

# SCOTCH CREEK VENTURES INC.

## Management's Discussion and Analysis

For the three and six month periods ended June 30, 2023

### INTRODUCTION

The following management discussion and analysis (MD&A), prepared as of August 21, 2023 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, 2022, as well as the unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2023, and the related notes to those financial statements, all of which are available on the SEDAR website at [www.sedarplus.ca](http://www.sedarplus.ca).

All of the above-referenced financial statements are available on the SEDAR website at [www.sedarplus.ca](http://www.sedarplus.ca).

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 August 21, 2023. This MD&A should be read in conjunction the financial statements previously referenced above. 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.sedarplus.ca](http://www.sedarplus.ca).

## **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.

As at June 30, 2023, the Company held cash of \$664,139 compared to \$1,845,510 at December 31, 2022.

Amounts capitalized into exploration and evaluation assets at June 30, 2023, totalled \$8,673,712 compared to \$8,601,229 as at December 31, 2022.

### **Issuances of share capital:**

There were no common shares issued during the six months ended June 30, 2023.

During the year ended December 31, 2022, the Company issued the following shares:

- 150,000 common shares were issued pursuant to the exercise of stock options for gross proceeds of \$12,000 (\$0.08 per share).
- 916,379 common shares pursuant to the exercise of warrants for gross proceeds of \$458,190 (\$0.50 per share).
- 3,100,000 common shares with a fair value of \$2,480,000 (\$0.80 per share) in connection with the acquisition of the Miranda Claims.

***Issuances of stock options:***

*Stock options granted during the six months ended June 30, 2023:*

On January 11, 2023, the Company granted 800,000 stock options to Directors and consultants. The stock options are exercisable at a price of \$0.20 per share for a period that is three years from the date of grant, expiring January 11, 2026, and vested immediately.

On February 6, 2023, the Company granted 200,000 stock options to a consultant. The stock options are exercisable at a price of \$0.30 per share for a period that is three years from the date of grant, expiring February 6, 2026, and vested immediately.

The Company had 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 – 3.00 years, expected stock price volatility – 120%, no dividend yield, and a risk-free interest rate yield – 3.93%. Using these assumptions, the weighted average fair value of options granted during the six months ended June 30, 2023 was \$0.16 per option, for a total of \$158,063.

*Stock options granted during the year ended December 31, 2022:*

On January 26, 2022, the Company granted 1,000,000 stock options to Directors, Officers, and consultants. The stock options are exercisable at \$0.69 per share for a period of three years from the date of grant, expiring January 26, 2025, and vested immediately.

On October 12, 2022, the Company granted 300,000 stock options to a Director and consultants. The stock options are exercisable at \$0.23 per share for a period of two years from the date of grant, expiring October 12, 2024, and vested immediately.

On November 3, 2022, the Company granted 440,000 stock options to a consultant. The stock options are exercisable at \$0.275 per share for a period of one year from the date of grant, expiring November 3, 2023, and vested immediately.

The Company had 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 – 2.32 years, expected stock price volatility – 120%, no dividend yield, and a risk-free interest rate yield – 2.41%. Using these assumptions, the weighted average fair value of options granted during the year ended December 31, 2022 was \$0.34 per option, for a total of \$586,344.

**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 June 30, 2023, 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 issued 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 Albemarle Corporation Silver Peak Mine. The Company issued 500,000 shares for these additional claims.

The Company's total land package in the Clayton Valley area of which it holds a 100% interest totals approximately 10,180 acres.

The Company has completed gravity, seismic and drilling programs on the properties.

### **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 the Company with 100% ownership of the Miranda lithium project in exchange for the issuance of 3,100,000 common shares (issued) of the Company and cash consideration of USD \$120,000 (paid).

The Company has completed a Hybrid-Source Audio-Magnetotellurics ("HSMAT") and a high quality seismic reflection survey on the property.

## SELECTED ANNUAL INFORMATION

The following financial data prepared in accordance with IFRS stated in Canadian dollars is presented as at December 31, 2022, 2021 and 2020:

For the years ended	Year ended December 31, 2022	Year ended December 31, 2021	Year ended December 31, 2020
Total revenue	\$ -	\$ -	\$ -
Net loss for the year	\$ (3,803,522)	\$ (2,046,272)	\$ (211,255)
Total assets	\$ 10,597,104	\$ 10,284,197	\$ 310,263
Total liabilities	\$ 708,677	\$ 128,782	\$ 251,719
Cash dividends per share	\$ -	\$ -	\$ -
Basic and diluted loss per share	\$ 0.08	\$ 0.08	\$ 0.01

The Company incurred a net loss and comprehensive loss of \$3,803,522 during the year ended December 31, 2022, compared to a net loss and comprehensive loss of \$2,046,272 for the year ended December 31, 2021.

The most significant differences in expenses incurred in the year ended December 31, 2022, and the year ended December 31, 2021, are discussed below:

- Social media and other expenses increased by \$836,295, from \$Nil for the 2021 year end to \$836,295 in 2022. These costs were associated with informing the investing community of the new property acquisitions and the new Company's focus on lithium resources as its primary resource objective.
- Advertising and marketing expenses increased by \$615,169, from \$1,011,576 for the 2021 year end to \$1,626,745 in 2022. The increase was related to informing the investing public of the new property acquisitions made by the Company and its new focus on lithium resources primarily in the Clayton Valley of the United States of America.
- Consulting fees increased by \$256,000, from \$Nil for the 2021 year end to \$256,000 in 2022. These costs were incurred as the Company retained consultants familiar with lithium exploration and its markets.
- Share-based payments increased by \$119,104, from \$467,240 for the 2021 year end to \$586,344 in 2022. The increase was associated with an increased level of stock options granted during the current year ended December 31, 2022.
- Professional fees decreased by \$94,551, from \$154,583 for the 2021 year end to \$60,032 in 2022. The decrease was predominantly associated with less legal billings incurred during the current year ended December 31, 2022.

- Management fees decreased by \$36,000, from \$240,000 for the 2021 year end to \$204,000 in 2022. The decreased was associated with reduced management fees being charged by two members of management during the current year ended December 31, 2022.

All other expenses were generally consistent with the amounts incurred in the comparative period.

During the year ended December 31, 2022, the Company incurred \$5,017,476 of exploration or evaluation expenditures on its Nevada properties (inclusive of fair value of shares issued).

### Three Months Ended June 30, 2022

The Company incurred a net loss and comprehensive loss of \$149,791 during the three month period ended June 30, 2023, compared to a net loss and comprehensive loss of \$576,630 for the comparative period ended June 30, 2022.

The overall decrease in net loss of \$426,839 was predominantly associated with a decrease in advertising and marketing expenses of \$394,177, a decrease in professional fees of \$21,607, and a decrease in social media and other fees of \$16,787. The overall decrease was partially offset by an increase in office and administrative expenses of \$9,139.

All other expenses were generally consistent with the amounts incurred in the comparative period.

### Summary of Quarterly Results

	2023		2022				2021	
	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep
Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Loss before other items	\$ 149,791	\$ 458,805	\$ 681,114	\$ 381,177	\$ 576,630	\$ 2,164,601	\$ 416,628	\$ 615,296
Other items	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net loss	\$ 149,791	\$ 458,805	\$ 681,114	\$ 381,177	\$ 576,630	\$ 2,164,601	\$ 416,628	\$ 615,296
Loss per share - basic and diluted	\$ -	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.05)	\$ (0.01)	\$ (0.02)
Shares outstanding	46,178,364	46,178,364	46,178,364	46,178,364	46,178,364	46,178,364	42,011,985	28,615,385

### 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 June 30, 2023, the Company held cash of \$664,139 (December 31, 2022 - \$1,845,510) and had receivables of \$13,571 (December 31, 2022 - \$90,708). The Company also had current liabilities of \$39,868 (December 31, 2022 - \$708,677).

At June 30, 2023, the Company had a working capital surplus of \$715,365 (December 31, 2022 - \$1,238,371).

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.

## **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 six months ended June 30, 2023, the Company paid or accrued:

- \$18,000 (2022 - \$17,000) in Directors' fees to three independent Directors of the Company;
- \$102,000 (2022 - \$102,000) in management fees to companies controlled by two Officers and Directors of the Company;
- \$15,600 (2022 - \$15,500) in rent to a company controlled by two Directors; and
- \$30,000 (2022 - \$30,000) in administrative costs to a company controlled by the spouse of an Officer and Director.

As at June 30, 2023, \$9,686 (December 31, 2022 - \$48,917) is owing to Directors, Officers and/or companies controlled by Directors and/or Officers and included in accounts payable and accrued liabilities.

During the six months ended June 30, 2023, 450,000 stock options were granted to key management personnel, having a fair value on issue of \$64,652.

During the six months ended June 30, 2022, 500,000 stock options were granted to key management personnel, having a fair value on issue of \$243,821.

## **FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS**

As at June 30, 2023, 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 six months ended June 30, 2023, 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 will be 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**

### **Estimates**

- i. The determination of the fair value of stock options or compensatory warrants using stock pricing models requires the input of highly subjective variables, including expected price volatility. Wide fluctuations in the variables could materially affect the fair value estimate; therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options and warrants.

### **Judgments**

- i. Recorded costs of mineral property interests and deferred exploration and evaluation costs are not intended to reflect present or future values of these properties. The recorded costs are subject to measurement uncertainty, and it is reasonably possible, based on existing knowledge, that change in future conditions could require a material change in the recognized amount. Management is required, at each reporting date, to review its mineral property interests for signs of impairment. This is a highly subjective process taking into consideration exploration results, metal prices, economics, financing prospects and sale or option prospects. Management makes these judgments based on information available, but there is no certainty that a property is or is not impaired. 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.

- ii. The determination of deferred income tax assets or liabilities requires subjective assumptions regarding future income tax rates and the likelihood of utilizing tax carry forwards. Changes in these assumptions could materially affect the recorded amounts, and therefore do not necessarily provide certainty as to their recorded values.
- iii. The financial statements are prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future (note 1). The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures and meet its liabilities for the ensuing year as they fall due, involves judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

If the going concern assumption were not appropriate for these financial statements, then adjustments would be necessary if the carrying value of the assets and liabilities, the reported expenses and the statement of financial position classifications used.

## **NEW ACCOUNTING STANDARDS**

Certain pronouncements have been issued by the IASB or IFRIC that are effective for accounting periods beginning on or after January 1, 2023. The Company has reviewed these updates and determined that many of these updates are not applicable or consequential to the Company and have been excluded from discussion within these significant accounting policies.

## **EVENTS AFTER THE REPORTING PERIOD**

Subsequent to June 30, 2023, the Company received \$100,000 pursuant to the exercise of 1,250,000 stock options with a an exercise price of \$0.08 per option.

## **OTHER INFORMATION**

### **Outstanding Share Data**

#### a) Authorized

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

#### b) Issued

As at August 21, 2023, 47,428,364 common shares of the Company are issued and outstanding.

No preferred shares have been issued from incorporation to August 21, 2023.

**Stock Options**

As of August 21, 2023, Scotch Creek had the following outstanding stock options:

Options outstanding #	Options exercisable #	Exercise price \$	Expiry date
660,000	660,000	0.50	September 9, 2023
440,000	440,000	0.275	November 3, 2023
450,000	450,000	0.45	March 2, 2024
300,000	300,000	0.23	October 12, 2024
550,000	550,000	0.69	January 26, 2025
800,000	800,000	0.20	January 11, 2026
200,000	200,000	0.30	February 6, 2026
<b>3,400,000</b>	<b>3,400,000</b>		

**Warrants**

As of August 21, 2023, Scotch Creek had the following outstanding warrants.

Warrants outstanding #	Warrants exercisable #	Exercise price \$	Expiry date
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>13,060,100</b>	<b>13,060,100</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 June 30, 2023, had an accumulated deficit of \$6,714,856.

## **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.