

# SCOTCH CREEK VENTURES INC.

## Management's Discussion and Analysis

For the three month period ended March 31, 2022

### INTRODUCTION

The following management discussion and analysis (MD&A), prepared as of May 30, 2022 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 consolidated financial statements for the year ended December 31, 2021, 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.

## **MD&A PREPARATION**

This MD&A was prepared as of May 30, 2022. This MD&A should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2021. This MD&A is intended to assist the reader's understanding of Scotch Creek Ventures Inc. and its' operations, business, strategies, performance and future outlook from the perspective of management. The documents mentioned above, as well as news releases and other important information may be viewed through the SEDAR website at [www.sedar.com](http://www.sedar.com)

## **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 March 31, 2022, the Company held cash of \$5,059,112 compared to \$360,268 at March 31, 2021 and \$6,220,442 at December 31, 2021.

Amounts capitalized into exploration and evaluation assets at March 31, 2022 totalled \$6,375,724 compared to \$3,583,753 as at December 31, 2021.

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

### **Cupz Claims**

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 March 31, 2022 the Company has a 100% ownership of 39 Cupz claims covering approximately 806 acres.

### **Clayton Valley Claims**

On March 23, 2021 the Company entered into an agreement to acquire two lithium properties subject to due diligence in the Clayton Valley, Nevada. The two projects, Highlands West and Macallan East, are centrally located in the highly prospective Clayton Valley district for lithium exploration and production.

The Highlands West project consists of 176 20-acre placer claims and is located nearby Albermarle's Silver Peak mine, in the Clayton Valley, Nevada, United States of America.

The Company's Macallan East property borders on Pure Energy Minerals Ltd Clayton Valley property. The Macallan East property consists of 157 20-acre claims and is located on the southeast side of the Clayton Valley.

The combined claims in the Clayton Valley total 333 (or approximately 6,660 acres) The Company has agreed subject to due diligence to issue 3,000,000 common shares for all of the claims.

On March 31, 2021 the Company expanded the Highlands West claims located in Clayton Valley, Nevada (see above). The additional lithium claims added to the overall lithium exploration land package which is now extended North directly adjacent to Albermarle Corporation Silver Peak Mine. The Company issued 500,000 shares for the additional claims.

The Company's total land package in the Clayton Valley area of which it holds a 100% interest totals approximately 9,100 acres.

### **Miranda Claims**

On February 2, 2022 the Company acquired 100% of the Miranda lithium claims in the Jackson Valley, Esmeralda County, Nevada. The Miranda project is located approximately 20 miles southeast of the famous Silver Peak lithium mine. The Miranda lithium project consists of 268 placer claims spanning across roughly 5,360 acres. These claims along with the Clayton Valley claims brings the Company's' lithium footprint in Nevada to approximately 14,500 acres.

The terms of this transaction award Scotch Creek Ventures with 100% ownership of the Miranda lithium project in exchange for the issuance of 3,100,000 common shares of the Company and cash consideration of \$120,000 USD.

## SELECTED ANNUAL INFORMATION

The following financial data prepared in accordance with IFRS stated in Canadian dollars is presented as at December 31, 2021, 2020 and 2019:

For the Periods ended	Year ended December 31, 2021	Year ended December 31, 2020	Year ended December 31, 2019
Total Revenue	\$ -	\$ -	\$ -
Net Loss for the Year	\$ (2,046,272)	\$ (289,137)	\$ (165,029)
Total Assets	\$ 10,284,197	\$ 840,160	\$ 270,377
Total Liabilities	\$ 128,782	\$ 171,728	\$ 205,707
Cash Dividends per share	\$ -	\$ -	\$ -
Basic and diluted loss per share	\$ 0.08	0.01	\$ 0.01

### Quarter Ended March 31, 2022

The Company incurred a net loss and comprehensive loss of \$2,164,601 during the three month period ended March 31, 2022, compared to a net loss and comprehensive loss of \$289,127 for the comparative period ended March 31, 2021.

	Three Months Ended March 31, 2022	Three months Ended March 31, 2021
<b>Expenses</b>		
Advertising and marketing expenses	\$ 656,149	\$ -
Consulting fees	146,773	-
Directors' fees	6,000	3,000
Interest expense, net	-	2,338
Management fees (Note 11)	51,000	60,000
Office and administrative expenses	29,660	20,517
Professional fees	3,630	38,044
Rent expense	7,700	7,500
Share-based payments	487,642	142,240
Social media and other	756,168	-
Travel and related fees	19,879	15,498
<b>Net loss and comprehensive loss for the period</b>	<b>\$ 2,164,601</b>	<b>\$ 289,137</b>

## RESULTS OF OPERATIONS

The most significant differences in expenses incurred in the three month periods ended March 31, 2022 and 2021 are discussed below:

Advertising and marketing expenses increased from \$Nil in 2021 to \$656,149 in 2022 as the Company commenced investor relations programs to expose its lithium property acquisitions and exploration programs to the public.

Consulting increased from \$Nil in 2021 to \$146,773 in 2022 due to the increased activity of the Company.

Management fees decreased to \$51,000 (2021 - \$60,000) and Directors' fees increased to \$6,000 (2020 -\$3,000).

Professional fees decreased to \$3,630 (2021 – \$38,044) due to the cost of due diligence and legal fees incurred in 2021 related to the acquisition of the Clayton Valley Claims and the additional legal costs in relation to a private placement.

Share-based payments increased to \$487,642 in 2022 from \$142,240 in 2021 as a result of setting stock option incentives and an increase in the valuation of the Company's stock options due to an increase in share price.

Social media increased from \$Nil in 2021 to \$796,168 in 2022 as the Company established itself as a lithium exploration and development Company on social media platforms.

All other costs remained substantially the same between periods.

### Summary of quarterly results

	2022	2021				2020		
	31-Mar	31-Dec	30-Sept	30-June	31-March	31-Dec	30-Sept	30-June
<b>Revenues</b>	\$ Nil	\$ Nil	\$ Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil
<b>Loss before other items</b>	2,164,601	\$ 52,250	\$ 136,811	\$ 46,176	\$ 46,963	\$ 53,578	\$ 45,193	\$ 39,839
<b>Share-based adjustment</b>	\$ -	\$ -	\$ (70,945)	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Net loss</b>	2,164,601	\$ 52,250	\$ 65,866	\$ 46,176	\$ 46,963	\$ 53,478	\$ 45,193	\$ 39,839
<b>Loss per share - basic and diluted</b>	\$(0.05)	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
<b>Shares outstanding</b>	46,178,364	15,549,265	15,272,500	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 March 31, 2022 the Company held cash of \$5,059,112 (December 31, 2021 - \$6,220,442), had receivables of \$96,932 (December 31, 2021 – \$71,646). The Company also had current liabilities of \$103,122 (December 31, 2021 - \$128,782).

At March 31, 2021, the Company had a working capital surplus of \$5,052,922 (December 31, 2021 –surplus \$6,571,662).

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.

On April 26, 2021 the Company closed a private placement of 6,556,120 units at \$0.35 per unit for gross proceeds of \$2,298,142. Each unit consisted of one common share and one share purchase warrant entitling the holder to acquire one additional common share at \$0.50 for a period of two years.

In connection with the unit offering, the Company paid finders' fees totalling \$95,475 and issued 344,637 finders warrants to registered investment dealers with each warrant exercisable to purchase one additional common share for a period of 2 years from issuance at \$0.50 per share.

In December 2021, the Company closed all tranches of a private placement of 13,060,100 units at \$0.50 per unit for gross proceeds of \$6,530,050. Each unit consisted of one common share and one share purchase warrant entitling the holder to acquire one additional common share at \$0.75 for a period of two years.

In connection with the unit offering, the Company paid finder's fees totaling \$313,079 and issued 638,540 finders' warrants with a fair value of \$223,242. The finders' warrants are exercisable at a price of \$0.50 for a period of one year.

During the year ended December 31, 2021, the Company issued 3,336,500 common shares upon the exercise of warrants for proceeds of \$528,250 (3,000,000 warrants at \$0.12 per share and 336,500 warrants at \$0.50 per share).

## **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 month period ended March 31, 2022, the Company paid or accrued a total of \$51,000 (2021 - \$60,000) in management fees, to two Officers and Directors of the Company.

The Company also incurred a total of \$6,000 (March 31, 2021 - \$3,000) in Directors' fees to three independent Directors.

During the period ended the Company incurred \$7,700 (2021 - \$7,500) in rent to a company controlled by two Directors of the Company.

As at March 31, 2022, \$24,125 (December 31, 2021 - \$10,871) was owing to Officers and Directors and/or companies controlled by Officer and/or Directors and is included in accounts payable and accrued liabilities.

During the three months ended March 31, 2022, 500,000 stock options were granted to key management personnel, having a fair value on issue of \$243,821. There were no stock options granted to key management personnel during the three months ended March 31, 2021.

## **FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS**

As at March 31, 2022, the Company's financial instruments consist of cash, and accounts payable and accrued liabilities.

The carrying value of accounts payable and accrued liabilities approximates its fair value because of the short-term nature of this instrument.

## **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.

### ***Credit risk***

The Company is exposed to credit risk by holding cash. This risk is minimized by holding the funds in Canadian banks and credit unions or with Canadian governments. The Company has minimal receivables exposure as its refundable credits are due from the Canadian Government.

***Interest rate risk***

The Company is exposed to interest rate risk because of fluctuating interest rates. For the three months ended March 31, 2022, every 1% fluctuation in interest rates up or down would have an insignificant impact on loss for the period.

***Liquidity risk***

Liquidity risk is the risk that the Company is unable to meet its financial obligations as they come due. The Company manages this risk by careful management of its working capital to ensure its expenditures will not exceed available resources.

***Currency risk***

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the foreign exchange rates. Management does not believe the Company has a significant level of exposure to currency risk.

**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 interests

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 May 30, 2022 46,178,364 common shares of the Company are issued and outstanding.

No preferred shares were issued and outstanding during the periods ended March 31, 2021 and 2020.

## **Stock Options**

As of May 30, 2022, Scotch Creek had the following outstanding stock options:

Options outstanding #	Options exercisable #	Exercise price \$	Expiry date
1,250,000	1,250,000	0.08	July 15, 2023
660,000	660,000	0.50	September 9, 2023
450,000	450,000	0.45	March 2, 2024
200,000	200,000	0.89	July 12, 2024
1,000,000	1,000,000	0.69	January 26, 2025
<b>3,560,000</b>	<b>3,560,000</b>		

## **Warrants**

As of May 30, 2022, Scotch Creek had the following outstanding warrants.

Warrants outstanding #	Warrants exercisable #	Exercise price \$	Expiry date
638,540	638,540	0.50	December 14, 2022
5,353,263	5,353,263	0.50	April 26, 2023
2,898,000	2,898,000	0.75	December 13, 2023
9,722,100	9,722,100	0.75	December 14, 2023
440,000	440,000	0.75	December 21, 2023
<b>19,051,903</b>	<b>19,051,903</b>		

## **Escrowed shares**

Of a total of 3,700,001 common shares were subject to escrow, all of which have been released.

## **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 March 31, 2022, had an accumulated deficit of \$4,811,978.

### **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.