# FORM 51-102F1
# MANAGEMENT DISCUSSION AND ANALYSIS
# FIRST PHOSPHATE CORP.
# MAY 31, 2023 AND MAY 31, 2022

This management's discussion and analysis ("MD&A") covers the financial statements of First Phosphate Corp. (the "Company") For the period ended May 31, 2023 and for the comparable period ended May 31, 2022. This MD&A should be read in conjunction with the condensed interim financial statements and notes thereto for the period ended May 31, 2023 and May 31, 2022 (the "Interim Financial Statements"). The information contained in this report is current to July 27, 2023 and has been approved by the Company's board of directors (the "Board").

This discussion should be read in conjunction with the Company's audited annual financial statements for the period ended February 28, 2023 and February 28, 2022, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. The Company's financial statements and the financial information contained in the MD&A are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and interpretations of the IFRS Interpretations Committee.

The Company's certifying officers are responsible for ensuring that the condensed interim financial statements and MD&A do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made. The Company's officers certify that the condensed interim financial statements and MD&A fairly present, in all material respects, the financial condition, result of operations and cash flows, of the Company as the date hereof.

The Board approves the condensed interim financial statements and MD&A and ensures that the Company's officers have discharged their financial responsibilities. The Board's review is accomplished principally through the Audit Committee, which reviews and approves all financial reports prior to filing.

Additional information related to the Company is available on SEDAR at www.sedar.com.

## FORWARD LOOKING STATEMENTS

Information set forth in this MD&A may involve forward-looking statements under applicable securities laws. Forward-looking statements are statements that relate to future, not past, events. In this context, forward-looking statements often address expected future business and financial performance, and often contain words such as "anticipate", "believe", "plan", "estimate", "expect", and "intend", statements that an action or event "may", "might", "could", "should", or "will" be taken or occur, or other similar expressions. All statements, other than statements of historical fact, included herein are forward-looking statements. By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements, or other future events, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the following risks: the need for additional financing; reliance on key personnel; the potential for conflicts of interest among certain officers, directors, or promoters with certain other projects; the absence of dividends; competition; dilution; the volatility of our common share price and volume and the additional risks identified in the "Risk Factors" section of this MD&A or other reports and filings with applicable Canadian securities regulations. Forward-looking statements are made based on management's beliefs, estimates and opinions on the date that statements are made, and the Company undertakes no obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change, except as required by applicable securities laws. Investors are cautioned against attributing undue certainty to forward-looking statements.

## DESCRIPTION OF BUSINESS AND OVERVIEW

The Company was incorporated in British Columbia on September 18, 2006. On June 29, 2022 the Company filed articles of amendment with the Province of British Columbia changing its name from First Potash Corp. to First Phosphate Corp. The address of the Company's corporate office and registered and records office is 1055 West Georgia Street, 1500 Royal Centre, P.O. Box 11117, Vancouver, British Columbia, V6E 4N7.

Since May, 2022 the Company has been in the business of acquiring, exploring and developing igneous anorthosite rock mineral properties in the Saguenay-Lac-St-Jean Region of Quebec for the purposes of developing and producing apatite (phosphate) concentrate, ilmenite (titanium) concentrate and magnetite (iron) concentrate. The Company now holds over 1,500 sq. km of royalty-free district-scale land claims.

The Company's mining properties are located in Quebec, a North American electrification industry hub. The properties are strategically located in proximity to the City of Saguenay, Quebec's 6th largest city, with a skilled industrial workforce. Bagotville Airport is within vicinity, with daily flights to Montreal. The Company has access to the deep sea Port of Saguenay for international shipment of its concentrates as well as the ability to locate industrial facilities at the Port of Saguenay. Clean Quebec Hydro is present in the vicinity of many of the Company's mining claims as well as at the Port of Saguenay. The Company's flagship property of Lac à l'Orignal as well as Bégin-Lamarche are located on four season, heavy haul gavel roads connected to a paved provincial highway and to the Port of Saguenay. The Company has a formal memorandum of understanding (MOU) in place with the Port of Saguenay.

Through prudent downstream partnerships, the Company plants to vertically integrate from mine source to eventual production of purified phosphoric acid and LFP cathode active material for use in the manufacture of Lithium Iron Phosphate ("LFP") batteries for various industries such as energy storage, electric vehicles (EV) and other industries. To this effect, the Company has signed a formal MOU with Prayon SA ("Prayon") of Engis, Belgium, Europe's largest producer of purified phosphoric acid ("PPA"). The Company has also signed an LFP production technology licensing agreement with Integrals Power Limited ("IPL") of Milton Keynes, United Kingdom.

The Company is preparing to position itself as a mineral development company fully dedicated to extracting and purifying phosphate for the eventual downstream production of cathode active material ("CAM") for the LFP battery industry.

### Industry Developments

The global LFP battery market size was USD 8.37 billion in 2020 and is projected to grow from USD 10.12 billion in 2021 to USD 49.96 billion by 2028 at a compound annual growth rate (CAGR) of 25.6% according to Fortune Business Insights.

On August 16, 2022, President Biden signed the Inflation Reduction Act (IRA) into law, marking a significant action the US Congress has taken on clean energy and climate change. The Company's strong position as a North American provider of phosphate technological material to the North America LFP battery industry places it at a large competitive advantage with respect to the IRA requirements for North American content requirements in the electrification sector.

**Changes in Mineral Properties and Claims**

As of July 27, 2023, the Company has budgeted a cash requirement of $1,053,532 for the year ending May 31, 2024, with major expenses amounting to $655,636, being incurred on operational general and administrative expenses. The Company has budgeted $397,896 on mining and metallurgy related activities in the Lac L'Orignal and the Begin - Lamarche areas but has not budgeted any expenditure in the Bluesky area.

During the three months ended May 31, 2023, There were no changes in plans for any of the mineral properties or claims, changes in the status of the plan or expenditures made with respect to the Company's projects except as disclosed herein:

***Lac à l'Orignal Flagship Area***: The Company's material exploration property is the Lac à l'Orignal Property, which is based on a technical report dated November 17, 2022 and entitled "Technical Report and Initial Mineral Resource Estimate of the Lac à l'Orignal Phosphate Property, Saguenay-Lac-Saint-Jean Region, Northern Quebec" (the "Technical Report") as prepared by Antoine Yassa, P. Geo, registered geologist of 3602 Rang des Cavaliers, Rouyn-Noranda, J0Z 1Y2. Preliminary Metallurgical Testwork on the property was performed by the Quebec division of SGS Canada Inc. ("SGS") and published on March 20, 2023. As well a Mineralogical Study by Queen's University was published on March 14, 2023. The Company recently announced a completed Preliminary Economic Assessment on this property on July 26, 2023.

The Company did not acquire any further mineral claims in the Lac à l'Orignal flagship area during the three months ended May 31, 2023.

***Begin - Lamarche Area:*** The Company's secondary exploration property is found at Bégin-Lamarche which is 75 km driving distance from the deep sea Port of Saguenay. A recent 4,274 m drill program on the property yielded the discovery of two main zones with multiple open pit accessible phosphate-bearing layers. A second 2,000 m drill program is being planned for the Northern Zone of the Bégin-Lamarche property. The objective of this infill program will be to drill the known phosphate layers to a 100 x 100 m grid in order to be able to commission a 43-101 resource estimate for the Bégin-Lamarche property later in the 2023-2024 time frame. A second potential drill progam for the property has been delayed for the time being given the forest fire situation in Quebec during the summer of 2023.

On March 10, 2023, the Company acquired 13 mineral claims in this Bégin-Lamarche area for a total consideration of $22,825 through the issuance of 27,173 common shares. The cost has been determined based on the fair value of the shares on the date of issuance.

***Bluesky Area:*** The Bluesky properties consist of a series of staked claims areas within 250 km or less from the Port of Saguenay, Quebec. Ongoing surface sampling, prospecting and other forms of reconnaissance are occurring on these properties. These properties are to be considered as very early exploration.

The Company did not acquire any further mineral claims in the Bluesky area during the three months ended May 31, 2023.

All three exploration areas above have not generated revenue thus far. The Company is in the exploration phase at Lac à l'Orignal, in the advanced drilling phase at Bégin-Lamarche and at the early exploration phase in the Bluesky area. The Company continues to determine the commercial feasibility of each location.

## Changes in Management

On May 23, 2023, the Company announced that Garry Siskos, CPA, CA was appointed Chief Operating Officer and Chief Financial Officer of the Company. The Company's outgoing Chief Financial Officer, Bennett Kurtz, was appointed Chief Administrative Officer. Gilles Laverdière was appointed as Chief Geologist for the Company.

## Changes in Share Capital

On March 1, 2023, the Company issued 184,480 common shares and $68,257 was reclassified from shares to be issued to capital stock. On March 9, 2023, the Company issued 53,760 common shares at $0.25 per share, on the exercise of brokers' warrants, for total proceeds of $13,440. The fair value of warrants on the grant date was computed as $7,215 and was reclassified upon exercise from contributed surplus to capital stock.

On March 10, 2023, the Company issued 27,173 common shares with a fair value of $22,825 for the purchase of 13 mineral claims in the Begin-Lamarche area.

On April 24, 2023, the Company issued 1,205,217 units at $0.70 per unit for gross proceeds of $843,652. Each unit consisted of one share and one half of one common share purchase warrant. Each whole warrant is exercisable for one additional share at a price of $1.25 until April 26, 2026. The value of share capital of $614,660 was determined using the fair market value of the shares on the date of issuance and the residual proceeds of $228,992 were allocated to warrants. The Company paid $22,760 as brokers' fees and issued 12,514 warrants as brokers' warrants with an exercise price of $1.25 per share which expire on April 24, 2026. The fair value of the broker warrants was computed as $2,900 using the Black Scholes pricing model and recorded as share issuance costs.

On April 24, 2023, the Company issued 1,869,375 flow-through ("FT") units at $0.80 per unit for gross proceeds of $1,495,500. Each FT unit consists of one flow-through common share and one half of one common share purchase warrant. Each whole warrant is exercisable for one additional non-flow through share at a price of $1.25 until April 30, 2026. The value of share capital of $1,140,320 was determined using the fair market value of the shares on the date of issuance and the residual proceeds of $355,180 were allocated to warrants. The Company paid $60,384 as brokers' fees and issued 57,980 warrants as brokers' warrants with an exercise price of $1.25 per share which expire on April 24, 2026. The fair value of the warrants was computed as $13,438 using Black Scholes pricing model and recorded to share issuance costs.

On April 30, 2023, the Company issued 42,857 shares as finder's fees for the above private placements with a fair value of $30,000. Additionally, the Company incurred legal fees of $27,994 with respect to the above private placements.

On May 17, 2023, the Company issued 7,143 common shares at $0.50 per share for gross proceeds of $3,572, on the exercise of unit warrants. The fair value of warrants on the grant date was computed as $nil, accordingly no amount was reclassified upon exercise from contributed surplus to capital stock.

On May 30, 2023, the Company issued 4,480 common shares at $0.25 per share, on the exercise of brokers' warrants, for total proceeds of $1,120. The fair value of warrants on the grant date was computed as $601 and was reclassified upon exercise from contributed surplus to capital stock.

**Other Events**

March 6, 2023: The Company engaged P&E Mining Consultants to complete a Preliminary Economic Assessment (PEA) at the Lac à l'Orignal.

March 14, 2023: The Company received a Minerological Report from Queen's University Pufahl Research Group that attested that, "Collectively, the attributes indicate that First Phosphate's Lac à l'Orignal deposit is a source of North American phosphorus for the LFP battery industry that has a high probability of being ESG-compliant.

March 20, 2023: The Company obtained a high purity 40.2% apatite concentrate in metallurgical test work based on the Lac à l'Orignal property performed by SGS, Quebec. The results from the batch and locked cycle tests were used to prepare an overall mass balance for the proposed flowsheet. The overall mass balance showed that the flowsheet could recover 91.4% of the apatite to a concentrate containing 40.2% $P_2O_5$. Preliminary upgrading testwork on the ilmenite and magnetite streams achieved an ilmenite concentrate grading 39.3% $TiO_2$ and a magnetite concentrate grading 69.0% Fe (99.2% $Fe_2O_3$). Further testwork is recommended to optimize the ilmenite circuit.

March 28, 2023: The Company signed an LFP Production Technology Licensing Agreement with IPL. IPL will validate the Company's LFP-grade purified phosphoric acid and iron sulphate for the use in LFP battery cells. IPL's LFP CAM homologation process will use First Phosphate LFP-grade PPA and iron sulphate. IPL will provide an LFP production technology license to teh Company in the production of LFP CAM at any First Phosphate LFP CAM production facilities to be built in Quebec or elsewhere in North America. A royalty fee of 1.5% will apply to all LFP CAM sales. The Company has acquired 7,386 common shares of IPL for a cost of $83,060 and has the right to make follow-on investments in future funding rounds.

April 3, 2023: The Company and the Regional Conference of the Prefects of the Saguenay-Lac-Saint-Jean Region of Quebec ("CMAX") announced a Collaboration Agreement to the benefit of the Regional Economy. Under the agreement, the Company will be able to connect directly to the region's entrepreneurial workforce to help the Company to operate its projects in a broader context and without supplier challenges. For CMAX, this agreement will facilitate positive economic impacts for construction companies, equipment manufacturers and their suppliers in the Saguenay-Lac-Saint-Jean Region of Quebec.

**Subsequent Events**

June 12, 2023: Isobel Sheldon, renowned battery executive and entrepreneur, joined the Company's advisory board.

June 13, 2023: The company staked an additional 27 claims in the Lac à l'Orignal area for a cost of $1,977.75.

June 19, 2023: The Company commissioned a solventless, environmentally friendly phosphate concentration pilot plant. A 15-tonne bulk sample was crushed to a diameter of 20 mm and sent to SGS. Based on 15 separate crushed rock specimens, the bulk sample assayed 7.6% P2O5 (phosphate) and 6.9% TiO2 (titanium oxide). The pilot plant optimises the Company's metallurgical process for the production of a super high grade phosphate concentrate approaching 41% P2O5. The pilot plant has produced over 900 kilograms of apatite concentrate which have been sent to the facilities of Prayon for the production of battery-grade PPA. The battery-grade PPA produced will then be sent to Company partners for homologation into their LFP CAM production processes. The pilot plant also produces valuable, marketable recoveries of ilmenite and magnetite.

June 19, 2023: The Company announced the completion of a share purchase agreement with Glen Eagle Resources ("GER"). Certain directors and officers of the Company acquired 2,700,000 Company shares from GER at $0.2185 per share, amounting to a total cash payment of $590,000, pursuant to a share purchase agreement dated May 10, 2023. These shares were originally issued on August 24, 2022, at $0.250 per share to GER under a purchase agreement for the Lac à l'Orignal property.

June 27, 2023: A consultant engaged by the Company as the capital markets consultant resigned from service. Of the 100,000 options issued to this consultant, 75,000 options were immediately cancelled pursuant to an option forfeiture agreement dated June 27, 2023, and 25,000 have vested and are exercisable until March 1, 2026. Additionally, the Company settled an amount owed to him for services through the issuance of 179,104 common shares of the Company, with such shares subject to a statutory four month and one day hold period.

July 5, 2023: Armand MacKenzie, renowned First Nations mining executive, joined the First Phosphate Advisory Board.

July 18, 2023: The Company entered into MOU with Norfalco, a division of Glencore Canada, to secure supply of sulfuric acid. Under the terms of the MOU, and subject to the parties entering into a mutually agreeable definitive sulfuric acid supply agreement, the Company agreed that NorFalco will supply the sulfuric acid required for the Comapny's future PPA and other industrial facilities to be located in Quebec. The Company and Norfalco agreed to continue to work together over the term of the MOU.

July 25, 2023: The Company announced the results of the PEA for the Lac à l'Orignal property. The property would produce annual average of 425,000 tonnes of beneficiated phosphate concentrate at over 40% P2O5 content, 280,000 tonnes of magnetite and 97,000 tonnes of ilmenite over a 14.2 year mine life. The property generates a pre-tax internal rate or return (IRR) of 21.7% and an pre-tax net present value (NPV) of $795 million at a 5% discount rate at June 30, 2023 approximate 18 month trailing average phosphate price and long term consensus magnetite and ilmenite prices. The property generates an after-tax internal rate or return (IRR) of 17.2% and an after-tax net present value (NPV) of $511 million at a 5% discount rate at June 30, 2023 approximate 18 month trailing average phosphate price and long term consensus magnetite and ilmenite prices. The property would generate an after-tax cash flow of $567 million in years 1-5, resulting in a 4.9-year payback period from start of production.

## RESULTS OF OPERATIONS

**For the three months ended May 31, 2023**

The following analysis of the Company's operating results for the three months ended May 31, 2023 includes a comparison against the three months ended May 31, 2022.

**Revenue:**

The Company no active business operations that generate revenue.

**Expenses:**

**Professional fees** for the three months ended May 31, 2023 were $254,473 compared to $20,381 for the three months ended May 31, 2022. The professional fees comprise of the following:

| | For the three months ended May 31, 2023 $ | For the three months ended May 31, 2022 $ |
|---|---|---|
| Legal fees | 105,430 | 14,271 |
| Accounting fees | 139,043 | 2,500 |
| Audit fee | 10,000 | 3,610 |
| | 254,473 | 20,381 |

The increase in legal fees is reflective of filings and other general matters of the Company given the Company's recent public listing on the Canadian Securities Exchange (the "CSE"). The increase in accounting fees and audit fees is due to the increase in the level of activities.

**Mining exploration and metallurgy** for the three months ended May 31, 2023 were $1,009,872 compared to $nil for the three months ended May 31, 2022. The Company recently completed preliminary metallurgical testwork on the Lac à l'Orignal property as well as a detailed mineralogical study. The Company also recently commissioned its solventless concentration pilot plant and shipped a 900 kg sample of beneficiated phosphate rock to Prayon for the creation of test batches of PPA. The Company's policy is to expense all mining exploration of metallurgy costs other than the acquisition of properties and claims.

**Business development** for the three months ended May 31, 2023 were $487,586 compared to $nil for the three months ended May 31, 2022. The increase in expense is due to the Company's recent public listing on the CSE and its need to gain visibility for the Company's activities and to attend international conferences to build various aspects of the business.

**Consulting Fees** for the three months ended May 31, 2023 were $81,690 compared to $7,500 for the three months ended May 31, 2022. Consulting fees were incurred relating mostly to market research initiatives.

**Management fees** for the three months ended May 31, 2023 were $144,000 compared to $nil for the three months ended May 31, 2022. Management fees relate to the executive management and staffing for the Company.

**Directors' Fees** for the three months ended May 31, 2023 were $43,200 compared to $27,500 for the three months ended May 31, 2022. Fees have been incurred for non-executive directors.

**General administrative expenses** for the three months ended May 31, 2023 were $69,106 compared to $1,005 for the three months ended May 31, 2022 and reflect the increase in the Company's activities.

**Regulatory filing fees** for the three months ended May 31, 2023 were $76,321 compared to $3,575 for the three months ended May 31, 2022. The increase in costs is reflective of various filings for the Company given its listing on the CSE.

**Share based compensation** for the three months ended May 31, 2023 were $283,385 compared to $nil for the three months ended May 31, 2022. Share based compensation was recorded for the issuance of stock options to management, directors and consultants of the Company.

**Gain on amortization of flow through liability** for the three months ended May 31, 2023 were $107,680 compared to $nil for the three months ended May 31, 2022.

**Interest income** for the three months ended May 31, 2023 were $3,396 compared to $nil for the three months ended May 31, 2022. This interest relates to bank deposits.

**Loss for the period**
The net loss for the three months ended May 31, 2023 was $2,338,557 as compared to $59,961 for the three months ended May 31, 2022. This represents an increase in net loss of $2,278,596 and is due to the items discussed above.

## SUMMARY OF QUARTERLY RESULTS

The following quarterly financial data is derived from the financial statements of the Company as at and for the three-month periods ended on the dates indicated below. The information should be read in conjunction with the Company's condensed interim financial statements and the accompanying notes thereto.

| | May 31/23 | Feb 28/23 | Nov 30/22 | Aug 31/22 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Total assets | 6,125,429 | 5,933,078 | 4,989,371 | 3,749,914 |
| Working capital | 1,699,072 | 1,695,036 | 71,610 | 607,249 |
| Shareholders' equity | 5,449,191 | 5,422,330 | 3,482,734 | 3,608,536 |
| Net loss | (2,338,557) | (2,138,999) | (739,398) | (250,006) |
| Loss per share | (0.05) | (0.05) | (0.02) | (0.02) |

| | May 31/22 | Feb 28/22 | Nov 30/21 | Aug 31/21 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Total assets | 52,437 | - | - | - |
| Working capital (deficiency) | (169,902) | (72,678) | (56,963) | (46,572) |
| Shareholders' equity (deficiency) | (132,639) | (72,678) | (56,963) | (46,572) |
| Net loss | (59,961) | (15,715) | (10,391) | (21,389) |
| Loss per share | (0.10) | (0.03) | (0.02) | (0.04) |

## LIQUIDITY AND CAPITAL RESOURCES

The Company's financial instruments consist of cash, other receivables and accounts payable. The fair value of these financial instruments approximates their carrying value, unless otherwise noted. The Company is not exposed to significant interest, currency, or credit risk arising from financial instruments.

The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing. If the Company is not successful in raising sufficient capital, the Company may have to curtail or otherwise limit its operations. From time to time the Company works to raise additional capital through private placements or other equity financing. See "Risk Factors" of this MD&A.

As of May 31, 2023, the Company has cash of $1,742,886 and $676,238 in current liabilities. The Company intends to raise capital by future financings. There is no guarantee that additional financing will be available or that it will be available on terms acceptable to management of the Company.

As of July 27, 2023, the Company has budgeted a cash requirement of $1,053,532 for the year ending May 31, 2024, with major expenses amounting to $655,636, being incurred on operational general and administrative expenses. The Company has budgeted $397,896 on mining and metallurgy related activities in the Lac L'Orignal and the Begin - Lamarche areas but has not budgeted any expenditure in the Bluesky area.

## OFF-BALANCE SHEET ARRANGEMENTS

The Company does not utilize off-balance sheet transactions.

## CAPITAL STOCK

The authorized capital stock of the Company is an unlimited number of common shares and an unlimited number of preferred shares issuable in series. As at May 31, 2023, the Company had 51,713,207 Common Shares outstanding with share capital of $18,480,596 and as at May 31, 2022, the Company had 598,718 common shares outstanding with share capital of $8,927,636. As at the date of this MD&A, the Company has 51,892,311 common shares outstanding.

### Options

The Company adopted a Stock Option Plan (the "Plan") on August 25, 2022 (the "Effective Date") under which the Company is authorized to grant stock options entitling option holders to purchase up to that number of common shares that is equal to 20% of the issued and outstanding common shares of the Company as at the Effective Date . The Company is authorized to issue up to 6,836,744 options.

The Board fixes the exercise price of any stock option when such stock option is granted, which may be no lower than the exercise price permitted by the CSE. A stock option is exercisable during a period established by the Board, commencing on the date of the grant and terminates no later than ten years after the date of the grant of the award or such shorter period as the Board may determine. Vesting conditions are determined by the Board at each grant date except in the case of stock options issued to consultants engaged in investor relations activities which vest in nine months in quarterly intervals beginning on the grant date.

The following details changes in options outstanding for the three months ended May 31, 2023 and 2022:

| | Number of Options | Weighted Average Exercise Price $ |
|---|---|---|
| Outstanding, March 1, 2022 | 400 | 35 |
| Expired during the period | (400) | 35 |
| Outstanding as at May 31, 2022 | - | - |
| | | |
| Outstanding, March 1, 2023 | 6,225,000 | 0.3 |
| Issued during the period | 832,000 | 0.70 |
| Cancelled during the period | (225,000) | 0.35 |
| Outstanding as at May 31, 2023 | 6,832,000 | 0.35 |

On March 31, 2023, a consultant engaged by the Company as Vice President Public and Legal Affairs of the Company resigned from service. Of the 300,000 options issued to this consultant, 225,000 options were immediately cancelled and 75,000 have vested and are exercisable until March 31, 2024.

The following is a summary of options outstanding as at May 31, 2023:

| Expiry date | Number of options outstanding | Number of options exercisable | Exercise price $ | Life remaining |
|---|---|---|---|---|
| February 22, 2026 | 3,075,000 | 768,750 | 0.25 | 2.73 |
| February 22, 2026 | 2,925,000 | 731,250 | 0.35 | 2.73 |
| April 24, 2026 | 832,000 | 208,000 | 0.7 | 2.90 |
| | **6,832,000** | **1,708,000** | | |

For the three months ended May 31, 2023, the Company recorded $283,385 of share based compensation related to the vesting of options (three months ended May 31, 2022 - $nil).

The fair value of the 832,000 options issued during the three months ended May 31, 2023, of $242,956, to be recognized over the vesting period, was determined based on the Black Scholes pricing model, with the following weighted average inputs:

| **Weighted Averages** | |
|---|---|
| Share price | $0.51 |
| Dividend yield | Nil |
| Exercise price | $0.70 |
| Risk free interest rate | 3.60% |
| Expected volatility | 100% |
| Expected expiry | 3.00 |

As at the date of the MD&A, the Company has 6,757,000 options outstanding and of which 1,633,000 options are exercisable.

**Warrants**

During the three months ended May 31, 2023, the Company issued 70,494 warrants with an exercise price of $1.25 per share as broker fees for private placements. 1,537,295 warrants were issued at an exercise price of $1.25 per share as part of a private placement that took place during the three months ended May 31, 2023.

| | Number of warrants | Weighted Average Exercise Price $ |
|---|---|---|
| Outstanding as at February 28, 2023 | 6,547,477 | 0.49 |
| Issued during the period | 1,607,789 | 1.25 |
| Exercised during the period | (65,383) | 0.28 |
| Outstanding as at May 31, 2023 | 8,089,883 | 0.65 |

The following is a summary of warrants outstanding as at May 31, 2023

| Expiry date | Number of warrants | Exercise price $ | Weighted average life remaining |
|---|---|---|---|
| August 23, 2024 | 80,640 | 0.25 | 1.23 |
| December 31, 2025 | 6,401,454 | 0.50 | 2.58 |
| April 24, 2026 | 1,607,789 | 1.25 | 2.90 |
| | **8,089,883** | | |

Warrants issued as part of units are valued using the residual method in accordance with the Company's accounting policy, with a value of $584,172 for the three months ended May 31, 2023 (three months ended May 31, 2022 - $Nil) for the 1,537,295 granted. The fair value of the 70,494 broker warrants granted was estimated to be $16,338 at the grant date, based on the Black Scholes pricing model, with the following weighted average inputs:

| **Weighted Averages** | |
|---|---|
| Share price | $0.51 |
| Dividend yield | Nil |
| Exercise price | $1.25 |
| Risk free interest rate | 3.60% |
| Expected volatility | 100% |
| Expected expiry | 3.00 |

As at the date of the MD&A, the Company has 8,089,883 warrants outstanding.

## RELATED PARTY TRANSACTIONS

Related parties and related party transactions impacting the accompanying financial statements are summarized below and include transactions with the following individuals or entities:

### Key management personnel

Key management personnel include those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board and corporate officers. They are listed below:

| **Related party** | **Relationship** |
|---|---|
| John Passalacqua | Chief Executive Officer and Director |
| Peter Kent | President and Director |
| Laurence W. Zeifman | Chairman |
| Bennett Kurtz | Chief Administrative Officer |
| Garry Siskos | Chief Financial Officer and Chief Operating Officer |
| Marc Branson | Independent Director |
| Gilles Laverdiere | Chief Geologist |

Remuneration attributed to key management personnel can be summarized as follows:

| | For the three months ended May 31, | |
|---|---|---|
| | 2023 $ | 2022 $ |
| Share based compensation | 194,472 | - |
| Management fees | 144,000 | 7,500 |
| Professional Fees | 65,000 | - |
| Director's fees | 43,200 | 27,500 |
| Consulting Fees | 30,000 | - |
| | **476,672** | **35,000** |

**Due to related parties**

As of May 31, 2023, $14,787 (February 28, 2023, $79,290) was included in accounts payable as amount due to key management personnel for services received during the period.

**FINANCIAL INSTRUMENTS**

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

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

The following table sets forth the Company’s financial assets measured at fair value by levels within the fair value hierarchy:

| | As at May 31, 2023 | | | |
|---|---|---|---|---|
| | **Level 1 $** | **Level 2 $** | **Level 3 $** | **Total $** |
| Cash | 1,707,866 | - | - | 1,707,866 |
| Investments | - | - | 83,060 | 83,060 |
| | 1,707,866 | - | 83,060 | 1,790,926 |

The investments in Level 3 include the investment in IPL that is not quoted on an exchange. The cost approximates the fair value as there is insufficient more recent information available to measure fair value.

The Company measures its cash and cash equivalents using unadjusted quoted prices in active markets for identical assets or liabilities. The Company measures its restricted cash, accounts payable and loans payable at amortized cost.

The Company is exposed in varying degrees to a variety of financial instrument related risks:

*Credit risk*
Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company is not exposed to significant credit risk as its maximum exposure relates to cash and restricted cash balances totaling $1,742,886.

*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 as at May 31, 2023, has $1,707,866 in cash and $35,000 in restricted cash and $505,647 in financial liabilities, which represents the Company's maximum exposure to liquidity risk.

The following are the contractual maturities of financial liabilities.

| | As at May 31, 2023 | | | |
|---|---|---|---|---|
| | **Carrying amount $** | **Contractual cash flows $** | **Less than 1 year $** | **1-3 years $** |
| Accounts payable | 415,462 | 415,462 | 415,462 | - |
| Accrued liabilities | 90,185 | 90,185 | 90,185 | - |
| | **505,647** | **505,647** | **505,647** | **-** |

As at May 31, 2023, the Company has sufficient working capital to satisfy its financial liabilities.

The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing. If the Company is not successful in raising sufficient capital, the Company may have to curtail or otherwise limit its operations. From time to time the Company works to raise additional capital through private placements or other equity financing. The Company does not currently have any operations generating cash. The Company is therefore dependent upon debt and equity financing to carry out its plans. There can be no assurance that such financing will be available to the Company.

*Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and equity prices.

a) Interest rate risk

   Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

   The risk that the Company will realize a loss as a result of a change in the interest rate is low, as the Company has no investments or liabilities with variable interest rates.

b) Foreign currency risk

   As at May 31, 2023 and May 31, 2022, the Company's financial instruments are primarily denominated in Canadian dollars, its significant expenditures are in Canadian dollars, and any future equity raised is expected to be in Canadian dollars. As a result, the Company believes its currency risk to be minimal.

c) Price risk

Price risk is related to equity and commodity price risks. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level phaseof the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The company holds an investment in privately held companies that are not quoted on an exchange and therefore have minimal exposure to price risk.

## RISK FACTORS

### Financing

The Company does not currently have any operations generating cash. The Company is therefore dependent upon debt and equity financing to carry out its plans. There can be no assurance that such financing will be available to the Company.

The forward-looking information contained in this MD&A is based on the opinions, assumptions and estimates of management set out herein, which management believes are reasonable as at the date the statements are made. Those opinions, assumptions and estimates are inherently subject to a variety of risks and uncertainties and other known and unknown factors that could cause actual events or results to differ materially from those projected in the forward-looking information.

The risks and uncertainties affecting the forward-looking information contained in this MD&A are described in greater detail in the Company's Annual MD&A for the year ended February 28, 2023.

For the three months ended May 31, 20212023, there have been no changes to the risks and uncertainties that have materially affected, or are reasonably likely to materially affect, the Company's forward-looking information.