

SCOTCH CREEK VENTURES INC.

Management's Discussion and Analysis

For the three and nine month periods ended September 30, 2020

INTRODUCTION

The following management discussion and analysis (MD&A), prepared as of November 13, 2020 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 annual audited financial statements for the year ended December 31, 2019, and the related notes to those financial statements, all of which are available on the SEDAR website at 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.

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 1140-625 Howe Street, Vancouver BC, V6C 2T6.

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.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or ability to raise funds. It has however directly impacted the Company by limiting travel to the exploration property and disrupting the financial markets of which the Company relies on for raising funds.

As at September 30, 2020, the Company held cash of \$3,538 compared to \$52,126 at September 30, 2019 and \$6,238 at December 31, 2019.

Amounts capitalized into exploration and evaluation assets at September 30, 2020 totalled \$257,157 and \$174,368 at September 30, 2019 and December 31, 2019 totalled \$247,622.

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, 2020 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, 2020 the Company completed compiling the data from the drill program completed in 2019 . We are using this information to determine future soil and rock sampling programs and also to determine additional drilling locations

During the three months ended September 30, 2019 the Company applied and received a drill permit on the Cupz property. The Company also 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.

SELECTED ANNUAL INFORMATION

The following financial data prepared in accordance with IFRS stated in Canadian dollars is presented as at December 31,2019 and 2018:

For the Periods ended	Year ended December 31, 2019	Year ended December 31, 2018
Total Revenue	\$ -	\$ -
Net loss for the year/period	\$ 165,029	\$ 117,579

Total Assets	\$	270,732	\$	416,160
Total Liabilities	\$	259,036	\$	139,498
Cash Dividends per share	\$	-	\$	-
Basic and diluted loss per share	\$	(0.01)	\$	0.01

QUARTER AND NINE MONTHS ENDED JUNE 30, 2020

The Company incurred a net loss and comprehensive loss of \$136,811 during the three month period and \$230,490 for the nine month period ended September 30, 2020, compared to a net loss and comprehensive loss of \$45,193 and \$111,451 respectively for the three and nine month periods ended September 30, 2019.

	THREE MONTH PERIOD ENDED SEPT 30 2020	THREE MONTH PERIOD ENDED SEPT 30, 2019	NINE MONTH PERIOD ENDED SEPT 30, 2020	NINE MONTH PERIOD ENDED SEPT 30, 2019
Expenses				
Directors' fees	\$ 3,000	\$ 3,000	\$ 9,000	\$ 9,000
Interest	3,877	505	8,855	1,931
Office and miscellaneous	5,295	1,383	21,896	11,135
Management fees (Note 11)	30,000	30,000	90,000	75,000
Professional fees	12,909	11,025	18,484	13,473
Share-based payments	80,900	-	80,900	-
Travel and Entertainment	830	-	1,355	912
	<u>136,811</u>	<u>45,193</u>	<u>230,490</u>	<u>111,451</u>
Net Loss and Comprehensive Loss for the Period	\$ (136,811)	\$ (45,193)	\$ (230,490)	\$ (111,451)

The most significant differences in expenses incurred in the three month periods ended September 30, 2020 and 2019 are discussed below:

Management fees remain unchanged \$30,000 (2019 - \$30,000) and Directors fees also remained the same at \$3000 (2019 -\$3,000).

Professional fees increased marginally to \$12,909 (2019 – \$11,025) as the Company was more active in 2020.

Office and Miscellaneous increased to \$5,295 (2019- \$1,383) and relates to expenses of being a public company and maintaining an office.

Share based payments increased to \$80,900 (2019- \$Nil) and related to the setting of stock options.

Travel and Entertainment increased to \$830 (2019 - \$Nil) as a result of management travel and entertainment in connection with business development.

Interest increased to \$3,877 (2019 - \$505) due to the increase in promissory notes issued.

During the period ended September 30, 2020, the Company incurred \$9,535 of exploration or evaluation expenditures on the Cupz Property (2019 - \$57,303).

The most significant differences in expenses incurred in the nine month periods ended September 30, 2020 and 2019 are discussed below:

Management fees increased to \$90,000 (2019 - \$75,000) and Directors fees remained the same at \$9,000 (2019 -\$9,000).

Professional fees increased to \$18,484 (2019 – \$13,473) as the Company was undertaking due diligence on potential property acquisitions.

Office and Miscellaneous increased to \$21,896 (2019- \$13,473) relates to expenses in setting up and running an office.

Share based payments increased to \$80,900 (2019- \$Nil) and related to the setting of stock options.

Travel and Entertainment increased to \$1,355 (2019 - \$912) as a result of management travel and entertainment in connection with property due diligence.

SUMMARY OF QUARTERLY RESULTS

The Company completed its initial public offering in December 2018. The following are the quarters from the time the Company became public.

	2020				2019			2018
	30-Sept	30-June	31-March	31-Dec	30-Sept	30-June	31-Mar	31-Dec
Revenues	\$ Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil
Loss before other items	\$ 136,811	\$ 46,176	\$ 46,963	\$ 53,578	\$ 45,193	\$ 39,839	\$ 26,419	\$ 21,879
Net Loss	\$ 136,811	\$ 46,176	\$ 46,963	\$ 53,478	\$ 45,193	\$ 39,839	\$ 26,419	\$ 21,879
Loss per share- basic and diluted	\$(0.01)	\$(0.00)	\$(0.00)	\$(0.00)	\$(0.00)	\$(0.00)	\$(0.00)	\$(0.00)
Shares Outstanding	15,272,500	13,835,000	13,835,000	13,835,000	13,835,000	13,835,000	13,835,000	13,835,000

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, 2020 the Company held cash of \$3,538 (December 2019 - \$6,238), had receivables, consisting of GST recoverable of \$18,098 (December 31, 2019 – \$16,872). The Company had current liabilities of \$176,750 (December 31, 2019 - \$99,099). As at September 30, 2019 the Company had a working capital deficit of \$155,114 (September 30, 2019 a deficiency of \$9,157 and December 31, 2019 a deficiency of \$75,989).

On October 17 and October 23, 2019, the Company issued two promissory notes for \$30,000 each to arm's length parties. The notes bear interest at a rate of 10% per annum and are due on April 17, 2021 and April 23, 2021.

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 was due on or before May 23, 2020. This note has not been repaid as at September 30, 2020.

On March 26, 2020, the Company issued a \$11,000 promissory note to a Company that is controlled by a Director. The note bears interest at a rate of 10% and is payable on demand.

On August 24, 2020, the Company issued a \$6,000 promissory note to a Company that is controlled by a Director. The note bears interest at a rate of 10% and is payable on demand.

On April 21, 2020, the Company issued a \$25,000 promissory note to an arm's length party which bears interest at a rate of 10% per annum and is due on or before April 21, 2022.

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, 2020, the primary assets of the Company comprise cash of \$3,538 and receivables of \$18,098 and its mineral property holding which is valued at \$257,157. As of September 30, 2020, the Company had a working capital deficiency of \$155,114.

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, 2020 the Company incurred \$30,000 in management fees to two officers and directors of the Company, David Ryan and Logan Anderson.

The Company also incurred a total of \$3,000 (2019-\$3,000) in directors' fees to two independent directors, Donald Archibald and Bernie Hoing.

As at September 30, 2020, \$37,500 is owing to Directors, Officers and/or companies controlled by Directors or Officers of the Company (December 31, 2019 - \$49,500).

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

As at September 30, 2020, 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, 2020, the fluctuations in the USD\$ relative to the CDN\$ do not have a significant impact on the Company.

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.

f) Coronavirus (COVID-19)

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

g) Going Concern

At the date of the consolidated interim financial statements, the Company has not identified a known body of commercial grade mineral on any of its properties. The Company's continuing operations as intended are dependent upon its ability to identify, evaluate and negotiate an acquisition of, a participation in or an interest in properties, assets or businesses. Such an acquisition will be subject to regulatory approval and may be subject to shareholder approval. In order to continue as a going concern and meet its corporate objectives, the Company will require additional financing through debt or equity issuances or other available means. There is no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

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.

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 13, 2020 15,272,500 common shares of the Company are issued and outstanding.

No preferred shares have been issued from incorporation to September 30, 2020.

In the three months ended September 30, 2020 (July 8, 2020) the company settled outstanding indebtedness of \$115,000 in exchange for 1,437,500 common shares of the company at a price

of \$0.08 per common share. The debt settlement arrangements included directors and officers of the company, and associated companies of directors and officers for a total of \$105,000.00

In the three months ended September 30, 2019 the Company issued no shares.

Warrants and Options

As at November 13, 2020 the following warrants and options are outstanding,

	Expire	Number of Warrants	Exercise Price	Weighted Average
Balance as at December 31, 2018, December 31, 2019 and September 30, 2020		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.

On July 15, 2020 the Company granted 1.4 million stock options to directors and officers in accordance with the terms of the Company's stock option plan. The stock options are exercisable at eight cents per share for a period of three years from the date of grant.

Options issued December 31, 2018	0
Options issued September 30, 2019	0
Options issued December 31, 2019	0
Options Issued July 15, 2020 (expire July 15, 2023) at \$0.08	1,400,000
Options issued September 30, 2020	1,400,000

The Company has recorded the fair value of all options granted using the Black-Scholes option pricing model. Share-based payment expense was calculated using the following weighted average assumptions: expected life of options - 3 years, expected stock price volatility – 125.00%, no dividend yield, and a risk-free interest rate yield – 0.29%. Using these assumptions, the fair value of options granted during the nine months ended September 30, 2020 was \$0.06 per option, for a total of \$80,900.

Escrowed shares

Of a total of 3,700,001 common shares subject to escrow, 1,665,001 remain held in escrow as at September 30, 2020 (December, 2019 – 2,220,001), 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</u> <u>CLAIMS</u>
Property acquisition costs	
Balance, December 31, 2018	\$ 34,275
Additions-Claims maintenance	9,982
Balance, September 30 2019 and December 31, 2019	\$ 44,257
Deferred exploration expenditures	
Balance, December 31, 2018	\$ 83,063
Additions during the period	
Geochemistry	29,019
Drilling	69,642
Assays	21,641
Total Additions	120,302
Balance, December 31, 2019	203,365
Additions (Assays, reports and reclamation)	9,535
Balance September 30,2020	\$ 212,900
Total Balance, December 31, 2019	\$ 247,622
Total Balance, September 30, 2020	\$ 257,157

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, 2020, had an accumulated deficit of \$620,340.

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.