



**ALPHA METaverse TECHNOLOGIES INC.**  
*(formerly Alpha Esports Tech Inc.)*

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE THREE AND SIX MONTHS ENDED**  
**DECEMBER 31, 2021 and 2020**

This Management's Discussion and Analysis ("MD&A") has been prepared by management in accordance with the requirements of National Instrument 51-102 and should be read in conjunction with the condensed interim consolidated financial statements and notes thereto for the three and six months ended December 31, 2021 and 2020 of Alpha Metaverse Technologies Inc. (formerly Alpha Esports Tech Inc.) (the "Company"). Such condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

All dollar amounts are expressed in Canadian Dollars, the reporting and functional currency of the Company, unless otherwise indicated.

The board of directors of the Company has approved this MD&A on **February 25, 2022**.

## **CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

Certain statements in this report are forward-looking statements and information relating to the Company that are based on the beliefs of its management as well as assumptions made by and information currently available to the Company. When used in this document, the words "*anticipate*", "*believe*", "*estimate*", "*expect*" and similar expressions, as they relate to the Company or its management, are intended to identify forward-looking statements. This MD&A contains forward-looking statements relating to, among other things, regulatory compliance, the sufficiency of current working capital, the estimated cost and availability of funding for the Company's operations. Such statements reflect the current views of management with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the actual results, performance or our achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. This MD&A should be read in conjunction with the risk factors described in the *Risk Factors* section of this MD&A. Although the Company has attempted to identify important factors that could cause actions, events or results to differ materially from those described in the forward-looking statements, there may be other factors that cause actions, events, or results to differ from those anticipated, estimated or intended. Forward-looking statements contained herein are made as at the date of the MD&A. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on the forward-looking statements.

## **DESCRIPTION OF BUSINESS**

Alpha Metaverse Technologies Inc. was incorporated under the laws of British Columbia on March 1, 2019. The Company's registered office is 2200-885 West Georgia Street, Vancouver, British Columbia V6C 3E8. On May 14, 2021, the Company's shares began trading on the Canadian Securities Exchange ("CSE") under the symbol, "ALPA".

## **COVID-19**

The COVID-19 pandemic and the anticipated subsequent economic recovery continues to drive the global demand for crude oil and natural gas and related prices, which in turn has had a significant impact on the Company's financial results. The current situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the Company is not known at this time. Estimates and judgements made by management in the preparation of these financial statements are subject to a higher degree of measurement uncertainty during this volatile period.

## **OVERALL PERFORMANCE**

The Company has not generated significant revenues to date from operations as it is in the start up phase with a focus on user acquisition. The Company has began recognizing revenues from its wholly-owned subsidiary and continues pursuing esports and technology related operating activities.

At December 31, 2021, net assets of the Company totalled \$2,507,500 and consist primarily of cash of \$245,745, GST receivable of \$129,873, prepaid expenses of \$953,358, intangible assets of \$1,938,994, and goodwill of \$402,561 net of total liabilities of \$1,164,323.

Cash decreased by \$1,470,897 as a result of the increase in operational activity from previous acquisitions, the acquisition of Heavy Chips Casino and Sports Betting and expenditures on Gaming Platform.

## HIGHLIGHTS

On July 8, 2021, the Company provided an update on the launch of its Gaming as a Service ("GaaS") software. GaaS allows organizations to easily increase their foothold within the esports space, as the Company creates, operates, and manages esports contests and tournaments on its online platform, GamerzArena for different organizations.

On July 20, 2021, the Company announced that it has entered into a binding Letter of Intent to acquire 100% of the issued and outstanding shares of eDoxa Inc., an esports company specializing in AI based game scoring which helps to level the playing field among gamers of different skill levels, equalizing the opportunity for gamers of any skill level to win prizes in tournaments.

On July 22, 2021, the Company announced it had renewed and expanded its partnership agreement with Oxygen Esports (OXG), a premier New England esports organization. Over the past year, OXG has utilized the Company's online esports platform, GamerzArena, to assist in player development and training for OXG's pro and amateur esports athletes.

On July 27, 2021, the Company announced the launch of GamerzYouth, a program focusing on gaming initiatives such as esports contests, education, and live events for amateur youth gamers.

On July 29, 2021, the Company announced it had expanded into the Brazilian esports market by signing a partnership with Mais Esports, ("Mais") the largest esports media company in Brazil and esports portal for gamers providing news about League of Legends, CS:GO, Fortnite, PUBG, Overwatch, R6 and other major Esports titles and tournaments.

On August 5, 2021, the Company announced the launch of its mobile gaming platform, GamerzArcade which offers users with an Alpha Account the opportunity to compete in daily, weekly, and monthly mobile gaming contests for prizes. For its initial partnership, the Company announced it had reached an agreement with MarketJS where the company will supply games and content for the platform.

On August 24, 2021, the Company announced it has further expanded into the Indian esports market by signing a partnership with Oblivion Esports, an esports organization that provides a competitive platform to all gamers. Under the terms of this partnership, GamerzArena will become the exclusive platform for all of Oblivion's online esports events, where the Company will host and operate a variety of gaming tournaments under the Oblivion brand.

On August 21, 2021, the Company signed a partnership with Cash out Gaming, a competitive esports league and social engagement platform that connects gamers with accessible esports opportunities in a casual atmosphere. As part of this partnership, GamerzArena would become the exclusive platform for all of Cash out Gaming's online esports events, where the Company will host and operate a variety of gaming tournaments under the Cash Out Gaming brand.

On September 7, 2021, the Company announced it had signed a partnership with Apna Hockey, the world's first South Asian hockey network. GamerzArena will become the exclusive platform for all of Apna Hockey's online esports events, where the Company will host and operate a variety of gaming tournaments under the Apna Hockey Brand.

On September 8, 2021, the Company announced it is partnering with Intel India to host two major tournaments, Intel Gamer Days Valorant Pro Team Invitational and Intel Gamer Days Valorant Streamer Invitational (the "Tournaments"). The Tournaments will be held on September 7<sup>th</sup> until September 10<sup>th</sup>. Both tournaments will be hosted on the Company's gaming platform, GamerzArena.

On September 14, 2021, the Company announced that its online platform, GamerzArena, is now the official online gaming portal of Nets Gaming Crew ("NetsGC"), the NBA 2K League affiliate of the Brooklyn Nets. This partnership will provide Alpha the opportunity to directly connect with NetsGC's network of fans and the NBA 2K League community through brand awareness and engaging social, video and digital promotions showcasing the abilities of GamerzArena.

On September 27, 2021, the Company announced that its common shares are eligible for electronic clearing and settlement through the Depository Trust Company ("DTC") in the United States. The Company's common shares are quoted in the United States on the OTC Venture Market under the symbol "APETF".

On October 4, 2021, the Company signed a partnership with Esports Entertainment Group's newly rebranded subsidiary EEG Labs (NASDAQ: GMBL). EEG Labs was previously known as Genji. The Company and EEG Labs will develop a new computer vision tech system that allows the Company's online platform, GamerzArena, to conduct automated scoring for popular games such as Call of Duty and Fortnite.

On October 8, 2021, the Company announced that it had entered into an agreement with Financial Star News Inc. for a marketing campaign in consideration of USD \$400,000.

On October 12, 2021, the Company announced the signing of a definitive agreement to acquire Heavy Chips Casino and Sports Betting from Gamesoft Ltd. Heavy Chips is a fully operational online gaming site with over 800 popular casino games and over 5,000 daily sports betting opportunities on sports including football, tennis, basketball, and more. Under the terms of the acquisition, the Company will purchase 100% of Heavy Chips for cash consideration of \$300,000.

On October 14, 2021, the Company announced that its online platform, GamerzArena, is the official online gaming partner of The Recreation and Park Commission for the Parish of East Baton Rouge

On October 20, 2021, the Company announced that current advisor to the Company, Adam Morrison, has been appointed to the position of President of the Company. Mr. Morrison offers more than a decade of leadership in esports, gaming and digital media, including a wealth of experience with public market companies.

On November 3, 2021, the Company announced the closing of Heavy Chips Casino and Sports Betting as previously announced on October 12, 2021. Currently, Heavy Chips has over 250,000 registered users on its website and has seen consistent user growth every month of 2021.

On November 12, 2021, the Company announced that it and the New Jersey Devils are continuing their previously announced partnership by running two separate NHL 22 tournaments on November 14<sup>th</sup>, 2021. Using Alpha's gaming platform, GamerzArena, The Devils and Alpha will run a PlayStation 5 tournament and an Xbox Series X/S tournament. The tournament will allow users from New Jersey, New York, Pennsylvania, and Connecticut to compete on GamerzArena.

On November 15, 2021, the Company announced Paradise City Gaming has begun the development of its Metaverse technologies, which are AR based experiences that will bring the virtual world together with the physical world.

On November 18, 2021, the Company announced it has signed an exclusive partnership with the North American Rugby League ("NARL"). NARL is scheduled to be the only professional rugby league club competition in North America. The league has announced fourteen teams, twelve from United States and two from Canada

On December 31, 2021, the Company announced a change in the executive management team. The Chief Operating Officer of the Company, Mr. Brian Wilneff, has been appointed to the position of Chief Executive Officer of the Company. Mr. Wilneff is the founder and creator of GamerzArena.

On January 11, 2022, the Company announced that effective January 12, 2022, its name will change from "Alpha Esports Tech Inc." to "Alpha Metaverse Technologies Inc.", subject to the approval of the Canadian Securities Exchange.

On January 21, 2022, the Company announced that its engagement for marketing services with Financial Star News Inc., as previously disclosed by the Company on October 8, 2021, remains ongoing and is now anticipated to conclude on February 4, 2022.

On January 24, 2022, the Company announced the signing of a letter of intent ("LOI") to acquire Shape Immersive Entertainment Inc. ("Shape") The LOI contemplates the acquisition by the Company of 100% of the issued and outstanding shares of Shape in exchange for 14,840,000 common shares of the Company and \$1 million in cash.

On January 24, 2022, the Company also announced a brokered private placement financing for up to \$4.0 million. The Company entered into an agreement with Research Capital Corporation, as sole agent and sole bookrunner, in connection with a best efforts, brokered private placement of up to 16,000,000 units of the Company (the "Units") at

a price of \$0.25 per Unit for gross proceeds of up to \$4,000,000. Each Unit will be comprised of one common share of the Company (a “Common Share”) and one Common Share purchase warrant (a “Warrant”). Each Warrant shall be exercisable to acquire one additional Common Share (a “Warrant Share”) at an exercise price of \$0.40 per Warrant Share for a period of 24 months after the closing of the private placement financing.

## RESULTS OF OPERATIONS

The following highlights the key operating expenditures for the six months ended December 31, 2021 compared to the six months ended December 31, 2020:

### For the six months ended December 31, 2021

During the six months ended December 31, 2021, the Company incurred a net loss of \$4,533,599 which consists primarily of the following:

- Advertising and marketing of \$1,230,741 consists of advertising and branding initiatives to increase brand and corporate awareness. The increase of \$1,034,655 (six months ended December 31, 2020 - \$196,086) relates to increased focus on brand building following the launch of GamerzArena and the Company’s successful listing.
- Consulting fees of \$580,722 consists of costs related to advisory services provided for accounting, legal, GamerzArena and other areas. The increase of \$135,817 primarily relates to the increased costs associated with GamerzArena.
- Depreciation expense of \$345,504 consists primarily of non-cash depreciation on the Company’s intangible assets, being its gaming platform and gaming rights. The gaming rights are being depreciated over three years and did not exist in the comparative period. Depreciation expense also includes depreciation expense related to the Heavy Chips Casino and Sports Betting acquisition which closed on November 3, 2021.
- Management fees of \$167,384 consists of compensation to officers of the Company. The decrease of \$17,191 (six months ended December 31, 2020 - \$184,575) is pursuant to a change in management and not having termination fees in the current period.
- Office and miscellaneous costs of \$80,817 decreased \$43,901 (six months ended December 31, 2020 - \$124,718) as a result of the previous period including costs related to the successful IPO.
- Professional fees of \$57,970 decreased \$51,471 (six months ended December 31, 2020 - \$109,441) as a result of the previous period including costs related to the successful IPO.
- Service fees of \$46,699 consists of costs related to operating the Heavy Chips website, which was acquired during the six months ended December 31, 2021.
- Share based payments of \$1,914,646 consists primarily of the non-cash fair value of stock options and restricted share units previously issued and vested during the period.
- Tournament prizes of \$57,676 saw an increase of \$47,208 (December 31, 2020 - \$10,468) as a result of the launch of GamerzArena.
- Transfer agent and filing fees of \$35,316 saw an increase of \$35,171 (December 31, 2020 - \$145) as the entity now incurs costs as it is a publicly traded entity.

## SUMMARY OF QUARTERLY RESULTS

The following is a summary of the Company's financial results for the eight most recently completed quarters:

	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021
Revenue	52,434	3,645	2,103	11,107
Net and comprehensive loss	(2,317,168)	(2,216,431)	(2,646,213)	(824,668)
Loss per share, basic and diluted	(0.04)	(0.04)	(0.05)	(0.01)

	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
Revenue	3,469	-	-	-
Net and comprehensive loss	(1,403,315)	(465,346)	(1,418,185)	(306,521)
Loss per share, basic and diluted	(0.04)	(0.01)	(0.04)	(0.01)

On a quarter-by-quarter basis, losses are expected to fluctuate significantly due to a number of factors including timing of operating activities from the date of incorporation due to the nature of a company in its development phase.

An analysis of the quarterly result from inception shows that the Company has incurred mostly professional fees related to the newly formed entity and work performed to complete acquisitions and pursue its listing on the CSE. Although the Company is beginning to earn some revenues from subscriptions, this is not yet the Company's primary focus which is based on providing high user involvement tournaments and user acquisition.

## LIQUIDITY

At December 31, 2021, the Company had cash of \$245,745 (June 30, 2021 - \$1,716,642) and working capital of \$164,653 (June 30, 2021 -\$2,378,453).

During the six months ended December 31, 2021, the following share transactions occurred:

- 1,252,856 Restricted Share Rights ("RSRs") of the Company were exercised for 1,252,856 shares of the Company being issued to the RSR holders.
- 720,000 common shares were issued through a private placement, raising \$265,000 in capital.
- 48,000 common shares were issued in consideration of consulting services received. These shares had a fair value of \$16,800.
- Received \$245,000 in proceeds related to future private placements. This amount has been recorded as Share Subscriptions on the Statement of Financial Position as of December 31, 2021. Subsequent to December 31, 2021, \$205,000 of this amount was returned to the investors and the associated private placement was cancelled.

If additional funds are required, the Company plans to raise capital primarily through the private placement of its equity securities. Under such circumstances, there is no assurance that the Company will be able to obtain further funds required for the Company's continued working capital requirements.

## Operating Activities

The Company used net cash of \$1,479,600 (six months ended December 31, 2020 – used \$1,141,848) in operating activities during the six months ended December 31, 2021.

## Financing Activities

The Company received net cash of \$510,000 (six months ended December 31, 2020 – received \$5,519,509) in financing activities during the six months ended December 31, 2021.

### **Investing Activities**

The Company used net cash of \$501,297 (six months ended December 31, 2020 – used \$108,233) in investing activities during the six months ended December 31, 2021.

### **RELATED PARTY TRANSACTIONS AND BALANCES**

Key management are those personnel having the authority and responsibility for planning, directing, and controlling 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.

The aggregate value of transactions relating to key management personal during the periods ended December 31, 2021 and 2020 were as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Management fees	\$ 148,634	\$ 183,000
Share-based payments	349,331	306,650
<b>Total</b>	<b>\$ 497,965</b>	<b>\$ 489,650</b>

As at December 31, 2021, \$150,052 (June 30, 2021 – \$73,500) was owing to key management personnel for fees and expenses incurred on behalf of the Company with these amounts all included in accounts payable. The amounts payable are non-interest bearing, are unsecured, and have no specific terms of repayment.

### **OFF-BALANCE SHEET ARRANGEMENTS**

The Company has not entered into any off-balance sheet arrangements.

### **SUBSEQUENT EVENTS & PROPOSED TRANSACTIONS**

On January 24, 2022, the Company announced the signing of a letter of intent (“LOI”) to acquire Shape Immersive Entertainment Inc. (“Shape”) The LOI contemplates the acquisition by the Company of 100% of the issued and outstanding shares of Shape in exchange for 14,840,000 common shares of the Company and \$1 million in cash.

On January 24, 2022, the Company also announced a brokered private placement financing for up to \$4.0 million. The Company entered into an agreement with Research Capital Corporation, as sole agent and sole bookrunner, in connection with a best efforts, brokered private placement of up to 16,000,000 units of the Company (the “Units”) at a price of \$0.25 per Unit for gross proceeds of up to \$4,000,000. Each Unit will be comprised of one common share of the Company (a “Common Share”) and one Common Share purchase warrant (a “Warrant”). Each Warrant shall be exercisable to acquire one additional Common Share (a “Warrant Share”) at an exercise price of \$0.40 per Warrant Share for a period of 24 months after the closing of the private placement financing.

### **CHANGES IN ACCOUNTING POLICIES**

The management discussion and analysis has been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company’s audited annual financial statement for the fiscal year ended June 30, 2021.

### **FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS**

The Company’s financial instruments are exposed to certain financial risks which are discussed in detail in Note 4.7 of the Company’s consolidated financial statements for the year ended June 30, 2021.

## ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

During the six months ended December 31, 2021 and 2020, the Company incurred the following expenses:

<b>In Canadian Dollars</b>	<b>2021</b>	<b>2020</b>
Advertising and marketing	1,230,741	196,086
Consulting	580,722	444,905
Depreciation	345,504	155,706
Management fees	167,384	184,575
Office and miscellaneous	80,817	124,718
Professional fees	57,970	109,441
Service fees	46,499	-
Rent	30,000	35,000
Share-based payments	1,914,646	608,035
Tournament prizes	57,676	10,468
Transfer agent and filing fees	35,316	145
Travel	5,615	-
<b>Total</b>	<b>4,552,890</b>	<b>1,869,079</b>

An analysis of material components of the Company’s general and administrative expenses is disclosed in “Results of Operations” above.

## DISCLOSURE OF OUTSTANDING SHARE DATA

The Company is a public company. The Company’s authorized share capital consists of an unlimited number of class A and B common shares without par value. The Company had the following securities outstanding as at the date of this report:

<b>Type of Security</b>	<b>Number Outstanding</b>
Common Shares	62,516,641
Stock Options	5,785,000
Warrants	9,677,090
Performance Warrants	7,000,000
Restricted Shares Rights	1,975,000
<b>Fully Diluted</b>	<b>86,953,731</b>

## RISK FACTORS

Much of the information included in this report includes or is based upon estimates, projections or other forward-looking statements. Such forward-looking statements include any projections or estimates made by the Company and its management in connection with the Company’s business operations. While these forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect the Company’s current judgment regarding the direction of its business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions, or other future performance suggested herein. Except as required by law, the Company undertakes no obligation to update forward-looking statements to reflect events or circumstances occurring after the date of such statements.

Such estimates, projections or other forward-looking statements involve various risks and uncertainties as outlined below. The Company cautions readers of this report that important factors in some cases have affected and, in the future, could materially affect actual results and cause actual results to differ materially from the results expressed in any such estimates, projections or other forward-looking statements. In evaluating the Company, its business and any investment in its business, readers should carefully consider the following factors:



## **Risks Related to the Company's Business**

*The Company's future is dependent upon its ability to obtain financing and if the Company does not obtain such financing, the Company may have to cease its activities and investors could lose their entire investment.*

There is no assurance that the Company will operate profitably or will generate positive cash flow in the future. The Company will require additional financing to sustain its business operations if it is not successful in earning revenues. The Company currently does not have any arrangements for further financing and it may not be able to obtain financing when required. The Company's future is dependent upon its ability to obtain financing. If the Company does not obtain such financing, its business could fail and investors could lose their entire investment.

*The Company's directors and officers are engaged in other business activities and accordingly may not devote sufficient time to the Company's business affairs, which may affect its ability to conduct operations and generate revenues.*

The Company's directors and officers are involved in other business activities. As a result of their other business endeavours, the directors and officers may not be able to devote sufficient time to the Company's business affairs, which may negatively affect its ability to conduct its ongoing operations and its ability to generate revenues. In addition, the management of the Company may be periodically interrupted or delayed as a result of its officers' other business interests.

*The Company has minimal operating history*

The Company has minimal operating history and may not succeed. The Company is subject to all risks inherent in a developing business enterprise. The Company's likelihood of continued success must be considered in light of the problems, expenses, difficulties, undercapitalization, cash shortages, limitations with respect to personnel, financial and other resources, lack of revenues, complications, and delays frequently encountered in connection with the competitive and regulatory environment in which it operates. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the early stage of operations.

*History of losses*

The Company has incurred losses during the six-month period ended December 31, 2021. The Company may not be able to achieve or maintain profitability and may continue to incur significant losses in the future. In addition, the Company expects to continue to increase operating expenses as it implements initiatives to continue to grow its business. If the Company's revenues do not increase to offset these expected increases in costs and operating expenses, it will not be profitable.

*Reliance on management*

The Company is currently in good standing with all high-level employees and believes that with well managed practices will remain in good standing. The success of the Company will be dependent upon the ability, expertise, judgment, discretion and good faith of its senior management and key personnel. While employment agreements are customarily used as a primary method of retaining the services of key employees, these agreements cannot assure the continued services of such employees. Any loss of the services of such individuals could have a material adverse effect on the Company's business, operating results or financial condition.

*Insurance and uninsured risks*

The Company's business is subject to a number of risks and hazards including accidents, labour disputes and changes in the regulatory environment. Such occurrences could result in damage to assets, personal injury or death, delays in operations, monetary losses and possible legal liability.

Although the Company intends to continue to maintain insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance will not cover all the potential risks associated with its operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability.

*The Company will be an entrant engaging in a new industry*

The esports technology industry is fairly new. There can be no assurance that an active and liquid market for shares of the Company will develop and shareholders may find it difficult to resell their shares. Accordingly, no assurance can be given that the Company will be successful in the long term.

*Dependence on suppliers and skilled labour*

The ability of the Company to compete and grow will be dependent on it having access, at a reasonable cost and in a timely manner, to skilled labour, equipment, parts and components. No assurances can be given that the Company will be successful in maintaining its required supply of skilled labour, equipment, parts and components. This could have an adverse effect on the financial results of the Company.

*Difficulty to forecast*

The Company must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the e-gaming industry. A failure in the demand for its products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations and financial condition of the Company.

*Management of growth*

The Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with this growth may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

*Internal controls*

Effective internal controls are necessary for the Company to provide reliable financial reports and to help prevent fraud. Although the Company will undertake a number of procedures and will implement a number of safeguards, in each case, in order to help ensure the reliability of its financial reports, including those imposed on the Company under Canadian securities law, the Company cannot be certain that such measures will ensure that the Company will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Company's results of operations or cause it to fail to meet its reporting obligations. If the Company or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Company's consolidated financial statements and materially adversely affect the trading price of the Company's shares.

*Liquidity*

The Company cannot predict at what prices the Company will trade and there can be no assurance that an active trading market will develop or be sustained. There is a significant liquidity risk associated with an investment in the Company.

*Litigation*

The Company may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which the Company becomes involved be determined against the Company such a decision could adversely affect the Company's ability to continue operating and the market price for Reporting Issuer's shares and could use significant resources. Even if the Company is involved in litigation and wins, litigation can redirect significant Reporting Issuer resources.