AlphaGen

ALPHAGEN INTELLIGENCE CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE SIX MONTHS ENDED DECEMBER 31, 2023

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 consolidated interim financial statements and notes thereto for the six months ended December 31, 2023 of AlphaGen Intelligence Corp. (Formerly: Alpha Metaverse Technologies Inc.) (the "Company"). Such condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

In this MD&A, reference is made to adjusted EBITDA which does not have any standardized meaning under IFRS and is not a measure of financial performance under IFRS, and therefore, may not be comparable to similar measures presented by other companies. Management believes this measure provides useful information to investors as it is a commonly used measure in the capital markets and as management believes that it is a close proxy for repeatable cash generated by operations. While management believes EBITDA is a useful measure, it has limitations as an analytical tool, and it should not be considered in isolation or as a substitute for analysis of other IFRS financial measures. Some of the limitations of EBITDA are that it does not reflect the dilution that results from share-based compensation, does not reflect the cost to replace amortized property and equipment and right-of-use assets and does not reflect income tax payments.

The Company calculates adjusted EBITDA as follows: Net income (loss), plus (minus) the add-backs or reversals of the following: unrealized foreign exchange (gains) losses, interest (income) expense, tax (recovery) expense, depreciation expense, share-based payments, gain on debt settlements/ extinguishments, and certain one-time non-operating expenses, as determined by management.

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 29, 2024**.**

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") which now trade under the symbol, "AIC".

The Company is a technology-driven organization specializing in the creation of immersive content for the metaverse and augmented reality landscapes. Our expertise extends to various domains, including gaming and gaming-as-a-service (GaaS) applications, as well as the implementation of generative artificial intelligence (AI). We are dedicated to metaverse development and offer services aimed at enhancing the profitability and engagement within esports and gaming ecosystems.

EXTERNAL MARKET FACTORS

The Company's business may be affected by changes in political and market conditions, such as interest rates, availability of credit, inflation rates, changes in laws, and national and international circumstances. Recent geopolitical events, including, the outbreaks of the coronavirus (COVID-19) pandemic, relations between NATO and Russian Federation regarding the situation in Ukraine, and potential economic global challenges such as the risk of the higher inflation and energy crises, may create further uncertainty and risk with respect to the prospects of the Company's business.

HIGHLIGHTS

On October 30, 2023, the Company announced its audited financial results and notes its largest revenue performance yet, surpassing $949,000 in revenues for the three months ended June 30, 2023, and reaching $2 million for the year ended June 30, 2023. A significant contributor to the Company's financial success is the successful acquisition of a large retail metaverse contract with a multinational brand pursuant to the development of Sephora Universe. In addition, the Company has expanded its offerings into additional verticals, including generative AI and its gaming-as-a-service ("GaaS") "Mana" platform ("Mana"). Mana being a powerful gaming platform which has the capability to enable customers to enhance user engagement and monetization.

CORPORATE TRANSACTIONS

There were no corporate transactions in the six months ended December 31, 2023.

OVERALL PERFORMANCE

The Company recognized revenues from its wholly owned subsidiaries and continues pursuing esports and technology related operating activities.

At December 31, 2023, the Company was in a net asset position of $2,352,898. The assets consisted of the following:

As at	December 31, 2023	June 30, 2023
Cash	405,586	154,356
Accounts receivable	10,446	465,027
GST receivable	9,303	19,549
Prepaid	144,086	140,899
Goodwill	2,425,425	2,425,425
TOTAL ASSETS	**2,995,846**	**3,205,256**

The liabilities consisted of the following:

As at	December 31, 2023	June 30, 2023
Accounts payable and accrued liabilities	582,948	428,713
Acquisition payable	-	65,000
Government loan	60,000	60,000
TOTAL LIABILITIES	**642,948**	**553,713**

RESULTS OF OPERATIONS

The following highlights the key operating expenditures for the three months ended December 31, 2023 compared to 2022:

For the Three Months Ended December 31,	2023	2022	Change
	$	$	$
Revenues	132,142	166,958	(33,816)
Cost of Sales	(43,872)	(55,306)	11,434
GROSS MARGIN	**88,270**	**111,652**	**(23,382)**
EXPENSES			
Advertising and marketing	8,689	-	8,689
Consulting	200,413	233,369	(32,956)
Management fees	68,163	90,450	(22,287)
Office and miscellaneous	11,229	14,275	(3,046)
Professional fees	103,149	63,035	(40,114)
Share-based payments	46,862	-	46,862
Tournament prizes	-	7,924	(7,924)
Transfer agent and filing fees	7,129	10,878	(3,749)
OPERATING EXPENSES	**(445,634)**	**(419,931)**	**(25,703)**
TOTAL OPERATING LOSS	**(357,364)**	**(308,279)**	**(49,085)**

- Revenues and cost of sales increased from the prior year from comparable periods as a result of the revenues arising from the business of Shape Immersive Entertainment ("Shape") and the milestone metaverse contract to develop content for Sephora Universe. The Company's primary focus has been on operational success and revenue growth.

- Consulting and salary costs decreased from the prior year comparable periods, as the prior year included consulting costs related to learning and growing with the newly acquired Shape business.

- Office and miscellaneous decreased from the prior year comparable periods due to realizing synergies and application of cash conservation activities.

- Share-based payments increased due to the vesting of equity awards granted at the end of last year, compared to none in the comparative period.

- Professional fees Increased due to increased costs associated with the audit due to increased activities, higher revenues, etc.

- Tournament prizes and transfer agent and filing fees all decreased due to using less of these services and no longer hosting paid for tournaments.

The following highlights the key operating expenditures for the six months ended December 31, 2023 compared to 2022:

For the Six Months Ended December 31,	2023	2022	Change
	$	$	$
Revenues	521,824	275,532	246,292
Cost of Sales	(175,878)	(86,313)	(89,565)
GROSS MARGIN	**345,946**	**189,219**	**156,727**
EXPENSES			
Advertising and marketing	10,721	-	10,721
Consulting	345,729	480,331	(134,602)
Management fees	153,098	167,516	(14,418)
Office and miscellaneous	29,156	50,835	(21,679)
Professional fees	103,149	90,553	12,596
Share-based payments	138,640	-	138,640
Tournament prizes	-	12,437	(12,437)
Transfer agent and filing fees	12,721	31,944	(19,223)
OPERATING EXPENSES	**(793,214)**	**(833,616)**	**40,402**
TOTAL OPERATING LOSS	**(447,268)**	**(644,397)**	**197,129**

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- Office and miscellaneous decreased from the prior year comparable periods due to realizing synergies and application of cash conservation activities.

- Share-based payments increased due to the vesting of equity awards granted at the end of last year, compared to none in the comparative period.

- Tournament prizes and transfer agent and filing fees all decreased due to using less of these services and no longer hosting paid for tournaments.

REVENUES AND SEGMENTED DISCLOSURES

During the six months ended December 31, 2023 and 2022, the Company recognized revenue from the following segmented revenue streams:

For the Six Months Ended December 31,	2023	2022
	$	$
Product development – United States based	519,811	271,723
Monthly online subscriptions	2,013	3,809
Total	**521,824**	**275,532**

The Company's major customers for its product development revenues are as follows:

For the Six Months Ended December 31,	2023	2022
	$	$
Customer 1	519,811	-
Customer 2	-	181,611
Customer 3	-	54,608

The Company's cost of sales consists of cost of direct labour related to the creation of product development. All of the Company's assets and labour is located in Canada.

SUMMARY OF QUARTERLY RESULTS

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

In Canadian dollars	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023
Revenue	132,142	389,682	949,546	839,104
Net income (loss)	(351,884)	(85,401)	(837,122)	499,768
(Loss) Income per share, basic and diluted	(0.00)	(0.00)	(0.01)	0.01

In Canadian dollars	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022
Revenue	166,958	108,574	102,242	51,413
Net loss	(373,760)	(338,464)	(2,084,891)	(1,614,804)
Loss per share, basic and diluted	(0.04)	(0.00)	(0.03)	(0.02)

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 expenses as follows:

- During fiscal 2022, the net and comprehensive loss included costs similar to 2021, but decreased significantly due to no equity award issuances and no impairment of intangible assets. The Company has shifted focus to build and focus on Shape operations;

- During the first two quarters of 2023, the net and comprehensive loss improved over 2022 due in part to the increased revenues, but also as a result of a decrease in advertising, office, share-based payments and depreciation.

- During the 3rd and 4th quarters of 2023, the Company was awarded a significant retail metaverse contract with a multinational leading Brand. Revenues and margins increased as a result. The Company also greatly reduced expenses through write-offs of accounts payable totalling $257,953. The Company also granted 9.45M equity incentives and recognized $1,100,581 in share-based payment expense for the period.

- During the 1st and 2nd quarter of 2024, the Company completed its phase I with its largest customer for the development of Sephora Universe. During this time, the Company's billings are slightly down as the launch of the product publicly has occurred. Following this down period, the Company expects to work on a consistent budget and quarterly billing amounts as work programs are built out.

The Company's primary focus is to continue increasing revenues through its Shape operations.

Adjusted EBITDA

Adjusted EBITDA is a non-IFRS financial measure that does not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. Management believes this measure provides useful information to investors as it is a commonly used measure in the capital markets and as management believes that it is a close proxy for repeatable cash generated by operations. While management believes EBITDA is a useful measure, it has limitations as an analytical tool, and it should not be considered in isolation or as a substitute for analysis of other IFRS financial measures. Some of the limitations of EBITDA are that it does not reflect the dilution that results from share-based compensation, does not reflect the cost to replace amortized property and equipment and right-of-use assets and does not reflect income tax payments.

The Company calculates adjusted EBITDA as net income (loss), plus (minus) the add-backs or reversals of the following: unrealized foreign exchange (gains) losses, interest (income) expense, tax (recovery) expense, depreciation expense, share-based payments, gain (loss) on settlement/ extinguishment of debt and one-time non-operating expenses, impairments and disposals of assets as determined by management as follows:

			For the Three months Ended December 31,		
			2023		2022
Net Income	**$**	**$**	**(351,884)**	**$**	**(373,760)**
Share-based payments			46,862		-
Foreign exchange			(5,480)		(660)
Interest			-		3,439
Bad debt			-		62,702
EBITDA (Non-IFRS)	**$**	**$**	**(310,502)**	**$**	**(308,279)**

EBITDA for the three months ended December 31, 2023, was $310,502 (2022 - EBITDA loss $308,279). The change was primarily due to significant decrease in spending and significant increase in revenues through its 3D content production contract with a multinational-brand. The company primarily reduced spending over consulting, office and professional to fees reflect its focus on operations and focus on conservation of cash.

			For the Six months Ended December 31,		
			2023		2022
Net Income	**$**	**$**	**(437,285)**	**$**	**(712,224)**
Share-based payments			138,640		-
Foreign exchange			(9,983)		1,686
Interest			-		3,439
Bad debt			-		62,702
EBITDA (Non-IFRS)	**$**	**$**	**(308,628)**	**$**	**(644,397)**

EBITDA for the six months ended December 31, 2023, was $308,628 (2022 - EBITDA loss $644,397). The change was primarily due to significant decrease in spending and significant increase in revenues through its 3D content production contract with a multinational-brand. The company primarily reduced spending over consulting, office and professional to fees reflect its focus on operations and focus on conservation of cash.

LIQUIDITY

As at December 31, 2023, the Company had cash of $405,586 (June 30, 2023 - $154,356) and working capital deficit of $12,527 (June 30, 2022 – $286,118).

There were no equity financings during the six months ended December 31, 2023.

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 provided net cash of $317,230 (December 31, 2022 – used cash of $748,622) in operating activities during the six months ended December 31, 2023.

Investing Activities

During the six months ended December 31, 2023, the Company paid cash of $65,000 toward the final acquisition payment of Shape. Of the final $500,000 acquisition payment, a total of $nil remains as of the date of this MD&A.

The Company used net cash of $65,000 (December 31, 2022 – $nil) in investing activities during the six months ended December 31, 2023.

Acquisition of Shape Immersive Entertainment Inc. ("Shape")

The Company completed the acquisition of Shape on May 5, 2022, pursuant to the following consideration (with acquisition shares subject to certain escrow restrictions):

a) Payment of an aggregate of $500,000 in cash to the Shape shareholders on the closing date of the acquisition (paid);
b) Issuance of an aggregate of 14,000,000 common shares in the capital of the Company to the Shape shareholders on the closing date (issued);
c) Payment of an aggregate of $500,000 in cash to the Shape shareholders by November 1, 2022 (paid); and
d) Issuance of an aggregate of 840,000 common shares to certain individuals for services rendered in connection with the successful completion of the transaction (issued).

On December 28, 2022, the Company amended the acquisition agreement ("Amended Agreement"), deferring payment of the second $500,000 ("Second Payment") until September 24, 2023, provided, however, that:

i) Shape has positive net income (adjusted for certain non-cash items) during a calendar month, in which case the Company will pay down all or part of the Second Payment; or
ii) The Company raises sufficient debt or equity financing to satisfy any remaining amount due, in which case the Company will pay the Second Payment.

As of December 31, 2023 and the date of this MD&A, the Company has fully paid the acquisition payable of $500,000 through positive EBITDA earned through Shape operations.

RELATED PARTY TRANSACTIONS AND BALANCES

The aggregate value of transactions relating to key management personal during the six months ended December 31, 2023 and 2022 were as follows:

For the Six Months Ended December 31,	2023	2022
	$	$
Management fees(1)(2)(3)(4)	153,098	167,516
Share-based payments	78,155	-
Total	**231,253**	**167,516**

Notes for the six months ended December 31, 2023, the Company incurred:
1) $84,535 (2023 - $99,501) of management fees in provision of CEO services from the CEO of the Company.
2) $36,000 (2023 - $36,000) of management fees in provision of CFO services from a company controlled by the CFO and Director of the Company.
3) $32,563 (2023 - $32,015) of management fees in provision of director services from a company controlled by Director of the Company.

As at December 31, 2023, a balance of $197,814 was owing to key management personnel for fees incurred on behalf of the Company with these amounts all included in accounts payable and accrued liabilities. The amounts payable are non-interest bearing, are unsecured, and have no specific terms of repayment.

As at December 31, 2023, the Company had a balance of $40,000 of loan payable owing to a director of the Company with this amount included in accounts payable and accrued liabilities. The amount is non-interest bearing, unsecured, and has no specific terms of repayment.

OFF-BALANCE SHEET ARRANGEMENTS

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

SUBSEQUENT EVENTS & PROPOSED TRANSACTIONS

There are no subsequent events or proposed transactions.

CHANGES IN ACCOUNTING POLICIES

There were no changes to accounting policies for the six months ended December 31, 2023.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company's financial instruments are exposed to certain financial risks which are discussed in detail in Note 10.5 of the Company's condensed consolidated interim financial statements for the six months ended December 31, 2023.

ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

An analysis of material components of the Company's expenses is disclosed in the "Overall Performance" section above.

DISCLOSURE OF OUTSTANDING SHARE DATA

a) Authorized and Issued Share Capital

The authorized capital of the Company consists of an unlimited number of voting Class A common shares (without par value) and an unlimited number of non-voting Class B common shares (without par value).

During the six months ended December 31, 2023, the Company issued no common shares.

As at December 31, 2023 and the date of this MDA, the Company has 91,223,380 common shares outstanding.

b) Share Purchase Warrants

As at December 31, 2023 and the date of this MDA, the Company had 11,910,140 warrants outstanding with a weighted average exercise price of $0.39, and remaining life of 0.39 years.

Expiry Date	Exercise Price ($)	Number of Warrants
March 7, 2024	0.40	11,020,500
March 7, 2024	0.25	889,640
	0.39	**11,910,140**

c) Performance Warrants

On September 1, 2020, the Company granted an aggregate of 7,000,000 performance warrants to certain consultants as consideration for the performance of ongoing services. These warrants were to become exercisable subject to the Company achieving certain milestones.

During the year ended June 30, 2022, 50% of the performance warrants (3,500,000 performance warrants) vested and became exercisable. As a result, the Company recognized the fair value of the performance warrants in share-based payments, which was measured at $317,144 using the Black-Scholes pricing model based on the following assumptions: risk-free interest rate of 2.61%, expected stock price volatility of 100%, expected life of 1.33 years, and expected dividend yield of $nil.

On September 1, 2023, the remaining 3,500,000 performance warrants expired unexercised.

d) Options

As of the date of this MDA the Company had 3,985,000 stock options (December 31, 2023 – 3,985,000), the Company had with a weighted-average outstanding life of 1.11 years as follows:

Expiry date	Options outstanding	Options exercisable		Exercise Price
May 11, 2024	2,035,000	2,035,000	$	0.50
May 14, 2024	300,000	300,000		0.92
October 7, 2024	300,000	300,000		0.34
June 21, 2026	1,350,000	675,000		0.14
	3,985,000	**3,310,000**	**$**	**0.40**

Restricted Share Rights

As at December 31, 2023 and the date of this MDA, the Company had 9,575,000 RSRs outstanding.

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 nine months ended March 31, 2023. 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.