Discovery Lithium Inc.
(formerly ISM Resources Corp.)
Management's Discussion and Analysis of Results of Operations and Financial Condition
For the three months ended April 30, 2024

Introduction

This Management Discussion and Analysis (this "MD&A") of Discovery Lithium Inc. (formerly ISM Resources Corp.) (the "Company" or "Discovery") has been prepared by management as of June 21, 2024, and should be read in conjunction with the audited consolidated financial statements for the three months ended April 30, 2024, and the related notes contained therein which have been prepared under International Financial Reporting Standards ("IFRS"). The information contained herein is not a substitute for detailed investigation or analysis on any particular issue. The information provided in this document is not intended to be a comprehensive review of all matters and developments concerning the Company.

All financial information in this MD&A has been prepared in accordance with IFRS and all dollar amounts are quoted in Canadian dollars, the reporting and functional currency of the Company, unless specifically noted.

The continued operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. Management believes that sufficient working capital will be obtained from external financing to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These events and conditions create a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern. The consolidated financial statements do not include the adjustments that would be necessary should the Company be unable to continue as a going concern and realize its assets and discharge its liabilities in the normal course of business. Such adjustments could be material.

In March 2020, the COVID-19 pandemic has caused significant financial market and social dislocation. The situation is dynamic with various cities and countries around the world responding in different ways to address the outbreak. In late February 2022, Russia launched a large scale military attack on Ukraine. The invasion significantly amplified already existing geopolitical tensions among Russia, Ukraine, Europe, NATO and the West, including Canada. Consequently, the Company has limited access to capital and financing which is the primary source of cash for the Company. While the Company continues to monitor the resource property portfolio and assess the impact that these events will have on its business activities, the extent of the effect of these events on the Company's future activities is uncertain.

Overview

The Company was incorporated under the Business Corporations Act (British Columbia) (the "BCBCA") on October 26, 2021. The Company's head office and principal address is located at Suite 1450, 789 West Pender Street, Vancouver, BC, Canada, V6C 2H1.

The Company obtained assets and a distribution of shareholders sufficient to facilitate the intended listing of its common shares for trading on the Canadian Securities Exchange ("CSE"). The Company's shares are now trading on the CSE under the stock symbol "DCLI". The Company is also trading on the OTC under the symbol DCLIF, and on the Frankfurt Stock Exchange under the symbol Q3Q0.

The technical content of this report has been reviewed and approved by Mike Kilbourne, P. Geo., (OGQ #1971) who is an independent Qualified Person ("QP") as defined in National Instrument 43-101, Standard Disclosure for Mineral Projects.

DISCOVERY LITHIUM

Corporate Updates

On May 24, 2024, the Company announced a non-brokered private placement of up to 6,666,667 units of the Company ("Units") at a price of $0.15 per Unit for gross proceeds of up to $1,000,000 (the "Offering"). Each Unit will be comprised of one common share of the Company and one-share purchase warrant, with each warrant exercisable to acquire one common share of the Company at a price of $0.20 per share for a period of 24 months from the date of issuance. The gross proceeds from the Offering are expected to be used for general corporate purposes and working capital. The closing of the Offering is subject to certain conditions including, but not limited to, receipt of all necessary regulatory approvals. The Company may pay finder's fees in connection with the Offering. All securities issued in connection with the Offering will be subject to a statutory hold period of four months and one day pursuant to applicable securities law.

On June 6, 2024, the Company announced it has entered into an Earn-In Option Agreement ("the Agreement") with Apex Critical Metals Corp. ("Apex") and DG Resource Management Ltd. ("DGRM") to acquire an 80% interest on the West James Bay property portfolio. The portfolio includes the Mantle, Cirrus East, Cirrus West, Neptune, Alto, Opus and Bruce Lake projects located within the James Bay Region. DGRM is a private, Edmonton based, specialty metals exploration company that has notably generated several significant discoveries, including Patriot Battery Metals Corvette QC, Hidden Lake, NWT and Pontax QC project(s). Upon and subject to the terms of this Agreement, Apex and DGRM will grant the Company the sole and exclusive right and option to acquire, as to 40% from DGRM and as to 40% from Apex, an undivided 80% Earned Interest in the Mantle, Cirrus East, Cirrus West, Neptune, Alto, Opus and Bruce Lake projects, free and clear of any Encumbrance, subject only to the Royalty. To maintain the Option in good standing, the Company will make a share issuance within 5 days of signing the agreement of 5,000,000 (issued) shares and incur a minimum expenditure of $1,000,000 on or before the date that is six (6) months from the effective date.

Forward-Looking Information

In making and providing the forward-looking information included in this MD&A the Company's assumptions may include among other things: (i) assumptions about the price of metals; (ii) that there are no material delays in the optimization of operations at the exploration and evaluation assets; (iii) assumptions about operating costs and expenditures; (iv) assumptions about future production and recovery; (v) that there is no unanticipated fluctuation in foreign exchange rates; and (vi) that there is no material deterioration in general economic conditions. Although management believes that the assumptions made and the expectations represented by such information are reasonable, there can be no assurance that the forward-looking information will prove to be accurate. By its nature, forward-looking information is based on assumptions and involves known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by such forward-looking information. Such risks, uncertainties and other factors include among other things the following: (i) decreases in the price of base metals; (ii) the risk that the Company will continue to have negative operating cash flows; (iii) the risk that additional financing will not be obtained as and when required; (iv) material increases in operating costs; (v) adverse fluctuations in foreign exchange rates; and (vi) environmental risks and changes in environmental legislation.

This MD&A and the Company's annual information form contain information on risks, uncertainties and other factors relating to the forward-looking information. Although the Company has attempted to identify factors that would cause actual actions, events or results to differ materially from those disclosed in the forward-looking information, there may be other factors that cause actual results, performances, achievements or events not to be anticipated, estimated or intended. Also, many of the factors are beyond the Company's control. Accordingly, readers should not place undue reliance on forward-looking information. The Company undertakes no obligation to reissue or update forward-looking information as a result of new information or events after the date of this MD&A except as may be required by law. All forward-looking information disclosed in this document is qualified by this cautionary statement.

Spin-out of Gold Properties

On September 23, 2022, Ameriwest completed the Arrangement Agreement with its 100% owned subsidiary, ISM, whereby Ameriwest spun-off its existing non-lithium assets, being the Koster Dam, ESN, and Quet and Fire gold prospects into ISM.

As a result of the Arrangement, among other things, shareholders of Ameriwest (the "Shareholders") received one new Ameriwest common share (a "New Ameriwest Share") and one-eighth (1/8) of one common share of ISM (a "ISM Share") for each common share of Ameriwest held by such Shareholder immediately before the completion of the Arrangement. Also in connection with the Arrangement, (a) for each stock option of Ameriwest held, each option will receive one option to purchase from Ameriwest one New Ameriwest Share (a "New Ameriwest Option") and one-eighth (1/8) of one option to purchase from ISM one ISM Share, and (b) for each common share purchase warrant of Ameriwest held, each warrant holder will receive one warrant to purchase from Ameriwest one New Ameriwest Share (a "New Ameriwest Warrant") and one-eighth (1/8) of one warrant to purchase from ISM one-eighth of one ISM Share. The exercise prices of the stock options and common share purchase warrants of ISM will be determined by the trading prices of ISM for the five trading days following completion of the Arrangement (as more particularly described in the Circular (defined below)).

The New Ameriwest Options will be issued pursuant to the Ameriwest stock option plan which was approved by Shareholders at an annual and special meeting of Shareholders held on July 5, 2022.

Serindac Lake and Vaubert Lake Claims

The Company entered into a definitive agreement (the "Agreement") with various sellers (the "Sellers") pursuant to which, it has acquired, through its wholly-owned subsidiary, Discovery Lithium Holdings Inc., a 100% undivided legal and beneficial interest in and to each of those certain Serindac Lake Claims (comprising 1,675 mineral claims) and Vaubert Lake Claims (comprising 2,113 mineral claims) located in the under-explored Nunavik region of Northern Quebec.

The Nunavik region has seen very little exploration for lithium and rare-element pegmatites to-date. Discovery Lithium's extensive claim holdings are located directly upon some of the highest lake bottom sediment anomalies in the entire province. The data represents 99th percentile lithium and cesium as identified in the official Quebec government ministry database. Early-stage assessments of available historic regional data posit geological parameters that reinforce the region as an excellent location for rare-element pegmatites including favourable lithological rock-types and structural interpretation of regional magnetics which are coincident with very high lithium, cesium, and rubidium lake sediment samples. The Company carried out an initial ground exploration program in 2023 and released results of the program on March 1st, 2024. At both the Vaubert Lake and Serindac Lake Projects, new pegmatites were discovered. At the Serindac Lake Project, two pegmatites yielded pathfinder minerals such as tourmaline and had widths of over 20 m.

In accordance with the terms and conditions of the Agreement, the Company acquired the claims from a group of Sellers in consideration of: (i) a cash payment of $990,000 ($495,000 paid at closing with the balance being due and payable on or before November 15, 2024) to one of the Sellers; (ii) the issuance to the Sellers of an aggregate of 7,500,000 common shares of the Company (issued with a fair value of $3,525,000); and (iii) the granting of a 1% net smelter return royalty to one of the Sellers. The Shares issued are subject to a voluntary pooling arrangement whereby one-third of the Shares will be released from escrow every six months after the closing of the Acquisition (the "Closing").

Route du Nord, Lac Belanger, Lac Ferland and Lac Robertson Claims

On September 19, 2023, the Company entered into a definitive agreement (the "Agreement") with certain arm's-length vendors (the "Sellers") to acquire a 100% undivided legal and beneficial interest in 303 mineral claims comprising approximately 16,404 hectares located in the northern and eastern regions of Québec (the "Claims"), identified as the Route De Nord, Lac Belanger, Lac Ferland and Lack Robertson properties. Pursuant to the Agreement, the Company has agreed to make a cash payment of $25,000 (paid) and issue an aggregate of 400,000 common shares (issued with a fair value of $232,000). The common shares are subject to a 10-month lock-up and the Sellers have agreed not to sell, dispose of or otherwise transfer the common shares until released from lock-up, with 100,000 common shares released four months from the closing date of the Acquisition and an additional 100,000 common shares released every two months thereafter. The Shares will also be subject to a statutory hold period in accordance with applicable securities laws.

James Bay: Route Du Nord Project
The Route Du Nord project is located approximately 575 km north of Val d'Or in the James Bay region of central Quebec encompassing approximately 60 square kilometers stretching 36 km east to west and is parallel to and within 5 km of the 407 km long wilderness road known as the "Route Du Nord." The project has excellent infrastructure access with the Nemiscau hydroelectric installation located 5 km to the south. Roughly 35 km to the east is the world-renowned Whabouchi deposit1. This deposit occurs within a regional thrust fault that extends and terminates in the Valiquette pluton. The fault acted as a pathway for LCT pegmatite melt at the Whabouchi project and may host other LCT pegmatites along strike. The Route Du Nord project captures the continuation of the thrust fault into the Valiquette Pluton, making it highly prospective for LCT pegmatites. A total of 35 samples were collected in the fall of 2023, with results released on March 1st, 2024.

North Coast: Lac Belanger and Lac Ferland Projects
The Lac Belanger and Lac Ferland projects are on the north coast of the Gulf of St. Lawrence in Quebec and encompass 80 square kilometers combined. The claims are located on metasedimentary terrane near fractionated granites that are potential source intrusions for LCT pegmatites. Pegmatites are described in the region by the geological survey of Quebec and were mapped to the south along the coast where mapping occurred in detail. Lithium in lake sediments on the claims is up to 15 times enriched with respect to the immediate surroundings. Several days of prospecting were concluded in the fall of 2023 with results released on March 1st, 2024. The Lac Belanger claim yielded increasing lithium values in pegmatites vectoring towards an area of overburden.

North Coast: Lac Robertson Project
The Lac Robertson project is located immediately west of lake Robertson and encompasses 18 square kilometers. Lake bottom sediments of Lac Robertson are highly anomalous in lithium and the lake overlies a large gravity and RMI anomaly. Taken together these anomalies imply a fertile source intrusion underneath Lac Robertson. The Lac Robertson Project covers potential pegmatites visible in satellite imagery.

Projects under Earn-in with DGRM and Apex

The Company can acquire an 80% interest on the following West James Bay property portfolio projects after entering into an earn-in agreement with DGRM and Apex on June 6 2024 (See 'Corporate Updates') section.

Mantle and Bruce Lake Project(s)
Situated within the Yasinski Lake Greenstone Belt, the Mantle Project spanas 5049 hectares (~12476 acres) across 89 claims in the James Bay area, Quebec, the project is adjacent to recent LCT Pegmatite discoveries of Q2 Metals Corp and Ophir Gold Corp. This under-explored region has seen a surge in LCT Pegmatite exploration, with several active exploration projects within the area.

Bruce Lake
Bruce Lake lies immediately north of Q2 Metals Corp. Mia Project, where recent drilling identified several spodumene bearing pegmatites.

Cirrus East Project
The Cirrus East Project, less than 3 km from newly discovered Spodumene-bearing pegmatites, comprises 44 claims across 2252 hectares (~5565 acres) within the James Bay area. The easternmost claims are in close proximity to the Cancet West lithium pegmatite discovery and approximately 15 km from the Warhawk Pegmatite.

Cirrus West Project
Comprising 333 claims across 16953 hectares (~41892 acres) within the James Bay area, the Cirrus West Project is proximal to several known lithium occurrences, including the Warhawk Pegmatite. The project is underlain by favourable host lithology, including metasediments and metavolcanics of the Lac Guyer greenstone belt.

Neptune Project
The Neptune Project consists of 78 claims across 4009 hectares (~9906 acres) within the James Bay area and hosts anomalous lithium in stream/sediment samples. The region hosts several tourmaline-bearing pegmatites and is home to notable lithium explorers such as Azimut Exploration Inc. and Brunswick Exploration Inc.

Alto Project
Situated less than 10 km from recent pegmatite discoveries, the Alto Project comprises 79 claims across 4136 hectares (~10221 acres) within the James Bay area. The project is west of Ophir Gold Corps Pilipas Project and Quebec Precious Metals newly discovered Ninaaskumuwin spodumene pegmatite, which is described as a 175-meter long by 42-meter wide outcrop.

Opus Project
Located just north of Lebel-sur Quevillon village, the Opus Project consists of 61 claims across 3413 hectares (~8434 acres) within the James Bay area. The project is within a short distance of the 1055 road and is crossed by a forest path. Historical geochemical data show 18 lithium anomalies up to 963 ppm within and near the property.

Koster Dam Property, Canada

On June 30, 2017, and later amended on October 26, 2018 and June 29, 2020, Ameriwest entered into an option and joint venture agreement, later replaced by an amended and restated option and joint venture agreement (the “Amended Agreement”), whereby Ameriwest was granted the option to acquire up to a 50% interest in 10 mineral claims in the Clinton Mining Division of British Columbia (the “Property”). Pursuant to the Amended Agreement, Ameriwest was granted the sole and exclusive right and option (the “Initial Option”) to acquire a 45% right, title and interest in the Property by incurring a total of $110,495 of expenditures on the Property by October 1, 2020 and the sole and exclusive right and option (the “Second Option”) to acquire an additional 5% right, title and interest in the Property by paying $50,000 in cash within 30 days of exercising the Initial Option.

If, during the term of the Amended Agreement and so long as the joint venture agreement is still in force, either party or any of its affiliates stakes any interest in mineral claims or any other form of mineral tenure (the “AOI Tenure”) within two kilometers around the perimeter boundaries of the Property or any part thereof (the Area of Interest or “AOI”) located wholly or partly within the AOI, the acquiring party must give notice to the other party of such staking. If staking occurs prior to the formation of the joint venture, the non-acquiring party may elect to require that such AOI Tenure be included in and thereafter form part of the Property. If a non-acquiring party so elects and if the AOI Tenure was staked by Ameriwest or any of its affiliates, the staking or acquisition costs shall constitute expenditures. If a non-acquiring party so elects and if the AOI Tenure was staked by the third party or any of its affiliates, Ameriwest shall reimburse the third party for the staking or acquisition costs and these costs will also constitute expenditures. If such staking occurs after formation of the joint venture, the non-acquiring party may elect to require that such AOI Tenure be included in and thereafter form part of the Property provided that it then holds a participating interest, excluding any interest in any royalty, in the Property. If the AOI Tenure becomes part of the Property, the acquiring party shall be reimbursed its staking costs in proportion to its participating interest and such reimbursement shall be deemed a cost of the joint venture.

On September 30, 2020, Ameriwest notified the third party that it had completed the minimum expenditure required to exercise the Initial Option and thereby acquired a 45% interest in the Koster Dam property.

On December 28, 2021, ISM, as transferee, entered into an Assignment and Novation Agreement (the “Koster Dam ANA”) with Ameriwest, the transferor, and the third party, the Obligee. Pursuant to the Koster Dam ANA, Ameriwest assigned, transferred, set over and conveyed all of its right, title, estate and interest in and to the Amended Agreement and all rights, benefits, privileges and advantages of Ameriwest to be derived therefrom, to have and to hold the same unto ISM for its sole use and benefit in the same manner and to the same extent as if ISM had been originally named as a party thereto instead of Ameriwest.

On December 29, 2021, the third party and ISM (the "Participants") entered into a Joint Venture Agreement (the "JV Agreement"). Pursuant to the terms of the JV Agreement, each of the Participants will be liable for their share of costs associated with the exploration, development or operation of the property, with each Participant's share of costs being equal to their interest in the property. At inception of the JV Agreement, ISM has a 45% interest in the joint venture.

Each Participant's respective interest will not change so long as each Participant contributes its respective share of costs. At any time after a Participant has elected not to contribute its share of costs, or loses its right to contribute its share of costs, then that Participant's interest will be reduced in accordance with the terms of the JV Agreement. If the interest of one of the Participants is reduced to 10% or less, their remaining interest will be transferred to the other Participant, and the diluted Participant's interest will be converted to a royalty interest, being 3.0% of net profits.

Per the terms of the JV Agreement, the Participants will establish a Management Committee consisting of two members, and two alternate members, representing each Participant. One member of the two members appointed by each Participant will be appointed as a voting member, with their number of votes being equal to the interest held by that Participant.

Pursuant to the JV Agreement, the third party will act as the initial managing operator of the joint venture.

ESN Property, USA

On February 18, 2022, Ameriwest and ISM entered into an Asset Transfer Agreement whereby ISM purchased from Ameriwest a 100% interest in the 33 claims comprising the ESN Property for a nominal amount.

The 33 claims making up the ESN Property are subject to an underlying production royalty based on the Net Smelter Returns ("NSR") from the production or sale of minerals from the property, at the rate of 2% of the NSR, with the Company having the right to repurchase each 1% of the royalty at the rate of US$1 million for each 1% within five years after the date of the acquisition of the property.

Discussion of Operations

Quarterly Results

The Company most recent eight quarters have been presented in the table below:

	April 30, 2024	January 31, 2024	October 31, 2023	July 31, 2023
Revenue	$ Nil	$ Nil	$ Nil	$ Nil
Loss and comprehensive loss for the period	(574,258)	(901,228)	(1,082,647)	(1,158,594)
Exploration and evaluation assets	8,551,184	8,538,889	8,250,050	3,210,792
Total assets	11,808,901	11,775,969	10,944,738	6,112,973
Loss per share	(0.01)	(0.10)	(0.03)	(0.04)

	April 30, 2023	January 31, 2023	October 31, 2022	July 31, 2022
Revenue	$ Nil	$ Nil	$ Nil	$ Nil
Loss and comprehensive loss for the period	(193,166)	(217,889)	(227,827)	(68,419)
Exploration and evaluation assets	2,772,256	2,767,459	3,225,476	3,184,167
Total assets	5,287,052	3,885,775	4,606,914	4,616,134
Loss per share	(0.02)	(0.10)	(0.02)	(0.00)

Results for the period ended April 30, 2024

The Company had a net loss of $574,258 for the period ended April 30, 2024 as compared to $193,166 for the period ended April 30, 2023.

Significant expense details are as follows:

- Accounting and audit fees of $19,500 (April 30, 2023 - $16,333),
- Administrative fees of $37,500 (April 30, 2023 - $25,500) were incurred by the former CEO in the prior year and the new management group hired effective June 1, 2023 during the current year,
- Advertising and promotion expenses of $400,036 (April 30, 2023 - nil) due to increased promotions of the Company's new interests,
- Consulting fees and salaries of $82,629 (April 30, 2023 - $15,500) are for advisory services for business operations,
- Depreciation of $nil (April 30, 2023 - $8,096) is due to right of use asset from the lease agreement that the Company entered in fiscal 2023
- Filing fees and transfer agent fees of $14,879 (April 30, 2023 - $12,477) are related to the reporting requirements, transfer agent costs incurred, and communication material sent to investors during the current period
- Interest expense of $nil (April 30, 2023 - $ 983) is related to the lease liabilities from the lease agreement that was entered in fiscal 2024,
- Interest revenue of $25,628 (April 30, 2023 - $Nil) was earned on the cash balances held during the year,
- Legal fees of $29,826 (April 30, 2023 - $86,116) were for legal services rendered related to the spin-off, the property acquisitions and the private placements,
- Office and administration expenses of $644 (April 30, 2023 - $392),
- Share-based compensation of $nil (April 30, 2023 - $9,427) was incurred for stock options granted to directors, officers and consultants, and
- Travel of $14,872 (April 30, 2023 - $18,341) for expenditures incurred for business meetings and conferences attended during the period.

Liquidity and Capital Resources

Since incorporation, the Company's operations have been funded by Ameriwest, its sole shareholder. Upon completion of the arrangement agreement between Ameriwest and Discovery, the Company's operations are dependent on its ability to generate future cash flows or obtain additional financing. Management believes that sufficient working capital will be obtained from external financing to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company.

On March 7, 2023, the Company completed a non-brokered private placement of 10,000,000 units at a price of $0.15 per unit for gross proceeds of $1,500,000. Each unit consists of one share and one common share purchase warrant. Each warrant entitles the holder thereof to purchase one common share at an exercise price of $0.20 for a period of 24 months from the date of issuance.

On March 8, 2023, the Company issued 50,000 common shares pursuant to an exercise of options at a price of $0.20 for total proceeds of $10,000, and accordingly, the Company reallocated $8,478 of reserve to share capital.

On June 26, 2023, the Company issued 150,000 common shares pursuant to an exercise of options at a price of $0.20 for total proceeds of $30,000, and accordingly, the Company reallocated $25,433 of reserve to share capital.

On July 31, 2023, the Company completed a non-brokered private placement of 3,333,365 units at a price of $0.30 per unit for gross proceeds of $1,000,010. Each unit consists of one share and one common share purchase warrant. Each warrant entitles the holder thereof to purchase one common share at an exercise price of $0.60 for a period of 24 months from the date of issuance.

On August 7, 2023, the Company completed the acquisition of the Serindac Lake Claims and Vaubert Lake Claims by issuing 7,500,000 shares with a fair value of $3,525,000 and paying $495,000.

On August 14, 2023, the Company closed a non-brokered private placement of flow-through units of the Company ("FT Units"). The Company issued 5,714,285 FT units at a price of $0.35 per FT Unit for gross proceeds of $2,000,000, with each FT Unit comprising one common share of the Company issued on a flow-through basis and one share purchase warrant (a "Warrant"). Each Warrant is exercisable to acquire one non-flow-through common share of the Company at a price of $0.70 per share for a period of 24 months from the date of issuance. In connection with closing of the non-brokered private placement, the Company paid a cash finder's fee of $60,588 to arm's length finders and issued 173,109 finder's warrants, with each such warrant exercisable to acquire one non-flow-through common share of the Company at a price of $0.70 per share for a period of 24 months from the closing date. The gross proceeds received by the Company from the sale of the FT Units will be used to incur "Canadian exploration expenses" that are "flow-through critical mineral mining expenditures" (as such terms are defined in the Income Tax Act (Canada)) on the Company's properties located in Québec. All securities issued in connection with the private placement are subject to a hold period of four months and one day pursuant to applicable securities laws. Subsequent to closing, 18,140 units were returned to treasury..

On August 24, 2023, the Company issued 525,000 finder's units to certain finders in connection with the acquisition of the Serindac Lake Claims and Vaubert Lake Claims. The finder's units are comprised of one common share of the Company and one common share purchase warrant at a deemed price of $0.15 per finder's unit. Each warrant entitles the holder to purchase an additional common share of the Company at an exercise price of $0.60 per warrant share for a period of two years. The finder's units had a fair value of $273,000. Subsequent to January 31, 2024, the exercise price of these warrants was re-priced to $0.32, and the expiry date was accelerated to March 22, 2024. These warrants were exercised subsequent to year-end.

On September 26, 2023, the Company issued 400,000 shares with a fair value of $232,000 in connection with the closing of the acquisition of the Route du Nord, Lac Belanger, Lac Ferland, and Lac Robertson Claims.

On November 7, 2023, the Company closed the first tranche of its non-brokered private placement of flow-through units of the Company ("FT Units"). The Company issued an aggregate of 1,538,461 flow-through units at a price of $0.65 per FT Unit for gross proceeds of $999,999.65 (the "First Tranche"), with each FT Unit comprising one common share of the Company issued on a flow-through basis and one-half of one share purchase warrant (each whole warrant, a "Warrant"). Each Warrant is exercisable to acquire one non-flow-through common share of the Company at a price of $0.75 per share for a period of 24 months from the date of issuance. In connection with closing of the First Tranche, GloRes Securities Inc. received a cash finder's fee of $70,000 and 107,692 finder's warrants, with each such warrant exercisable to acquire one non-flow-through common share of the Company at a price of $0.75 per share for a period of 24 months from the closing date of the First Tranche. The gross proceeds received by the Company from the sale of the FT Units will be used to incur "Canadian exploration expenses" that are "flow-through critical mineral mining expenditures" (as such terms are defined in the Income Tax Act (Canada)) on the Company's properties located in Québec. All securities issued in connection with the First Tranche are subject to a hold period of four months and one day pursuant to applicable securities laws.

On November 28, 2023, the Company closed the second and final tranche of its non- brokered private placement of flow-through units of the Company ("FT Units"). The Company issued an aggregate of 1,400,000 flow-through units at a price of $0.65 per FT Unit for gross proceeds of $910,000 (the "Closing"), with each FT Unit comprising one common share of the Company issued on a flow-through basis and one-half of one share purchase warrant (each whole warrant, a "Warrant"). Each Warrant is exercisable to acquire one non-flow-through common share of the Company at a price of $0.75 per share for a period of 24 months from the date of issuance. In connection with the Closing, GloRes Securities Inc. received 49,000 finder's warrants and Marquest Asset Management received a cash finder's fee of $63,700 and 49,000 finder's warrants, with each finder's warrant exercisable to acquire one non-flow-through common share of the Company at a price of $0.75 per share for a period of 24 months from the date of the Closing. The gross proceeds received by the Company from the sale of the FT Units will be used to incur "Canadian exploration expenses" that are "flow-through critical mineral mining expenditures" (as such terms are defined in the

Income Tax Act (Canada)) on the Company's properties located in Québec. All securities issued in connection with the private placement are subject to a hold period of four months and one day pursuant to applicable securities laws.

During the three months ended April 30, 2024, the Company issued 1,453,500 common shares pursuant to the exercise of share purchase warrants priced at $0.025 and 525,000 finder's warrants priced at $0.32 for total gross proceeds of $458,700.

The Company had working capital of $2,674,985 as at April 30, 2024 (January 31, 2024 – $2,777,838).

As at April 30, 2024, the Company had cash and cash equivalents of $3,096,688 (January 31, 2024 - $3,000,012).

Cash flows used in operating activities was $374,729 (April 30, 2024- $113,950) as at April 30, 2024, primarily because of changes in non-cash working capital items during the year, including advertising and promotions, legal expenses, management fees and consulting fees.

Cash flows used in investing activities was $12,295 (April 30, 2024- $4,797) as at April 30, 2024, due to exploration and evaluation expenditures during the year.

Cash flows provided by financing activities was $483,700 (April 30, 2024 – $1,501,000) as at April 30, 2024 was due to private placements, option exercises, and warrant exercises, less share issuance costs, and lease payments during the current period.

Share Capital

As at the date of this MD&A, the Company has 46,361,405 common shares outstanding.

- Options

Exercise price ($)	Number of options	Expiry Date
0.20	250,000	September 23, 2025
0.35	106,250	April 30, 2026
0.35	25,000	August 16, 2026
0.35	162,500	February 9, 2027
0.40	1,850,000	June 27, 2028
0.51	550,000	October 16, 2028
	2,943,750	

- Warrants

Exercise price ($)	Number of warrants	Expiry Date
0.35	380,652	September 23, 2024
0.40	5,275,000	September 23, 2024
0.20	8,499,500	March 7, 2025
0.60	3,333,365	July 31, 2025
0.70	5,696,145	August 14, 2025
0.70	173,109*	August 14, 2025
0.75	769,230	November 7, 2025
0.75	107,692*	November 7, 2025
0.75	700,000	November 27, 2025
0.75	98,000*	November 27, 2025
	25,032,693	

*indicates finder's warrant on issuance of shares
**indicates finder's warrant on for property acquisition

On March 1, 2024, the Company announced its intention to re-price and accelerate a total of 525,000 common share purchase warrants, currently priced at $0.60 and expiring August 24, 2025. The warrants were re-priced and accelerated to be exercised at a price of $0.32 per share until March 22, 2024. All warrants were exercised prior to expiry.

Off Balance Sheet Arrangements

There are no off-balance sheet arrangements to which the Company is committed.

Transactions with Related Parties

Key management personnel are the persons responsible for planning, directing and controlling the activities of the Company, and include both executive and non-executive directors, and entities controlled by such persons. The Company considers all directors and officers of the Company to be key management personnel.

During the period ended April 30, 2024, the Company had the following transactions with related parties:

	Three months ended April 30,	
	2024	**2023**
Key management compensation*	**$**	**$**
Accounting services	-	2,000
Administrative/management fees	-	9,375
Consulting fees and salaries	63,000	26,500
Property exploration costs	15,000	-
Total	78,000	37,875

All transactions with related parties have occurred in the normal course of operations and have been measured at the exchange amount, which is the amount agreed by the related parties.

Included in accounts payable and accrued liabilities at April 30, 2024 is $67,974 (January 31, 2024 - $nil) owing to officers of the Company for unpaid remuneration.

All amounts owing to related parties are unsecured, non-interest bearing and due on demand.

Commitments

On June 1, 2023, the Company entered into a management services agreement with Zimtu Capital Corp. ("Zimtu"), whereby Zimtu will provide all administrative and managerial services, including corporate maintenance, continuous disclosure and corporate compliance services, to the Company at a rate of $12,500 per month. The initial term of the Services Agreement is for 12 months and will renew for an additional 12 month provided that neither party has given 30 day's prior written notice of termination thereof.

On June 1, 2023, the Company entered into a marketing agreement with Zimtu, whereby Zimtu will provide a cooperative marketing program for ISM which will include investor presentations, Zimtu's weekly news letter, investor lead generation, social media, Rockstone Research, influencer marketing and video news releases at a rate of $12,500 per month. The initial term of the Marketing Agreement is for 12 months and will renew for an additional 12 month provided that neither party has given 30 day's prior written notice of termination thereof.

On June 1, 2023, the Company engaged Rumble Strip Media Inc. ("Rumble") to provide services to the Company for an initial term of six months, in consideration for the Company making aggregate cash payments of US$250,000 to Rumble, with an option to extend monthly upon mutual agreement and term completion. Subsequent to the year ended January 31, 2024, the Company extended this agreement on a month-to-month basis for a monthly cash payment of US$250,000.

Critical Accounting Estimates and Significant Accounting Judgements

Please refer to Note 3 of the January 31, 2024 audited consolidated financial statements.

Adoption of New and Amended Accounting Standards

There are no new, amended or proposed accounting standards that the Company's anticipates will have a material impact on the financial statements.

Financial Instruments

Please refer to Note 10 of the January 31, 2024 audited consolidated financial statements.

Proposed Transactions

There are no proposed transactions that have not been disclosed herein.

Contingencies

There are no contingent liabilities.

Risks and Uncertainties

Early stage – Need for additional funds

The Company has no history of profitable operations and its present business is at an early stage. As such, the Company is subject to many risks common to such enterprises, including undercapitalization, cash shortages and limitations with respect to personnel, financial and other resources and the lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investments and the likelihood of success must be considered in light of its early stage of operations.

The Company has no source of operating cash flow and no assurance that additional funding will be available to it for further exploration and development of its projects when required. Although the Company has been successful in the past in obtaining financing though the sale of equity securities, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favorable. Failure to obtain such additional financing could result in the delay or indefinite postponement of further exploration and development of its properties.

Competition

The mining industry is intensely competitive in all its phases. The Company competes with other companies that have greater financial resources and technical capacity. Competition could adversely affect the Company's ability to acquire suitable properties or prospects in the future.

Economic Conditions

Unfavorable economic conditions may negatively impact the Company's financial viability as a result of increased financing costs and limited access to capital markets.

Dependence on Management

The Company is very dependent upon the personal efforts and commitment of its existing management. To the extent that management's services would be unavailable for any reason, a disruption to the operations of the Company could result, and other persons would be required to manage and operate the Company.

Conflicts of Interest

The Company's directors and officers may serve as directors and officers or may be associated with other reporting companies or have significant shareholdings in other public companies. To the extent that such other companies may participate in business or asset acquisitions, dispositions or ventures in which the Company may participate, the directors and officers of the Company may have a conflict of interest in negotiating and concluding terms respecting the transaction. If a conflict of interest arises, the Company will follow the provisions of the BCBCA in dealing with conflicts of interest. These provisions state that where a director/officer has such a conflict, the director must arrange a meeting of the board to disclose his interest and must refrain from voting on the matter unless otherwise permitted by the BCBCA. In accordance with the laws of the Province of British Columbia, the directors and officers of the Company are required to act honestly, in good faith and in the best interests of the Company.

Change in Management

On June 12, 2023, the Company appointed Jody Bellefleur as Chief Financial Officer of the Company.

On June 13, 2023, the Company appointed Mike Hodge to its Board of Directors.

On June 14, 2023, the Company announced the resignation of Glenn Collick as both the President and as a director of the Company. Concurrently, the Company appointed Michael Gheyle as the Company's new President and ongoing Chief Executive Officer.

On September 19, 2023, the Company announced the resignation of Mr. Nicholas Houghton from the board of directors. Concurrently, the Company announced the appointments of Dr. Jacob (Jaap) Verbaas, P.Geo and Mr. Eric Negraeff to the board of directors.

Approval

The Board of Directors of Discovery Lithium Inc. has approved the disclosure contained in this MD&A.

Additional Information

Additional information related to the Company can be found on the Company's website at www.discoverylithium.com or on SEDAR at www.sedarplus.ca.