American Pacific Mining Corp.

MANAGEMENT DISCUSSION & ANALYSIS
(Form 51-102F1)

For the Three Months Ended March 31, 2018

(Expressed in Canadian Dollars)

BACKGROUND

This Management Discussion and Analysis ("MD&A") of American Pacific Mining Corp. ("APMC" or the "Company") financial position and results of operations for the three months ended March 31, 2018 is prepared as at May 29, 2018. This MD&A should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three months ended March 31, 2018 and the supporting notes. Those unaudited condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All dollar figures included therein and in the following MD&A are quoted in Canadian dollars. Additional information relevant to the Company's activities can be found on SEDAR at www.sedar.com.

FORWARD-LOOKING INFORMATION

This discussion contains "forward-looking statements" that involve risks and uncertainties. Such information, although considered to be reasonable by the Company's management at the time of preparation, may prove to be inaccurate and actual results may differ materially from those anticipated in the statements made.

This MD&A may contain forward-looking statements that reflect the Company's current expectations and projections about its future results. When used in this MD&A, words such as "estimate", "intend", "expect", "anticipate" and similar expressions are intended to identify forward-looking statements, which, by their very nature, are not guarantees of the Company's future operational or financial performance, and are subject to risks and uncertainties and other factors that could cause the Company's actual results, performance, prospects or opportunities to differ materially from those expressed in, or implied by, these forward-looking statements.

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this MD&A or as of the date otherwise specifically indicated herein.

Due to risks and uncertainties, including the risks and uncertainties identified above and elsewhere in this MD&A, actual events may differ materially from current expectations. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

COMPANY OVERVIEW

The Company was incorporated under the Business Corporations Act (British Columbia) on July 1, 2017. The Company is engaged in the business of mineral exploration and its objective is to locate and develop mineral properties in Western United States.

The head office of the Company is located at Suite 910 – 510 Burrard Street, Vancouver, BC, V6C 3A8. The registered and records office of the Company is located at Suite 1500 – 1055 West Georgia Street, PO Box 11117, Vancouver, BC, V6E 4N7.

The Company has one wholly-owned subsidiary, American Pacific Mining (US) Inc. ("APM Sub"). APMB Sub was incorporated in Nevada, United States pursuant to Chapter 78 of the *Nevada Revised Statutes* on January 13, 2018.

DESCRIPTION OF THE BUSINESS

South Lida claims (Nevada, US)

On July 1, 2017, the Company entered into the South Lida Agreement with David Saderholm, the registered owner of the Property pursuant to a declaration of trust, and the Vendors, pursuant to which the Company acquired an undivided 100% of all the Vendors' right, title, and interest in and to the South Lida Property. As consideration, the Company issued 500,000 Common Shares to the Vendors on signing of the South Lida Agreement. Under the South Lida Agreement:

(a) an additional 500,000 Common Shares are to be issued to the Vendors on the Listing Date (issued on March 8, 2018);
(b) an additional 1,000,000 Common Shares are to be issued to the Vendors on the earlier of:
    (i) six months after the Listing Date; and
    (ii) the date the South Lida Property is sold or otherwise transferred as part of a transaction for value approved by the Board;
(c) and an additional 1,000,000 Common Shares on the earlier of:
    (i) the one-year anniversary after the Listing Date; and
    (ii) the date the South Lida Property is sold or otherwise transferred as part of a transaction for value approved by the Board.

<u>Tuscarora property (Nevada, US)</u>

On November 6, 2017, the Company entered into the Option Agreement with Novo Resources Corp. ("Novo") to acquire a one hundred percent right, title and interest in and to the Tuscarora Property (the "Option"). The Tuscarora Property consists of 24 claims covering approximately 447 acres within the Tuscarora Mining District in Elko County, Nevada centered on UTM coordinates 565568E/4573240N. The Tuscarora District lies at the foot of Mount Blitzen on the eastern slope of the Northern Tuscarora Range.

In consideration for the Option, the Company will:

(a) make cash payments to Novo of $375,000, in three equal installments of $125,000 as follows:
    (i) the first instalment due on the earlier of the listing date and January 31, 2018 (Paid on January 24, 2018);
    (ii) the second instalment due on the earlier of the first anniversary of the listing date and January 31, 2019; and
    (iii) the third instalment due on the earlier of the second anniversary of the listing date and January 31, 2020;
(b) deliver shares of the Company to Novo equivalent to $200,000 in three equal instalments, with one-third issued on each of the listing date (issued) and the first and second anniversaries of the listing date; and
(c) incur USD$100,000 in expenditures on the property annually starting on the twelve-month period commencing on the first anniversary of the listing date and per each successive twelve-month period thereafter.

The Company may exercise the Option at any time after completing the cash and share payments.

Following the exercise of the Option, the Company has agreed to:

(a) pay a royalty interest to Novo of 0.5% of Net Smelter Returns which may be reduced to nil (0%) by paying USD$500,00;
(b) pay a royalty interest to Nevada Select Royalty, Inc. based on the New York COMEX price of gold per troy ounce, payable as follows:

Less than or equal to $1,500	2.0%
Greater than $1,500 but less than or equal to $2,000	3.0%
Greater than $2,000	4.0%

On March 19, 2018 the Company expanded the Tuscarora Gold Project through the additional staking of 6 Claims in Elko County, Nevada. The 24 claim, 447-acre project has significantly increased in size to 91 claims and 1,818 acres. Tuscarora consists of two previously-tested, high grade gold drill targets, the South Navajo and the East Pediment Zones. Tuscarora is a low sulphidation, epithermal gold prospect 50 km northwest of Elko, Nevada.

Subsequent to March 31, 2018

- In April 2018 the Company started a gravity survey that will cover the 1,818-acre Tuscarora property and the data will be incorporated into a 3D Gravity Model. The survey is designed to show where the major faults/structures are on the historic gold property. Results will be incorporated into a 19-hole drill program.

- On April 5, 2018 the Company entered into an option agreement for the JPL Property with Curellie LLC, a private company based in Nevada. The property consists of 54 unpatented mining claims situated in Esmeraldo County, Nevada. Curellie has granted the Company the exclusive option and right to acquire JPL for a series of yearly payment. JPL is a gold prospect in Esmeralda County, Nevada with widespread high-grade gold in surface samples. The project is located 50 miles south of Tonapah and 160 miles north of Las Vegas in the Walker Lane structural zone.

- On May 2, 2018 commenced the drilling program at the 1,818-acre Tuscarora Gold Project. The staged drill program will include an initial 7,500 feet of drilling, or approximately 10-12 holes. Results will be evaluated and then a second stage of drilling will complete the approximate 19-hole program.

- On May 3, 2018 the Company announced that through its wholly-owned subsidiary, APM US, has vended out the recently acquired property (Curellie) to AAA Equity Holdings Corp. ("AAA"), a private B.C. corporation. APM has agreed to assign, transfer and set over all of its rights and obligations arising out of the exploration lease and option to purchase agreement between APM US and Curellie LLC to AAA.

RESULTS OF OPERATIONS

Three months ended March 31, 2018

During the three months ended March 31, 2018, the Company recorded a net loss of $942,141.

During the three months ended March 31, 2018, the Company incurred the following expenditures:

- Consulting fees of $122,882;
- Exploration and evaluation costs of $84,197;
- Professional fees of $167,755;
- Share-based payments of $353,195;
- Shareholder information and investor relations of $98,623; and
- Transfer agent, regulatory and listing fees of $21,610.

SUMMARY OF QUARTERLY INFORMATION

The quarterly results for the last eight quarters are summarized below:

	Three months ended			
	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017
Interest income	$ -	$ -	$ -	N/A
Net loss	942,141	425,617	15,010	N/A
Basic and diluted loss per share	$ 0.12	$ 0.13	$ 0.03	N/A

	Three months ended			
	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016
Interest income	N/A	N/A	N/A	N/A
Net loss	N/A	N/A	N/A	N/A
Basic and diluted loss per share	N/A	N/A	N/A	N/A

SELECTED INFORMATION

	For the three months ended		
	March 31, 2018	March 31, 2017	March 31, 2016
Operating expenses	$ 942,141	N/A	N/A
Interest and miscellaneous income	-	N/A	N/A
Net loss	942,141	N/A	N/A
Basic and diluted loss per share	0.13	N/A	N/A

As at:	March 31, 2018	December 31, 2017	December 31, 2016
Working capital	$ 3,002,835	$ 3,615,787	N/A
Total assets	3,567,329	3,775,369	N/A
Total liabilities	190,450	634,605	N/A
Share capital	4,406,424	532,332	N/A
Deficit	(1,382,768)	(440,627)	N/A

LIQUIDITY AND CAPITAL RESOURCES

The Company's activities have been funded through equity financings and the Company expects it will continue to be able to utilize this source of financing until it develops cash flow from future operations.

There can be no assurances the Company will be successful in its endeavors. If such funds are not available or other sources of finance cannot be obtained then Company will be forced to curtail its activities to a level for which funding is available or can be obtained.

As of March 31, 2018, the Company has working capital of $3,002,835, mainly in the form of cash.

OUTSTANDING SHARE DATA

<u>Share Capital</u>

a) Authorized

Unlimited number of common shares without par value.

b) Issued share capital

At March 31, 2018, the Company had 32,551,667 common shares issued and with a value of $4,406,424.

<u>During the three months ended March 31, 2018</u>

- The Company issued 500,000 common shares with a fair value of $125,000 in exchange for the South Lida Property.
- The Company issued 266,666 common shares with a fair value of $66,667 in exchange for the Tuscarora Property.
- The Company issued 9,690,000 common shares for the conversion of the convertible notes.
- The Company issued a total of 11,365,000 common shares and 5,682,500 share purchase warrants for the conversion of the Special Warrants (the "Special Warrant").
- In connection with the shares issuance during the three months ended March 31, 2018, the Company incurred $4,119 in share issue costs.

c) Warrants

During the three months ended March 31, 2018, the Company issued 710,000 Special Warrants for total proceeds of $177,500 of which $120,000 was received during the period ended December 31, 2017.

Each Special Warrant will automatically convert, without the payment of any additional consideration, into one common share of the Company and one-half of a transferable share purchase warrant (the "Warrant") on the earlier of the date of:

i) the third business day after a receipt for a final prospectus qualifying the distribution of the Shares and Warrants issuable upon the conversion of the Special Warrants.

ii) four months and one day after the issue date of the Special Warrants.

Each whole Warrant will entitle the holder to purchase one common share of the Company at any time at a price of $0.35 per share for a period equal to the shorter of:

i) one year after the listing date that the common shares of the Company are listed on the CSE or another stock exchange recognized under provincial securities laws; and

ii) five years after the issue date of the Special Warrants, subject to abridgement on an occurrence of a trigger event which is at any time after the listing date, the Company may abridge the exercise period of the Warrants if the ten-day volume weighted average trading price of the Shares is greater than $0.50.

In connection with this Special Warrants, the Company incurred issuance costs of $26,554.

On March 2, 2018, 11,365,000 Special Warrants were converted into common shares.

d) Options

<u>During the three months ended March 31, 2018</u>

- On March 8, 2018, the Company granted 2,050,000 options with an exercise price of $ $0.25 to certain officers, directors and consultants. The options are exercisable for a period of five years. All of the options granted vested immediately at the date of grant.

- On March 19, 2018, the Company granted 100,000 options with an exercise price of $ $0.30 to its investor relation consultants. The options are exercisable for a period of five years. All of the options granted vested immediately at the date of grant.

CONVERTIBLE NOTES

On January 5, 2018, the Company issued 3-year, non-interest bearing convertible notes in the aggregate principal amount of $101,500 of which $6,500 was received during the period ended December 31, 2017. The convertible notes mature on January 4, 2021 and are convertible at any point prior to maturity, at the option of the note holders, into common shares at the conversion price per common share equal to $0.10.

On March 2, 2018, the convertible notes with a principal value of $969,000 were converted into common shares and the equity portion was reclassified to share capital.

RELATED PARTY TRANSACTIONS AND BALANCES

Key management personnel include persons having the authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

Total compensation of key company personnel during the three months ended March 31, 2018 is as follows:

Short-term benefits	**$**	**195,730**
Share-based payments		**195,792**
	$	**391,522**

<u>During the three months ended March 31, 2018</u>

- The Company incurred consulting fees of $38,104 to Harbourside Consulting Ltd. which is controlled by the Chief Executive Officer and a Director of the Company.

- The Company paid $52,100 for accounting fees to Quantum Advisory Partners LLP whose incorporated partner is a Director of the Company.

- The Company paid $78,750 to Tarin Smith, the spouse of the Chief Executive Officer and a Director of the Company, for one-year social media services, of which $19,687 was charged to the statement of loss and comprehensive loss as shareholder information and investor relations expenses and $45,938 remained as prepaid expenses as at March 31, 2018 (December 31, 2017 – $65,625).

The balances due to the Company's directors and officer included in accounts payables and accrued liabilities were $68,803, as at March 31, 2018 (December 31, 2017 – $13,332), which were paid subsequent to March 31, 2018. These amounts are unsecured, non-interest bearing and payable on demand.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

CRITICAL ACCOUNTING ESTIMATES

These financial statements, including comparatives, have been prepared using accounting policies consistent with IFRS issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, these Financial Statements have been prepared using the accrual basis of accounting except for cash flow information. Refer to Note 2 of the audited financial statements for the period ended December 31, 2017 for details on critical accounting estimates and judgments.

CHANGES IN ACCOUNTING POLICIES

Adoption of New and Amended IFRS Pronouncements

Adoption of new and amended accounting standards

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting periods beginning before or on January 1, 2018.

The adoption of the following IFRS pronouncement will result in enhanced financial statement disclosures in the Company's annual consolidated financial statements. This pronouncement did not affect the Company's financial results nor did it result in adjustments to previously-reported figures.

- IFRS 9 – New standard that replaced IAS 39 for classification and measurement.

- IFRS 15 - New standard to establish principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

Refer to note 3 of the Company's unaudited condensed consolidated interim financial statements for the three months ended March 31, 2018 for a more detailed discussion on the impact of the adoption of the new pronouncement.

New standards and interpretations not yet adopted

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for future accounting periods. The following have not yet been adopted by the Company and are being evaluated to determine their impact.

- IFRS 16 – Leases: New standard to establish principles for recognition, measurement, presentation and disclosure of leases with an impact on lessee accounting, effective for annual periods beginning on or after January 1, 2019.

FINANCIAL INSTRUMENTS

In the normal course of business, the Company is inherently exposed to certain financial risks, including market risk, credit risk and liquidity risk, through the use of financial instruments. The timeframe and manner in which the Company manages these risks varies based upon management's assessment of the risk and available alternatives for mitigating risk. The Company does not acquire or issue derivative financial instruments for trading or speculative purposes. All transactions undertaken are to support the Company's operations. These financial risks and the Company's exposure to these risks are provided in various tables in note 13 of our unaudited condensed consolidated interim financial statements for the three months ended March 31, 2018. For a discussion on the significant assumptions made in determining the fair value of financial instruments, refer also to note 2 of the financial statements for the year ended December 31, 2017.

OTHER MD&A REQUIREMENTS

Management's responsibility for financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Risks and uncertainties

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

General

The Company is in the business of exploring and, if warranted, developing mineral properties, which is a highly speculative endeavor. A purchase of any of the securities of the Company involves a high degree of risk and should be undertaken only by purchasers whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. An investment in the securities of the Company should not constitute a significant portion of an individual's investment portfolio and should only be made by persons who can afford a total loss of their investment. Prospective purchasers should evaluate carefully the following risk factors associated with an investment in the Company's securities prior to purchasing any of its securities.

Limited Operating History

The Company has no history of earnings. There are no known commercial quantities of mineral reserves on any properties optioned by the Company. The purpose of the Private Placement was to raise funds to carry out exploration and, if thought appropriate, development with the objective of establishing economic quantities of mineral reserves. There is no guarantee that economic quantities of mineral reserves will be discovered on any properties optioned by the Company in the near future or at all. If the Company does not generate revenue, it may be unable to sustain its operations in which case it may become insolvent and you may lose your investment.

Speculative Nature of Mineral Exploration

Resource exploration is a speculative business, characterized by a number of significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but also from finding mineral deposits that, though present, are insufficient in quantity and quality to return a profit from production. The marketability of minerals acquired or discovered by the Company may be affected by numerous factors which are beyond the control of the Company and which cannot be accurately predicted, such as market fluctuations, the proximity and capacity of milling facilities, mineral markets and processing equipment, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals, and environmental protection, the combination of which factors may result in the Company not receiving an adequate return of investment capital. There is no assurance that the Company's mineral exploration activities will result in any discoveries of commercial bodies of ore. The long-term profitability of the Company's operations will in part be directly related to the costs and success of its exploration programs, which may be affected by a number of factors. Substantial expenditures are required to establish reserves through drilling and to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that funds required for development can be obtained on a timely basis.

Acquisition of Additional Mineral Properties

If the Company loses or abandons its option to acquire an interest in the Tuscarora Property there is no assurance that it will be able to acquire another mineral property of merit or that such an acquisition would be approved by the Exchange. There is also no guarantee that the Exchange will approve the acquisition of any additional properties by the Company, whether by way of option or otherwise, should the Company wish to acquire any additional properties.

Gold Deposits

The South Lidia and Tuscarora Properties are in the exploration stage only and are without a known body of gold deposits. Development of these properties would follow only if favourable exploration results are obtained. The business of exploration for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines.

Uninsurable Risks

In the course of exploration, development and production of mineral properties, certain risks, and in particular, unexpected or unusual geological operating conditions including rock bursts, cave-ins, fires, flooding and earthquakes may occur. It is not always possible to fully insure against such risks and the Company may decide not to take out insurance against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the securities of the Company.

Permits and Government Regulations

The future operations of the Company may require permits from various federal, provincial and local governmental authorities and will be governed by laws and regulations governing prospecting, development, mining, production, export, taxes, labour standards, occupational health, waste disposal, land use, environmental protections, mine safety and other matters. There can be no guarantee that the Company will be able to obtain all necessary permits and approvals that may be required to undertake exploration activity or commence construction or operation of mine facilities on the Tuscarora Property.

Environmental and Safety Regulations and Risks

Environmental laws and regulations may affect the operations of the Company. These laws and regulations set various standards regulating certain aspects of health and environmental quality. They provide for penalties and other liabilities for the violation of such standards and establish, in certain circumstances, obligations to rehabilitate current and former facilities and locations where operations are or were conducted. The permission to operate can be withdrawn temporarily where there is evidence of serious breaches of health and safety standards, or even permanently in the case of extreme breaches. Significant liabilities could be imposed on the Company for damages, clean-up costs or penalties in the event of certain discharges into the environment, environmental damage caused by previous owners of acquired properties or noncompliance with environmental laws or regulations. In all major developments, the Company generally relies on recognized designers and development contractors from which the Company will, in the first instance, seek indemnities. The Company intends to minimize risks by taking steps to ensure compliance with environmental, health and safety laws and regulations and operating to applicable environmental standards. There is a risk that environmental laws and regulations may become more onerous, making the Company's operations more expensive.

Key Person Insurance

The Company does not maintain key person insurance on any of its directors or officers, and as result the Company would bear the full loss and expense of hiring and replacing any director or officer in the event the loss of any such persons by their resignation, retirement, incapacity, or death, as well as any loss of business opportunity or other costs suffered by the Company from such loss of any director or officer.

Mineral Titles

The Company is satisfied that evidence of title to the Tuscarora Property is adequate and acceptable by prevailing industry standards with respect to the current stage of exploration on the Tuscarora Property. The Company may face challenges to the title of the Tuscarora Property or subsequent properties it may acquire, which may prove to be costly to defend or could impair the advancement of the Company's business plan.

Loss of Interest in Properties

The Company's ability to maintain an interest in the properties optioned or owned by the Company will be dependent on its ability to raise additional funds by equity financing.

Failure to obtain additional financing may result in the Company being unable to complete the required work required to keep the property interests in good standing and could result in the delay or postponement of further exploration and or the partial or total loss of the Company's interest in the Tuscarora Property.

Fluctuating Mineral Prices

The Company's revenues in the future, if any, are expected to be in large part derived from the extraction and sale of precious and base minerals and metals, which in turn depend on the results of the Company's exploration on these properties and whether development will be commercially viable or even possible. Factors beyond the control of the Company may affect the marketability of metals discovered, if any. Metal prices have fluctuated widely, particularly in recent years. Consequently, the economic viability of any of the Company's exploration projects cannot be accurately predicted and may be adversely affected by fluctuations in mineral prices.

Competition

The mining industry is intensely competitive in all its phases. The Company competes for the acquisition of mineral properties, claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees with many companies possessing greater financial resources and technical facilities than the Company. The competition in the mineral exploration and development business could have an adverse effect on the Company's ability to hire or maintain experienced and expert personnel or acquire suitable properties or prospects for mineral exploration in the future.

Management

The success of the Company is currently largely dependent on the performance of its directors and officers. The loss of the services of any of these persons could have a materially adverse effect on the Company's business and prospects. There is no assurance the Company can maintain the services of its directors, officers or other qualified personnel required to operate its business.

Financing Risks

The Company has no history of significant earnings and, due to the nature of its business, there can be no assurance that the Company will be profitable. The Company has paid no dividends on its shares since incorporation and does not anticipate doing so in the foreseeable future. The only present source of funds available to the Company is through the sale of its securities. Even if the results of exploration are encouraging, the Company may not have sufficient funds to conduct the further exploration that may be necessary to determine whether or not a commercially mineable deposit exists on the properties owned by the Company. While the Company may generate additional working capital through further equity offerings or through the sale or possible syndication of the property owned by the Company, there is no assurance that any such funds will be available. If available, future equity financing may result in substantial dilution to purchasers under the Offering. At present it is impossible to determine what amounts of additional funds, if any, may be required.

Negative Cash Flows from Operations

The Company had negative operating cash flow for the period from incorporation to September 30, 2017. To the extent that the Company has negative cash flow in future periods, the Company may need to allocate a portion of its cash reserves to fund such negative cash flow.

The Company may also be required to raise additional funds through the issuance of equity or debt securities. There can be no assurance that additional capital or other types of financing will be available when needed or that these financings will be on terms favourable to the Company.

Resale of Common Shares

The continued operation of the Company will be dependent upon its ability to generate operating revenues and to procure additional financing. There can be no assurance that any such revenues can be generated or that other financing can be obtained. If the Company is unable to generate such revenues or obtain such additional financing, any investment in the Company may be lost. In such event, the probability of resale of the Common Shares purchased would be diminished.

Price Volatility of Publicly Traded Securities

In recent years, the securities markets in Canada have 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 quoted market for the Common Shares will be subject to market trends generally, notwithstanding any potential success of the Company in creating revenues, cash flows or earnings. The value of Common Shares distributed hereunder will be affected by such volatility. There is no public market for the Common Shares. An active public market for the Common Shares might not develop or be sustained after the Offering. The initial public offering price of the Common Shares has been determined by the Company and this price will not necessarily reflect the prevailing market price of the Common Shares following the Offering. If an active public market for the Common Shares does not develop, the liquidity of a shareholder's investment may be limited and the share price may decline below the initial public offering price.

Conflicts of Interest

Some of the directors and officers are engaged and will continue to be engaged in the search for additional business opportunities on behalf of other corporations, and situations may arise where these directors and officers will be in direct competition with the Company. Conflicts, if any, will be dealt with in accordance with the relevant provisions of the British Columbia Business Corporations Act. Some of the directors and officers of the Company are or may become directors or officers of other companies engaged in other business ventures. In order to avoid the possible conflict of interest which may arise between the directors' duties to the Company and their duties to the other companies on whose boards they serve, the directors and officers of the Company have agreed to the following:

- Participation in other business ventures offered to the directors will be allocated between the various companies and on the basis of prudent business judgment and the relative financial abilities and needs of the companies to participate;
- No commissions or other extraordinary consideration will be paid to such directors and officers; and business opportunities formulated by or through other companies in which the directors and officers are involved will not be offered to the Company except on the same or better terms than the basis on which they are offered to third party participants.

Tax Issues

Income tax consequences in relation to the Common Shares will vary according to circumstances of each investor. Investors should seek independent advice from their own tax and legal advisers prior to investing in Common Shares of the Company.

Dividends

The Company does not anticipate paying any dividends on its Common Shares in the foreseeable future.