

AMERICAN CRITICAL ELEMENTS INC.
(formerly Razore Rock Resources Inc.)
Management Discussion and Analysis
For the three months ended July 31, 2023 and 2022

This Management Discussion and Analysis (“**MD&A**”) of American Critical Elements Inc. (the “**Company**”) dated as of September 28, 2023 provides analysis of the Company’s financial results for the three-month period ended July 31, 2023. The following information should be read in conjunction with the unaudited condensed consolidated interim financial statements and the notes thereto for the three-months ended July 31, 2023 (the “**Interim Financial Statements**”), prepared in accordance with International Accounting Standard 34, using accounting policies consistent with International Financial Reporting Standards (“**IFRS**”) as well as the Company’s most recent annual consolidated financial statements and notes thereto for the year ended April 30, 2023, which have been prepared in accordance with IFRS. The Company’s auditors have not performed a review of the Interim Financial Statements. These documents along with others published by the Company are available on SEDAR at www.sedar.com.

Overall Performance:

Performance Highlights

The Company was inactive in this first quarter ended July 31, 2023. The Company changed its name to American Critical Elements Inc. on September 19, 2022 and commenced trading under the new name and new trading symbol “**ACRE**” on Friday September 23, 2022. In the fiscal year ended April 30, 2020 the Company entered into an option agreement with True North Gems Inc. (“**True North**”) to acquire a 70% working interest in the True Blue Property (“**Property**”) in the Yukon Territory which consists of 68 mining claims in the Ketza-Seagull district on the Watson Lake Mining District comprising 13.3 square kilometres. The Company can earn a 70% interest in the Property by incurring expenditures in the aggregate amount of \$300,000 over 3 years on the Property and issuing 600,000 common shares of the Company with 200,000 shares to be issued on closing (issued), a further 200,000 shares on or before November 30, 2020 (issued) and a further 200,000 shares on or before November 30, 2021 (issued). The exploration expenditure component was subsequently amended to extend the expenditure of the remaining \$250,000 to \$100,000 to be spent by the end of the 4th anniversary of the agreement with the balance to be spent by the 5th anniversary date. Consideration issued for the extension was 50,000 common shares of the Company. True North undertook an exploration program on a group of claims that includes the Property and the Company agreed to reimburse True North for its pro-rata share of the costs based upon assessment work to be filed by True North on the Property. Once the Company earn its 70% interest, the parties will form a joint venture and contribute pro-rata to the further exploration and development of the Property. If a party is reduced to a 10% or less interest in the Property, that party’s interest will be reduced to a 2% net smelter returns royalty with the right of the remaining party to acquire a 1% net smelter returns royalty at any time for the payment of \$1,000,000.

During the 2020 fiscal year, the field program of prospecting and remote sensing by True North on the Property was completed by True North and the Company’s share of expenses relating to the exploration program was \$49,932. The results from the 2019 field program were announced on April 29, 2020. After the completion of the 2019 field program, the True Blue Property remains an early-stage, Rare Earth Element (“**REE**”) exploration property with a confirmed coherent Total Rare Earth Element plus Yttrium (**TREE+Y**) anomaly from the 2010 exploration and geophysical signatures which indicate the possible presence of a causative intrusive body (likely syenite) at depth. The size and grade of any REE mineralization associated with the coherent geochemical anomaly at the True Blue showing remains unknown. Advanced exploration targeting and additional exploration work are required to characterize the potential for mineralization at the True Blue Property.

Going forward, exploration of the REE potential of the True Blue Property should advance incrementally through additional programs of mapping, soil and rock sampling, ground magnetic and radiometric surveys with a focus on exploration targeting and bulk sampling. The results to date are encouraging based on coherent REE anomalism and

the geophysical and radiometric signature for the possible presence of a causative intrusion and related dykes. Indications from the pattern of anomalism points to targets developing at depth along the western boundary of the True Blue Property.

Outlook

The Company is assessing the data from the 2019 field program with a view to establishing a further work program on the Property. The name of the Company was changed to better reflect the fact that the Company is exploring for critical minerals and is looking to acquire additional critical elements properties.

Performance Details

The Company is a mineral exploration company focused on the acquisition, exploration and development of mineral resources, primarily gold, in Canada. The Company's common shares trade on the CSE under the symbol "ACRE".

As at July 31, 2023, the Company had working capital of \$149,292 (April 30, 2023 – \$154,260). The decrease in working capital during the period is a result of the loss incurred in the period. The ability of the Company to realize on its assets and discharge its liabilities as they come due is dependent on the ability of the Company to continue to secure financing.

The Company's financial statements have been prepared on a going concern basis. If the going concern assumption was not appropriate for the financial statements, then adjustments might be necessary to the carrying values of assets and liabilities, the reported loss and the balance sheet classifications used. These adjustments could be material.

Results of Operations – three-month period ended July 31, 2023 compared to the three-month period ended July 31, 2022

As at July 31, 2023, the Company had cash and cash equivalent assets in the amount of \$206,120 compared to \$1,780 at July 31, 2022. The increase in cash is primarily due to the exercise of 3,137,500 warrants in December 2022 for cash resulting in gross proceeds of \$251,000.

At July 31, 2023 the Company had accounts payable and accrued liabilities in the amount of \$48,983 compared to \$33,365 at July 31, 2022. The change was the result of expenses incurred in the period.

For the quarter ended July 31, 2023, the Company had a net loss in the amount of \$4,968 compared to a loss of \$4,277 in the quarter ended July 31, 2022. The main reason for the increase was due to increase in professional fees expense. The Company incurred an unrealized loss on investment of \$nil in the current quarter as compared to unrealized loss of \$721 in the quarter ended July 31, 2022.

Liquidity and capital resources

At July 31, 2023, the Company had shareholders' equity in the amount of \$195,316 compared to shareholders deficiency of \$2,681 at the July 31, 2022. The increase in equity during the period was mainly due to the exercised of 3,137,500 warrants for cash in the last fiscal year ended April 30, 2023.

At July 31, 2023 the Company had an accumulated deficit in the amount of \$1,860,732 compared to \$1,805,958 at July 31, 2022. The increase in the deficit reflects the loss the Company incurred in the period.

For July 31, 2023 and July 31, 2022 cash was used in operations as follows: \$1,787 in 2023 and \$2,591 in 2022. The Company did not complete any equity financings in the current quarter. The Company had a total of \$12,935 in short term loans from an arm's length party as at July 31, 2023. These loans are due on demand, interest bearing at

10% per annum and are unsecured. Interest payable on these loans of \$3,942 is included in accounts payable as at July 31, 2023.

In 2023 and 2022 the Company had an investment in Big Tree Carbon Inc. (formerly AurCrest Gold Inc.) (“**Big Tree**”). The Company owned 18,000 shares of Big Tree which had a cost of \$27,000. The investment in Big Tree is a Financial Instrument and has been classified as available for sale (“**AFS**”) and carried it at market value of \$1,081 with changes in value reflected in comprehensive income.

Capital Management

The Company’s policy is to attain a strong capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the business. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risks characteristic of the underlying resource assets. As a junior resource exploration company, the Company considers its capital structure to comprise only working capital. In order to maintain or adjust the capital structure, the Company may from time to time issue shares and adjust its capital spending to manage current and projected expenditure levels.

The Company has not paid or declared any dividends since the date of its incorporation, nor are any dividends contemplated in the foreseeable future.

The Company does not have any externally imposed capital requirements.

There were no changes in the Company’s approach to capital management during the period.

New accounting policies issued but not yet adopted:

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or IFRIC that are mandatory for accounting periods after the previous year end April 30, 2023.

The Company is currently not subject to any new standards that are expected to have a material impact on its consolidated financial statements.

Transactions with related parties

The Company’s related parties consist of executive officers and directors:

Related Party	Item	Three months ended July 31	
		2023	2022
Director	Legal fees charged to statement of loss	\$ 800	\$ -
	Temporary non-interest bearing, unsecured, demand loans from directors	\$ -	\$ -
	Amounts included in accounts payable related to legal fees due to a firm in which a director is a partner.	\$ 23,577	\$ 19,721
Key Management Personnel	Directors fees charged to statement of loss	\$ --	\$ --
	Share-based payments charged to statement of loss	\$ --	\$ --

The above transactions were in the normal course of operations and were measured at the exchange amount, which are the amounts agreed to by the related parties.

Share Capital

Authorized

Unlimited common shares

Issued

10,999,254 common shares

Share based payments

The Company has a common share purchase option plan (the “**Plan**”) for directors, officers, employees, and consultants. Options granted under the Plan generally have a five-year term. Options are granted at a price no lower than the market price of the common shares at the time of the grant.

No options were issued in the quarter and there are no options outstanding at quarter end.

Warrants:

The change in Warrants during the period ended July 31, 2023 is noted below:

	Number of options	Wtd Avge exc. price
As at July 31, 2022	5,000,000	\$0.15
Exercised for cash	(3,137,500)	\$0.08
Expired	(1,862,500)	\$0.08
As at April 30, 2023 and July 31, 2023	-	-

On November 22, 2022 the exercise price for the warrants was amended to \$0.08 per share from \$0.15 per share. On December 8, 2022 3,137,500 warrants was exercised for gross proceeds of \$251,000, the balance of 1,862,500 warrants expired unexercised.

Summary of Quarterly Results:

	Revenue \$	Net Income (loss) \$	Total Assets \$	Income (loss) per share \$
July 31, 2023	-	(4,968)	316,973	-
April 30, 2023	-	(16,786)	318,468	-
January 31, 2023	-	(15,271)	321,123	-
October 31, 2022	-	(19,728)	116,836	-
July 31, 2022	-	(4,998)	109,423	-
April 30, 2022	-	(10,588)	112,442	-
January 31, 2022	-	(8,505)	115,919	-

	Revenue \$	Net Income (loss) \$	Total Assets \$	Income (loss) per share \$
October 31, 2021	-	(10,066)	99,917	-

Outstanding Share Data

Common shares and convertible securities outstanding at September 28, 2023 are:

<u>Security</u>	<u>Expiry Date</u>	<u>Exercise Price</u>	<u>Securities Outstanding</u>	<u>Common Shares on Exercise</u>
Common shares	n/a	n/a	10,999,254	n/a

Risk Factors

The Company is exposed to credit risk and liquidity risk. The Company's primary risk management objective is to protect assets, earnings and cash flow and, ultimately, shareholder value. Risk management strategies, as discussed below, are designed and implemented to ensure that the Company's risks and the related exposure are consistent with its business objectives and risk tolerance. There have been no changes to the risks to which the Company is exposed or to the corresponding risk management strategies during the current period.

Credit risk

The Company's accounts receivable includes amounts that are recoverable on account of harmonized sales tax. These amounts are subject to verification through audits that may be conducted by Canada Revenue Agency. The accounts receivable does not contain any past due amounts and the Company has no history of bad debts.

Liquidity risk

The Company currently has limited financial resources, has no source of operating income and has no assurance that additional funding will be available to it to enable it to meet its obligations as they become due. Although the Company has been successful in the past in financing its activities, there can be no assurance that it will be able to do so in the future.

In addition to the financial risks noted above, given the Company's current status as an exploration stage company, there are numerous additional risk factors that could affect the Company's business prospects and future performance, including the following. These risks and uncertainties are not the only ones facing the Company. Additional risks and uncertainties not presently known to the Company, or that the Company currently deems immaterial, may also affect the Company's business prospects and future performance.

Additional capital

The exploration and development of the Company's mineral property interests will require substantial additional financing. Failure to obtain sufficient financing may result in the delay or indefinite postponement of exploration, development or production on the Company's mineral property interests. The Company will also require additional funding to acquire further property interests. The ability of the Company to arrange such financing in the future will depend, in part, upon the prevailing capital market conditions as well as the business performance of the Company. There can be no assurance that the Company will be successful in its efforts to arrange additional financing on terms satisfactory to the Company. If additional financing is raised by the issuance of shares from treasury of the Company, control of the Company may change and security holders may suffer additional dilution.

Operating history

The Company has a very limited history of operations and must be considered a start-up. As such, the Company is subject to many risks common to such enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources and an absence of revenues. There is no assurance that the Company will be successful in achieving a return on shareholder investment and the likelihood of success must be considered in light of its early stage of operations.

Highly speculative business

The nature of the Company's business is highly speculative due to its proposed involvement in the exploration, development and production of minerals. Exploration for minerals involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. There is no assurance that any commercial quantities of ore will be discovered by the Company. The commercial viability of a mineral deposit, if discovered, depends upon a number of factors including the particular attributes of the deposit (principally size and grade), the proximity to infrastructure, the impact of mine development on the environment, environmental regulations imposed by various levels of government and the competitive nature of the industry which causes base metal prices to fluctuate substantially over short periods of time. Most of these factors are beyond the control of the Company. Mineral exploration and development are highly speculative and few properties that are explored are ultimately placed into commercial production.

Commodity price and exchange rate fluctuations

The feasibility of mineral exploration is significantly affected by changes in the market price of the minerals expected to be produced. Mineral prices fluctuate widely and are affected by numerous factors beyond the Company's control. The level of interest rates, the rate of inflation, world supply of minerals and stability of exchange rates can all cause significant fluctuations in mineral prices. Such external economic factors are in turn influenced by changes in international investment patterns and monetary systems and political developments.

Key officers, consultants and employees

The success of the Company will be largely dependent upon the performance of its key officers, consultants and employees. Locating mineral deposits depends on a number of factors, not the least of which is the technical skill of the exploration personnel involved. Failure to retain key individuals or to attract or retain additional key individuals with necessary skills could have a materially adverse impact upon the Company's success. The Company has not purchased any key-man insurance with respect to any of its directors, officers or consultants and has no current plans to do so.

Title

The mining claims in which the Company has an interest have not been surveyed and, accordingly, the precise location of the boundaries of the claims and ownership of mineral rights on specific tracts of land comprising the claims may be in doubt. Such claims have not been converted to lease and tenure, and as a result, are subject to annual compliance with assessment work requirements. Other parties may dispute the Company's title to its mining properties. While the Company has diligently investigated title to all mineral claims and, to the best of its knowledge, title to all properties is in good standing; this should not be construed as a guarantee of title. The properties may be subject to prior unregistered agreements or transfers or land claims, including First Nations land claims and title may be affected by undetected defects. There is no guarantee that title to the Company's properties or its rights to earn an interest in its properties will not be challenged or impugned. Also, in many countries including Canada and the USA, claims have been made and new claims are being made by aboriginal peoples that call into question the rights granted by the governments of those countries in respect of resource properties.

Maintaining interests in mineral properties

The Company's continuing right to maintain its ownership in its mineral property interests will be dependent upon compliance with applicable laws and with agreements to which it is a party. There is no assurance that the Company will be able to obtain and/or maintain all required permits and licenses to carry on its operations. Additional expenditures will be required by the Company to maintain its interests in its properties. There can be no

assurance that the Company will have the funds, will be able to raise the funds or will be able to comply with the provisions of the agreements relating to its properties which would entitle it to an interest therein and if it fails to do so its interest in certain of these properties may be reduced or be lost.

External market factors

The marketability and price of minerals which may be acquired or discovered by the Company will be affected by numerous factors beyond the control of the Company. The Company will be affected by changing production costs, the supply or/and demand for minerals, the rate of inflation, the inventory levels of minerals held by competing companies, the political environment and changes in international investment patterns.

Governmental and regulatory requirements

Government approvals and permits are currently, and may in the future, be required in connection with the Company's operations. To the extent that such approvals are required and not obtained, the Company may be restricted or prohibited from proceeding with planned exploration or development activities. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions there under, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, which may include requirements for the Company to take corrective measures requiring capital expenditures, installation of additional equipment, or other remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may be liable for civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Amendments to current laws, regulations and permitting requirements, or more stringent application of existing laws, could have a material adverse impact on the Company and cause increases in capital expenditures or production costs or reductions in levels of production at producing properties or require abandonment or delays in the development of properties.

Environmental regulations

All phases of the Company's operations are subject to environmental regulation. Environmental legislation is becoming stricter, with increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There can be no assurance that environmental regulation will not adversely affect the Company's operations. Environmental hazards may exist on a property in which the Company holds an interest which are unknown to the Company at present which have been caused by previous or existing owners or operators of the property.

Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in the imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which means standards, and enforcement, fines and penalties for non-compliance are more stringent.

Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and their directors, officers and employees. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. The Company intends to fully comply with all environmental regulations in all of the countries in which it is active.

Conflicts of interest

Certain directors and officers of the Company are or may become associated with other natural resource companies which may give rise to conflicts of interest. In accordance with the *Business Corporations Act* (Ontario), directors who have a material interest in any person who is a party to a material contract or a proposed material contract with the Company are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract. In addition, the directors and the officers are required to act honestly and in good faith with a view to the best interests of the Company. The directors and officers of the Company have

either other full-time employment or other business, or time restrictions placed on them and, accordingly, the Company will not be the only business enterprise of these directors and officers.

Uninsured risks

The Company currently does not have liability insurance.

Competition in acquiring additional properties

Significant and increasing competition exists for mineral acquisition opportunities throughout the world. As a result of this competition, some of which is with large, better established mining companies with substantial capabilities and greater financial and technical resources, the Company may be unable to acquire rights to exploit additional attractive mining properties on terms it considers acceptable.

Dividend policy

No dividends on the common shares of the Company have been paid by the Company to date. The Company intends to retain its earnings, if any, to finance the growth and development of its business and has no present intention of paying dividends or making any other distributions in the foreseeable future.

Forward Looking Information

Certain statements in this MD&A may constitute “forward-looking” statements which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company and its subsidiary, or the industry in which they operate, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this report, the words “estimate”, “believe”, “anticipate”, “intend”, “expect”, “plan”, “may”, “should”, “will”, the negative thereof or other variations thereon or comparable terminology are intended to identify forward-looking statements. Such forward-looking statements reflect the current expectations of the Management of the Company with respect to future events based on currently available information and are subject to risks and uncertainties that could cause actual results, performance or achievements to differ materially from those expressed or implied by those forward-looking statements, such as reduced funding, currency and interest rate fluctuations, increased competition and general economic and market factors and including the risk factors summarized above under the heading “Risk Factors”. New risk factors may arise from time to time and it is not possible for Management of the Company to predict all of those risk factors or the extent to which any factor or combination of factors may cause actual results, performance or achievements of the Company to be materially different from those expressed or implied in such forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results. Although the forward-looking statements contained in this MD&A are based upon what Management believes to be reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. The forward-looking statements contained in this MD&A speak only as of the date hereof. The Company does not undertake or assume any obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events, except as required by law.

Additional Information:

- (1) Additional information about the Company may be found on SEDAR at www.sedarplus.com.
- (2) Additional information is provided in the Company’s financial statements for the most recently completed financial reporting period (year-end April 30, 2023) which were prepared under IFRS.