LITHOS ENERGY LTD.
(Formerly Alchemist Mining Inc.)
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended April 30, 2023

Introduction

This Management's Discussion and Analysis ("MD&A") is a review of the operations, current financial position and outlook for Lithos Energy Ltd. (formerly Alchemist Mining Inc.) (the "Company"). This discussion should be read in conjunction with the Company's audited financial statements and accompanying notes for the year ended April 30, 2023, available through the SEDAR website at www.sedar.com.

The Company's financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). The Company's functional and reporting currency is the Canadian Dollar, which is the presentation currency of the financial statements, unless otherwise stated. This Management Discussion and Analysis is dated August 16, 2023.

The Company was incorporated as NY85 Capital Inc. under the *Business Corporations Act* (British Columbia) ("BCBCA") on October 22, 2010, in the Province of British Columbia. On May 31, 2012, the Company completed its Qualifying Transaction and received the Final Exchange Bulletin from the TSX Venture Exchange ("TSX-V"). On October 1, 2012, the shareholders of the Company approved the name change from "NY85 Capital Inc." to "Alchemist Mining Inc." at the Annual General and Special Meeting of the Company. On August 20, 2014, the Company de-listed from the TSX-V and commenced trading on the Canadian Securities Exchange ("CSE"). The common shares of the Company are listed for trading on the CSE under the symbol "AMS". Effective August 15, 2023, the Company changed its name to Lithos Energy Ltd. and commenced trading under the ticker symbol "LITS".

The registered office and records of the Company are located at 2380, 1055 West Hastings Street, Vancouver, B.C. V6E 2E9.

To date, the Company has not generated any revenue and has met its cash requirements primarily through share issuances. Until the Company attains profitability, it will be necessary to raise additional financings for general working capital. If the Company is unable to obtain financing in the amounts and on terms deemed acceptable, the future success of the business could be adversely affected. There is no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

The Company expects to use its available working capital, for general working capital, including complementary acquisitions. The Company's objectives are to evaluate other opportunities to build shareholder value.

Overall Performance

On September 16, 2021, the Company entered into a share exchange agreement for the acquisition of Alinea Cannabis Inc. ("Aliena"), a Health Canada licensed, federally registered corporation. The Company was to purchase all of the issued and outstanding shares of Alinea (3,680,000 Alinea common shares) from Alinea shareholders in exchange for an aggregate of 49,066,667 Company common shares.

On October 29, 2021, the Company terminated the proposed transaction with Alinea.

On November 10, 2021, the Company's Board of Directors approved a consolidation of the Company's issued share capital on the basis of twenty (20) common shares for one (1) new share of the Company. The share consolidation was applied retrospectively to all of the issued and outstanding common shares, stock options and warrants.

On December 21, 2021, the Company announced that it has arranged a non-brokered private placement of up to 20,000,000 units (each, a "Unit") at a price of $0.075 per Unit for gross proceeds of up to $1,500,000. Each Unit was comprised of one common share and one non-transferable share purchase warrant. Each warrant entitles the holder to purchase one additional common share for a period of four years from the closing date at an exercise price of $0.20 per common share.

On January 13, 2022, the Company completed its non-brokered private placement and issued an aggregate of 11,983,333 units at a price of $0.075 per Unit for aggregate gross proceeds of $898,750. Proceeds from the offering were used for payment of current payables and working capital. All securities issued in connection with the offering will be subject to a four month hold from the closing date.

On January 24, 2022, the Company and Iron Forge Holdings (I) Ltd. ("Iron Forge") entered into a letter of intent (the "LOI") setting out the essential terms and conditions by which the Company and Iron Forge, a private arm's length British Columbia mineral exploration company, proposed to complete a transaction and, in connection therewith, the acquisition by the Company of all of the issued and outstanding common shares of Iron Forge (collectively, the "Iron Forge Shares").

On February 18, 2022, the Company issued 2,497,080 common shares (with a fair value of $0.25 on the date of grant) to settle $299,650 in debt owing to various creditors. The fair value of the shares is $624,270. The Company recognized a loss on the transaction of $324,621. The shares are subject to a statutory hold period expiring four months and one day after closing of the debt settlement.

On February 24, 2022, the Company closed a non-brokered private placement of 150,000 common shares at a price of $0.70 per share for gross proceeds of $105,000.

On April 8, 2022, the Company entered into a share exchange agreement (the "Share Exchange Agreement"), which replaced and superseded the LOI, and, in accordance with its terms, the Company agreed to acquire all of the issued and outstanding Iron Forge Shares in exchange for 7,499,999 common shares at a deemed price of $0.145 per common share and 3,749,999 common share purchase warrants, exercisable for a period of two years at a price of $0.20 per common share.

On June 8, 2022, the Company settled a convertible note and interest of $94,062 by issuing 648,706 units. Each unit is comprised of one common share with a fair value of $0.30 per share and one common share purchase warrant. Each warrant will entitle the holder thereof to acquire one share at a price of $0.145 per warrant share and exercisable for 4 years.

On August 31, 2022, the Company amended the terms to the Share Exchange Agreement, to push the outside date for the closing of its proposed acquisition of all the issued and outstanding Iron Forge Shares to October 30, 2022.

On January 20, 2023, the Company closed a non-brokered private placement and issued 5,860,853 common shares at a price of $0.145 per share for proceeds of $849,284.

On January 27, 2023, Alchemist acquired all of the outstanding common shares of Iron Forge from the shareholders of Iron Forge (collectively, the "Iron Forge Shareholders") in consideration for the issuance of an aggregate of 7,499,999 common shares (each, a "Consideration Share") in the capital of the Company at a deemed price of $0.145 per Consideration Share and 3,749,999 common share purchase warrants (each, a "Consideration Warrant") to the Iron Forge Shareholders on a pro rata basis (the "Iron Forge Transaction"). Each Consideration Warrant entitles the holder thereof to purchase one common share in the capital of the Company at an exercise price of $0.20 for a period of two years.

Following the closing of the Iron Forge Transaction, Iron Forge became a wholly-owned subsidiary of Alchemist. No change of control of the Company occurred as a result of the Iron Forge Transaction, however the Transaction constituted a "Fundamental Change" of Alchemist as defined in Canadian Securities Exchange ("CSE") Policy 8 – *Fundamental Changes and Changes of Business*. The Company received approval by the holders of at least 50.1% of the issued and outstanding common shares of the Company for the Iron Forge Transaction by way of written consent and the CSE provided conditional approval of the listing of the common shares of Alchemist on January 26, 2023. Alchemist has also filed a National Instrument 43-101 – Standards of Disclosure for Mineral Properties compliant technical report with respect to the Rhodes Marsh Property under its profile on SEDAR.

On February 9, 2023, the Company issued an aggregate of 889,655 common shares at a price of $0.145 per share for gross proceeds of $129,000 in a non-brokered private placement.

On March 6, 2023 the Company entered into an amalgamation agreement with Lithos Technologies Corp. ("Lithos"), a private arm's length Alberta company, dated March 6, 2023, pursuant to which Alchemist has agreed to acquire all of the issued and outstanding common shares of Lithos by way of "three-cornered" amalgamation, whereby a wholly-owned subsidiary of Alchemist ("NewCo") and Lithos will amalgate to form a new entity ("AmalCo"), and AmalCo will be a wholly-owned subsidiary of Alchemist upon completion of the transaction (the "Lithos Transaction"). At the closing of the Lithos Transaction, each of the outstanding common shares of Lithos (each, a "Lithos Share") will be cancelled and, in consideration for such Lithos Shares, each respective Lithos shareholder will receive their pro rata portion of an aggregate of 15,000,000 common shares in the capital of the Company, with a fair value of $0.60 per common share. In addition, the Company has agreed to issue and aggregate of 10,000,000 performance shares (each, a "Performance Share"), on terms and conditions to be mutually agreed upon by the parties, to certain employees and consultants of Lithos, each with a fair value of $0.60 per Performance Share. The Company also issued 2,000,000 common shares with a fair value of $0.60 per share as a finders' fee. On April 27, 2023, the Company issued a total of 27,000,000 common shares to close the transaction.

In connection with the Lithos Transaction, Alchemist has advanced a bridge loan in the amount of $400,000 to Lithos (the "Bridge Loan"). The Bridge Loan was subsequently eliminated on consolidation.

On August 8, 2023 the Company announced that closed its securities exchange agreement dated June 13, 2023 with Aqueous Resources LLC, a private arm's length limited liability company based in Denver, Colorado, USA, pursuant to which the Company acquired all of the outstanding membership interests of Aqueous from the holders of the Membership Interests in exchange for common shares in the capital of the Company (the "Aqueous Transaction"). On completion of the Aqueous Transaction, Aqueous became a wholly-owned subsidiary of the Company.

Pursuant to the terms of the Securities Exchange Agreement, Alchemist acquired all the outstanding Membership Interests and as consideration issued 17,500,000 common shares, on a pro rata basis, to the Members with a fair value of $0.64 per share.

The Company issued an aggregate of 1,000,000 common shares as a finder's fee in connection with the Aqueous Transaction.

Aqueous, a company existing under the laws of the State of Colorado, is the sole owner of patent pending technology for an electro-pressure membrane process and method for recovery and concentration of lithium chloride from aqueous sources, and has built a complete pilot system for pre-treating, concentrating, and processing lithium enriched continental brines using their proprietary process in their laboratory facility in Denver. On May 18, 2023, Aqueous won a USD$250,000 grant from the Advanced Industries Early-Stage Capital and Retention Grant Program, a grant made through the Colorado Office of Economic Development and International Trade, designed to help Colorado-based advanced industries technology businesses develop and commercialize advanced technologies. Aqueous has also been awarded one (1) of ten (10) Fast-Track grants by the U.S. Department of Energy (DOE). The USD$1,300,000 (CDN$1,727,000) grant was announced on July 10, 2023 by the DOE, DOE Announces $72 Million For Small Business Research and Development Grants | Department of Energy. The DOE funded a total of $72 million for 296 projects for leading small businesses to pursue scientific, clean energy, and climate research, development, and demonstration projects. Only ten (10) Fast-Tracks (combined Phase I and Phase II awards) were awarded out of these 296 projects. The median Phase I award is $200,000 for a period of six to twelve months.

Lithos is currently under non-disclosure agreements and conducting pilot scale testing of pre-treatment and DLE with a multiplicity of North American and International continental brine resource owners.

Exploration and evaluation assets

Rhodes Marsh Property

On January 27, 2023, the Company acquired the Rhodes Marsh property pursuant to the acquisition of Iron Forge. The Rhodes Marsh property is an early-stage exploration project located in Mineral County, Nevada, USA. The project is comprised of two separate claim blocks within the Rhodes Marsh area, within the Spring Valley, approximately 350km northwest of Las Vegas. See Notes 7 and 8 of the April 30, 2023 Financial Statements for the valuation of the exploration and evaluation asset.

PacMan Project, Arizona, USA

On April 27, 2023, the Company acquired the PacMan property pursuant to the acquisition of Lithos. The property consists of 120 mineral claims which were staked on the Wilcox Playa, Arizona.

Selected Annual Information

Years ended April 30, 2023, 2022 and 2021.

	April 30, 2023	**April 30, 2022**	**April 30, 2021**
	$	$	$
Revenues	-	-	-
Net loss for the year	(2,023,470)	(1,035,206)	(1,025,348)
Comprehensive loss for the year	(2,023,470)	(1,035,206)	(1,025,348)
Basic and diluted loss per share	(0.09)	(0.13)	(0.29)
Total Assets	17,227,600	412,822	64,751
Total Liabilities	476,326	213,253	448,763

Results of Operations

For the year ended April 30, 2023, the Company incurred a net loss of $2,023,470 compared to a net loss of $1,035,206 for the year ended April 30, 2022. The Company's loss included expenditures as follows:

- Professional fees of $203,641 (2022 – $117,461) increased due to legal fees associated with the acquisitions of Iron forge and Lithos Technology Corp.
- Business development costs of $47,250 (2022 - $13,112) are reflective of the increase in activities in the current year.
- Consulting fees of $106,097 (2022 - $350,100) decreased due to fewer use of consultants associated with business transactions compared to the prior period.
- Exploration costs of $145,808 (2022 - $34,719) increased due to the costs associated with the Rhodes Marsh project prior to Alchemist acquiring title.
- Filing fees and shareholder information of $43,961 (2022 - $22,742) increased due to the additional filings that required disclosure and filings.
- Rent was $46,580 (2022 - $nil) for a short-term office lease.
- Share- based compensation was $127,238 (2022 - $nil) for stock options that were granted and vested in the year.
- Debt settlement of $100,327 (2022 - $500,112) related to the settlement of convertible debt and payables.
- Transactions costs of $1,200,000 (2022 - $nil) were for finders fees associated with the acquisition of Lithos.

For the three months ended April 30, 2023, the Company incurred a net loss of $1,672,178 compared to a net loss of $556,777 for the three months ended April 30, 2022. The Company's loss included expenditures as follows:

- Professional fees of $70,748 (2022 – $75,843) were similar in each quarter.
- Business development costs of $32,150 (2022 - $Nil) are reflective of the increase in activities in the current year.
- Consulting fees of $66,816 (2022 - $38,784) increased due to increase in the use of consultants associated with proposed business transactions.
- Exploration costs o $145,808 (2022 - $34,719) increased due to the costs associated with the Rhodes Marsh project.
- Filing fees and shareholder information of $14,658 (2022 - $9,346) are associated with required disclosure and filings.
- Share- based compensation was $127,238 (2022 - $nil) for stock options that vested in the year
- Debt settlement of $Nil (2022 - $394,227) related to the settlement of convertible debt and payables.
- Transactions costs of $1,200,000 (2022 - $nil) were for finders fees associated with the acquisition of Lithos.

Summary of Quarterly Financial Results

Results for the most recent quarters including the last quarter ended April 30, 2023, are as follows:

For the Quarterly Periods ended:		**April 30, 2023**	**January 31, 2023**	**October 31, 2022**	**July 31, 2022**
Total revenues	$	-	-	-	-
Net (loss) earnings for the period	$	(1,672,178)	34,928	(145,797)	(240,923)
Net (loss) earnings per common share, basic and diluted	$	(0.07)	0.00	(0.01)	(0.01)

For the Quarterly Periods ended:		**April 30, 2022**	**January 31, 2022**	**October 31, 2021**	**July 31, 2021**
Total revenues	$	-	-	-	-
Net loss for the period	$	(556,777)	(243,994)	(116,021)	(118,414)
Net loss per common share, basic and diluted	$	(0.07)	(0.05)	(0.03)	(0.03)

Proposed Transactions

As at the date of this report, there were no proposed transactions.

Related Party Transactions

Key management personnel compensation

The remuneration of the Company's directors and other members of key management, who have the authority and responsibility for planning, directing, and controlling the activities of the Company, consists of the following amounts.

The following table summarizes transactions with related parties during the year ended April 30, 2023 and 2022:

		Year ended		
		April 30, 2023		April 30, 2022
Consulting fees	**$**	**-**	$	146,500
Accounting fees		**30,000**		15,500
Rent		**46,580**		-
	$	**76,580**	$	162,000

As at April 30, 2023, $129,461 (2022 - $13,025) of unpaid consulting and professional fees was included in accounts payable and accrued liabilities. The amounts are unsecured, non-interest bearing and due on demand.

During the year ended April 30, 2021, the Company had $240,000 in loans due to related parties. Of this amount, $180,000 was due to the former CEO of the Company and $60,000 was due to a former director. The amounts represented accounts payable balances that were subordinated for working capital purposes. The debt was unsecured, non-interest bearing and was due 12 months from the date the Company resumed trading on the CSE.

During the year ended April 30, 2022, $174,575 of the $180,000 due to the former CEO was reassigned to arms length parties which were settled through the issuance of 1,455,417 common shares with a fair value of $363,854 and the difference between debt and fair value of shares of $189,204 was recorded in the profit and loss. The remaining $5,425 of the $180,000 due to the former CEO was recorded as forgiveness of debt in the profit and loss statement. The Company repaid $32,000 of the $60,000 due to a director and the remaining $28,000 was recorded as forgiveness of debt in the profit and loss.

<u>Shareholder loans</u>

	Year ended	
	April 30, 2023	April 30, 2022
Opening balance	$ 222	$ 11,253
Cash received	-	17,085
Cash paid for principal	-	(28,534)
Loss on debt settlement	-	491
Forgiveness of debt	(222)	(73)
	$ -	$ 222

During the year ended April 30, 2022, the Company received working capital advances from related parties. The advances are unsecured, non-interest bearing and have no repayment terms. As at April 30, 2023, the balance was $Nil (2022 - $222).

Liquidity and Capital Resources

As at April 30, 2023, the Company had $577,669 (April 30, 2022 - $352,085) in cash and other current assets of $329,738 (April 30, 2022 - $60,737) for an aggregate of $907,407 (April 30, 2022 - $412,822). Current liabilities total $476,326 (April 30, 2022 - $213,253). Accordingly, as at April 30, 2023, the Company's working capital was $431,081 (April 30, 2022 - $199,569).

Financings

For the year ended April 30, 2023:

- On June 8, 2022, the Company settled a convertible debt of $94,062 by issuing 648,706 units. Each unit is comprised of one common share with a fair value of $0.30 per share and one common share purchase warrant. Each warrant will entitle the holder thereof to acquire one share at a price of $0.145 per warrant share and exercisable for 4 years.

- On January 20, 2023, the Company closed a non-brokered private placement and issued 5,860,853 common shares at a price of $0.145 per share for proceeds of $849,284.

- On January 27, 2023, the Company issued an aggregate of 7,499,999 common shares to the shareholders of Iron Forge with a fair value of $0.145 per common share and 3,749,999 share purchase warrants. Each warrant entitles the holder thereof to purchase one common share in the capital of the Company at an exercise price of $0.20 for a period of two years after the date of issuance. The warrants had a residual value of $nil.

- On February 9, 2023, the Company issued an aggregate of 889,655 common shares at a price of $0.145 per share for gross proceeds of $129,000 in a non-brokered private placement.

- On April 27, 2023. the Company issued an aggregate of 15,000,000 common shares to the Lithos shareholders and 10,000,000 performance shares to certain employees and consultants of Lithos. The equity instruments had a fair value of $0.60 per share for total consideration of $15,000,000. In addition, the Company issued 2,000,000 common shares with a fair value of $1,200,000 to an arms length party as a finders' fee. The transaction costs were incurred in connection with the business combination and were expensed through the statement of loss and comprehensive loss.

For the year ended April 30, 2022:

- On November 19, 2021 the Company consolidated the Company's issued share capital on the basis of twenty (20) common shares for one (1) new common share of the Company.

- On January 13, 2022, the Company issued an aggregate of 11,983,333 units at a price of $0.075 per unit for aggregate gross proceeds of $898,750 in a non-brokered private placement. Each unit is comprised of one common share and one common share purchase warrant. Each warrant will entitle the holder thereof to acquire one share at a price of $0.20 per warrant share and exercisable for 3 years.

  On February 18, 2022, the Company settled $299,650 of debt by issuing 2,497,080 common shares with a fair value of $624,270. The Company recognized a loss on the settlement of debt of $324,621 on the transaction.

- On February 24, 2022, the Company issued an aggregate of 150,000 common shares at a price of $0.70 per share for gross proceeds of $105,000 in a non-brokered private placement.

During the year ended April 30, 2022, the Company received the following loans:

- A $87,500 convertible debenture that is unsecured, bearing interest at 10% per year, due within 30 days of the Company resuming trading. The debt was repayable in cash or through the issuance of 125,000 units. Each unit was to be comprised of one common share and one share purchase warrant. The loan met the criteria of a convertible debenture, however, as the debt was past due it was recorded at its present value, $nil was assigned to the equity component. During the year ended April 30, 2023, the $87,500 in principal and $6,563 in interest expense was settled by the issuance of 648,706 units. Each unit comprised of one common share and one common share purchase warrant. Each warrant will entitle the holder to acquire one share at a price of $0.145 per share and is exercisable for 4 years.

- A $100,000 loan that was unsecured, and non-interest bearing was repaid in two cash payments of $50,000 in January and March 2022.

Outstanding Shares

The following table sets forth information concerning the outstanding securities of the Company:

	August 16, 2023	April 30, 2023	April 30, 2022
Common shares	80,305,976	60,360,162	18,460,949
Stock options	1,620,000	350,000	-
Warrants	16,232,038	16,382,038	11,983,333
Fully Diluted Shares	98,158,014	77,092,200	30,444,282

Financial and Other Instruments

Financial instruments are agreements between two parties that result in promises to pay or receive cash or equity instruments. The carrying values of these instruments approximate their fair values due to their short term to maturity.

Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The levels of the fair value hierarchy are defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: Inputs for assets or liabilities that are not based on observable market data.

The Company's financial instruments classified as Level 1 in the fair value hierarchy include cash. The carrying values of advances receivable, accounts payable and accrued liabilities, convertible debt and shareholder loans approximate their fair values due to the short-term maturity of these instruments.

- Credit risk;
- Liquidity risk; and
- Market risk.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company manages credit risk, in respect of cash, by placing cash at major Canadian financial institutions. The Company has minimal credit risk on its advances receivable as at April 30, 2023, as subsequent to year end, it acquired a 100% interest in Aqueous Resources LLC.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquid funds to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The contractual financial liabilities of the Company as of April 30, 2023, equal $476,326 (April 30, 2022 - $213,253). All of the liabilities presented as accounts payable are due within 90 days of the end of the period. The Company is seeking additional sources of capital through financing opportunities.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on capital.

As at April 30, 2023 and 2022, the Company is not exposed to significant market risk.

Critical Accounting Estimates

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Significant estimates made in the preparation of the financial statements included the valuation of equity consideration granted for acquisitions, the estimated useful life of the intangible asset, impairment of exploration and evaluation assets, impairment of intangible asset and goodwill, recognition of deferred tax assets and liabilities, and share-based payments.

Management believes the estimates are reasonable; however, actual results could differ from those estimates and could impact future results of operations and cash flows.

Management's Report on Internal Control over Financial Reporting

In connection with Exemption Orders issued in November 2007 by each of the securities commissions across Canada, the CEO and CFO of the Company will file a Venture Issuer Basic Certificate with respect to the financial information contained in the unaudited interim financial statements and the audited annual financial statements and respective accompanying MD&A.

In contrast to the certificate under National Instrument 52-109 – *Certification of Disclosure in Issuer's Annual and Interim Filings* ("NI 52-109"), the Venture Issuer Basic Certification includes a 'Note to Reader' stating that the CEO and CFO do not make any representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financing reporting, as defined in NI 52-109.

Accounting Standards, Amendments and Interpretations not yet Effective

For details of the Company's Future Accounting Standards, including accounting standards not yet adopted, new accounting standards adopted, and accounting standards amended but not yet effective, please refer to Note 4 of the Company's audited consolidated financial statements for the year ended April 30, 2023.

Off-Balance Sheet Arrangements

The Company did not enter into any off-balance sheet arrangements as at April 30, 2023, or as of the date of this report.

Risks and Uncertainties

The Company believes that the following risks and uncertainties may materially affect its success.

Limited Operating History

The Company is a relatively new company with limited operating history and no history of business or mining operations, revenue generation or production history. The Company was incorporated on October 22, 2010 and has yet to generate a profit from its activities. The Company is subject to all of the business risks and uncertainties associated with any new business enterprise, including the risk that it will not achieve its growth objective. The Company anticipates that it may take several years to achieve positive cash flow from operations.

Lack of Operating Cash Flow

The Company currently has no source of operating cash flow and is expected to continue to do so for the foreseeable future. The Company's failure to achieve profitability and positive operating cash flows could have a material adverse effect on its financial condition and results of operations. If the Company sustains losses over an extended period of time, it may be unable to continue its business. Further exploration and development of the Rhodes Marsh Project, will require the commitment of substantial financial resources. Significant expenditures are required for the foreseeable future, as mineral claims in a virgin lithium are explored and a patent-pending oil & gas wastewater solutions technology for direct lithium extraction which unique modular technology is developed, the Company will continue to seek capital through the issuance of equity, strategic alliances or joint ventures, and debt. It may be several years before the Company may generate any revenues from operations, if at all. There can be no assurance that the Company will realize revenue or achieve profitability.

Exploration of Mineral Property Interests

Mineral exploration and development involves a high degree of risk and few properties that are explored are ultimately developed into producing mines. The discovery of bodies of commercial mineralization is dependent upon a number of factors, not the least of which is the technical skill of the exploration personnel involved. Most of the above factors are beyond the Company's control.

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.

Regulatory Requirements

Even if the Rhodes Marsh Project is proven to host economic reserves of precious or non-precious metals, factors such as governmental expropriation or regulation may prevent or restrict mining of any such deposits. Exploration and mining activities may be affected in varying degrees by government policies and regulations relating to the mining industry. Any changes in regulations or shifts in political conditions are beyond the control of the Company and may adversely affect its business. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, expropriation of such mineral properties, environmental legislation and mine safety.

Global Uncertainty

On March 11, 2020, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", was declared by the World Health Organization as a global pandemic. This has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused material disruption to business globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

Reliance on Management and Dependence on Key Personnel

The success of the Company will be largely dependent upon on the performance of the directors and officers and the ability to attract and retain key personnel. The loss of the services of these persons may have a material adverse effect on the Company's business and prospects. The Company will compete with numerous other companies for the recruitment and retention of qualified employees and contractors. There is no assurance that the Company can maintain the services of its directors and officers, or other qualified personnel required to operate its business. Failure to do so could have a material adverse effect on the Company and its prospects.

Conflicts of Interest

Certain of the directors and officers of the Company will be engaged in, and will continue to engage in, other business activities on their own behalf and on behalf of other companies (including mineral resource companies) and, as a result of these and other activities, such directors and officers of the Company may become subject to conflicts of interest. The BCBCA provides that in the event that a director has a material interest in a contract or proposed contract or agreement that is material to the issuer, the director must disclose his interest in such contract or agreement and refrain from voting on any matter in respect of such contract or agreement, subject to and in accordance with the BCBCA. To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the BCBCA.

Litigation

The Company and/or its directors may be subject to a variety of civil or other legal proceedings, with or without merit.

Caution Regarding Forward Looking Statements

This MD&A contains forward-looking statements. Forward-looking statements are projections of events, revenues, income, future economic performance or management's plans and objectives for future operations. In some cases, you can identify forward-looking statements by the use of terminology such as "may", "should", "expects", "plans", "anticipates", "believes", "estimates", "predicts", "potential" or "continue" or the negative of these terms or other comparable terminology. Examples of forward-looking statements made in this MD&A include statements about the Company's business plans; the costs and timing of its developments; its future investments and allocation of capital resources; success of exploration activities; requirements for additional capital; government regulation of mining operations. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including: general economic and business conditions, fluctuations in worldwide prices and demand for minerals; our lack of operating history; the actual results of current exploration activities; conclusions or economic evaluations; changes in project parameters as plans continue to be refined; possible variations in grade and or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes or other risks of the mining industry; delays in obtaining government approvals or financing or incompletion of development or construction activities, any of which may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these 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 the Company's business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions or other future performance suggested herein. Except as required by applicable law, including the securities laws of Canada, the Company does not intend to update any of the forward-looking statements to conform these statements to actual results.

Additional Disclosure for Venture Issuers without Significant Revenue

Additional financial information is available in the Company's audited annual financial statements for the year ended April 30, 2023. These statements are available on SEDAR at www.sedar.com.

The following addresses the specific disclosure requirements for venture issues without significant revenues:

(a) Capitalized or expensed exploration and development costs –See *Overall Performance*.
(b) Expensed research and development costs – Not applicable
(c) Deferred development costs – Not applicable
(d) General administrative expenses – the financial information is presented in the Statement of Loss and Comprehensive Loss in the financial statements.
(e) Any material costs, whether capitalized, deferred or expensed, not referred to in (a) through (d) – None.

Officers and Directors

Certain directors of the Company are also directors, officers and/or shareholders of other companies that are similarly engaged in the business of acquiring, developing and exploring natural resource properties. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required to act in good faith with a view to the best interests of the Company and to disclose any interest which they may have in any project opportunity of the Company. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his/her interest and abstain from voting on the matter(s). In determining whether or not the Company will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at the time.

Current Directors of the Company are as follows:

Scott Taylor, Director, President & CEO
Eric Boehnke, Director
Jennie Choboter, Director & CFO

Approval

The Board of Directors of Lithos Energy Ltd. has approved the disclosure contained in this MD&A on August 16, 2023.

Additional information related to the Company is available on SEDAR at www.sedar.com, on the Company's website at www.alchemistmining.com.