Myconic Capital Corp. (formerly Auralite Investments Inc.)

MANAGEMENT DISCUSSION & ANALYSIS
For the Six Months Ended January 31, 2021 and 2020

March 19, 2021

This Management Discussion and Analysis ("MD&A") of Myconic Capital Corp. (the "Company" or "Myconic"), formerly Auralite Investments Inc. has been prepared by management as of March 19, 2021 and should be read together with the annual financial statements and related notes for the six months ended January 31, 2021 and 2020 which are prepared in accordance with International Financial Reporting Standards ("IFRS"). Additional information regarding the Company can be found on SEDAR at www.sedar.com. All of the following amounts are expressed in Canadian dollars unless otherwise stated.

This MD&A may contain "forward-looking statements" which reflect the Company's current expectations regarding the future results of operations, performance and achievements of the Company. The Company has tried, wherever possible, to identify these forward-looking statements by, among other things, using words such as "anticipate," "believe," "estimate," "expect" and similar expressions. The statements reflect the current beliefs of the management of the Company, and are based on currently available information. Accordingly, these statements are subject to known and unknown risks, uncertainties and other factors, which could cause the actual results, performance, or achievements of the Company to differ materially from those expressed in, or implied by, these statements.

The Company undertakes no obligation to publicly update or review the forward-looking statements whether as a result of new information, future events or otherwise. Historical results of operations and trends that may be inferred from the following discussions and analysis may not necessarily indicate future results from operations.

Overview of Company

Myconic Capital Corp., formerly Auralite Investments Inc. is a publicly listed investment issuer on the Canadian Stock Exchange ("CSE"). Myconic is an investment issuer with a diversified portfolio that is focused on emerging companies active in the high-tech, real estate, cannabis, mining, and health and wellness sectors.

On August 6, 2020, the Company changed its name from Auralite Investments Inc. to Myconic Capital Corp. and completed a consolidation of its issued and outstanding common shares on the basis of ten pre-consolidation shares for one post-consolidated share (the "Consolidation"). Upon completion of the Consolidation, the Company change its trading symbol and began trading its common shares under the symbol TSXV: MEDI. The Company's common shares voluntarily delisted from the TSX Venture Exchange at the close of market on November 12, 2020, and commenced trading on the CSE on November 13, 2020 under the symbol CSE: MEDI. On January 22, 2021 the Company completed a 1:2 split of its outstanding shares (the "Split").

Investment Evaluation Process

In selecting opportunities for the investment portfolio of Myconic, the Investment Committee will consider various factors in relation to any particular investment, including:

- inherent value of an investment target's assets or potential;
- proven management, clearly defined management objectives and strong technical and professional support;
- future capital requirements to develop the full potential of its business and the expected ability to raise the necessary capital;
- anticipated rate of return and the level of risk;
- financial performance; and
- exit strategies and criteria

Investment Strategy

The following shall be the guidelines for Myconic's investment strategy:

- Myconic's primary focus will be to enhance shareholder value and generate a reasonable investment return by making investments in the high-tech, real estate, cannabis, mining and health and wellness sectors.

- The Company may invest in securities of both public and private companies or other entities that the Company believes have the potential for superior investment returns. The Company may provide financing of a private or public company in exchange for pre- determined royalties or distributions ("royalty securities"), and also acquire all or part of one or more businesses, portfolios or other assets, in each case that the Company believes will enhance value for the shareholders of the Company.

- Target investments may encompass companies at all stages of development, including early stage companies, as well as intermediate and senior companies where opportunities are available

- The Company's primary focus will be to invest in securities or debt instruments of issuers which have quality proven or prospective potential which management of the Company believes are, or will become, amenable to development of the potential. In other sectors, Myconic expects to invest in securities of issuers which it believes have competitive advantages in an area with a large potential market.

- Immediate liquidity shall not be a requirement, but each investment shall be evaluated in terms of a clear exit strategy designed to maximize the relative return in light of changing fundamentals and opportunities.

- Subject to applicable laws, there are no restrictions on the size or market capitalization with respect to Myconic's investments in the equity securities of public or private issuers.

- Depending upon the Company's assessment of market conditions and investment opportunities, the Company may, from time to time, be fully invested, partially invested or entirely uninvested such that the Company is holding only cash balances while the Company actively seeks to redeploy such cash t balances in suitable investment opportunities. Funds that are not invested or expected to be invested in the near-term, while the Company actively seeks to redeploy such funds in one or more suitable investment opportunities, may, from time to time as appropriate, be placed into high quality money market investments, including but not limited to Canadian Treasury Bills or corporate notes rated at least R-1 by DBRS Limited, each with a term to maturity of less than one year.

- Subject to the full approval of the Board, the Investment Committee established by the Company may consider certain special investment situations, including assuming a controlling or joint-controlling interest in an investment target company, which may also involve the provision of advice to management and/or board participation. All investments shall be made in full compliance with applicable laws in relevant jurisdictions, and shall be made in accordance with and governed by the rules and policies of applicable regulatory authorities.

- Investments made by the Company are geographically agnostic. It will seek to pursue international opportunities as long as the investment creates value for the Company's shareholders.

- The Company has no specific policy with respect to investment diversification. Each investment will be assessed on its own merits and based upon its potential to generate above market gains for the Company.

- The Company may, from time to time, use borrowed funds to purchase or make investments or to fund working capital requirements, or may make investments jointly with third parties.

Select Financial Information and Results of Operations

On September 18, 2020, the Company announce that Natasha Raey has been appointed as a Director of the Company effective immediately.

As at January 31, 2021, the Company had total assets of $7,814,176 (July 31, 2020 - $4,919,093). As at January 31, 2021, the Company has current liabilities of $20,089 (July 31, 2020 - $61,924).

For the six months ended January 31, 2021, the Company reported a net and comprehensive loss of $1,602,981 (2019 – loss of $196,179). Explanations of the nature of costs incurred, along with explanations for those changes in costs are discussed below.

Unrealized Loss on investment increased to $1,342,698 during the six months ended January 31, 2021 from unrealized gain on investment of $50,000 in 2020. During the year ended July 31, 2020, Champignon Brands Inc. (or "Champignon") became a publicly traded company with shares on the Canadian Stock Exchange. Due to the successful public offering, the Company's investment in Champignon increased in value, during the six months ended January 31, 2020, the Company recorded $50,000 in unrealized gains to its investments in Champignon. During the period ended January31, 2021, the Company recorded $71,566 in unrealized loss to the Champignon shares. In the same period, the Company recognized a decrease in fair value of $570,000 to common shares of Gold Lion Resources Inc. (Gold Lion) as well, the Company recorded a decrease in fair value of $701,132 to its holdings in warrants of Gold Lion.

During the period ended January31, 2021, the Company recognized a gain on sale of investment of $113,725 from the sale of Champignon shares. There were no sales of Champignon shares during the comparative period.

As a result of increase in activities throughout the six months ending on January 31, 2021, there has been increase in expenses in the following categories:

Transfer agent and filing fees have increased to $39,600 from $25,457 mostly as a result of the share consolidation and share split activities that occurred during the period.

Consulting fees increased to $228,308 from $115,925 as a result of management's increased efforts to identify strategic approaches to invest in the current market environment through the use of consultants.

Professional fees increased to $55,384 from $47,450 as a result of increase in legal costs incurred for the Company's name change and shares restructuring activities.

Summary of Quarterly Results

The Company's previous eight quarters have been presented in the table below.

	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019
Total Assets	7,883,949	4,279,882	4,919,093	4,160,544	3,592,615	3,739,983	3,731,845	8,039,794
Net Income (Loss) for the Period	$(997,171)	$(605,810)	$752,954	$579,142	$(130,975)	$(74,247)	$(2,767,236)	$(1,997,152)
Gain (Loss) Per Share	$(0.01)	$(0.01)	$0.02	$0.01	-	-	$(0.05)	$(0.04)

The amount and timing of expenses and availability of capital resources vary substantially from quarter to quarter, depending on the level of the Company's activities and the availability of funding. During fiscal 2019, the Company saw higher losses due to an impairment charge of $1,253,000 to one of its investments as well as a loss on debt security charge of $4,740,476. During the three-month periods ended July 31, 2020, and April 30, 2020, the Company earned net income from operations due to the sale of shares of Champignon. During Q3-Q4 2020, the Company's total assets increased as the Company purchased more investments. During Q1-Q2 2021, the Company recognized $1,271,132 in unrealized losses to investment due to fluctuation in share price of Gold Lion. Working capital is sufficient, totaling $7,763,860 as at January 31, 2021.

Liquidity and Capital Resources

As at January 31, 2021, the Company reported working capital of $7,763,860 (July 31, 2020 – $4,811,828) and cash of $6,808,224 (July 31, 2020 - $2,517,064) . Current liabilities as at January 31, 2021 consisted of accounts payables and accrued liabilities of $3,964 (July 31, 2020 - $30,758) and short-term lease liabilities of $16,125 (July 31, 2020 - $31,166).

The Company may continue to have capital requirements in excess of its currently available resources. In the event the Company's plans change, its assumptions change or prove inaccurate, or its capital resources in addition to projected cash flow, if any, prove to be insufficient to fund operations, the Company may be required to seek additional financing. There can be no assurance that the Company will have sufficient financing to meet its future capital requirements or that additional financing will be available on terms acceptable to the Company in the future.

Investments

At January 31, 2021, the Company's investment portfolio consisted of one privately held investments, one publicly held investment and a note receivable for a total fair value of $886,498.

	Akiva – units	Champignon – common shares	Gold Lion – common shares	Gold Lion – warrants	EVVO - Note	Total
Balance July 31, 2020	$100,000	$ 82,568	$ 1,040,000	$ 864,971	$156,681	$ 2,244,220
Disposals	-	(82,568)				(82,568)
Foreign exchange	-	-	-	-	(4,022)	(4,022)
Change in fair value	-	-	(570,000)	(701,132)	-	(1,271,132)
Balance, January 31, 2021	$100,000	$ -	$ 470,000	$ 163,839	$152,659	$ 886,498

On September 7, 2018, the Company purchased 29,411 shares of EVVO Labs Pte Ltd. ("EVVO") for cash consideration of $1,500,000. At July 31, 2019, the fair value of this investment was $247,000, which was determined by applying a valuation technique based on observable market inputs of comparable companies. The change in fair value of $1,253,000 was recognized as an unrealized loss on investment. On May 22, 2020 the Company disposed of its interest in EVVO back to EVVO, in consideration for a $247,000 (250,000 Singapore dollars) promissory note (the "Secured Note"). The Secured Note is due one year from issuance and is secured by a pledge of the disposed EVVO shares. (See debt investments below)

On July 11, 2019, the Company subscribed to 2,000,000 shares of Champignon Brands Inc. ("Champignon") for cash consideration of $150,000. During the year ended July 31, 2020, Champignon became a publicly traded company on the CSE. During the year ended July 31, 2020, the Company sold 1,853,300 shares of Champignon for proceeds of $998,040 and recorded a gain of $859,043. As at January 31, 2021, the Company sold the remaining 146,700 shares for proceeds of $124,728 and recorded a gain of $113,725.

On April 13, 2020 the Company purchased an aggregate of 1,000,000 common shares of Akiva Systems Inc. ("Akiva") and 500,000 common share purchase warrants exercisable for an additional 500,000 Akiva Shares at a price of $0.40 for a period of 24 months from issuance for $100,000. At January 31, 2021, the fair value of the units was $100,000, which was determined by valuing the Akiva units at the most recent financing price.

On May 22, 2020 the Company acquired an aggregate of 2,000,000 common shares of Gold Lion Resources Inc. ("Gold Lion") and 2,000,000 common share purchase warrants exercisable for an additional 2,000,000 Gold Lion Shares at a price of $0.75 for a period of 24 months from issuance for $1,000,000. The $1,000,000 was allocated to shares and warrants based on their relative fair value. As at January 31, 2021, the fair value of the shares was $470,000 which was based on the share price at the end of trading on January 31, 2021. As at January 31, 2021, the fair value of the common share purchase warrants was estimated to be $136,839, using the Black-Scholes Option Pricing Model with the following assumptions: term of 1.30 years, expected volatility of 145%; risk -free rate of 0.14%; and expected dividends of zero.

Investments (continued)

On February 26, 2018, the Company entered into an agreement to purchase convertible debentures with an aggregate principal amount of 2,500,000,000 Korean Wan (CAD $2,880,000) issued by Fourth Link Inc. ("Fourth Link"), a company incorporated under the laws of Korea and quoted on the KOSDAQ board of the Korea Stock Exchange. As consideration, the Company issued 16,800,000 common shares on September 7, 2018 (Note 9). The convertible debentures are unsecured, mature on February 3, 2020, bear interest at 4% per annum payable every 3 months, and may be converted into common stock of Fourth Link at any time from March 3, 2018 to maturity at a conversion price of 1,532 Korean Wan per common share. The transaction was approved by the TSX-V on September 5, 2018. The fair value of the investment on initial recognition was $4,740,476, which was based on the quoted market price of Fourth Link's shares on the closing date.

As of January 31, 2021, the Company has been pursuing legal action against Fourth Link for the redemption of the debentures since Fourth Link was delisted from the KOSDAQ and the Company is unable to convert its shares. Court proceedings have been delayed due to COVID-19 and the court date is currently uncertain. Due to the uncertainty of the Company's ability to recover any value from the debentures, as at July 31, 2019, the investment was written off, resulting in a loss of $4,740,476. As at January 31, 2021 the Company continues to pursue legal action against Fourth Link.

On May 15, 2020 the Company entered into a $247,000 (250,000 Singapore dollars) Secured Note with EVVO. The Secured Note is due one year from issuance, is non-interest bearing and secured by a pledge of the disposed EVVO shares. The Secured Note was recognized at a fair value of $158,623 using a discount of 35% on face value. The difference between the fair value and the face value of the Secured Note of $88,377 was recorded in the statement of loss and comprehensive loss. During the period ended January 31, 2021, the Company recorded a foreign exchange loss of $4,022 on the Secured Note and the balance as at January 31, 2021 is $152,659.

Off-Balance Sheet Arrangements

The Company does not utilize off-balance sheet arrangements.

Transactions with Related Parties

During the six months ended January 31, 2021, the Company paid the following advisory and consulting fees:

		January 31, 2021		January 31, 2020
Consulting fees paid to the CEO of the Company	$	21,000	$	9,450
Consulting fees paid to a Company controlled by the current CFO and former director of the Company		15,000		3,150
Consulting fees paid to a Company controlled by a former director of the Company		-		3,000
Consulting fees paid to a Company controlled by a director of the Company		3,000		-
	$	39,000	$	15,600

As at January 31, 2021, $500 (July 31, 2020 - $500) is owing to related parties for unpaid fees which are included in accounts payable and accrued liabilities. Amounts due to related parties are unsecured, non-interest bearing and due on demand.

Significant Accounting Policies

New Accounting Change

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 the Company's financial statements.

Financial Instruments and Risks

The fair values of cash, investments and accounts payable approximate their carrying values.
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:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 – Inputs that are not based on observable market data.

(a) The following is an analysis of the Company's financial assets measured at fair value as at January 31, 2021:

	As at January 31, 2021		
	Level 1	Level 2	Level 3
Cash and equivalents	$ 6,808,224	$ -	$ -
Restricted cash	57,454	-	-
Investments	163,839	570,000	152,659
	$ 7,029,517	$ 570,000	$ 152,659

(b) Interest rate

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 on its restricted cash as these instruments have maturities of one year or less and are therefore exposed to interest rate fluctuations on renewal. A 1% change in the market interest rates would have an impact on the Company's net income of $575.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash on hand to meet its financial obligations. Liquidity risk is assessed as high.

(d) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's exposure to credit risk is on its cash held in bank accounts and on its investments. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies. Credit risk on investments is assessed as high.

(e) Global economic conditions

General global economic conditions, including, without limitation, general levels of economic activity, fluctuations in the market prices of securities, participation by other investors in the financial markets, economic uncertainty, national and international political circumstances, natural disasters, public health crises (such as the recent global outbreak of a novel coronavirus, COVID-19) and other events outside of our control, may affect the activities of Myconic and its investments.

Subsequent Events

On March 10, 2021, the Company announced that the Company has entered into a letter of intent (the "LOI") for the acquisition of all of the issued and outstanding shares of Mindscape Ketamine & Infusions Therapy, PLLC ("Mindscape"), a mental health and pain clinic based in Houston, Texas. Pursuant to the terms of the letter of intent, Myconic would acquire all of the shares of Mindscape in exchange for $75,000 (U.S.) cash and $100,000 (U.S.) payable in common shares of the company. The consideration shares will be subject to a lock-up period of 12 months on issuance, with one-third of the consideration shares released at intervals of four, six and 12 months following the closing of the acquisition as contemplated in the letter of intent.
The completion of the acquisition is subject to a number of conditions, which include, but are not limited to, the execution of a definitive agreement, completion of satisfactory due diligence, the delivery and satisfactory review of the financial statements of Mindscape, and the approval of the transaction by the boards of directors of each of Myconic and Mindscape

Other Requirements

Summary of Outstanding Securities as at March 19, 2021

Authorized: Unlimited number of common shares without par value.

Issued and outstanding: 103,239,394 Shares (including 540,000 Shares held in escrow)

Stock options: 100,000 at exercise price of $0.125 per share

Warrants: 45,399,994 at exercise price of $0.20 per share

ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

Additional information relating to our Company, including periodic quarterly and audited financial reports, is available on SEDAR at www.sedar.com.

Risk Factors

Certain risks and uncertainties that could cause the Company's actual results to materially differ from our current expectations include, but are not limited to:

Going Concern

As at January 31, 2021, the Company has an accumulated deficit of $7,294,659 (July 31, 2020 - $5,691,678). The Company has no source of operating cash flow and there is no assurance that sufficient funding will be available in the future. Management has the option to raise funds through a combination of equity and/or debt financing, along with a sale of investments. The success of these plans will depend upon the ability of the Company to generate cash flows from its portfolio investments.

These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary, should the Company be unable to continue as a going concern.

Sector Specific Investment Risks

The Company seeks a high return on investment opportunities on its alternative medicine, technology, mining and natural resource sectors ("Sectors"). Thus, the Company is exposed to investment risks relating to these Sectors which is generally more volatile than the overall market. Investing in these Sectors can be speculative in nature and the value of the Company's investments may be subject to significant fluctuations. Such businesses entail a degree of risk, regardless of the skill and experience of the corporation's management. The assets, earnings and share values of corporations involved in the alternative medicine, cannabis, mining and natural resources are subject to risks associated with the world prices of various cannabis related products, natural resource, forces of nature, economic cycles, commodity prices, exchange rates, royalty and taxation changes and political events. Government restrictions, such as price regulations, production quotas, royalties and environmental protection, can also be factors.

Regulatory Risks

The Company's investment in the various sectors operate in an industry which is highly regulated, highly competitive and evolving rapidly. As such, new risks may emerge, and management may not be able to predict all such risks or be able to predict how such risks may result in actual results differing from the results contained in any forward-looking statements. The Company's investments incur ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or in restrictions of operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company's investment and, therefore, on the Company's prospective returns.

Risk Factors (continued)

The industry is subject to extensive controls and regulations, which may significantly affect the financial condition of market participants. The marketability of any product may be affected by numerous factors that are beyond the control of the Company which cannot be predicted, such as changes to government regulations, including those relating to taxes and other government levies which may be imposed. Changes in government levies, including taxes, could reduce the Company's earnings and could make future capital investments or the Company's operations uneconomic. The industry is also subject to numerous legal challenges, which may significantly affect the financial condition of market participants and which cannot be reliably predicted.

Change in Law, Regulations and Guidelines

The Company's investments are subject to a variety of laws, regulations and guidelines relating to marketing, acquisition, manufacture, management, transportation, storage, sale and disposal of cannabis pharmaceuticals and cannabis pharmaceutical related products but also laws and regulations relating to health and safety, the conduct of operations and the protection of the environment. Changes to such laws, regulations and guidelines may cause adverse effects to the Company's investments in the cannabis pharmaceutical sector.

Jurisdictions Outside of Canada

The Company intends to invest into early-stage companies with operations and business that may be outside of Canada's jurisdiction. There can be no assurance that any market for the Company's Investment Partners products will develop in any such foreign jurisdiction. The Company may face new or unexpected risks or significantly increase its exposure to one or more existing risk factors, including economic instability, changes in laws and regulations and the effects of competition. These factors may limit the Company's capability to successfully invest in foreign cannabis pharmaceutical entities and may have a material adverse effect on the Company's business, financial condition and results of operations.

Political and Economic Instability

The Company may be affected by possible political or economic instability. The risks include, but are not limited to, terrorism, military repression, extreme fluctuations in currency exchange rates and high rates of inflation. Changes in medicine and agriculture development or investment policies or shifts in political attitude in certain countries may adversely affect the Company's business. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, distribution, price controls, export controls, income taxes, expropriation of property, maintenance of assets, environmental legislation, land use, land claims of local people and water use. The effect of these factors cannot be accurately predicted.

Limited Operating History

The Company has limited operating history as an investment company, and has had limited success investing in mining and cannabis sectors. The Company and its business prospects must be viewed against the background of the risks, expenses and problems frequently encountered by companies in the early stages of their development, particularly companies in new and rapidly evolving markets such as the cannabis sectors. There is no certainty that the Company will be able to operate profitably.

Additional Requirements for Capital

Substantial additional financing may be required if the Company is to be successful in developing a diversified and material portfolio of investments. No assurances can be given that the Company will be able to raise the additional capital that it may require for its anticipated future development. Any additional equity financing may be dilutive to investors and debt financing, if available, may involve restrictions on financing and operating activities. There is no assurance that additional financing will be available on terms acceptable to the Company, if at all. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations or anticipated investments.

Risk Factors (continued)

Key Personnel

The Company is dependent upon the continued availability and commitment of its management, whose contributions to immediate and future operations are of significant importance. The loss of any such management could negatively affect the Company's business operations. From time to time, the Company will also need to identify and retain additional skilled management to efficiently operate its business. Recruiting and retaining qualified personnel is critical to the Company's success and there can be no assurance of its ability to attract and retain such personnel. If it is not successful in attracting and training qualified personnel, the Company's ability to execute its business model and growth strategy could be affected, which could have a material and adverse impact on its profitability, results of operations and financial condition.

Lack of Control or significant influence over Companies in which the Company Invests

In certain cases, the Company invests or may invest in securities of companies that the Company does not control or influence. These investments will be subject to the risk that the company in which the investment is made may make business, financial or management decisions with which the Company does not agree or that the majority stakeholders or management of the company may take risks or otherwise act in a manner that does not serve the Company's interests. If any of the foregoing were to occur, the values of investments by the Company could decrease and the Company's financial condition and cash flow could suffer as a result.

Due Diligence

The due diligence process undertaken by the Company in connection with investments that it makes or wishes to make may not reveal all relevant facts in connection with an investment. Before making investments, the Company will conduct due diligence investigations that it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. When conducting due diligence investigations, the Company may be required to evaluate important and complex business, financial, tax, accounting, environmental and legal issues. Outside consultants, legal advisors, accountants and investment banks may be involved in the due diligence process in varying degrees depending on the type of investment. Nevertheless, when conducting due diligence investigations and making an assessment regarding an investment, the Company will rely on resources available, including information provided by the target of the investment and, in some circumstances, third party investigations. The due diligence investigations that are carried out with respect to any investment opportunity may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. Moreover, such investigation will not necessarily result in the investment being successful.

Fluctuations in the Value of the Company and the Common Shares

The net asset value of the Company and market value of its common shares will fluctuate with changes in the market value of the Company's investments. Such changes in value may occur as the result of various factors, including general economic and market conditions, the performance of corporations whose securities are part of the Company's investment portfolio and changes in interest rates which may affect the value of interest-bearing securities owned by the Company. There can be no assurance that shareholders will realize any gains from their investment in the Company and may lose their entire investment.

Need to Manage Growth

The Company could experience rapid growth in revenues, personnel, complexity of administration and in other areas. There can be no assurance that the Company will be able to manage the impact that growth could place on the Company's administrative infrastructure, systems and controls. If the Company is unable to manage future growth effectively, the Company's business, operations and operating results and financial condition may be materially adversely affected.