

# **ACREX VENTURES LTD.**

**(“Company”)**

## **SECOND QUARTER MANAGEMENT DISCUSSION AND ANALYSIS DATED AUGUST 27, 2013**

This quarterly MD & A covers the Company’s second fiscal quarter – the period between April 1, 2013 and June 30, 2013 – and the subsequent period to August 27, 2013. It is to be read in conjunction with the Company’s audited financial statements prepared to December 31, 2012 and the quarterly unaudited financial statements of the Company prepared for the quarter ending June 30, 2013. The quarterly period between April 1, 2013 and June 30, 2013 is hereinafter referred to as the “Quarter”.

On January 1, 2011, the Company adopted International Financial Reporting Standards (“IFRS”). Prior to the transition, the Company prepared its interim and annual financial statements in accordance with Canadian Generally Accepted Accounting Principles. The audited consolidated financial statements prepared as at the year ended December 31, 2012, which are discussed in this MD&A, have been prepared in accordance with IFRS. Unless indicated otherwise, all financial data in this MD&A has been prepared in accordance with IFRS.

The Company’s interim financial statements for the Quarter were also prepared in compliance with International Accounting Standard 34.

### ***FORWARD LOOKING STATEMENTS***

Certain statements in this MD&A, other than statements of historical fact, constitute “forward-looking information” within the meaning of Canadian securities legislation, and the United States Private Securities Litigation Reform Act of 1995. “Forward-looking information” includes, but is not limited to, statements with respect to potential mineralization and geological merits of the company’s properties, as well as the Company’s future plans, objectives, business strategy, budgets, projected costs, financial results, and requirements for additional capital. In certain cases, forward-looking information can be identified by the use of words such as “plans”, “expects”, “contemplates”, “budget”, “possible”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates” or “believes”, or variations of such words and phrases, or state that certain actions, events or results “may”, “could”, “would”, “might” or “will be taken”, “occur” or “be achieved”.

Forward-looking information involves 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 information. Such risk factors include, among others: changes in future prices of precious metals; currency fluctuations; inherent risks involved in the exploration and development of mineral properties; uncertainties involved in interpreting drill results and other exploration data; potential for delays in exploration activities; geology, grade and continuity of mineral deposits; possibility that future exploration results may not be consistent with the Company’s current expectations; accidents, labor disputes and other risks associated with the mining industry; delays in obtaining governmental approvals; uncertainties relating to the availability and costs of financing required in the future; and competition and loss of key employees. Other risks and uncertainties are discussed throughout this MD&A and, in particular, in the section below entitled “Risks and Uncertainties”.

In making the statements in this MD&A containing forward-looking information, the Company has applied several material assumptions, including but not limited to, assumptions regarding the ability of the Company to obtain, on reasonable terms, the necessary financing to complete the exploration and development of its property interests, as well as the future profitable production or proceeds from the disposition of the Company’s exploration and evaluation assets.

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 information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that

forward-looking information will prove to be accurate, and actual results and future events could differ materially from those anticipated in such statements.

The Company disclaims any intention or obligation to update or revise the forward-looking information in this MD&A, whether as a result of new information, events or otherwise, except as required by applicable securities legislation. Accordingly, readers are cautioned not to put undue reliance on forward-looking information

## 1. **Overall Performance**

### (a) *Exploration and Business Activities*

The Rainbow Canyon Property has an area of approximately 421 hectares (approximately 1,040 acres) and is located 40 Kilometres east of Reno, Nevada in Washoe County.

In April, 2011 Acrex completed a sampling programme that involved taking 30 rock chip and grab samples from quartz veins, quartz veinlets and altered wallrock material that occurs in prospect pits, rock dumps, trenches and outcroppings of mineralization on the claims. Results showed that, of the 30 sites samples, 20 samples had greater than 0.150 g/t gold and 14 samples had greater than 1.0 ppm gold with a maximum, in one sample, of 48.2 g/t gold. Alteration around the quartz veins suggests a low sulfidation gold mineralizing event.

The property is underlain by mafic to felsic volcanic rock of Tertiary age. The presently known gold mineralization occurs in altered mafic volcanics of the Alta Formation and is thought to be similar in age and host rock type to the nearby Comstock Mine. The property is situated within the Walker Lane structural belt which is host to several major gold and silver deposits with historical production. These include the bonanza gold-silver vein deposits of the Comstock Mine, as well as large, bulk-mineable, gold-silver deposits such as the Rawhide Mine, and Paradise Peak.

The Company has had a local contractor build four drill pad sites on the property in anticipation of future drilling.

The Company has not conducted exploration work on its Nevada gold property. Management would like to drill the Rainbow Canyon property but would need additional financing. The Company's geological consultant has advised that the most effective work that can next be done on the property is a drill programme – and that, to achieve any meaningful results, the programme would have to be extensive enough that its projected costs are approximately \$500,000. As such expenditures on the programme would totally exhaust the Company's funds the Company's Board of Directors has concluded that the work should not be undertaken until the Company achieves further funding.

The Company paid the annual payment of \$14,000 – necessary to keep the Property in good standing - to the Nevada State Office of the Bureau of Land Management on July 8, 2013.

The Company has considered other mineral properties for potential acquisition – but none of them have been considered worthy on acquisition. Basically the Company has been prevented from exploring its Nevada Property or carrying on any significant activities due to a lack of adequate funds.

### (b) *Financing*

Due to the poor state of the market, the Company did not do any financing in the Quarter or during the period covered by this MD&A.

(c) Sale of Spanish Mountain claims

Pursuant to an agreement dated July 25, 2012 the Company sold its Spanish Mountain mineral claims to Spanish Mountain Gold Ltd. (“SMG”). The sale was of 11 claims covering a total of 1,526 hectares (“Claims”). The consideration received by the Company from the sale of the Claims was:

- (i) a cash payment of \$500,000;
- (ii) 2,000,000 shares of SMG.

In the Sale Agreement there was reserved for the Company the right to receive a 4.0% net smelter return royalty which will be payable from and after the commencement of production from the Claims. SMG has the right to buy down the royalty from 4.0% to 2.0% by paying a total of \$2,000,000 – of which \$1,000,000 will be paid to the Company and \$1,000,000 will be paid to a former owner of a portion of the Claims who reserved a 3.0% net smelter return royalty in the Agreement by which he sold 10 of the Claims to the Company subject to a buy-down of his royalty to 1.0% by the payment of \$1,000,000. If SMG pays the \$2,000,000 there will be effectively reserved to the Company a 1.0% net smelter return royalty and to the former owner of the Claims a 1.0% net smelter return royalty.

2. Summary of Quarterly Results

The following information is provided for each of the 8 most recently completed quarters of the Company:

	June 30/13	March 31/13	Dec. 31/12	Sept. 30/12	June 30/12	March 31/12	Dec. 31/11	Sept. 30/11
(a) Net sales or total revenues	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
(b) Loss before extraordinary items								
- total	80,792	81,147	96,348	96,946	84,483	69,036	96,014	114,724
- per share undiluted	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- per share diluted*								
(c) Net loss (gain)								
- total	231,149	380,776	187,398	190,062	83,529	67,449	96,702	114,954
- per share undiluted	0.01	0.01	0.01	0.00	0.00	0.00	0.00	0.00
- per share diluted*								

\*As the effect of any dilution is to reduce the reported loss per share, fully diluted loss per share information has not been shown.

The net loss figure shown for the Quarter is larger than the average net loss incurred in previous quarters because of the posting, in the Quarter, of an unrealized (non-cash) loss of \$152,337 due primarily to a decline in the trading value of 2,000,000 shares the Company owns in Spanish Mountain Gold Ltd. At the close of trading on December 31, 2012 the shares were trading at \$0.29 per share giving them an apparent aggregate year-end value of \$580,000. At the end of the Quarter their trading price was \$0.65, giving them an aggregate value of \$130,000 – resulting in a loss in value of \$450,000 over the six month period.

Otherwise, the differences in the figures between the various other quarters have been due only to the amount of activity by the Company in each quarter. In addition some year-end expenses were booked which were not recognized proportionately in earlier quarters.

### 3. **Liquidity**

At the end of the Quarter – June 30, 2013 - the Company had cash on hand of \$448,480 (2012 - \$327,476) and net working capital of \$586,972 (2012 - \$330,356). At the close of business August 23, 2013 the Company had cash on hand of approximately \$392,000 . The Company has no financial commitments other than to pay its monthly general and administrative expenses.

### 4. **Transactions with Related Parties**

The related party transactions in the Quarter were:

- (a) the Company paid \$10,000 per month - total \$30,000 (2012 - \$27,000) to a company which is wholly owned by the President Mr. Malcolm Powell – in payment for Mr. Powell’s management of the Company. With the same company the Company incurred equipment rental charges of \$4,830 (2012 - \$4,690).
- (b) Carl Jonsson, a director of the Company, is a principal in Tupper Jonsson & Yeadon, the law firm which acts as the Company’s Solicitors – and accordingly receives a benefit from the fees paid to the law firm for services rendered – which are rendered almost exclusively by Mr. Jonsson. In the Quarter the legal fees were \$2,000 (2012 - \$7,800). At June, 30, 2013, accounts payable and accrued liabilities included \$3,014 (December 31, 2012 - \$19,060) for amounts due to Mr. Jonsson’s law firm.
- (c) The Company paid a Director \$18,000 (2012 - \$18,000) for management, investor relations and other services net of reimbursements from other related companies.

### 5. **Other MD & A Requirements**

- (a) Additional information relating to the Company – including the quarterly financial statements and MD&A’s for the fiscal year ended December 31, 2012 - have been filed on SEDAR and are available at [www.sedar.com](http://www.sedar.com). Information about the Company may also be seen on its website at [www.acrexventures.com](http://www.acrexventures.com).
- (b) As the Company has not had any revenue from operations in its last two financial years the following additional information is provided:
  - (A) The Company did not incur any exploration or property development costs during the six month periods ending June 30, 2013 or June 30, 2012.
  - (B) General and administration expenses.

Breakdown of general and administration expenses for the half-year periods ending June 30, 2013 and June 30, 2012:

	2012 - \$	2013 - \$
Management fees	54,000	60,000
Investor relations	31,638	35,638
Promotion and travel	13,575	16,163
Consulting	-	5,000
Office and general	12,878	11,153
Accounting and audit	10,000	7,500
Legal fees and disbursements	8,920	6,375
Advertising	3,032	808
Rent	7,620	10,032

Transfer agent fees	4,986	2,028
Filing fees	6,870	4,328
Totals:	153,519	159,025

(c) Outstanding share data – as at May 28, 2013:

(i) The Company has 40,760,447 common shares issued. The shares are all voting shares and rank equally with each other.

(ii) The Company has 2,005,000 share purchase options outstanding entitling the purchase of:

- 465,000 shares exercisable at \$0.10 per share before December 11, 2013
- 410,000 shares exercisable at \$0.10 per share before July 19, 2015
- 675,000 shares exercisable at \$0.10 per share before August 9, 2016
- 400,000 shares exercisable at \$0.10 per share before August 30, 2017
- 100,000 shares exercisable at \$0.10 per share before February 4, 2018

(iii) The Company has no share purchase warrants outstanding.

## 8. **Financial and Other Instruments**

The Company's financial instruments consist of cash and cash equivalents, marketable securities and accounts payable. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from financial instruments. The fair value of these financial instruments approximates their carrying value due to their short-term maturity or capacity for prompt liquidation.

## 9. **Controls**

### (a) Evaluation of disclosure controls and procedures

Public companies are required to perform an evaluation of disclosure controls and procedures annually and to disclose management's conclusions about the effectiveness of these disclosure controls and procedures in its annual Management's Discussion and Analysis. The Company has established, and is maintaining, disclosure controls and procedures to provide reasonable assurance that material information relating to the Company is disclosed in annual filings, interim filings or other reports, and is recorded, processed, summarized and reported within the time periods specified as required by securities regulations.

Management has evaluated the effectiveness of the Company's disclosure controls and procedures as at December 31, 2012 and, given the size of the Company and the involvement at all levels of the Chief Executive Officer, and the Chief Financial Officer, believes that they are sufficient to provide reasonable assurance that the Company's disclosures are compliant with securities regulations.

### (b) Internal controls over financial reporting

As at December 31, 2012 management of the Company is responsible for evaluating the design of internal control over financial reporting. The Chief Executive Officer and Chief Financial Officer, together with other members of management, after having designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the

preparation of financial reporting in accordance with IFRS as of December 31, 2011, have not identified any changes to the Company's internal control over financial reporting in the latest reporting period that would materially affect, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

10. **Change in Accounting Policies including Initial Adoption and Recent Accounting Pronouncements Not Yet Adopted**

**New accounting standards issued but not yet effective** - Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or the International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods beginning after January 1, 2013, or later periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

**New accounting standards effective January 1, 2013**

**IFRS 10 Consolidated Financial Statements** - IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 *Consolidation - Special Purpose Entities* and parts of IAS 27 *Consolidated and Separate Financial Statements*.

**IFRS 11 Joint Arrangements** - IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities - Non-monetary Contributions by Venturers*.

**IFRS 12 Disclosure of Interests in Other Entities** - IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

**IFRS 13 Fair Value Measurement** - IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

**Amendments to other standards** - In addition, there have been other amendments to existing standards, including IAS 27 *Separate Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*. IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 to IFRS 13.

**Amendments to IAS 1 *Presentation of Financial Statements*** - The IASB has amended IAS 1 to require entities to separate items presented in other comprehensive income (“OCI”) into two groups, based on whether or not items may be reclassified into profit or loss in the future. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately.

**IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*** - IFRIC 20 addresses the accounting for overburden waste removal (stripping) costs in the production phase of a surface mine. Stripping activity may result in two types of benefits: i) inventory produced and ii) improved access to ore that will be mined in the future. Stripping costs associated with inventory production should be accounted for as a current production cost in accordance with IAS 2 Inventories, and those associated with improved access to ore should be accounted for as an addition to, or enhancement of, an existing asset.

Each of the new standards, IFRS 10 to 13, IFRIC 20 and the amendments to other standards, is effective for the Company beginning on January 1, 2013. The Company does not expect a significant impact on its consolidated financial statements from these new standards.

#### **New accounting standards effective January 1, 2015**

**IFRS 9 *Financial Instruments*** - IFRS 9 was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: Amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at the fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return of investment; however, others gains and losses (including impairments) associated with such instruments remain in accumulated other comprehensive income indefinitely.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, *Financial Instruments – Recognition and Measurement*, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

IFRS 9 is effective for annual periods beginning on or after January 2015 with early adoption permitted. The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its consolidated financial statements or whether to early adopt any of the new requirements.

#### **11. Risks and Uncertainties**

Resources exploration is a speculative business and involves a high degree of risk which even a combination of professional evaluation and management experience may not eliminate. There is no certainty that expenditures made by the Company on the exploration of properties will result in discoveries of commercial quantities of minerals. Significant expenditures are required to locate and

estimate reserves, and further the development of a property. Capital expenditures to bring a property to commercial production are also significant. There is no assurance that the Company will be able to arrange sufficient financing to bring a property into production. The following are some of the risks to the Company, recognizing that it may be exposed to other additional risks from time to time.

- Limited business history of the Company, including lack of revenues and no assurance of profitability
- Dependence on key management personnel
- Reliance on availability and performance of independent contractors
- Challenges by other unknown parties or Aboriginals to property title
- Environmental issues
- Federal and provincial political risk
- Commodity price risk
- Financial markets

## 12. **Environmental Risk Disclosure**

Conducting mineral exploration activities give rise to a risk that environmental damage could be done - which, for the Company, would be principally:

- (a) inadvertently causing a fire - which could become a forest fire - in the area of the exploration activities; and
- (b) fuel or chemicals - or equipment containing fuel or chemicals - could spill or fall into a stream which could result in downstream damage to fish or fish habitat.

The Company, in engaging contractors to carry out exploration activities on its behalf, requires that the contractors commit to using industry-best practices to ensure that the work that they perform on behalf of the Company does not result in any environmental damage, and that they are equipped, in case environmental damage should occur, to immediately eliminate the risk or mitigate the damage. Nevertheless, as the work being done is under the control of independent contractors and not under full or constant supervision by representatives of the Company, activities could be undertaken by the contractors or their employees which would be considered environmentally hazardous or which could cause environmental damage.

The Company, through reports from its independent contractors and geologists that it has periodically on the site of work being done by the Company, is satisfied that the Company and the contractors engaged in the past have not caused any material environmental damage and that if the contractors have caused any non-material environmental damage it has been remediated promptly and effectively.

To the best of the knowledge of the Company's Management and Directors the Company is not subject to any potential existing environmental liabilities. The Company has therefore not set up in its financial statements any reserve against potential liability for environmental damage.