KISMET RESOURCES CORP.
INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

Dated: November 30, 2020

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

This management's discussion and analysis ("MD&A") reports on the operating results and financial condition of Kismet Resources Corp. for the nine months ended September 30, 2020 and is prepared as at November 30, 2020. Throughout this MD&A, unless otherwise specified, "Kismet", "Company", "we", "us" and "our" refer to Kismet Resources Corp. This MD&A should be read in conjunction with the Company's audited financial statements ("Financial Statements") for the year ended December 31, 2019 and the notes thereto which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB"), together with the unaudited condensed interim financial statements as at and for the nine months ended September 30, 2020 and 2019, which were prepared in accordance with IFRS and in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting (collectively referred to as the "Financial Statements"). Other information contained in these documents has also been prepared by management and is consistent with the data contained in the Financial Statements. All dollar amounts referred to in this MD&A are expressed in Canadian dollars except where indicated otherwise.

APPROVAL

The Company's certifying officers, based on their knowledge, having exercised reasonable diligence, are responsible to ensure that this MD&A does not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the periods covered. The Financial Statements together with the other financial information included in this MD&A fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date hereof and for the periods presented herein. The board of directors' (the "Board") approves the Financial Statements and MD&A and ensures that management has discharged its financial responsibilities. The Board's review is accomplished principally through the Audit Committee, which meets periodically to review all financial reports, prior to filing.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This MD&A includes "forward-looking statements", within the meaning of applicable securities legislation, which are based on the opinions and estimates of Management and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. While these forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect our current judgment regarding the direction of our business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions, or other future performance suggested herein.

Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar words suggesting future outcomes or statements regarding an outlook. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. These forward-looking statements include but are not limited to statements concerning:

- The Company's ability to identify, successfully negotiate and/or finance an acquisition of a new business opportunity
- The Company's success at completing future financings
- The Company's strategies and objectives
- General business and economic conditions
- The Company's ability to meet its financial obligations as they become due
- The positive cash flows and financial viability of new business opportunities
- The Company's ability to manage growth with respect to a new business opportunity
- The Company's tax position, anticipated tax refunds and the tax rates applicable to the Company

Readers are cautioned that the preceding list of risks, uncertainties, assumptions and other factors are not exhaustive. Events or circumstances could cause actual results to differ materially from those estimated or projected and expressed in or implied by these forward-looking statements. Due to the risks, uncertainties and assumptions inherent in forward-looking statements, investors in securities of the Company should not place undue reliance on these forward-looking statements.

CORPORATE OVERVIEW AND OUTLOOK

Kismet is classified as a Capital Pool Company ("CPC") as defined in the TSX Venture Exchange (the "Exchange" or "TSX-V") Policy 2.4. The Company was incorporated as a private company by Certificate of Incorporation issued pursuant to the provisions of the British Columbia Business Corporations Act on March 14, 2018. The Company's head office is located at 460 – 688 West Hastings Street, Vancouver, British Columbia, V6B 1P1, and its registered and records office address is at 2200 - 885 West Georgia Street, Vancouver, British Columbia, V6C 3E8.

On September 19, 2018, the Company completed its initial public offering ("IPO"), whereby it issued 2,000,000 common shares at $0.10 per common share for total proceeds of $200,000 pursuant to a prospectus dated July 25, 2018. See Share Capital section for details of this transaction.

As a CPC, the Company's business objective is to identify and evaluate assets or businesses with a view to potential acquisition or participation by completing a Qualifying Transaction ("QT"), as defined in Exchange Policy 2.4, subject, in certain cases, to shareholder approval and acceptance by the TSX-V. The future success of the Company is dependent on the identification and successful negotiation/acquisition of a sustainable/viable business operation together with the ability to finance the necessary funding, at agreeable terms, to support a business acquisition. There can be no assurances that the Company will be able to secure a new business or will be able to obtain the financing required to support a new business acquisition. These material uncertainties may cast significant doubt on the Company's ability to continue as a going concern.

On June 6, 2019 the Company entered into a letter of intent with Diitalk Communications Inc. ("Diitalk"), a private BC company, pursuant to which the Company proposed to complete a business combination with Diitalk. On August 16, 2019, the Company announced that it would not be proceeding with the transaction with Diitalk or the related concurrent financing, and the letter of intent was terminated in accordance with its terms.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or results of operations at this time.

See also Proposed Qualifying Transaction section.

PROPOSED QUALIFYING TRANSACTION

The Company entered into an amalgamation agreement with TDG Gold Corp. ("**TDG**") and 1266834 B.C. Ltd. ("**Subco**"), a wholly-owned subsidiary of Kismet incorporated for the sole purpose of the Transaction, dated September 28, 2020 (the "**Amalgamation Agreement**") pursuant to which the Company proposes to acquire all of the issued and outstanding securities of TDG by way of a three-corner amalgamation (the "**Transaction**"), which if completed will constitute the Company's QT.

TDG is a mineral exploration company with binding agreements to acquire four properties in the Toodoggone District of northeastern British Columbia, Canada including the former producing high grade Au-Ag Baker and Shasta Mines and the Oxide Peak exploration stage property. TDG was incorporated pursuant to the Business Corporations Act (British Columbia) on July 22, 2011. TDG currently has 75,734,904 common shares issued and outstanding and has no options, warrants or other classes of securities outstanding.

Transaction Particulars

Under the terms of the Amalgamation Agreement, TDG will amalgamate with Subco, and the Company will acquire all of the outstanding common shares of TDG in exchange for post–consolidation common shares of the Company (the "**Resulting Issuer Shares**") on the basis of one Resulting Issuer Share for every three common shares of TDG (the "**Share Exchange Ratio**"). Outstanding convertible securities of TDG, if any are outstanding at closing of the Transaction, will be exchanged for convertible securities of the Company, with the number of Resulting Issuer Shares issuable and the exercise price of such convertible securities to be adjusted based on the Share Exchange Ratio. The deemed price of the Transaction is $0.30.

It is anticipated that the Company will change its name to TDG Gold Corp. upon the completion of the Transaction (the "**Resulting Issuer**").

The name of the amalgamated entity will be either "**TDG Assets BC Corp.**" or "**TDG BC Assets Corp.**", and it will continue to subsist under the Business Corporations Act (British Columbia).

Completion of the Transaction is subject to certain conditions precedent, including, but not limited to, the following: the Company shall have completed a 2:1 share consolidation (the "**Consolidation**"); the name of the Company shall have been changed to "TDG Gold Corp.", or such other name as is agreed to by the Company and TDG (the "**Name Change**"); the acceptance of the TSXV of the Transaction; TDG shall have completed the Concurrent Financing; receipt by TDG of a written resignation effective as at the time of the closing of the Transaction from each of the current directors and officers of the Company who will not be serving as directors or officers of the Resulting Issuer; the Company shall have cash of at least $25,000 net of all liabilities, including payables accrued in connection with the completion of the Transaction; and dissenting shareholders of TDG shall not have validly exercised dissent rights in respect of more than 5% of the outstanding common shares of TDG.

It is anticipated that the Resulting Issuer will qualify as a Tier 2 Mining Issuer pursuant to the requirements of the TSXV.

Financing Particulars

Prior to or concurrently with completion of the Transaction, TDG intends to complete a non-brokered private placement equity financing to raise gross proceeds of a minimum of $4,000,000 and a maximum of up to $5,000,000 through the issuance, on a private placement basis, of up to 6,666,666 non-flow through units (each, a "**Non-Flow Through Unit**") at a price of $0.30 per Non-Flow Through Unit and up to 7,058,823 flow-through units (each, a "**Flow Through Unit**") at a price of $0.425 per Flow Through Unit (the "**Concurrent Financing**"). Each Non-Flow Through Unit will consist of common shares and common share purchase warrants of TDG that, when exchanged for securities of the Company, shall comprise one Resulting Issuer Share and one-half of one Resulting Issuer Share purchase warrant (each whole warrant, a "**Resulting Issuer Warrant**"). Each Flow Through Unit will consist of common shares and common share purchase warrants of TDG that, when exchanged for securities of the Company, shall comprise one Resulting Issuer Share, that will qualify as a "flow-through share" under the Income Tax Act and one-half of one Resulting Issuer Warrant. Each whole Resulting Issuer Warrant will be exercisable by the holder thereof to acquire one Resulting Issuer Share at an exercise price of $0.45 for a period of three years from issuance.

There can be no assurance that the Transaction will be completed as proposed or at all.

SELECTED ANNUAL INFORMATION[1]

	For the year ended December 31, 2019	**For the period from incorporation on March 14, 2018 to December 31, 2018**
(a) Loss for the period	$ (44,428)	$ (108,406)
(b) Loss per share[2]	$(0.02)	$ (0.15)

[1] Audited financial information prepared in accordance with International Financial Reporting Standards ("IFRS").
[2] The weighted average number of common shares outstanding used for the calculation of loss per share, excludes the 2,000,000 common shares held in escrow (see Share Capital section for further details of the escrow terms).

SUMMARY OF QUARTERLY RESULTS[1]

	3rd Quarter Ended September 30, 2020	2nd Quarter Ended June 30, 2020	1st Quarter Ended March 31, 2020	4th Quarter Ended December 31, 2019
Loss and comprehensive loss	$ (27,194)	$ (4,799)	$ (11,902)	$ (9,436)
Loss per share[2]	$ (0.01)	$ (0.00)	$ (0.00)	$ (0.00)
	3rd Quarter Ended September 30, 2019	**2nd Quarter Ended June 30, 2019**	**1st Quarter Ended March 31, 2019**	**4th Quarter Ended December 31, 2018**
Loss and comprehensive loss	$ (7,578)	$ (13,237)	$ (14,177)	$ (13,070)
Loss per share[2]	$ (0.00)	$ (0.01)	$ (0.01)	$ (0.02)

[1] *Unaudited financial information prepared in accordance with International Financial Reporting Standards ("IFRS").*
[2] *The weighted average number of common shares outstanding used for the calculation of loss per share, excludes the 2,000,000 common shares held in escrow (see Share Capital section for further details of the escrow terms).*

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2020

The following is an analysis of the Company's operating results for the three months ended September 30, 2020 and includes a comparison to the three months ended September 30, 2019.

The Company currently has no sources of revenue.

General & administrative expenses for the three months ended September 30, 2020, were $25 compared to $22 for the three months ended September 30, 2019. These expenses were for the maintenance of the Company's bank account.

Management fees for the three months ended September 30, 2020 were $3,000 compared to $3,000 for the three months ended September 30, 2019. The cost is reflective of accounting and administrative services provided to the Company.

Professional fees for the three months ended September 30, 2020 were $22,373 as compared to $3,009 for the three months ended September 30, 2019. These expenses relate to legal and audit fees, focusing mainly on the Company's proposed QT with TDG and due diligence as well as the drafting of the information circular.

Transfer agent and filing fees for the three months ended September 30, 2020 were $1,796 compared to $1,547 for the three months ended September 30, 2019. These fees include the ongoing listing fees on the TSX-V, and transfer agent fees.

Loss and comprehensive loss for the period
As a result of the activities discussed above, the Company experienced a loss and comprehensive loss of $27,194 for the three months ended September 30, 2020 compared to a loss and comprehensive loss of $7,578 for the three months ended September 30, 2019.

RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

The following is an analysis of the Company's operating results for the nine months ended September 30, 2020 and includes a comparison to the nine months ended September 30, 2019.

The Company currently has no sources of revenue.

General & administrative expenses for the nine months ended September 30, 2020, were $959 compared to $638 for the nine months ended September 30, 2019. These expenses were for the maintenance of the Company's bank account.

Management fees for the nine months ended September 30, 2020 were $9,000 compared to $9,000 for the nine months ended September 30, 2019. The cost is reflective of accounting and administrative services provided to the Company.

Professional fees for the nine months ended September 30, 2020 were $22,451 as compared to $13,939 for the nine months ended September 30, 2019. These expenses relate to legal and audit fees.

Transfer agent and filing fees for the nine months ended September 30, 2020 were $11,485 compared to $11,415 for the nine months ended September 30, 2019. These fees include ongoing listing fees on the TSX-V, and transfer agent fees.

Loss and comprehensive loss for the period
As a result of the activities discussed above, the Company experienced a loss and comprehensive loss of $43,895 for the nine months ended September 30, 2020 compared to a loss and comprehensive loss of $34,992 for the nine months ended September 30, 2019.

SHARE CAPITAL

(a) Authorized

Unlimited number of common shares without par value.

(b) Issued and outstanding

On March 14, 2018, the Company issued one incorporator's share for $1. The incorporator's share was cancelled during the period from incorporation on March 14, 2018 to December 31, 2018.

On April 4, 2018, the Company issued 2,000,000 common shares at $0.05 per common share, for total proceeds of $100,000. These common shares are held in escrow and will be released pro-rata to the shareholders as to 10% of the escrow shares upon issuance of notice of final acceptance of a QT by the TSX-V and as to the remainder in six equal tranches of 15% every six months thereafter for a period of 36 months.

All the escrow shares are considered contingently returnable until the Company completes a QT and accordingly, they are not considered to be outstanding shares for the purposes of the loss per share calculations.

On September 19, 2018, the Company completed an IPO of 2,000,000 common shares at a price of $0.10 per share for gross proceeds of $200,000. The Company paid a cash commission of $20,000 and a corporate finance fee of $10,000 and granted to the agent warrants to acquire 200,000 common shares at a price of $0.10 per common share until September 19, 2020, which expired unexercised.

As at December 31, 2019, September 30, 2020 and the date of this MD&A, 2,000,000 common shares were held in escrow.

As at December 31, 2019, September 30, 2020 and the date of this MD&A the Company had 4,000,000 common shares issued and outstanding.

	Number of Shares	Amount
Balance, December 31, 2019, September 30, 2020 and the date of this MD&A	**4,000,000**	**$ 247,879**

(c) Stock options

The Company has adopted a stock option plan (the "Stock Option Plan") whereby it can grant incentive stock options to directors, officers, employees and consultants of the Company. The maximum number of shares that may be reserved for issuance under the Stock Option Plan is limited to 10% of the issued common shares of the Company on closing of IPO. The number of common shares that may be reserved for the issuance to any one individual upon exercise of all stock options held by any individual may not exceed 5% of the issued common shares. The vesting period for all options is at the discretion of the Board of Directors. The exercise price will be set by the Board of Directors at the time of grant and cannot be less than the discounted market price of the Company's common shares. All options granted under the Stock Options Plan will expire not later than the date that is ten years from the date that such options are granted.

A summary of the Company's stock option activity is as follows:

	Number of Options	Weighted Average Exercise Price
Balance, December 31, 2019, September 30, 2020, and the date of this MD&A	**400,000**	**$ 0.10**

As at September 30, 2020, and the date of this MD&A, outstanding and exercisable options were as follows:

Grant Date	Number of Options Outstanding and Exercisable	Exercise Price	Expiry Date	Remaining Contractual Life (years)
September 19, 2018	400,000	$0.10	September 19, 2023	2.97
Total	**400,000**	**$0.10**	**September 19, 2023**	**2.97**

(d) Agent's warrants

A summary of the Company's agent warrants activity is as follows:

	Number of warrants	Weighted average exercise price
Balance as at December 31, 2019,	**200,000**	**$0.10**
Expired	(200,000)	$(0.10)
Balance as at September 30, 2020 and the date of this MD&A	**-**	**-**

LIQUIDITY AND CAPITAL RESOURCES

The Company defines capital that it manages as cash and equity, consisting of issued common shares. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to fund existing operations, search for new business opportunities and thereby provide returns to its shareholders. The Company does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain the future development of the business.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. As at September 30, 2020, the Company does not have any long-term debt outstanding and is not subject to any externally imposed capital requirement or debt covenants. There was no change to the Company's approach to capital management during the period ended September 30, 2020.

As at September 30, 2020, the Company had working capital of $93,550 including cash that totaled $109,384. The Company does not have any sources of revenue or any assets of merit and a history of losses. The future success of the Company is dependent on the identification and successful negotiation/acquisition of a sustainable/viable business operation together with the ability to finance the necessary funding, at agreeable terms, to support a business acquisition. The Company expects to incur further losses in its pursuit of a new business opportunity and has limited funds from which to support these activities. Additionally, the Company has insufficient funds from which to fund the acquisition of an identified business opportunity. As such, the Company will require additional financing to accomplish its long-term strategic objectives. There can be no certainty of the Company's ability to raise additional financing. If the Company is unable to finance itself, it is possible that the Company will be unable to continue as a going concern. These factors raise doubt as to the ability of the Company to continue as a going concern.

A summary of the Company's cash flows during the period ended September 30, 2020 and September 30, 2019 is as follows:

		For the nine months ended September 30, 2020		For the nine months ended September 30, 2019
Cash flows used in operating activities	**$**	**(36,285)**	$	(40,727)
Change in cash for the period		**(36,285)**		(40,727)
Cash, beginning of the period		**145,669**		193,809
Cash, end of the period	**$**	**109,384**	$	153,082

Cash flows used in operating activities were $36,285 for the nine months ended September 30, 2020 compared to $40,727 during the nine months ended September 30, 2019. The cash was used to maintain the administrative and reporting needs of the Company.

The Company's financial statements have been prepared in accordance with IFRS under the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than a process of forced liquidation. These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

RISKS AND UNCERTAINTIES

Strategic Risk

At present, the Company has very limited sources of funding from which to repay its existing obligations and fund on-going operating costs. If the Company is unable to obtain adequate additional financing, management might be required to curtail the Company's operations. If future financing is unavailable, the Company may not be able to meet its ongoing obligations, in which case its ability to continue as a going concern may be adversely affected.

There is also no guarantee that the Company will be able to complete the acquisition of or participation in a new business opportunity. If an acquisition of or the participation in corporations, properties, assets or businesses is identified, the Company may find that even if the terms of an acquisition or participation are economic, it may not be able to finance such acquisition or participation and additional funds will be required to enable the Company to pursue such an initiative. There is no guarantee that additional financing will be available or that it will be available on terms acceptable to management of the Company. The Company will be competing with other companies, many of which will have far greater resources and experience than the Company. No assurance can be given that the Company will be successful in raising the funds required for an acquisition.

Lack of Dividend Policy
The Company does not presently intend to pay cash dividends in the foreseeable future, as any earnings are expected to be retained for use in developing and expanding its business. However, the actual amount of dividends received from the Company will remain subject to the discretion of the Company's Board of Directors and will depend on results of operations, cash requirements and future prospects of the Company and other factors.

Possible Dilution to Present and Prospective Shareholders
The Company's plan of operation, in part, contemplates the accomplishment of business negotiations by the issuance of cash, securities of the Company, or a combination of the two, and possibly, incurring debt. Any transaction involving the issuance of previously authorized but unissued common shares would result in dilution, possibly substantial, to present and prospective holders of common shares.

Dependence of Key Personnel
The Company strongly depends on the business and technical expertise of its management and key personnel. There is little possibility that this dependence will decrease in the near term. As the Company's operations expand, additional general management resources will be required, especially since the Company encounters risks that are inherent in doing business in several countries.

FINANCIAL INSTRUMENTS

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are described below.

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)

As at September 30, 2020, the Company's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities. Cash is classified as amortized cost. Accounts payable and accrued liabilities are also classified as amortized cost. The fair values of these financial instruments approximate their carrying values because of their short-term nature and/or the existence of market related interest rates on the instruments.

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes. The type of risk exposure and the way in which such exposure in managed is provided as follows:

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash.

The Company limits the exposure to credit risk by only investing its cash with high-credit quality institutions. Management believes that the credit risk related to its cash is negligible.

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 manages liquidity risk through the management of its capital structure and financial leverage as described in Capital Management section.

All of the Company’s financial liabilities are classified as current and are anticipated to mature within the next fiscal period. The Company intends to settle these with funds from its positive working capital position.

Foreign exchange risk

Currency risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate due to changes in foreign exchange rates. As at September 30, 2020, the Company’s cash, accounts receivable, accounts payable and accrued liabilities are denominated in Canadian dollars. As such, the Company is not subject to any foreign exchange risk.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk to the extent that the cash maintained at the financial institutions is subject to a floating rate of interest. The interest rate risk on cash is not considered significant.

Price risk

The Company has no exposure to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company’s earnings due to movements in individual equity prices or general movements in the level of the stock market.

RELATED PARTY TRANSACTIONS

Key management personnel:

Key management personnel include those persons having 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.

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. There were no such related party transactions during the year ended December 31, 2019, and for the period ended September 30, 2020.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial statements in conformity with International Financial Reporting Standards ("IFRS") requires management to make estimates, judgements and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

(a) Critical accounting estimates

The information about significant areas of estimation uncertainty considered by management in preparing the financial statements is as follows:

(i) Deferred tax assets and liabilities

The measurement of deferred income tax provision is subject to uncertainty associated with the timing of future events and changes in legislation, tax rates and interpretations by tax authorities. The estimation of taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful operations of the Company. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and deferred tax provisions or recoveries could be affected.

(ii) Valuation of share-based payments and compensatory warrants

Management uses the Black-Scholes model to determine the fair value of stock options granted to officers and directors, and the fair value of compensatory warrants. This model requires assumptions of the expected future price volatility of the Company's common shares, expected life of options and warrants, future risk-free interest rates, and the dividend yield of the Company's common shares.

The information about significant areas of judgment considered by management in preparing the condensed interim financial statements is as follows:

(i) Going concern

The assessment of the Company's ability to continue as a going concern involves judgment regarding future funding available for its operations and working capital requirements.

CAPITAL MANAGEMENT

Capital is comprised of the Company's shareholders' equity. The Company's objectives when managing capital are to maintain financial strength and to protect its ability to meet its ongoing liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. Protecting the ability to pay current and future liabilities includes maintaining capital above minimum regulatory levels, current financial strength rating requirements and internally determined capital guidelines and calculated risk management levels.

The proceeds raised from the issuance of common shares may only be used to identify and evaluate assets or businesses for future investment, with the exception that no more than the lesser of 30% of the gross proceeds from the issuance of common shares or $210,000 may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Company. These restrictions apply until completion of a Qualifying Transaction by the Company as defined under the Exchange Policy 2.4.

OFF-BALANCE SHEET ARRANGEMENTS

The Company currently has no off-balance sheet arrangements.

ADDITIONAL INFORMATION

Additional information relating to the Company is available at www.sedar.com.