MANAGEMENT DISCUSSION AND ANALYSIS FOR
CARLYLE ENTERTAINMENT LTD.
FOR THE YEAR ENDED DECEMBER 31, 2015
PREPARED AS OF APRIL 29, 2016

Contact Information
Carlyle Entertainment Ltd.
Suite 500, 900 West Hastings Street
Vancouver, BC
V6C 1E5

Telephone: 604-636-8565

BACKGROUND

This discussion and analysis of financial position and results of operations is prepared as at April 29, 2016, should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2015 of Carlyle Entertainment Ltd. (the "Company" or "Carlyle"). The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). Except as otherwise disclosed, all dollar figures included therein and the following management discussion and analysis ("MD&A") are quoted in United States of America dollars. Additional information relevant to the Company's activities can be found on SEDAR at www.sedar.com.

CAUTIONARY STATEMENT ON FORWARD LOOKING INFORMATION

This Management's Discussion and Analysis may include forward-looking statements with respect to business plans, activities, prospects, opportunities and events anticipated or being pursued by the Company and the Company's future results. Although the Company believes the assumptions underlying such statements to be reasonable, any of the assumptions may prove to be incorrect. The anticipated results or events upon which current expectations are based may differ materially from actual results or events. Therefore, undue reliance should not be placed on such forward-looking information. A number of risks and uncertainties could cause our actual results to differ materially from those expressed or implied by the forward-looking statements, including: (1) a downturn in general economic conditions in North America and internationally, (2) the inherent uncertainties and speculative nature associated with internet gaming, (3) the risk that the Company does not execute its business plan, (4) inability to retain key employees, (5) inability to finance operations and growth, and (6) other factors beyond the Company's control. Forward looking statements speak only as of the date of this MD&A and actual results could differ materially from those anticipated in the forward-looking statements as a result of a number of factors. Investors should not place undue reliance on forward-looking statements as the plans, intentions or expectations upon which they are based may not occur. The forward-looking statements contained herein are expressly qualified by this cautionary statement.

OVERALL PERFORMANCE

Carlyle Entertainment Ltd. (formerly Azzardo Game Acquisition Corp.) (the "Company") was incorporated in the province of British Columbia on September 19, 2013 and remained dormant other than entering into to a Plan of Arrangement (the "Arrangement Agreement") between the Company and Web Watcher Systems Ltd. ("Web Watcher") dated October 23, 2013. Under the Arrangement Agreement, Web Watcher assigned the Asset Acquisition Agreement dated November 1, 2013 with Primaria Capital (Canada) Inc. ("Primaria"). As consideration for this asset, on January 7, 2014, the Company issued 14,403,698 common shares to the Web Watcher shareholders. Web Watcher received shareholder approval to the arrangement at a special meeting of shareholders held on December 19, 2013 and receipt of approval from the Supreme Court of British Columbia on January 7, 2014. Carlyle Entertainment Ltd. completed a three-cornered amalgamation pursuant to an amalgamation agreement dated as of December 29, 2014 with Carlyle Gaming & Entertainment Ltd., a Delaware corporation, and HCorp Ventures Ltd., a wholly-owned subsidiary of the Company. Pursuant to the amalgamation, the Company issued an aggregate of 46,839,601 common shares to the shareholders of Carlyle Gaming & Entertainment Ltd., and the common shares of Carlyle Gaming & Entertainment Ltd. were cancelled on closing. After the amalgamation, the Company carried on the business of Carlyle Gaming & Entertainment Ltd. ("CGE").

The Company is in the business of operating licensed software-based games of chance, which are offered as an online service through the internet in various jurisdictions.

As at December 31, 2015, the Company held assets totaling $4,588,896 consisting of $2,478,335 in cash and cash equivalents and $1,241,230 in restricted cash, $594,736 in accounts receivable, $11,970 in prepaid expenses and deposits, $12,625 in website development costs and $250,000 in intangible assets. During the year ended December 31, 2015, the Company incurred a net loss of $4,388,912.

RESULTS OF OPERATIONS

Comparison of the years ended December 31, 2015, and 2014

The following table summarizes the results of our operations for the years ended December 31, 2015, and 2014 together with the changes to those items.

	Year Ended December 31,	
	2015	**2014**
Revenue	$ 851,734	$ 587,466
Operating expenses		
Amortization and depreciation	$ 191,750	$ 205,245
Communications	139,842	135,354
Consulting	75,000	37,928
Foreign exchange	(7,901)	–
General and administrative	85,268	60,774
Management salaries	644,982	644,976
Professional fees	211,553	138,847
Rent	36,000	36,000
Interest expense	239,653	72,035
Listing expense	3,624,499	–
Net loss	(4,388,912)	(743,693)
Basic and diluted loss per share	(0.09)	(0.02)
Total current assets	3,085,041	257,211
Total assets	4,588,896	1,814,893
Total current liabilities	817,104	5,383,461
Total liabilities	4,939,174	5,383,461
Working capital (Deficit)	2,267,937	(5,126,250)
Cash dividends	–	–

During the year ended December 31, 2015, the Company earned revenues of $851,734 as compared to $587,466 for the year ended December 31, 2014. The increase in revenues was mainly due to the increase in revenue from online gaming as the Company had a promotion that tripled each deposit for slot play. During the year ended December 31, 2015, the Company incurred operating expenses of $1,376,494 as compared to $1,259,124 for the year ended December 31, 2014. The operating expenses were comprised mainly of $644,982 (2014 - $644,976) of management salaries, $191,750 (2014 - $205,245) of amortization on the intangible assets $139,842 (2014 - $135,354) of communications expense and $211,553 (2014 - $138,847) of professional fees related to the ongoing operations of the Company. Operating expenses increased during the year ended December 31, 2015, compared to the year ended December 31, 2014, due to higher auditing and accounting fees for the preparation of filings and higher legal fees related to the preparation of the amalgamation agreement. For the year ended December 31, 2015, the Company incurred a net loss of $4,388,912 and a loss per share of $0.07 as compared to a net loss of $743,693 for the year ended December 31, 2014 and a loss per share of $0.02. The higher net loss for the year ended December 31, 2015 as compared to the year ended December 31, 2015, was mainly due to $3,624,499 of listing expenses associated with the amalgamation transaction completed by the Company.

The increase in net loss during the year ended December 31, 2015, was also the result of an increase in interest expense to $239,653 from $72,035 during the year ended December 31, 2014. The increase in net loss was offset by the increase in revenue discussed previously.

SUMMARY OF QUARTERLY RESULTS

The following is selected financial information as prepared in conformity with International Financial Reporting Standards applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting and are presented in US dollars, derived from the Company's most recently completed fiscal quarters:

	Revenue $	Net Loss for the Period $	Basic and Diluted Loss Per Share $
March 31, 2014	285,512	(55,952)	–
June 30, 2014	76,497	(235,684)	(0.01)
September 30, 2014	48,515	(268,090)	(0.01)
December 31, 2014	176,942	(183,967)	–
March 31, 2015	256,750	(70,830)	–
June 30, 2015	218,277	(112,038)	–
September 30, 2015	172,580	(195,265)	–
December 31, 2015	204,127	(4,010,779)	(0.07)

Factors causing significant variations in quarterly results are as follows:

For The Three Months Ended December 31, 2015 and 2014

During the three months ended December 31, 2015, the Company earned revenues of $204,127 as compared to $176,942 for the three months ended December 31, 2014. During the three months ended December 31, 2015, the Company incurred operating expenses of $408,384 as compared to $343,956 for the three months ended December 31, 2014. The operating expenses were comprised mainly of $161,250 (2014 - $161,244) of management salaries, $39,604 (2014 - $52,104) of amortization on the intangible assets, $35,575 (2014 - $34,799) of communications expense and $153,588 (2014 - $82,122) of professional fees related to the ongoing operations of the Company. The increase in operating expenses for the three months ended December 31, 2015 was mainly due to the increase in professional fees of $79,128 due to higher auditing and accounting fees for the preparation of filings and higher legal fees related to the preparation of the amalgamation agreement.

For the three months ended December 31, 2014, the Company incurred a net loss of $4,010,419 and a loss per share of $0.09 as compared to a net loss of $183,967 for the three months ended December 31, 2013 and a loss per share of $0.00. The higher net loss for the three months ended December 31, 2015, was mainly due to $3,566,257 of listing expenses associated with the amalgamation transaction completed by the Company.

For The Three Months Ended September 30, 2015 and 2014

During the three months ended September 30, 2015, the Company earned revenues of $172,580 as compared to $48,515 for the three months ended September 30, 2014. During the three months ended September 30, 2015, the Company incurred operating expenses of $347,935 as compared to $298,548 for the three months ended September 30, 2014. The operating expenses were comprised mainly of $161,244 (2014 - $161,244) of management salaries, $75,000 (2014 - $0) of consulting fees related to the amalgamation agreement, $47,938 (2014 - $52,104) of amortization on the intangible assets and $35,237 (2014 - $33,349) of communications expense related to the ongoing operations of the Company.

For the three months ended September 30, 2015, the Company incurred a net loss of $195,625 and a loss per share of $0.00 as compared to a net loss of $268,090 for the three months ended September 30, 2014 and a loss per share of $0.01. The lower net loss for the three months ended September 30, 2015 was mainly due to higher online gaming revenues as the Company had introduced promotions in prior quarters to increase revenues through slot play.

Revenues are typically lower in the three month period ended September 30 due to the seasonality of online gaming as the Company experiences a downturn in revenues during the warmer summer months.

For The Three Months Ended June 30, 2015 and 2014

During the three months ended June 30, 2015, the Company earned revenues of $218,277 as compared to $76,497 for the three months ended June 30, 2014. During the three months ended June 30, 2015, the Company incurred operating expenses of $311,329 as compared to $293,195 for the three months ended June 30, 2014. The operating expenses were comprised mainly of $161,244 (2014 - $161,244) of management salaries, $55,916 (2014 - $50,069) of amortization on the intangible assets and $34,519 (2014 - $33,612) of communications expense related to the ongoing operations of the Company.

For the three months ended June 30, 2015, the Company incurred a net loss of $112,038 and a loss per share of $0.00 as compared to a net loss of $235,684 for the three months ended June 30, 2014 and a loss per share of $0.01. The lower net loss for the three months ended June 30, 2015 was mainly due to higher online gaming revenues as the Company had a promotion that tripled each deposit for slot play.

For The Three Months Ended March 31, 2015 and 2014

During the three months ended March 31, 2015, the Company earned revenues of $256,750 as compared to $285,512 for the three months ended March 31, 2014. During the three months ended March 31, 2015, the Company incurred operating expenses of $308,594 as compared to $323,425 for the three months ended March 31, 2014. The operating expenses were comprised mainly of $161,244 (2014 - $161,244) of management salaries, $52,104 (2014 - $50,968) of amortization on the intangible assets, $37,074 (2014 - $30,000) of professional fees, and $34,511 (2014 - $33,594) of communications expense related to the ongoing operations of the Company.

For the three months ended March 31, 2015, the Company incurred a net loss of $70,830 and a loss per share of $0.00 as compared to a net loss of $55,952 for the three months ended March 31, 2014 and a loss per share of $0.00. The higher net loss for the three months ended March 31, 2015 was mainly due to lower online gaming revenues. During the three month period ended March 31, 2015 and 2014 the Company had a college basketball promotion that matched deposits for slot plays and increased revenues.

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2015, the Company had total assets of $4,588,896 (2014 - $1,814,893) comprised of cash and cash equivalents of $2,478,335 (2014 - $220,241) and restricted cash of $1,241,230 (2014 - $1,103,307), accounts receivable of $594,736 (2014 - $Nil), prepaid expenses and deposits of $11,970 (2014 - $36,970), website development costs of $12,625 (2014 - $21,042) and intangible assets of $250,000 (2014 - $433,333) relating to the cost of assets purchased to operate an online gaming site and the development of a website. The increase in assets was mainly a result of an increase in cash and cash equivalents, accounts receivable and restricted cash offset by the depreciation of capital assets. The increase in cash and cash equivalents, accounts receivable and restricted cash was the result of gaming revenues and the cash proceeds from the issuance of shares. Conversely, the Company had total liabilities of $4,939,174 (2014 - $5,383,461), comprised of $557,831 (2014 - $710,744) of accounts payable and accrued liabilities, and various amounts and loans owed to related parties. The Company had a cash outflow of $729,588 for year ended December 31, 2015 compared to a cash inflow of $339,761 during the year ended December 31, 2014. The Company has not issued dividends to date and has no plans to pay dividends in the foreseeable future.

As at December 31, 2015, the Company had an accumulated deficit of $8,722,550 since inception.

The Company has financed its operations to date primarily through related party advances and the issuance of common shares. The Company continues to be dependent on and intends to seek capital through various means including the issuance of equity, related party advances, salary deferral arrangements and debt extensions to the extent that its revenues from operations are insufficient to cover its operating expense.

During the year ended December 31, 2015, the Company received net proceeds of $2,250,000 from the issuance of common shares and loans from related parties of $875,605. During the year ended December 31, 2014, the Company received net proceeds of $155,250 from the issuance of common shares and proceeds from related parties of $109,952.

To help the Company conserve its financial resources a portion of its expenses relating to salaries of its executives officers will be deferred. On September 2, 2015, the Company entered into salary deferral agreements with executive officers, Mr. Sandy J. Masselli Jr., Mr. Domenic Filigno and Mr. Joseph Picco, in the amount of approximately $645,000.

To bolster the Company's working capital position, on September 1, 2015, the Company entered into long term debt extension agreements for debt owing to the certain parties, including Mr. Sandy J. Masselli, Jr., Mr. Domenic Filigno, Mr. Joseph Picco, Intercapital Management Ltd. and Mr. Pat Ciccalese.

The debt owed by the Company under the Debt Extension Agreements now have a maturity date of December 1, 2018 and accrue interest at an annual rate equal to the London Interbank Offered Rate plus 1%. Interest is payable by the Company on a quarterly basis.

In addition, CGE has a Standby Commitment Agreement (the "Standby Agreement") with Intercapital Management Canada Ltd. ("Intercapital") dated June 1, 2009 for a line of credit in the amount of $1,000,000, which is undrawn as of November 18, 2015. Under the Standby Agreement, Intercapital shall provide CE with such funds as its board of directors shall deem to be sufficient to maintain its ordinary course of business operations ("Commitment Amount"). The interest on any draws against the Commitment Amount shall be set at prime rate plus two percent, with prime rate determined by reference to the published prime rate in the Wall Street Journal as of the date of the draw. Loans made by Intercapital to CGE under the Standby Agreement are repayable on demand. Intercapital is an investment company controlled by the Chief Executive Officer, Mr. Sandy Masselli, Jr.

Readers are cautioned that a number of factors beyond the control of the Company could result in the Company not being able to sustain its current position. Such factors could include adverse economic conditions, political and regulatory concerns and key individual staffing problems amongst others.

TRANSACTIONS WITH RELATED PARTIES

(a) As December 31, 2015, the Company owed $7,178 (Cdn$9,583) (December 31, 2014 - $nil) to a director of the Company, which is unsecured, non-interest bearing, and due on demand.

(b) At December 31, 2015, the Company owed $4,419 (Cdn$5,900) (December 31, 2014 - $nil) to Web Watchers, which is unsecured, non-interest bearing, and due on demand.

(c) At December 31, 2015, the Company owed $6,237 (Cdn$8,327) (December 31, 2014 - $nil) to the Chief Executive Officer of the Company for out-of-pocket expenses.

(d) As at December 31, 2015, the Company owed $130.149 (December 31, 2014 - $2,662,967) to the Chief Executive Officer of the Company, which is unsecured, non-interest bearing, and due on demand. During the year ended December 31, 2015, the Company incurred $274,992 (2014 - $274,992) of management salary to the officer of the Company. On September 1, 2015, the Company entered into a debt extension agreement to defer the payment of $2,902,835 due to the officer.

(e) As at December 31, 2015, the Company owed $34,794 (December 31, 2014 - $268,198) to the Chief Financial Officer of the Company, which is unsecured, non-interest bearing, and due on demand. During the year ended December 31, 2015, the Company incurred $184,992 (2014 - $184,992) of management salary to the officer of the Company. On September 1, 2015, the Company entered into a debt extension agreement to defer the payment of $358,176 due to the officer.

(f) As at December 31, 2015, the Company owed $30,832 (December 31, 2014 - $294,984) to a director of the Company, which is unsecured, non-interest bearing, and due on demand. During the year ended December 31, 2015, the Company incurred $184,992 (2014 - $184,992) of management salary to this director. On

September 1, 2015, the Company entered into a debt extension agreement to defer the payment of $387,480 due to the director.

(g) As at December 31, 2015, the Company owed $nil (December 31, 2014 - $346,568) to a company controlled by the Chief Executive Officer of the Company, which is unsecured, non-interest bearing, and due on demand. During the year ended December 31, 2015, the Company incurred rent of $36,000 (2014 - $36,000) and interest expense of $52,809 (2014 - $72,035) to this company. On September 1, 2015, the Company entered into a debt extension agreement to defer the payment of $384,541 due to the company controlled by an officer of the Company.

(h) On September 2, 2015, the Company entered into salary deferment agreements with a director and officers of the Company whereby payment of their salary would be deferred through January 1, 2017. Outstanding amounts bear interest at the London Interbank Offered Rate ("LIBOR") plus 1%, with interest being paid quarterly. As of December 31, 2015, $214,998 (December 31, 2014 - $nil) of deferred salary is outstanding.

(i) At December 31, 2015 and 2014, the Company's cash was held by Intercapital Management (Canada) Ltd. ("Intercapital"), a company controlled by the Chief Executive Officer and Director of the Company.

(j) At December 31, 2015, there was $45,644 (December 31, 2014 - $Nil) payable to the Company's related parties relating to the shareholders loans outstanding.

(k) At December 31, 2015, the Company owed $1,484,541 (December 31, 2014 - $1,100,000) to a company controlled by the Chief Executive Officer of the Company. The loan was unsecured, bore interest at prime plus 2% per annum, and was due on demand. On September 1, 2015, the Company entered into a debt extension agreement to defer payment of the outstanding balance payable to December 1, 2018. The loan now bears interest at the LIBOR plus 1%, with interest being paid quarterly. As at December 31, 2015, the Company accrued $21,956 (December 31, 2014 - $346,568) which has been included in the amount due to related parties.

(l) At December 31, 2015, the Company owed $2,902,835 (December 31, 2014 - $nil) to the Chief Executive Officer of the Company. On September 1, 2015, the Company entered into a debt extension agreement to defer payment of the amount due to related party to December 1, 2018. The loan bears interest at the LIBOR plus 1%, with interest being paid quarterly. As at December 31, 2015, the Company accrued $18,546 (December 31, 2014 - $nil) which has been included in the amount due to related parties.

(m) At December 31, 2015, the Company owed $358,176 (December 31, 2014 - $nil) to the Chief Financial Officer of the Company. On September 1, 2015, the Company entered into a debt extension agreement to defer payment of the amount due to related party to December 1, 2018. The loan bears interest at the LIBOR plus 1%, with interest being paid quarterly. As at December 31, 2015, the Company accrued $2,489 (December 31, 2014 - $nil) which has been included in the amount due to related parties.

(n) At December 31, 2015, the Company owed $387,480 (December 31, 2014 - $nil) to a director of the Company. On September 1, 2015, the Company entered into a debt extension agreement to defer payment of the amount due to related party to December 1, 2018. The loan bears interest at the LIBOR plus 1%, with interest being paid quarterly. As at December 31, 2015, the Company accrued $2,673 (December 31, 2014 - $nil) which has been included in the amount due to related parties.

(o) On September 1, 2015, the Company entered into a debt extension agreement to defer payment of outstanding accounts payable of $362,500 to a shareholder and former director. The outstanding amount will be due on December 1, 2018 and bear interest at the LIBOR plus 1%, with interest being paid quarterly. During the year ended December 31, 2015, the Company incurred interest expense of $2,270 (2014 - $nil) which has been included in accounts payable and accrued liabilities.

The deferral of amounts owing was accounted for as an extinguishment of the original amounts owing and the recognition of new loans with specified repayment terms (the "New Loans"). The New Loans bear interest at below market rates. The market rate was estimated to be 15%. The present value of the New Loans discounted using the estimated market rate was $1,744,477 less than balance payable. Because the loans are with significant shareholders of the Company who were acting in their capacity as shareholder, this difference was recorded as an equity contribution. This difference will be amortized over the terms of the New Loans until maturity using the effective interest rate method.

A summary of the movement of the New Loans is as follows:

	2015 $	2014 $
Balance, beginning	-	-
New Loans recognized on agreements to defer repayment	5,495,532	-
Discount recorded on initial recognition of New Loans	(1,744,477)	-
Amortization of discount, included in interest	156,017	
Balance, ending	3,907,072	–

SHARE DATA

The Company is authorized to issue unlimited common shares, without par value.

As at April 29, 2016, there are 64,443,399 common shares issued and outstanding.

As April 29, 2016, there are no stock options or warrants issued and outstanding.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements that would require disclosure.

FOURTH QUARTER

Revenue increased slightly during the fourth quarter ended December 31, 2015 compared to the third quarter ended September 30, 2015, mainly due to the addition of new slot machines and software upgrades. Net loss increased during the fourth quarter ended December 31, 2015 compared to the third quarter ended September 30, 2015, mainly due to $3,566,257 of listing expenses associated with the amalgamation transaction completed by the Company.

CRITICAL ACCOUNTING ESTIMATES

The preparation of these consolidated financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues and expenses. These consolidated financial statements include estimates, which, by their nature, are uncertain. The impact of such estimates is pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. These estimates are based on historical experience, current and future economic conditions, and expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes could differ from these estimates.

Significant areas requiring the use of estimates include the useful lives and recoverability of website development costs and intangible assets, fair value of share-based compensation, the fair value of shareholder loans and deferred income tax asset valuation allowances.

The Company's policy for impairment of non-current assets requires judgment in determining whether the present value of future expected economic benefits exceeds capitalized costs. The policy requires management to make certain estimates and assumptions about future economic benefits related to its operations. Estimates and assumptions may change if new information becomes available. If information becomes available suggesting that the recovery of capitalized costs is unlikely, the capitalized costs are written off to the consolidated statement of operations.

The assessment of whether the going concern assumption is appropriate requires management to make judgments regarding all available information about the future, which is at least, but not limited to, 12 months from the end of the reporting period. The Company is aware that material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

CHANGES IN ACCOUNTING POLICIES

The Company has not made any changes to its accounting policies for the year ended December 31, 2015.
Management has considered that the following amendments, revisions and new IFRSs that are mandatory for annual periods beginning after January 1, 2016 or later periods might not have a material effect on our future disclosure, results and financial position:

- IFRS 9, Financial Instruments (New; to replace IAS 39 and IFRIC 9) is effective for annual periods beginning on or after January 1, 2018.
- IFRS 15, Revenue from Contracts with Customers is effective for annual periods beginning on or after January 1, 2018.
- IFRS 16, Leases is effective for annual periods beginning on or after January 1, 2019.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on our financial statements.

FINANCIAL AND OTHER INSTRUMENTS

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management activities include the preservation of its capital by minimizing risk related to its cash. The Company does not trade financial instruments for speculative purposes. The Company does not have a risk management committee nor written risk management policies. The Company is exposed in varying degrees to a variety of financial instrument and related risks. Those risks and management's approach to mitigating those risks are as follows:

(a) Fair Values

The fair values of the Company's financial instruments approximate their carrying values due to the relatively short-term maturity of these instruments or that these instruments have been measured using discount rates that approximate market rates.

(b) Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash. The Company's cash is held by a company controlled by the Chief Executive Officer and Director of the Company. The carrying amount of financial assets represents the maximum credit exposure.

(c) Foreign Exchange Rate Risk

The Company operates in Canada and United States. Foreign exchange risk arises from purchase transactions as well as financial assets and liabilities denominated in these foreign currencies.

The Company does not use derivative instruments to hedge exposure to foreign exchange rate risk. However, management of the Company believes there is no significant exposure to foreign currency fluctuations.

(d) Interest Rate Risk

The Company's cash may contain highly liquid investments that earn interest at market rates. The Company manages its interest rate risk by maximizing the interest earned on excess funds while maintaining the liquidity necessary to fund daily operations. Fluctuations in market interest rates do not have a significant impact on the Company’s results of operations due to the short term to maturity of the investments held.

(e) 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 currently settles its financial obligations out of cash. The ability to do this relies on the Company raising debt or equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs.