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**MX Gold Corp.**  
**Management's Discussion & Analysis**

For the year ended

December 31, 2024

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## **MX GOLD CORP.**

### **Management's Discussion and Analysis of Financial Condition and Results of Operations for the year ended December 31, 2024**

#### **General**

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This management's discussion and analysis (this "MD&A") is prepared as of April 24, 2025 and provides a review of the performance of MX Gold Corp. (the "Company" or "MX Gold"). The MD&A should be read in conjunction with the Company's audited financial statements and notes for the fiscal year ended December 31, 2024 and 2023 (the "Financial Statements"). All monetary amounts, unless otherwise indicated, are expressed in Canadian dollars. Additional information relating to the Company can be found on the SEDAR website at [www.sedar.com](http://www.sedar.com).

The Company's head office and principal address is MX Gold Corp., dba/ Winnipeg MX Gold, 1300 Redonda Street, Sunnyside, MB, R5R 0E7.

The Financial Statements and related notes have been prepared in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Financial Statements follow the same accounting policies and methods of application as the most recent financial statements of the Company, except as may be noted herein.

Management is responsible for the preparation and integrity of the Financial Statements, including the maintenance of appropriate information systems, procedures and internal controls. Management is also responsible for ensuring that information disclosed externally, including the Financial Statements and the related MD&A, is complete and reliable.

#### **Forward-Looking Statements**

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This MD&A contains "forward-looking information"; as such term is defined in applicable Canadian securities legislation. Forward-looking information is necessarily based on a number of estimates and assumptions that are inherently subject to significant business, economic and competitive uncertainties and contingencies. All statements other than statements which are reporting results as well as statements of historical fact set forth or incorporated herein by reference, are forward looking information that may involve a number of known and unknown risks, uncertainties and other factors, many of which are beyond the Company's ability to control or predict. Forward-looking information can be identified by the use of words such as "may", "should", "expects", "plans", "anticipates", "believes", "estimates", "predicts", "intends", "continue", or the negative of such terms, or other comparable terminology.

This information includes, but is not limited to, statements regarding:

- the Company's recent transition from a mineral exploration company;
- the Company's business strategy;
- the Company's future expenses;
- the risks related to the Company's holdings of certain marketable securities; and
- the Company's ability to obtain financing to fund future expenditures and capital requirements on favorable terms or at all.

Many factors could cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. By their nature, forward-looking statements involve numerous assumptions, and known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and other forward-looking information will not be realized.

Although the Company has attempted to identify important factors that could cause actual 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 not to be as anticipated, estimated or intended. There can be no assurance that any forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated. The reader is cautioned not to place undue reliance on any forward-looking statements contained in this MD&A. Such forward-looking statements are presented for the purpose of assisting investors in understanding the Company's expected financial and operating performance and the Company's plans and objectives in making an investment decision and may not be appropriate for other purposes. All forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement. The Company disclaims any obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements, or to reflect the occurrence of anticipated or unanticipated events, except as required by applicable laws.

## **Company**

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The Company was incorporated on October 13, 1999 under the laws of British Columbia. The Company has registered its operations in the Province of Manitoba under the operating name Winnipeg MX Gold. The head office and principal address of the Company is located at 1300 Redonda Street, Winnipeg, MB, R2C 3T7.

The Company's common shares were approved for listing on the TSX Venture Exchange (the "Exchange") and commenced trading on October 30, 2009. Effective at Friday, October 25, 2019, the listing of the Company's common shares was transferred to NEX Board of the Exchange ("NEX") and its Tier classification was changed from Tier 2 to NEX.

## **Overview**

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On January 10, 2018, the British Columbia Securities Commission ("BCSC") issued a Cease Trade Order against the Company (the "CTO") as a result of the Company not filing technical reports under National Instrument 43-101 - *Standards of Disclosure for Mineral Projects* to support first time disclosure of the results of a preliminary economic assessment on its Max Molybdenum property (the "MAX Property") and to support first time disclosure of mineral reserves on its Magistral property. As a result of the CTO, the Exchange suspended the Company's common shares from trading on the Exchange on January 11, 2018.

On May 11, 2018, the Company announced that it had entered into a definitive agreement dated May 9, 2018 (the "Magistral Agreement") whereby, subject to the closing thereof, the Company had agreed to sell its 50% beneficial interest in the Mexican Magistral Project (the "Magistral Project") for a purchase price of US\$4.5 million. The Magistral Agreement was in addition to four other agreements entered into as announced by the Company on April 9, 2018, namely the Reimbursement Agreement related to the Magistral Agreement, the FortyTwo Metals Share Purchase Agreement, the Midas Property Purchase and Sale Agreement, and the Willa Property Purchase, Sale and Assignment Agreement. These five agreements collectively proposed to sell the Company's entire mining portfolio in an arm's length transaction to a private company for the aggregate purchase price of approximately \$14,952,000.

On July 10, 2018, the Company announced that the Magistral Agreement dated May 9, 2018 had been terminated as the buyer was unable to fund the purchase price prior to the deadline stipulated in the definitive agreement. In connection with the termination of the Magistral Agreement, the Company also announced the expiration of the Reimbursement Agreement dated April 5, 2018, the FortyTwo Metals Share Purchase Agreement dated April 5, 2018, the Midas Property Purchase and Sale Agreement dated April 5, 2018, and the Willa Property Purchase, Sale and Assignment Agreement dated April 5, 2018, as each of these agreements were subject to the closing of the Magistral Agreement. Accordingly, each agreement expired according to its respective terms with no further obligations on either party.

On August 24, 2018, the Company announced that it had closed the sale to an arm's length purchaser, 12 mineral claims that comprise the Midas Property (the "Claims") in British Columbia for cash consideration of \$40,000 and the purchaser's assumption of a net smelter royalty on the Claims. The Company agreed to the sale terms due to the fact that the Claims were to expire shortly after the date of the agreement.

On September 11, 2018, the Company received a complaint dated September 9, 2018 that was filed in the United States District Court for the District of Nevada (the "Complaint") naming GracePoint Mining Corp., a Nevada corporation ("GracePoint"), as plaintiff, and the Company as one of the defendants. The Complaint alleged breach of contract and breach of the implied covenant of good faith and fair dealing and sought, among other things, general damages of US\$12 million. The Complaint related to an Initial Purchase Agreement dated October 21, 2016, as amended, among the Company, Gracepoint, American Metal Mining, S.A. de C.V., a Mexican corporation ("AMM"), and Proyecto Magistral, S. de R.L. de C.V., a Mexican corporation ("Proyecto Magistral"), whereby the Company agreed to pay US\$2.5M to purchase a 50% participating ownership interest and a 45% net profit participating interest under a joint venture with respect to the Magistral Project located in Santa Maria Del Oro, Mexico. Both AMM and Proyecto Magistral are affiliates of Gracepoint with Proyecto Magistral being the registered owner of the Magistral Project. The Company encountered cost overruns and financing difficulties with respect to the Magistral Project. These issues combined with the CTO and receipt of the Complaint resulted in the Company's decision to enter into a mutual release dated November 24, 2018 among the Company, Gracepoint, AMM and Proyecto Magistral. In addition to a mutual release of all claims, the Company agreed to relinquish its interest in the Magistral Project. The related assets previously classified as held for sale at December 31, 2017 were written-off to \$Nil at December 31, 2018.

On September 28, 2018, the Company announced that it had entered into a binding letter of intent dated September 21, 2018 (the "LOI") with an arm's length private British Columbia corporation (the "Purchaser"). Under the terms of the LOI, the Company agreed to grant the Purchaser an exclusive 90 day period to finalize and enter into a definite agreement, whereby the Company agrees to sell all the shares in the capital of FortyTwo Metals Inc. ("FortyTwo Metals"), and a 100% interest in the Willa Property consisting of 5,662 hectares located in the Slocan Mining Division, British Columbia, subject to a net smelter return (the "Willa Property").

In March 2019, the sale of FortyTwo Metals and the Willa Property closed. The net assets related to the subsidiary previously classified as held for sale at December 31, 2017 and sold in March 2019 were written-down to the estimated recoverable amount of \$788,000 (including \$150,000 in cash and \$650,000 in estimated fair value of 5,000,000 common shares of the Purchaser less estimated costs to sell of \$12,000), and the Willa Property was written-down to \$Nil at December 31, 2018. The \$788,000 is the recoverable amount of the net of the \$3,491,651 of assets held for sale and the \$2,494,965 liabilities held for sale which relates to this asset grouping.

On October 23, 2019, the Company filed an application with the BCSC for a full revocation of the CTO. Effective on Friday, October 25, 2019, the listing of the Company's common shares was transferred to the NEX and its Tier classification will change from Tier 2 to NEX.

On January 20, 2020, the CTO was revoked by the BCSC. As a condition for the receipt of the revocation order, the Company provided the BCSC with an undertaking to hold its annual shareholders' meeting within three months of the issuance of the revocation order.

On March 12, 2020, the Exchange issued a bulletin announcing the reinstatement of trading of the Company's common shares on the NEX at market open on Monday, March 16, 2020.

On May 6, 2021 the Company completed the sale of its 50% net profit interest ("NPI") on gross cash income from the MAX mine and Mill Project to Metallica Metals Corp. ("Metallica"). As consideration for the purchase of the NPI, Metallica paid the Company a cash payment of \$425,000 and issued an aggregate of 1,000,000 common shares in the capital of Metallica which are subject to a four month hold period in accordance with applicable securities laws. The Company no longer holds any mineral or mining properties.

## **Outlook**

The Company's future opportunities are dependent on the capital markets and debt as its source of operating capital and the Company's capital resources are largely determined by its ability to compete for investor support of its projects.

### **Selected Annual Financial Information**

The following is selected financial information about the Company, for its 2024, 2023, and 2022 fiscal years:

| <b>Years ended December 31,</b>          | <b>2024</b> | <b>2023</b> | <b>2022</b> |
|------------------------------------------|-------------|-------------|-------------|
|                                          | \$          | \$          | \$          |
| Revenue                                  | Nil         | Nil         | Nil         |
| Income (Loss) from continuing operations | (139,572)   | (178,100)   | 24,471      |
| Net Income (Loss)                        | (139,572)   | (178,100)   | 24,471      |
| Total assets                             | 50,113      | 205,858     | 260,437     |
| Total long-term financial liabilities    | Nil         | Nil         | Nil         |
| Distribution or Dividends                | Nil         | Nil         | Nil         |
| Gain (Loss) per share                    | (0.01)      | (0.01)      | 0.00        |
| Diluted Gain (Loss) per share            | (0.01)      | (0.01)      | 0.00        |

### **Selected Quarterly Financial Information**

The selected financial information provided below is derived from the Company's unaudited quarterly financial statements for each of the last eight quarters:

|                   | <b>Q4-<br/>2024</b> | <b>Q3-<br/>2024</b> | <b>Q2-<br/>2024</b> | <b>Q1-<br/>2024</b> | <b>Q4-<br/>2023</b> | <b>Q3-<br/>2023</b> | <b>Q2-<br/>2023</b> | <b>Q1-<br/>2023</b> |
|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Revenue           | -                   | -                   | -                   | -                   | -                   | -                   | -                   | -                   |
| Net (Income) Loss | (145,042)           | (49,894)            | (53,869)            | 109,233             | (61,527)            | (40,203)            | (52,768)            | (23,602)            |
| Loss per share    | (0.00)              | (0.00)              | (0.00)              | 0.00                | (0.00)              | (0.00)              | (0.00)              | (0.00)              |

Until the Company has identified its future opportunities, expenditures are expected to remain low or decline further. The Company's future expenses are expected to be related to ongoing compliance and administration.

## Results of Operations

### General and Administrative Expenses

The changes in general and administrative expenses by category for the three months ended December 31, 2024 and 2023 are reflected in the following table:

| Three Months ended December 31,              | 2024     | 2023     | Change  | % Change |
|----------------------------------------------|----------|----------|---------|----------|
|                                              | \$       | \$       | \$      | %        |
| Professional, management and consulting fees | \$65,766 | \$60,872 | 1,070   | 2%       |
| Insurance, office, and other miscellaneous   | 1,055    | 3,142    | (3,142) | -100%    |
| Finance costs                                | 7,091    | 381      | 11,590  | 3,042%   |
| Investor relations and public company costs  | 5,095    | 3,132    | 1,964   | 63%      |
| General and administrative expenses          | 79,009   | 67,527   | 11,482  | 17%      |

The changes in general and administrative expenses by category for the years ended December 31, 2024 and 2023 are reflected in the following table:

| Year ended December 31,                      | 2024    | 2023    | Change  | % Change |
|----------------------------------------------|---------|---------|---------|----------|
|                                              | \$      | \$      | \$      | %        |
| Professional, management and consulting fees | 168,169 | 165,412 | (2,757) | -2%      |
| Insurance, office, and other miscellaneous   | 1,055   | 5,426   | (5,426) | -100%    |
| Finance costs                                | 8,304   | 1,454   | 6,850   | 471%     |
| Investor relations and public company costs  | 13,146  | 13,262  | (115)   | -19%     |
| General and administrative expenses          | 190,674 | 185,554 | 241     | 0%       |

The major general and administrative expenses during the year ended December 31, 2024 were incurred for the following:

Professional, management and consulting fees of \$168,169 (2023: \$165,412), of which \$41,685 was paid or accrued for audit and related services fees, \$6,484 for legal services, \$120,000 was accrued to the Company's CEO for management and consulting services rendered.

### Other Items

The changes in other income (expense) items by category for the three months and years ended December 31, 2024 and 2023 are reflected in the following tables:

| Three Months ended December 31,           | 2024  | 2023  | Change  |
|-------------------------------------------|-------|-------|---------|
|                                           | \$    | \$    | \$      |
| Revaluation gain on marketable securities | 2,000 | 6,000 | (4,000) |
| Other Items                               | 2,000 | 6,000 | (4,000) |

Activity in the three months ended December 31, 2024 was driven by the fair value revaluation of the marketable securities which the Company held.

The changes in other items by category for the years ended December 31, 2024 and 2023 are reflected in the following table:

| <b>Year ended December 31,</b>                   | <b>2024</b> | <b>2023</b> | <b>Change</b> |
|--------------------------------------------------|-------------|-------------|---------------|
|                                                  | \$          | \$          | \$            |
| Interest income                                  | -           | 2,454       | (2,454)       |
| Revaluation gain (loss) on marketable securities | (14,000)    | 5,000       | (19,000)      |
| Write-off of accounts payable                    | 65,102      | -           | 65,102        |
| Other Items                                      | 51,102      | 7,454       | 43,648        |

### **Net Loss and Comprehensive Loss**

The loss and comprehensive loss for the three months and years ended December 31, 2024 and 2023 are reflected in the following tables:

| <b>Three Months ended December 31,</b> | <b>2024</b> | <b>2023</b> | <b>Change</b> |
|----------------------------------------|-------------|-------------|---------------|
| Loss and comprehensive loss            | (77,009)    | (61,527)    | (15,482)      |
| Basic and diluted loss per share       | (0.00)      | (0.00)      | -             |

The changes in loss and comprehensive loss for the years ended December 31, 2024 and 2023 are reflected in the following table:

| <b>Year ended December 31,</b>   | <b>2024</b> | <b>2023</b> | <b>Change</b> |
|----------------------------------|-------------|-------------|---------------|
| loss and comprehensive loss      | (139,572)   | (178,100)   | 38,528        |
| Basic and diluted loss per share | (0.01)      | (0.01)      | -             |

### **Liquidity, Capital Resources, and Going Concern**

The Company has historically financed its operations primarily from proceeds received from the issuance of shares.

As at December 31, 2024, the Company had a working capital deficit of \$1,307,335 (December 31, 2023: \$1,167,764). The Company does not have any commitments for material capital expenditures; however, the ability of the Company to continue as a going concern and to realize the carrying value of its assets and discharge its liabilities when due is dependent on the successful completion of the actions taken or planned, of which some are described above in the Company Overview and Outlook.

The Company requires funds for future opportunities, as well as to meet its current obligations. There can be no assurance that financing, whether debt or equity, will be available to the Company in the amount required at any particular time or if available, that it can be obtained on terms satisfactory to the Company. Given this, there is a material uncertainty that may cast doubt upon the Company's ability to continue as a going concern. The Company's Financial Statements have been prepared on a going concern basis; however, in the event the use of the going concern is not appropriate, material adjustments could be required.

### **Off-Balance Sheet Arrangements**

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

## Related Party Transactions

Due to related parties

|                                           | December 31,<br>2024 | December 31,<br>2023 |
|-------------------------------------------|----------------------|----------------------|
|                                           | \$                   | \$                   |
| Due to companies controlled by an officer | 1,130,198            | 1,010,198            |

## Key management compensation

Key management includes directors (executive and non-executive) senior officers and financial consultants of the Company.

|                                              | December 31,<br>2024 | December 31,<br>2023 |
|----------------------------------------------|----------------------|----------------------|
|                                              | \$                   | \$                   |
| Professional, management and consulting fees | 120,000              | 120,000              |

The management fees include amounts accrued to the Company's CEO pursuant to the management agreement dated July 9, 2015 and fees paid for professional services. These transactions are in the normal course of operations and have been measured in these financial statements at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

## New Accounting Standards

The Company has adopted new standards and amendments for the first time, which became effective for annual periods starting on or after January 1, 2024.

### *Amendment to IAS 1 – Disclosure of Accounting Policies.*

Issued by the IASB in February 2021, these amendments provide clarity on implementing the materiality concept in disclosing accounting policies. The key changes introduced are:

- The requirement for entities to disclose their material accounting policies, shifting the focus from significant accounting policies.
- A clarification that accounting policies concerning transactions, events, or conditions that are immaterial do not require disclosure.
- An explanation that not every accounting policy related to material transactions, events, or conditions is necessarily material itself.

The Company has reviewed its previously reported significant accounting policies and now regards them as material accounting policies. Additionally, certain accounting policies previously reported and now deemed immaterial by the Company have been omitted from the financial statements.

### *Amendment to IAS 8 – Defining Accounting Estimates*

In February 2021, the IASB updated IAS 8 to include a specific definition of 'accounting estimates'. The amendment elucidates the differences between adjustments in accounting estimates and alterations in accounting policies, as well as error rectifications. They further detail the methods and inputs entities should employ to formulate accounting estimates. The Company has not had any changes in accounting policies or changes in accounting estimates during the year ended December 31, 2024.

Apart from these, the Company has not implemented any other standards, interpretations, or amendments that have been published but are not yet in effect.

## **Material Accounting Policies**

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The preparation of financial statements in accordance with IFRS requires the Company to select accounting principles and to make estimates and assumptions that determine the reported amounts of assets and liabilities, and reported costs and expenditures during the reporting period. Management believes that the estimates and assumptions which the Company uses are reasonable based upon information available at the time these estimates and assumptions are made. Estimates and assumptions may be revised when new information is acquired and are subject to change.

In addition to the going concern assumption described within Liquidity, Capital Resources, and Going Concern, management believes that its most material accounting policies and estimates relate to the following areas. For a comprehensive list of accounting policies, refer to Note 3 – *Material Accounting Policies* in the December 31, 2024 financial statements.

### **Marketable Securities**

The Company has classified all of its marketable securities as fair value through profit or loss. Therefore, securities are recorded at fair market value and any associated unrealized gain or loss, are included in the net loss in the year in which they occur.

### **Provisions**

Provisions for legal or construction obligations are recognized when the Company has a present legal or constructive obligation that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

## **Financial Instruments and Risk Management**

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The Company classifies its fair value measurements in accordance with the three level fair value hierarchies as follows:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's financial instruments include cash, marketable securities, accounts payable, and due to related parties. The carrying amounts of cash, marketable securities, accounts payable, and due to related parties approximate their fair values because of the short-term nature of these instruments.

The following table summarizes the carrying values of the Company's financial instruments:

|                                                   | December 31,<br>2024 | December 31,<br>2023 |
|---------------------------------------------------|----------------------|----------------------|
|                                                   | \$                   | \$                   |
| Financial assets at FVTPL <sup>(i)</sup>          | 48,062               | 203,022              |
| Other financial liabilities <sup>(iii)</sup>      | 1,130,198            | 1,373,622            |
| (i) Cash, and marketable securities.              |                      |                      |
| (ii) Accounts payable and due to related parties. |                      |                      |

The Company has classified the above noted financial instruments as Level 1.

The risks associated with financial instruments and the policies on how the Company mitigates these risks are discussed below. The following should be read in conjunction with Note 10 – *Financial Instruments* of the December 31, 2024 financial statements:

### Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's cash and marketable securities are subject to credit risk for a maximum of the amounts shown on the statements of financial position. The Company limits its exposure to credit risk on cash and cash equivalents by depositing only with reputable financial institutions.

### Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's objective to managing liquidity risk is to ensure that it has sufficient liquidity available to meet its liabilities when due. The Company uses cash to settle its financial obligations as they fall due. The ability to do this relies on the Company maintaining sufficient cash on hand through debt or equity financing.

As at December 31, 2024, the company does not have sufficient current assets (\$50,113) to settle its current liabilities (\$1,357,448). The Company requires funds to meet its current obligations and intends to explore equity financing options.

### Shares, Options and Warrants

The Company's issued and outstanding shares, options, and warrants is as follows:

|                                      | April 24, 2025 | December 31, 2024 | December 31, 2024 |
|--------------------------------------|----------------|-------------------|-------------------|
| Common shares issued and outstanding | 24,272,362     | 24,272,362        | 24,272,362        |
| Options outstanding                  | -              | -                 | -                 |
| Warrants outstanding                 | -              | -                 | -                 |

A detailed summary of the Company's share capital can be found in Note 8 – *Share Capital* of the accompanying audited financial statements.

## **Risk Factors**

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There are inherent risks related to the business of the Company, some of which are beyond its control. Shareholders must rely on the ability, expertise, judgment, discretion, integrity and good faith of the management of the Company.

The following is a summary of risks and uncertainties that management believes to be material to the Company's business and therefore the value of the common shares. It is possible that other risks and uncertainties that affect the business of the Company will arise or become material from time to time.

### **Insufficient Capital**

The Company does not currently have any revenue producing operations and may, from time to time, report a working capital deficit. To maintain its activities, the Company will require additional funds which may be obtained either by the sale of equity capital or by entering into an option or joint venture agreement with a third party providing such funding. There is no assurance that the Company will be successful in obtaining such additional financing.

### **Lack of Operating Cash Flow**

The Company currently has no source of operating cash flow and is expected to continue to do so for the foreseeable future. The Company's failure to achieve profitability and positive operating cash flows could have a material adverse effect on its financial condition and results of operations.

If the Company sustains losses over an extended period of time, it may be unable to continue its business. It may be several years before the Company may generate any revenues from operations, if at all. There can be no assurance that the Company will realize revenue or achieve profitability.

### **Additional Funding Requirements**

The further development of the Company's business and operations will require substantial additional capital. When such additional capital is required, the Company will need to pursue various financing transactions or arrangements, including debt financing, equity financing or other means. Additional financing may not be available when needed or, if available, the terms of such financing might not be favorable to the Company and might involve substantial dilution to existing shareholders. The Company may not be successful in locating suitable financing transactions in the time period required or at all. A failure to raise capital when needed would have a material adverse effect on the Company's business, financial condition and results of operations.

Additionally, any future issuance of securities to raise required capital will likely be dilutive to existing shareholders. In addition, debt and other debt financing may involve a pledge of assets and may be senior to interests of equity holders. The Company may incur substantial costs in pursuing future capital requirements, including investment banking fees, legal fees, accounting fees, securities law compliance fees, printing and distribution expenses and other costs. The ability to obtain needed financing may be impaired by a number of factors outside the Company's control.

### **Dilution**

Shares, including rights, warrants, special warrants, subscription receipts and other securities to purchase, to convert into, or to exchange into common shares, may be created, issued, sold and delivered on such terms and conditions and at such times as the Board may determine. In addition, the Company may issue additional common shares from time to time pursuant to common shares purchase warrants and the options to purchase common shares issued from time to time by the Board. The issuance of these common shares could result in dilution to holders of common shares.

### **Volatility of the Common Shares**

The share price of publicly traded smaller companies can be highly volatile. The value of the common shares may go down as well as up and, in particular, the share price may be subject to sudden and large falls in value given the restricted marketability of the common shares.

### **Reliance on Management**

The Company is relying solely on the past business success of its directors and officers. The success of the Company is dependent upon the efforts and abilities of its directors, officers and employees. The loss of any of its directors, officers or employees could have a material adverse effect upon the business and prospects of the Company.

### **Current Market Volatility**

The securities markets in the United States and Canada have recently experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. It may be anticipated that any market for the common shares will be subject to market trends generally, notwithstanding any potential success of the Company. The value of the common shares distributed hereunder will be affected by such volatility.