,762 or \$0.04 per share last year.

General and administrative expenses excluding share-based payments were \$529,669 in 2017 (2016 - \$381,684). The increase is mainly due to the additional use of consultants and the shareholder communications. Consulting fees were \$182,800 (2016 - \$98,067), shareholder communications were \$86,715 (2016 - \$2,787). Office and administration expenses were \$14,490 (2016 - \$44,843) and professional fees were \$26,469 (2016 - \$19,736).

**Fourth quarter**

For the quarter ended July 31, 2017, the Company recorded a loss from continuing operations of \$296,299 or \$0.02 per share as compared to a loss of \$247,164, or \$0.03 per share in the quarter ended July 31, 2016.

Operating expenses excluding stock-based compensation decreased to \$118,205 in Q4 2017 compared to \$202,936 in Q4 2016, as the Company wrote-down the exploration and evaluation assets, marketable securities and taxes receivable in 2016.

Office and administration expenses decreased from \$17,067 in Q4 2016 to \$6,401 in Q4 2017; consulting expenses increased from \$4,160 in Q4 2016 to \$28,290 in Q4 2017; professional fees decreased from \$19,736 in Q4 2016 to \$19,090 in Q4 2017.

**1.3 Summary of quarterly results**

	Quarter ended July 31, 2017	Quarter ended April 30, 2017	Quarter ended January 31, 2017	Quarter ended October 31, 2016
Net income (loss)	\$ (296,299)	\$ (60,573)	\$ (62,829)	\$ (225,317)
Basic and diluted loss per share	\$ (0.02)	\$ (0.00)	\$ (0.00)	\$ (0.01)

  

	Quarter ended July 31, 2016	Quarter ended April 30, 2016	Quarter ended January 31, 2016	Quarter ended October 31, 2015
Net Income (loss)	\$ (247,164)	\$ (81,715)	\$ (29,636)	\$ (72,247)
Basic and diluted loss per share	\$ (0.03)	\$ (0.01)	\$ (0.00)	\$ (0.00)

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

The Company has no revenue in the year ended July 31, 2017. 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 July 31, 2017, the Company had cash and cash equivalents of \$4,250.

Cash flow from operations for the year ended July 31, 2017 was a net cash outflow of \$235,002, compared to net cash outflow of \$210,944 in the same period a year ago.

Investing activities were an outflow of \$44,330 compared to outflows of \$9,046 in the same period of 2016, spent on mineral exploration.

Financing activities were inflows of \$228,624 due to a private placement compared to an inflow of \$240,300 in the prior year.

As at July 31, 2017, the Company had cash of \$4,250. The Company's current assets were at \$29,556 and total current liabilities were \$121,584. The Company's working capital deficit of \$92,028. 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. 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 July 31, 2017, the Company had 3,000,000 outstanding stock options and 3,877,100 outstanding warrants.

#### **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**

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.

The Company has directors and officers in common with American Manganese Inc. (formerly Rocher Deboile Minerals Corp.) (American Manganese).

Related party balances are as follows:

	July 31, 2017	July 31, 2016
Due from directors and officers of the Company	\$ -	\$ 2,556
Subtotal due from related party	\$ -	\$ 2,556
Due to directors and officers of the Company	\$ 41,065	\$ -
Subtotal due to related party	\$ 41,065	\$ -

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 year ended July 31, 2017, consulting fees of \$120,000 (2016 - \$96,000) were accrued to directors and officers of the Company. The Company uses the home space of one officer who is also a director of the Company as the office, the Company incurred \$6,435 (2016 - \$6,380) in office rent for the year ended July 31, 2017. Key management includes the chief executive officer, chief financial officer and the directors of the Company. The compensation paid or payable to key management for services, excluding the share-based payments during the years ended July 31, 2017 and 2016 is disclosed above. During the year ended July 31, 2017, key management received share-based payments of \$149,685 (2016 - \$32,434). Key management personnel were not paid post-employment benefits or other long-term benefits during the years ended July 31, 2017 and 2016. (Also see Note 5)

**1.9 Proposed transactions**

None

**1.10 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.

- a) IFRS 9 Financial Instruments ("IFRS 9") was issued by the IASB on July 24, 2014 and will replace IAS 39 Financial instruments: recognition and measurement. IFRS 9 utilizes a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. 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. Final amendments released on July 24, 2014 also introduce a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.
- b) IFRS 15, Revenue from Contracts with Customers ("IFRS 15") which was issued by the IASB in May 2014, supersedes IAS 11, Construction Contracts, IAS 18, Revenue, IFRIC13, Customer Loyalty Programs, IFRIC15, Agreements for the Construction of Real Estate, IFRIC 18, Transfers of Assets from Customers, and SIC 31, Revenue – Barter Transactions involving Advertising Services. IFRS 15 establishes a single five-step model framework for determining the nature, amount, timing and certainty of revenue and cash flows arising from a contract with a customer. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.
- c) IFRS 16 Leases was issued in January 2016 by IASB eliminating the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operation leases. Under the new standard, a lease becomes an on-balance sheet liability that attracts interest, together with a new right-of-use assets. In addition, lessees will recognize a front-loaded pattern of expense for most leases, even when cash rentals are constant. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption is permitted

#### **1.10 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 years, 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 again 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, GICs held by bank for reclamation and corporate credit card security deposits and amounts receivable. Cash and GICs 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 maximum exposure to credit risk is equal to the carry value of the financial assets.

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, 2017, the Company has a cash and cash equivalent balance of \$4,250 (July 31, 2016 - \$54,959) available to settle current liabilities. Accounts payable and accrued liabilities are due within the current operating period. As at July 31, 2017, the Company has working capital deficiency of \$90,028 compared to a working capital at July 31, 2016 of \$40,728. Management

monitors the Company's contractual obligations and other expenses to ensure adequate liquidity is maintained.

c. Market risk

The Company's primary market risk is in the areas of metal prices and foreign exchange risk on financial instruments in other than Canadian dollars. At July 31, 2017, the Company had no hedging agreements in place with respect to metal prices or exchange rates:

(i) Commodity price risk:

The Company has not generated any revenue since its inception. The Company is not subject to significant price risk.

(ii) Currency risk:

As at July 31, 2017, 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 July 31, 2017 was \$Nil. The shares are publicly traded, market-prices are readily available, and their carrying value is equal to the market value at July 31, 2017.

(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.

**Outstanding share data**

As of the report date, the Company has 23,829,125 common shares outstanding. The Company also has nil outstanding share purchase warrants; and 3,000,000 options with an exercise price of \$0.05 to \$0.10 expiring between February 2, 2021 and September 15, 2021. On a fully diluted basis, therefore, the Company has 26,829,125 common shares outstanding.

**1.11 Approval**

The Board of Directors of the Company has approved this Management Discussion and Analysis. 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).