

# SCOTCH CREEK VENTURES INC.

## Management's Discussion and Analysis

For the three and nine month periods ended September 30, 2019

### INTRODUCTION

The following management discussion and analysis (MD&A), prepared as of November 22, 2019 has been prepared in accordance with International Financial Reporting Standards ("IFRS"). The Company's comparatives amounts in this MD&A have been presented in accordance with IFRS. All amounts are stated in Canadian dollars unless otherwise indicated.

The following information should be read in conjunction with the audited financial statements for the year ended December 31, 2018, and the related notes to those financial statements, all of which are available on the SEDAR website at [www.sedar.com](http://www.sedar.com).

Statements in this report that are not historical facts are forward looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward looking statements.

Additional information related to the Company is available for view on SEDAR at [www.sedar.com](http://www.sedar.com).

### CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this MD&A constitute "forward-looking statements". Such forward-looking statements involve a number of 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 such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements in light of the risks set forth below and as detailed under **RISK AND UNCERTAINTIES** in this MD&A.

Risk factors that could affect the Company's future results include, but are not limited to, risks inherent in mineral exploration and development and mining activities in general, volatility and sensitivity to market prices for commodities, changes in government regulation and policies including environmental regulations and reclamation requirements, receipt of required permits and approvals from governmental authorities, competition from other companies, ability to attract and retain skilled employees and contractors, and changes in foreign currency exchange rates. Further information regarding these and other factors which may cause results to differ materially from those projected in forward-looking statements are included in the Company's filings with securities regulatory authorities. The Company does not undertake to update any forward-looking statement that may be made from time to time by the Company or on its behalf, except in accordance with applicable securities laws.

## **NATURE OF BUSINESS AND OVERALL PERFORMANCE**

Scotch Creek Ventures Inc. (the “Company”) was originally incorporated under the Business Corporations Act of British Columbia on January 9, 2017. The principal business of the Company is the acquisition and exploration of resource properties in North America.

The address of the Company’s corporate office and principal place of business is Suite 510- 744 West Hasting Street, Vancouver BC, V6C 1A5.

On December 27, 2018, the Company listed on the Canadian Securities Exchange (“CSE”), and trades under the symbol “SCV” after the closing of a prospectus offering in December 2018.

As at September 30, 2019, the Company held cash of \$52,126 compared to \$20,904 at September 30, 2018 and \$292,184 at December 31, 2018.

Amounts capitalized into exploration and evaluation assets at September 30, 2019 totalled \$174,368 and \$108,548 at September 30, 2018 and December 31, 2018 totalled \$117,338.

The Company is engaged in the acquisition, exploration and, if warranted, development of mineral resource properties.

On July 12, 2017, the Company entered into a purchase agreement with Curellie LLC (“Curellie”) of Elko Nevada to acquire a 100% undivided interest in the Cupz unpatented lode claims (Cupz 1-14) located in Esmeralda County Nevada USA.

The terms of the agreement are an outright purchase of the property for \$17,000 with a 3% net smelter return (“NSR”) royalty to Curellie.

The Company may at anytime reduce the royalty to 2% by paying \$500,000 to Curellie or to 1% by paying \$1,000,000.

As at September 30, 2019 the Company has a 100% ownership of 39 Cupz claims covering approximately 806 acres.

In December 2018 the Company completed an Initial Public Offering of 3,305,000 shares at \$0.12 per share for total proceeds of \$396,600 before commissions, legal, corporate and other offering costs of \$136,017. In connection with the Initial Public Offering the Company also issued 297,450 broker warrants with each broker warrant entitling the holder to purchase an additional common share at \$0.12 per share for two years from the date of issuance. The fair value of the broker warrants was calculated using the Black-Scholes option pricing model for a total value of \$22,486 based on the following assumptions: expected life of 2 years, expected volatility of 125%, risk free interest rate of 1.80% and no dividend yield.

## **PROPERTY OVERVIEW AND DEVELOPMENT**

### **The Cupz Property**

The Cupz Property consists of 39 unpatented lode mining claims in Esmeralda County, Nevada. The existing Cupz Property covers 806 acres in the Cuprite Hills District.

On July 12, 2017, the Company entered into the Cupz Property Purchase Agreement with the Vendor whereby the Vendor sold the Company an undivided 100% interest in 14 claims (Cupz-1 to Cupz-14) of the Cupz Property. The Company acquired these claims for the sum of \$17,000. The Company staked the 25 additional claims (Cupz 15 to Cupz 39) in November 2017 to cover targets revealed by summer – fall exploration work of which the Company is the beneficial holder and Curellie LLC the registered holder. The Cupz Property as a whole consists of a contiguous block of 39 claims (Cupz 1 to Cupz 39), covering about 806 acres. The Company holds the Cupz Property outright with no underlying leases.

### Discussion of the Cupz Property

During the nine months ended September 30, 2019 the Company completed a soil and rock sampling program to assist in determining the drill locations for a program which commenced in October 2019.

During the three months ended September 30, 2019 the Company applied and received a drill permit on the Cupz property. The Company has sourced a drilling contactor who commenced drilling in October 2019.

During the nine months ended September 30, 2018 the Company staked an additional 25 contiguous claims and carried out soil and rock sampling to confirm and assist in mapping to determine drilling locations. During this period the Company's activities included the acquisition of the Cupz Property, initial exploration activities on the Cupz Property and activities related to its initial public offering.

The NI43-101 report is available at [www.sedar.com](http://www.sedar.com).

### SELECTED ANNUAL INFORMATION

The following financial data prepared in accordance with IFRS stated in Canadian dollars is presented as at December 31, 2018 and 2017:

<b>For the Periods ended</b>	<b>Year ended December 31, 2018</b>	<b>January 9, 2017 to December 31, 2017</b>
Total Revenue	\$ -	\$ -
Net loss for the year/period	\$ 117,579	\$ 107,242
Total Assets	\$ 416,160	\$ 152,307
Total Liabilities	\$ 139,498	\$ 18,649
Cash Dividends per share	\$ -	\$ -
Basic and diluted loss per share	\$ 0.01	\$ 0.04

### QUARTER AND SIX MONTHS ENDED JUNE 30, 2019

The Company incurred a net loss and comprehensive loss of \$45,193 during the three month period and \$111,451 for the nine month period ended September 30, 2019, compared to a net

loss and comprehensive loss of \$43,107 and \$95,682 respectively for the three and nine month periods ended September 30, 2018.

	THREE MONTH PERIOD ENDED SEPT 30 2019	THREE MONTH PERIOD ENDED SEPT 30, 2018	NINE MONTH PERIOD ENDED SEPT 30, 2019	NINE MONTH PERIOD ENDED SEPT 30, 2018
<b>Expenses</b>				
Directors' fees	\$ 3,000	\$ 3,000	\$ 9,000	\$ 9,000
Interest	505	1,616	1,931	-
Office and miscellaneous	1,383	1,000	11,135	2,000
Management fees (Note 11)	30,000	15,000	75,000	45,000
Professional fees	11,025	3,800	13,473	17,500
Travel	-	-	912	1,979
	45,193	43,107	111,451	95,682
<b>Net Loss and Comprehensive Loss for the Period</b>	\$ (45,193)	\$ (43,107)	\$ (111,451)	\$ (95,682)
<b>Loss Per Common Share, Basic and Diluted</b>	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.00)
<b>Weighted Average Number of Common Shares Outstanding</b>	13,835,000	10,530,000	13,835,000	10,530,000

#### Quarter Ended September 30, 2019

The most significant differences in expenses incurred in the three month periods ended September 30, 2019 and 2018 are discussed below:

Management fees increased to \$30,000 (2018 - \$15,000) and Directors fees remained the same at \$3000 (2018 -\$3,000).

Professional fees increased to \$11,025 (2018 – \$3,800) as the Company was more active in 2019.

Office and Miscellaneous increased marginally to \$1,383 (2018- \$1,000) relates to expenses of being a public company.

Travel and Entertainment decreased to \$Nil (2018 - \$191) as a result of reduced management travel and entertainment in connection with investor meetings.

Interest decreased to \$505 (2018 - \$1,616) due to the repayment of a promissory notes.

During the period ended September 30, 2019, the Company incurred \$57,303 of exploration or evaluation expenditures on the Cupz Property (2018 - \$Nil).

### Nine Months Ended September 30, 2019

The most significant differences in expenses incurred in the nine month periods ended September 30, 2019 and 2018 are discussed below:

Management fees increased to \$75,000 (2018 - \$45,000) and Directors fees remained the same at \$9,000 (2018 -\$9,000).

Professional fees decreased to \$13,473 (2018 – \$17,500) as the Company was preparing for an IPO in 2018 which was completed in 2018.

Office and Miscellaneous increased to \$13,473 (2018- \$2,000) relates to expenses in setting up and running an office.

Travel and Entertainment decreased to \$912 (2018 - \$1,979) as a result of reduced management travel and entertainment in connection with investor meetings.

### SUMMARY OF QUARTERLY RESULTS

The Company completed its initial public offering in December 2018. The Company has not presented quarterly information for its past eight quarters. It has not prepared quarterly financial statements for such quarters as it was a private company until completing its IPO in December 2018.

	2019			2018		2017	
	30-Sept	30-June	30-Mar	31-Dec	30-Sept	31-Dec	30-Sept
<b>Revenues</b>	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil
<b>Loss before other items</b>	\$45,193	\$39,839	\$26,419	\$21,879	\$43,107	\$19,958	\$53,767
<b>Net Loss</b>	\$45,193	\$39,839	\$26,419	\$21,879	\$43,107	\$19,958	\$53,767
<b>Loss per share- basic and diluted</b>	\$ (0.00)	\$(0.00)	\$(0.00)	\$(0.00)	\$(0.00)	\$(0.00)	\$(0.01)
<b>Shares Outstanding</b>	13,835,000	13,835,000	13,835,000	10,557,164	10,530,000	10,530,000	10,530,000

### Nine Months Ended September 30, 2019

The most significant differences in expenses incurred in the nine month periods ended September 30, 2019 and 2018 are discussed below:

Management fees increased to \$75,000 (2018 - \$45,000) and Directors fees remained the same at \$9,000 (2018 -\$9,000).

Professional fees decreased to \$13,473 (2018 – \$17,500) as the Company was preparing for an IPO in 2018 which was completed in 2018.

Office and Miscellaneous increased to \$13,473 (2018- \$2,000) relates to expenses in setting up and running an office.

Travel and Entertainment decreased to \$912 (2018 - \$1,979) as a result of reduced management travel and entertainment in connection with investor meetings.

	2019		2018		2017	
	30-June	30-Mar	31-Dec	30-Sept	31-Dec	30-Sept
<b>Revenues</b>	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil
<b>Loss before other items</b>	\$39,839	\$26,419	\$21,879	\$43,107	\$19,958	\$53,767
<b>Net Loss</b>	\$39,839	\$26,419	\$21,879	\$43,107	\$19,958	\$53,767
<b>Loss per share- basic and diluted</b>	\$(0.00)	\$(0.00)	\$(0.00)	\$(0.00)	\$(0.00)	\$(0.01)
<b>Shares Outstanding</b>	13,835,000	13,835,000	10,557,164	10,530,000	10,530,000	10,530,000

Note: The Company has not presented quarterly information for its past eight quarters. It has not prepared quarterly financial statements for such quarters as it was a private company until completing its IPO in December 2018.

## LIQUIDITY AND CAPITAL RESOURCES

The Company is engaged in mineral exploration and has no cash flow from operations.

The Company must rely on equity financing, loans and/or advances to meet its administrative and overhead expenses and to pursue its objectives. At September 30, 2019 the Company held cash of \$52,126 (2018 - \$20,904), had accounts receivable, consisting of GST recoverable of \$10,371 (December 31, 2018 – \$292,184). The Company had current liabilities of \$71,654 (

December 31, 2018 - \$119,498). As at September 30, 2019 the Company had a working capital deficit of \$9,157 (September 30, 2018 deficiency (\$15,572) and December 31, 2018 – \$179,324).

On May 23, 2018, the Company issued a two-year promissory note to an arm’s length party for \$20,000 which bears interest at a rate of 10% per annum and is due on or before May 23, 2020.

On June 28, 2018, the Company entered into two loan agreements (the “Loans”) and issued promissory notes pursuant to the Loans for a total of \$35,000. Under the terms of the Loans,

each note bears interest at a rate of 10% per annum and is due within eighteen months from the date of the agreement. The Loans entitle the lenders to convert any portion of the Loans into common shares of the Company at a price of \$0.12 per share at any time prior to the due date. The Loans are due on or before December 28, 2019. The two loans were repaid during the current period.

The Company completed an Initial Public Offering in December 2018 of 3,305,000 shares at \$0.12 per share for total proceeds of \$396,600 before commissions, legal, corporate and other offering costs of \$136,017.

In connection with the Initial Public Offering the Company also issued 297,450 broker warrants with each broker warrant entitling the holder to purchase an additional common share at \$0.12 per share for two years from the date of issuance. The fair value of the broker warrants was calculated using the Black-Scholes option pricing model for a total value of \$22,486 based on the following assumptions: expected life of 2 years, expected volatility of 125%, risk free interest rate of 1.80% and no dividend yield

The Company believes that the current capital resources are not sufficient to pay for continued mineral exploration and overhead expenses for the next twelve months and will need to seek additional funding or find joint venture partners on its project. Depending upon the exploration results the Company may seek additional funding or seek joint venture partners on its project. The Company will continue to monitor the current economic and financial market conditions and evaluate their impact on the Company's liquidity and future prospects.

Since the Company will not be able to generate cash from its operations in the foreseeable future, the Company will have to rely on the issuance of shares or the exercise of options, warrants and loans to fund ongoing operations and investment. The ability of the Company to raise capital will depend on market conditions and it may not be possible for the Company to issue shares on acceptable terms or at all.

As at September 30, 2019, the primary assets of the Company comprise cash of \$52,126 other receivable comprising GST recoverable of \$10,371 and its mineral property holding which is valued at \$174,368. As of September 30, 2019, the Company had a working capital deficiency of \$9,157.

## **OFF BALANCE SHEET ARRANGEMENTS**

There are no off-balance sheet arrangements to which the Company is committed.

## **TRANSACTIONS WITH RELATED PARTIES**

Related party transactions are in the normal course of operations and are measured at the amount of consideration established and agreed to by the related parties.

Key management personnel are the persons responsible for the planning, directing and controlling the activities of the Company, and include both executive and non-executive directors, and entities controlled by such persons. The Company considers all directors and officers of the Company to be key management personnel.

During the three months ended September 30, 2019 the Company incurred \$30,000 in management fees to two officers and directors of the Company, David Ryan and Logan Anderson (2018 - \$15,000), and \$30,000 was included in accounts payable (2018- \$Nil).

The Company also incurred a total of \$3,000 (2018-\$3,000) in directors' fees to two independent directors, Donald Archibald and Bernie Hoing.

As at September 30, 2019 \$8,500 (2018- \$5,500) was owing to the two independent directors and an officer and is included in accounts payable and accrued liabilities

## **FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS**

As at September 30, 2019, the Company's financial instruments consist of cash, accounts payable and accrued liabilities, and promissory notes payable.

The fair value of these financial instruments approximate carrying value due to their short term maturities.

## **RISK MANAGEMENT**

The Company examines the various financial instrument risks to which it is exposed and assesses the impact and likelihood of those risks. These risks may include currency, credit, interest rate, liquidity, and commodity price risks. Where material, these risks are reviewed and monitored by the Board of Directors.

### **a) Currency Risk**

The Company's functional currency and the reporting currency is the Canadian dollar ("CDN\$"). Periodically, the Company incurs charges on its operations for settlement in currencies other than its functional currency and any gain or loss arising on such transactions is recorded in operations for the year.

The Company holds an interest in 39 unpatented mining claims located in the USA. As a result, the Company is subject to foreign currency and exchange risk on the translation of these transactions and year end balances to the reporting currency. Any gains or losses arising in the period are included in operations for the year.

As at September 30, 2019, the fluctuations in the USD\$ relative to the CDN\$ do not have a significant impact on the

### **b) Credit Risk**

Credit risk is the risk of a financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's cash is held in reputable Canadian financial institutions. Management believes that the credit risk concentration with respect to cash is remote.

### **c) 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 risk that the Company will realize a loss as a result of a decline in the fair value of cash and short-term investment is limited because the majority of the Company's cash and short-term investment balances are held by a Canadian chartered bank and the Company has no bank debt.

d) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. Accounts payable and accrued liabilities are due within the current operating period and the Company had sufficient liquidity to meet these obligations.

e) Commodity Price Risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. To mitigate price risk, the Company closely monitors commodity prices of precious metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

## **CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

i) Exploration and Evaluation Expenditures

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditures are capitalized, information becomes available suggesting that the recovery of expenditures is unlikely, the amounts capitalized are written off to net income in the period the new information becomes available.

ii) Impairment

At each reporting period, assets, specifically exploration and evaluation assets, are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts exceed their recoverable amounts. The assessment of the carrying amount often requires estimates and assumptions such as discount rates, exchange rates, commodity prices, future capital requirements and future operating performance.

### iii) Share-based Payment Transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant.

This estimate also requires determining the most appropriate inputs to the valuation model, including the expected life of the share option, volatility and dividend yield, and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 8 of the financial statements.

### iv) Title to Mineral Property Interest

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers, and title may be affected by undetected defects.

### v) Rehabilitation Provision

The application of the Company's accounting policy for rehabilitation is based on internal estimates. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management.

Estimates are reviewed annually and are based on current regulatory requirements. Significant changes in estimates will result in changes to provisions from period to period. Actual rehabilitation costs will ultimately depend on future market prices for the rehabilitation costs which will reflect the market conditions at the time when the rehabilitation costs are actually incurred.

### vi) Determination of Going Concern Assumption

The preparation of these financial statements requires management to make judgments regarding the going concern of the Company as previously discussed.

## **OTHER INFORMATION**

### Outstanding Share Data

#### a) Authorized

Unlimited common shares, without par value.  
Unlimited preferred shares, without par value.

b) Issued

As at November 22, 2019 13,835,000 common shares of the Company are issued and outstanding.

No preferred shares were issued and outstanding during the periods ended September 30, 2019 and 2018 or as of November 22, 2019.

Issued during the three month periods ended September 30, 2019 and 2018 the Company issued no shares.

### Warrants and Options

As at November 22, 2019 the following warrants and options are outstanding,

	Expire	Number of Warrants	Weighted Average Exercise Price
<b>Balance as at January 1, 2018</b>	31 Jan 2021	3,000,000	\$ 0.005
Issued		-	-
<b>Balance as at June 30, 2018</b>		3,000,000	\$ 0.12
Broker Warrants	29 Dec 2020	297,450	0.12
<b>Balance as at December 31, 2018</b>		3,297,450	\$ 0.12
<b>Balance as at June 30, 2019 and August 16, 2019</b>		3,297,450	\$ 0.12

On January 21, 2019, the Company amended the terms of 3,000,000 share purchase warrants held by two directors of the Company. The expiration date of these warrants was extended from January 31, 2019 to January 31, 2021. In addition, the exercise price of these warrants was increased to \$0.12 per share.

### Stock Options

On May 30, 2018, the Company adopted a Stock Option Plan (the "Stock Option Plan") providing for the grant to the Company's officers, directors, employees, permitted consultants, and, management company employees, of options to purchase common shares of the Company. Under the Stock Option Plan, the Company may grant options to purchase up to

10% of the issued and outstanding shares of the Company. No options have been granted to date.

### Escrowed shares

Of a total of 3,700,001 common shares subject to escrow, 3,330,001 remain held in escrow as at March 31, 2019 (March 31, 2018 – nil), which will be released at a rate of 15% every 6 months from December 28, 2018.

### Additional Disclosure for Venture Issuers

#### Mineral Properties – Exploration and Evaluation

The following table sets out the total deferred exploration costs recorded by the Company for the Cupz property for the nine months ended September 30, 2019 and 2018.

	<u>CUPZ CLAIMS</u>
<b>Property acquisition costs</b>	
<b>Balance, January 1, 2018</b>	<u>\$ 25,485</u>
Additions	-
<b>Balance December 31, 2018 and September 30, 2018 and 2019</b>	<u>\$ 25,485</u>
<b>Deferred exploration expenditures</b>	
Balance, January 9, 2017	-
Additions during the period	
Sampling	3,723
Field Reports	6,370
Geophysics	39,806
Assays	3,147
Mapping	23,043
43-101 Report	6,974
<b>Balance, January 1, 2018, and September 30, 2018</b>	<u>\$ 83,063</u>
Additions (mapping, sampling, drill site preparation)	65,820
<b>Balance September 30, 2019</b>	<u>148,883</u>
<b>Total Balance September 30, 2018</b>	<u>\$ 108,548</u>
<b>Total Balance September 30, 2019</b>	<u>\$ 174,368</u>

## **RISKS AND UNCERTAINTIES**

### **Limited Operating History**

The Company is in the early stages of mineral property exploration and development. As a result, it is difficult to evaluate the Company's prospects, and its future success is more uncertain than if it had a longer or more proven history of operations.

### **History of Losses**

The Company has incurred net losses every period since inception and as of September 30, 2019, had an accumulated deficit of \$336,272.

### **No History of Dividends**

Since incorporation, the Company has not paid any dividends and does not expect to pay such dividends in the foreseeable future, as all available funds will be invested primarily to finance its mineral exploration programs. The Company will need to achieve profitability prior to any dividends being declared.

### **Dilution**

The Company does not generate any revenues from operating and does not have sufficient financial resources to undertake by itself all of its planned activities. The Company has limited financial resources and has financed its operations primarily through the sale of securities such as common shares. The Company will need to continue its reliance on the sale of such securities for future financing, resulting in dilution to the Company's existing shareholders.

### **Capital and Liquidity Risk**

The amount of financial resources available to invest for the enhancement of shareholder value is dependent upon the size of the treasury, profitable operations, and a willingness to utilize debt and issue equity.

Due to the size of the Company, financial resources are limited and if the Company exceeds growth expectations or finds investment opportunities it may require debt or equity financing. There is no assurance that the Company will be able to obtain additional financial resources that may be required to successfully finance transactions or compete in its markets on favourable commercial terms.

### **Dependence on Key Personnel**

Loss of certain members of the executive team or key operational leaders of the company could have a disruptive effect on the implementation of the Company's business strategy and the efficient running of day-to-day operations until their replacement is found. Recruiting personnel is time consuming and expensive and the competition for professionals is intense.

The Company may be unable to retain its key employees or attract, assimilate, retain or train other necessary qualified employees, which may restrict its growth potential.