# Management's Discussion and Analysis

# Nevada Energy Metals Inc.

## For the year ended 30 June 2020

*The following management discussion and analysis ("MD&A") should be read in conjunction with the audited consolidated financial statements for the year ended 30 June 2020. Results have been prepared using accounting policies in compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All monetary amounts are reported in Canadian dollars unless otherwise indicated.*

*For further information on the Company reference should be made to the Company's public filings which are available on SEDAR.*

*This MD&A contains forward-looking information. See "Forward-Looking Information" and "Risks and Uncertainties" for a discussion of the risks, uncertainties and assumptions relating to such information.*

## Introduction

The following discussion of performance and financial condition should be read in conjunction with the audited consolidated financial statements of Nevada Energy Metals Inc. (the "Company" or "BFF") for the year ended 30 June 2020. The Company's consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The Company's reporting currency is Canadian dollars unless otherwise stated. This Management's Discussion and Analysis ("MD&A") is dated 28 October 2020.

## Description of Business

The Company was incorporated under the laws of the province of British Columbia on 2 June 2011.

The Company is a reporting issuer in British Columbia and Alberta. The Company has been listed on the TSX Venture Exchange since 28 October 2013 under the trading symbol "BFF".

On 24 January 2018, the Company consolidated its share capital on one (1) new common share without par value for every two (2) existing common shares without par value basis. All common shares and per share amounts have been restated to give retroactive effect to the share consolidation.

The head office and principal address is located at Suite 1220, 789 West Pender Street, Vancouver, British Columbia, V6C 1H2.

The Company's business consists of the acquisition, exploration and development of brine based lithium exploration targets and mineral resource properties in Nevada, USA.

In March 2020, the World Health Organization declared a global pandemic known as COVID-19. This is causing significant financial market and social dislocation. This has also resulted in significant economic uncertainty and consequently, it is difficult to reliably measure the potential impact of this uncertainty on the Company's future financial results.

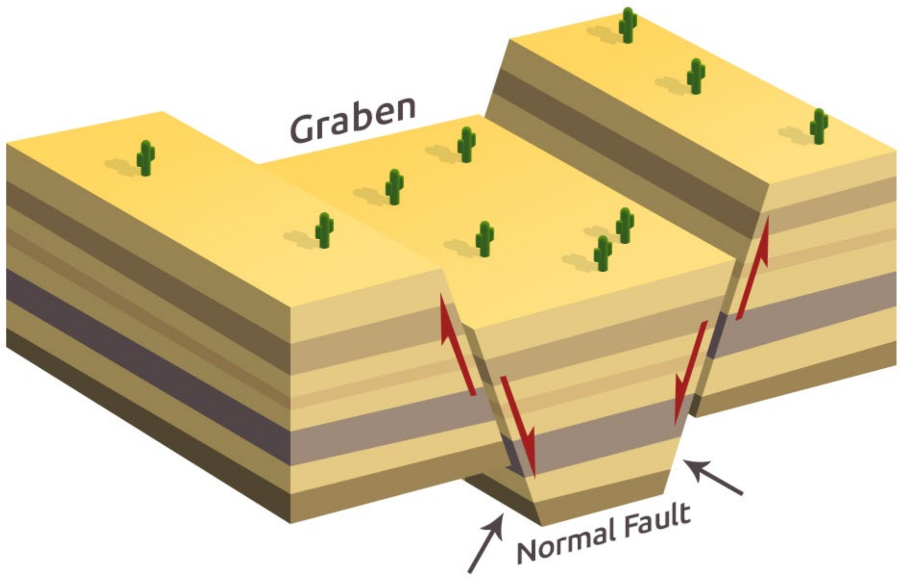
## Project Overview

### CLAYTON VALLEY BFF-1 PROJECT

The Clayton Valley BFF-1 Lithium Project southern boundary lies 250 meters from Albemarle Corporation's Silver Peak lithium mine and brine processing operations. The mine has been in operation since 1967 and remains the only brine based lithium producer in North America. It is also the location of Pure Energy Minerals' 816,000 metric tonnes Lithium Carbonate Equivalent (LCE) Inferred Resource NI 43-101 announced in July 2015. Clayton Valley's centralized location between Nevada and Reno and its highways, access to power, water and labor provide excellent infrastructure for mineral exploration and development. The Clayton Valley BFF-1 Lithium Project is approximately 3.5 hours away from Tesla's Gigafactory, which has a planned annual lithium-ion battery production capacity of 35 gigawatt-hours per year by 2020.

Clayton Valley is one of the few locations globally known to contain commercial-grade lithium-enriched brine. The Valley is an internally drained closed-basin and is surrounded by mountains, hills and ridges on all sides. It contains an underground unconsolidated water bearing system (or aquifer system) which is host to lithium-enriched brines and is contained by the surrounding rock.

The claims cover an area of playa, including the Goat Island graben (inferred from gravity inversion; Quantec, 2008; Petrick, 2008), that encompasses a portion of a deep-circulation geothermal system beneath basin-fill sediments locally blanketed with travertine in north-western Clayton Valley. The Goat Island graben segments Clayton Valley into a northerly-trending, 1-2 km-wide sub-basin with a distinct escarpment on each side. Geological modeling and assessment of historical drilling results by J.B. Hulen, PG, (31 July 2008 report) concluded that both shallow thermal-gradient and lithium-exploration drilling demonstrates that the northern portion of Clayton Valley contains the valley's highest subsurface temperatures and that these temperatures may be localized in the Goat Island graben and its structural projections to the northeast and south.




A graben is a depressed block of land bordered by parallel faults

Significantly, within the graben and within the boundary of the claim block, a drill hole by Western Geothermal Partners 2007 logged as WGP#2 reported as follows:' From 280 – to 305 ft., fine grained green sand and silt logged as volcanic ash was encountered. This unit may be correlative to the Main Ash Aquifer, which is a marker bed in other areas of the Clayton Valley Basin." J.B. Hulen, PG, (31 July 2008.)

Nevada Energy Metals is planning a detailed summer/fall exploration program on the BFF-1 project. The property was acquired for cost of staking with no overriding royalties.

On 17 May 2016 the Company has agreed to grant 1074654 Nevada Ltd. an Option to acquire a seventy (70%) percent interest in the BFF-1 Clayton Valley Property by making certain Cash Payments, issuing Shares upon completion of a "Going Public Transaction", and completing Exploration Expenditures on its property at Silver Peak, Clayton Valley, Nevada.

## CLAYTON VALLEY BFF-1 PROJECT(CONTINUED)

In order to earn a 70% interest in the Clayton Valley BFF-1 Property, 1074654 Nevada Ltd. is required to issue shares, make payments and incur exploration expenditures as follows:

| | | Payments | Shares | Exploration Expenditures |
|---|---|---|---|---|
| | | USD$ | | USD$ |
| Payment on or before 2 June 2016 | (received) | $10,000 | - | - |
| Payment on or before 30 June 2016 | (received) | $15,000 | - | - |
| Payment on 19 July 2016 | (received) | $75,000 | 100,000 | - |
| On or before 19 July 2017 | | $100,000 | 100,000 | $100,000 |
| On or before 19 July 2018 | | $100,000 | 100,000 | $300,000 |
| On or before 19 July 2019 | | - | - | $600,000 |
| | | $300,000 | 300,000 | $1,000,000 |

On 19 July 2017, the option agreement with 1074654 Nevada Ltd. expired without being exercised. During the year ended 30 June 2020 the Company dropped 39 claims and recorded an impairment of $8,179 (2019: Nil).

## Qualified Person Statement

"Project Overview" and "Subsequent Event" sections of this report have been reviewed and approved for technical content by Alan Morris, CPG (Certified Professional Geologist), member of the advisory board of the Company and a Qualified Person under the provisions of NI 43-101.

## SELECTED ANNUAL FINANCIAL INFORMATION

The following selected financial information is derived from the audited consolidated financial statements of the Company. The figures have been prepared in accordance with IFRS.

| | Years Ended 30 June (audited) | | |
|---|---|---|---|
| | 2020 | 2019 | 2018 |
| Total revenues | $ - | $ - | $ - |
| General and administrative expenses | 657,417 | 807,840 | 408,908 |
| Mineral property cash costs incurred | 9,313 | 39,843 | 21,564 |
| Mineral property impairment | 163,166 | - | - |
| Net income (loss) | (759,467) | (804,502) | 461,385 |
| Net Loss per share – Basic & fully diluted | 0.073 | 0.111 | 0.098 |
| Totals assets | 507,022 | 1,267,472 | 1,476,070 |
| Total long-term liabilities | 21,786 | Nil | Nil |
| Cash dividends declared per share | Nil | Nil | Nil |

## SELECTED QUARTERLY FINANCIAL INFORMATION

The following selected financial information is derived from the audited consolidated financial statements of the Company. The figures have been prepared in accordance with IFRS.

| | For the Quarters Ended (unaudited) | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 30 Jun 2020 | 31 Mar 2020 | 31 Dec 2019 | 30 Sep 2019 | 30 Jun 2019 | 31 Mar 2019 | 31 Dec 2018 | 30 Sep 2018 |
| Total revenues | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Net income (loss) | (257,601) | (155,814) | (163,413) | (182,639) | (151,771) | (215,636) | (227,980) | (209,115) |
| Net income (loss) per share | (0.025) | (0.015) | (0.016) | (0.024) | (0.003) | (0.024) | (0.039) | (0.044) |
| Total assets | 507,022 | 768,411 | 914,084 | 1,081,464 | 1,267,472 | 1,380,656 | 1,274,985 | 1,436,326 |

## RESULTS OF OPERATIONS

**For the three months ended 30 June 2020 compared to the same quarter in 2019.**

Comprehensive loss for the quarter ended 30 June 2020 was $257,601 as compared to a $151,771 Comprehensive loss for the same quarter in 2019. Being at the exploration stage, the Company did not generate any revenue from operations. The increase in comprehensive loss of $105,830 was mainly attributable to the net effect of:

- Decrease of $424 in Bank charges and interest, from $651 in 2019 to $227 in 2020.
- Increase of $36,515 in Consulting fees, from $45,000 in 2019 to $81,515 in 2020.
- Decrease of $42,000 in Corporate development, from $42,000 in 2019 to $Nil in 2020.
- Increase of $21,700 in Depreciation expense from $Nil in 2019 to $21,700 in 2020
- Increase of $2,301 in Finance charges from $Nil in 2019 to $2,301 in 2020

- Increase of $28,797 in Marketing & communications, from a expense recovery of $1,797 in 2019 to an expense of $27,000 in 2020.
- Decrease of $904 in Office and miscellaneous, from $10,474 in 2019 to $9,570 in 2020.
- Decrease of $2,324 in Professional fees, from $Nil in 2019 to an expense recovery of $2,324 in 2020.
- Decrease of $22,802 in Rent, from $14,411 in 2019 to an expense recovery of $8,391 in 2020.
- Increase of $22,584 in Transfer agent fees, from $803 in 2019 to $23,387 in 2020.
- Decrease of $37,998 in Travel, lodging and food, from $39,735 in 2019 to $1,737 in 2020.
- Increase of $2,782 in Foreign exchange gain, from a loss of $494 in 2019 to a gain of $2,288 in 2020.
- Increase of $60,000 in gain on forgiveness of debt, from $Nil in 2019 to $60,000 in 2020
- Increase of $163,166 in impairment of exploration and evaluation assets from $Nil in 2019 to $163,166 in 2020

**For the year ended 30 June 2020 compared to 2019.**

Comprehensive loss for the year ended 30 June 2020 was $759,467 as compared to $804,502 in 2019. Being at the exploration stage, the Company did not generate any revenue from operations. The decrease in comprehensive loss of $45,035 was mainly attributable to the net effect of:

- Decrease of $397 in Bank charges and interest, from $1,947 in 2019 to $1,550 in 2020.
- Increase of $93,866 in Consulting fees, from $231,442 in 2019 to $325,308 in 2020.
- Decrease of Corporate Development, from $258,000 in 2019 to $Nil in 2020.
- Increase in Depreciation from $Nil in 2019 to $21,700 in 2020.
- Increase in Finance charges from $Nil in 2019 to $2,301 in 2020.
- Increase of $3,467 in Marketing & communications, from $53,536 in 2019 to $57,003 in 2020.
- Increase of $19,492 in Office and miscellaneous, from $48,455 in 2019 to $67,947 in 2020.
- Increase of $40,357 in Professional fees, from $3,655 in 2019 to $44,012 in 2020.
- Decrease of $16,015 in Rent, from $58,339 in 2019 to $42,324 in 2020.
- Decrease of $54,181 in Share-based payments, from $54,181 in 2019 to $Nil in 2020.
- Increase of $11,837 in Transfer agent fees, from $22,281 in 2019 to $34,118 in 2020.
- Decrease of $14,850 in Travel, lodging and food, from $76,004 in 2019 to $61,154 in 2020.
- Decrease of $2,190 in Foreign exchange gain, from $3,306 in 2019 to $1,116 in 2020.
- Decrease of $32 in Interest and other income, from $32 in 2019 to $Nil 2020.
- Increase in Gain on forgiveness of debt, from $Nil in 2019 to $60,000 in 2020.
- Increase in Impairment on exploration and evaluation assets from $Nil in 2019 to $163,166 in 2020.

## Selected Financial Information

To date, the Company has not commenced commercial operations.

## Liquidity and Capital Resources,

As at 30 June 2020, the Company had working capital of $346,018 (30 June 2019: $973,150).

As at 30 June 2020, the Shareholders' equity of $384,818 (30 June 2019: $1,144,285) consisted of share capital of $3,099,458 (2019: $3,099,458), reserves of $4,193,958 (2019: $4,193,958) and deficit of $6,908,598 (30 June 2019: $6,149,131).

## Outstanding Share Data,

The Company's Authorized Share Capital consists of an unlimited number of common shares without par value.

As at 30 June 2020, the Company had 10,459,153 (2019: 10,459,153) and as at the date of this MD&A 32,309,153 common shares issued and outstanding.

The Company has adopted a "fixed" stock option plan (the "Plan"), pursuant to which a maximum of 2,091,831 common shares at 30 June 2020 and 6,091,830 at the date of this MD&A, being 20% of the issued and outstanding Common Shares of the Company at the time an option is granted, less any outstanding stock options previously granted, will be reserved for issuance as options and will be granted at the discretion of the Corporation's Board of Directors to eligible optionees (the "Optionees") under the Plan.

As at 30 June 2020, the Company had 797,500 and as at the date of this MD&A 4,797,500 stock options outstanding.

As at 30 June 2020, the Company had 5,545,000 and as at the date of this MD&A 25,445,000 share purchase warrants outstanding.

### Common shares issuances

During the year ended 30 June 2020 the Company didn't issue any new shares.

During the year ended 30 June 2019, the Company issued common shares through Private Placements:

On 16 January 2019, the Company issued 4,320,000 units at a price of $0.075 per unit for gross proceeds of $324,000. Each unit consists of one common share and one non-transferrable share purchase warrant. Each full warrant entitles the holder to purchase one additional common share of the Company at a price of $0.10 per share for a period of two years. Finder's fees in the amount of 400,000 common shares and 200,000 share purchase warrants were paid in connection with the private placement.

On 25 September 2018, the Company issued 1,000,000 units at a price of $0.12 per unit for gross proceeds of $120,000. Each unit consists of one common share and one non-transferrable share purchase warrant. Each full warrant entitles the holder to purchase one additional common share of the Company at a price of $0.16 per share for a period of two years. Finder's fees in the amount of 50,000 common shares and 25,000 share purchase warrants were paid in connection with the private placement.

## Financial and Other Instrument

The Company's financial assets and liabilities consist of cash and cash equivalents, trade payables and related party loans. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The fair value of these instruments approximates their carrying value due to the short-term nature of their maturity.

## Related Party Transactions

For the years ended 30 June 2020 and 2019, the Company had related party transactions with the following companies related by way of management, directors or shareholders in common:

- LiCo, a company with management and directors in common with the Company. The Company provides office and consulting services to LiCo.
- TCF Ventures Corp., a company controlled by the former Chief Operating Officer of the Company.
- Zeus Capital Ltd., a company controlled by the Chief Financial Officer of the Company.

As at 30 June 2020, included in accrued liabilities is a balance of $24,000 (30 June 2019: $89,600) payable to related parties as follows:

| Year ended | **As at 30 June 2020** | As at 30 June 2019 |
|---|---|---|
| | **$** | $ |
| TCF Ventures Corp. | **-** | 60,000 |
| Director | **-** | 5,600 |
| Corporate Secretary | **24,000** | 24,000 |
| CEO | **3,008** | - |
| **Total trade payable and accrued liabilities due to related parties** | **27,008** | 89,600 |

During the year ended 30 June 2020, a director forgave $60,000 (2019: Nil) in debt owing by the Company.

The Company's related party expenses are summarized as follows:

| | **Year ended 30 June 2020** | Year ended 30 June 2019 |
|---|---|---|
| | **$** | $ |
| Shared office and administration recoveries from LiCo | **-** | (3,328) |
| Shared rent recoveries from LiCo | **-** | (4,864) |
| Consulting fees to the fomer CFO | **-** | 29,750 |
| Consulting fees to Zeus Capital Ltd. | **24,000** | 9,000 |
| Consulting fees to the Corporate Secretary | **52,000** | 48,000 |
| Consulting fees to TCF Ventures Corp. | **43,000** | 48,000 |
| Consulting fees to a former director | **12,000** | - |
| Consulting fees to a new director | **20,787** | - |
| Consulting fees to the CEO | **2,865** | - |
| Corporate development, Corporate Secretary | **-** | 48,000 |
| Corporate development, TCF Ventures Corp. | **-** | 90,000 |
| **Total related party expenses** | **154,652** | 264,558 |

## Related Party Transactions (continued)

The remuneration of directors and other members of key management for the years ended 30 June 2020 and 2019 were as follows:

| | **30 June 2020** | 30 June 2019 |
|---|---|---|
| | **$** | $ |
| Short-term benefits – management and consulting fees | **154,652** | 134,750 |
| Accrued costs – corporate development | **-** | 138,000 |
| **Total key management personnel compensation** | **154,652** | 272,750 |

## Critical Accounting Estimates

The preparation of consolidated financial statements requires the Company to select from possible alternative accounting principles, and to make estimates and assumptions that determine the reported amounts of assets and liabilities at the balance sheet date and reported costs and expenditures during the reporting period. Estimates and assumptions may be revised as new information is obtained and are subject to change. The Company's accounting policies and estimates used in the preparation of the consolidated financial statements are considered appropriate in the circumstances, but are subject to judgments and uncertainties inherent in the financial reporting process.

## Adoption of New and Revised Standards and Interpretations

The IASB issued a new and revised IFRSs, amendments and related IFRIC interpretations which are effective for the Company's financial year beginning on 1 July 2019. For the purpose of preparing and presenting the consolidated financial statements, the Company has consistently adopted all these new standards for the year ended 30 June 2020.

*IFRS 16 Leases ("IFRS 16")*

IFRS 16 has replaced IAS 17 – Leases ("IAS 17") and IFRIC 4 – Determining whether an arrangement contains a lease. The Company adopted IFRS 16 effective 1 July 2019. The standard was applied using the modified retrospective method, which does not require restatement of prior year financial information, as it recognized the cumulative effect, if any, as an adjustment to opening retained earnings and applies the standard prospectively. Accordingly, comparative information in the consolidated financial statements are not restated and continue to be reported under IAS 17.

*Transition*

On adoption of IFRS 16, a right-of-use ("ROU") asset and a corresponding lease liability has been recognized in relation to all lease arrangements, excluding commitments in relation to arrangements not containing leases (such as service agreements) and excluding short-term leases, leases of low-value assets, and variable lease payments. Leases were measured at the present value of the remaining lease payments as at 1 July 2019, using the Company's incremental borrowing rate as of 1 July 2019, which is 4.29% per annum.

**Adoption of New and Revised Standards and Interpretations (continued)**

The following table summarizes the impact of adopting IFRS 16 on the consolidated financial statements:

| | Balance 30 June 2019 | Adoption of IFRS 16 | Balance 1 July 2019 |
|---|---|---|---|
| | $ | $ | $ |
| Right-of-use asset | - | 65,004 | 65,004 |
| Current portion of lease liability | - | 21,110 | 21,110 |
| Lease liability | - | 43,896 | 43,896 |

*Significant accounting policy*

The Company assesses new contracts at inception to determine whether a lease is present. This assessment involves significant judgement about whether an asset is specified for the Company, whether the Company obtains substantially all the economic benefits from use of that asset, and whether the Company has the right to control the use of the asset.

Leases are recognised as ROU assets with a corresponding liability at the date the leased asset becomes available for use by the Company. Each lease payment is allocated between the lease liability and finance expense. The finance expense is charged to the statement of comprehensive loss over the lease term to present a constant yearic rate of interest on the remaining balance of the liability for each reporting year. ROU assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from leases are initially measured at present value. Lease liabilities include the net present value of fixed payments less any lease incentives receivable, variable lease payments that are based on an index or a rate, amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option, if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option. It is remeasured when there is a change in the future lease payments arising from a change in an index or rate, if there is a change in the amount expected to be payable under a residual value guarantee, or if there is a change in the assessment of whether the Company will exercise a purchase, extension, or termination option that is within the control of the Company. Lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or at the Company's incremental borrowing rate.

ROU assets are measured at cost comprising of the amount of the initial measurement of lease liability, any lease payments made at or before the commencement date, or any initial direct costs and restoration costs.

Payments associated with short-term leases (term of 12 months or less) of low-value assets are recognised on a straight -line basis as an expense in the statement of comprehensive loss. The Company applies a single discount rate to portfolios of leases with similar characteristics.

## Adoption of New and Revised Standards and Interpretations (continued)

Lease modifications will be accounted for as a separate lease, if the modification increases the scope of the lease, and if the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope. For modifications that don't justify a separate lease, or where the increase in consideration is not commensurate, at the effective date of the lease modification, the Company will remeasure the lease liability with a corresponding adjustment to the ROU asset using the rate implicit to the lease, if that rate can be determined, or the Company's incremental borrowing rate. A modification that decreases the scope of the lease will be accounted for by decreasing the carrying amount of the ROU asset, and recognising a gain or loss in the net loss and comprehensive loss that reflects the proportionate decrease in scope.

Finance expense comprises interest expense on the bank indebtedness and interest on the lease liability.

*Significant accounting judgements, estimates, and assumptions – Lease term*

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. The assessment is reviewed if a significant event or a significant change in circumstances occurs, which affects this assessment.

*IFRIC 23 Uncertainty over Income Tax Treatments*

On June 7, 2017, the IASB issued IFRIC 23 Uncertainty over Income Tax Treatments. The interpretation provides guidance on the accounting for current and deferred income tax liabilities and assets when there is uncertainty over income tax treatments. IFRIC 23 was applicable for annual years beginning on or after January 1, 2019.

IFRIC 23 requires an entity to determine whether uncertain tax positions are assessed separately or as a group; and assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings. If the treatment is likely to be accepted, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings. If not, the entity should reflect the effect of uncertainty in determining its accounting tax position. The Interpretation is effective for annual years beginning on or after January 1, 2019.

The Company adopted IFRIC 23 in its consolidated financial statements for the annual year beginning on 1 July 2019, with no impact on the consolidated financial statements

## Off-Balance Sheet Arrangements

The Company did not enter into any off-balance sheet arrangements during the period.

## Subsequent Events

On 17 September 2020 granted stock options to certain directors, officers, and consultants of the Company to purchase an aggregate 4,000,000 common shares in the capital of the Company. The stock options are exercisable for a term of five years from the date of grant at an exercise price of $0.05 per share. All stock options are granted in accordance with the terms of the Company's Stock Option Plan and the policies of the TSXV.

On 25 September 2020, 1,025,000 warrants with an exercise price of $0.16 expired unexercised.

On 29 September 2020, the Company closed a non-brokered private placement of 20,000,000 units at a price of $0.05 per unit for gross proceeds of $1,000,000. Each unit is comprised of one common share and one share purchase warrant. Each warrant is exercisable into one additional common share at an exercise price of $0.06 per share for 5 years. The Company paid finder's fees of 1,850,000 common shares and 925,000 finder warrants.

On 15 October 2020, the Company entered into an option agreement to earn 100% interest in the Klone Group of mineral claims located in Fort St. James in British Columbia. The Company may exercise the option by making a total of $305,000 cash payments, issuing 550,000 common shares and incurring $1,200,000 in exploration expenditures over 5 years. The agreement is subject to TSXV approval.

On 23 October 2020, the Company has entered into two purchase and sale agreements with John Malcolm Bell to acquire 100% interest, subject to a 2% net smelter royalty, in each of two nickel exploration projects located in British Columbia, Canada. Pursuant to the terms of the agreement the company will pay cash in the amount of $8,500 and issue five million common shares. The agreement is subject to TSXV approval.

## Management's Responsibility for Consolidated Financial Statements

The information provided in this report, including the consolidated financial statements, is the responsibility of Management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying Consolidated Financial Statements.

## Risks

The Investment in the common shares must be regarded as highly speculative due to the proposed nature of the Company's business and its present stage of development.

There can be no assurance that an active and liquid market for the Company's common shares will develop and an investor may find it difficult to resell the common shares.

## Controls and Procedures

The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") are responsible for designing internal controls over financial reporting in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's consolidated financial statements for external purposes in accordance with IFRS. The design of the Company's internal control over financial reporting was assessed as of the date of this MD&A.

Based on this assessment, it was determined that certain weaknesses existed in internal controls over financial reporting. As indicative of many small companies, the lack of segregation of duties and effective risk assessment were identified as areas where weaknesses existed. The existence of these weaknesses is to be compensated for by senior management monitoring, which exists. The officers will continue to monitor very closely all financial activities of the Company and increase the level of supervision in key areas. It is important to note that this issue would also require the Company to hire additional staff in order to provide greater segregation of duties. Since the increased costs of such hiring could threaten the Company's financial viability, management has chosen to disclose the potential risk in its filings and proceed with increased staffing only when the budgets and work load will enable the action. The Company has attempted to mitigate these weaknesses, through a combination of extensive and detailed review by the CFO of the financial reports.

## Outlook

Although current management has demonstrated its ability to raise funds in the past, with the current financial market conditions and global economic uncertainty, there can be no assurance they will be able to do so in the future. The financial results and discussion do not include the adjustments that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

## Caution Regarding Forward Looking Statements

Except for historical information contained in this discussion and analysis, disclosure statements contained herein are forward-looking. Forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially, from those in such forward-looking statements. Forward-looking statements are made based on management's beliefs, estimates and opinions on the date the statements are made and the Company undertakes no obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change. Investors are cautioned against attributing undue certainty to forward-looking statements.

## Other Information

Additional information about the Company is available on SEDAR at www.sedar.com.