**PEGMATITE ONE LITHIUM AND GOLD CORP.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE COMPANY'S FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED MAY 31, 2023**

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**July 31, 2023**

This Management Discussion and Analysis ("MD&A") of Pegmatite One Lithium and Gold Corp. (formerly Madi Minerals Ltd.) has been prepared by management as of July 31, 2023 and should be read together with the unaudited consolidated financial statements and related notes for the nine months ended May 31, 2023 and the audited consolidated financial statements for the year ended August 31, 2022 which are prepared in accordance with International Financial Reporting Standards ("IFRS").

## FORWARD LOOKING STATEMENTS

The information set forth in this MD&A contains statements concerning future results, future performance, intentions, objectives, plans and expectations that are, or may be deemed to be, forward-looking statements. These statements concerning possible or assumed future results of operations of the Company are preceded by, followed by or include the words 'believes,' 'expects,' 'anticipates,' 'estimates,' 'intends,' 'plans,' 'forecasts,' or similar expressions. Forward-looking statements are not guarantees of future performance. These forward-looking statements are based on current expectations that involve numerous risks and uncertainties, including, but not limited to, those identified in the Risks Factors section. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate. These factors should be considered carefully, and readers should not place undue reliance on forward-looking statements. The Company may not provide updates or revise any forward-looking statements, except those otherwise required under paragraph 5.8(2) of NI 51-102, whether written or oral that may be made by or on the Company's behalf.

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 investment 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.

## OVERALL PERFORMANCE

The Company is engaged in the business of mineral exploration.

The Company's registered office is Suite 250 – 750 West Pender Street, Vancouver, BC, V6C 2T7 and its corporate office and principal place of business of the Company is Suite 201 - 10 Wanless Avenue, Toronto, Ontario, Canada, M4N 1V6. The Company was incorporated under the Business Corporations Act (British Columbia) on March 4, 2021.

On April 12, 2022, the Company commenced trading on the Canadian Securities Exchange under the symbol MADI.

On January 18, 2023, the Company changed its name from 'Madi Minerals Ltd.' to 'Pegmatite One Lithium and Gold Corp.'

The Company's shares will be traded under the new symbol 'PGA' from January 27, 2023.

On August 8, 2022, the Company completed a three-cornered amalgamation to which the Company's wholly-owned subsidiary, 1000256194 Ontario Ltd., amalgamated with Casey Jones Lithium Inc. ("Casey") and continued as one entity. The amalgamated entity, 1000279021 Ontario Ltd., became a wholly-owned subsidiary of the Company. In consideration of completing the transaction, the Company issued 12,000,000 common shares , of which:

i) 4,000,000 shares are issued without legend or restrictions;
ii) 4,000,000 shares must not be traded before December 8, 2022; and
iii) 4,000,000 shares must not be traded before April 8, 2023.

The shares issued were valued at $1,366,000 using the Company's share price on the date of share issuance of $0.135, adjusted for a discount of $254,000 using option pricing model to account timing of the share releases due to the restrictions noted above. The estimated discount of $254,000 was determined by the Black-Scholes Option Pricing Model with the following assumptions: an annualized volatility of 160% (determined based on comparable publicly listed entities); an expected life of 0.67 years; a dividend yield of 0%; and a risk-free rate of 3.28%. The Company paid transaction costs of $24,379.

**RESULTS OF OPERATIONS**

As at May 31, 2023, the Company had total assets of $1,894,047 (August 31, 2022 - $1,733,576). As at May 31, 2023, the Company had current liabilities of $75,289 (August 31, 2022 - $68,825).

*Nine months ended May 31, 2023 compared to nine months ended May 31, 2023*

For the nine months ended May 31, 2023, the Company reported a loss of $317,693 (2022 - $250,342) before taxes and a comprehensive loss of $317,693 (2022 - $240,827). An explanation of some of the significant differences between the current and comparative period is as follows:

i) Filing and transfer agent fees were $19,822 (2022 - $30,551). The decrease was due to lower share activities in the current period.

ii) Professional fees were $141,871 (2022 - $75,354). The increase was due to higher legal fees during the current period.

iii) Management fees were $20,000 (2022 - $46,500). The decrease was due to reduced fees paid to a related party during the comparative period.

iv) Share-based payments were $76,200 (2022 - $69,200). The increase was due to more stock options granted during the current period.

v) Office and miscellaneous of $11,594 (2022 - $2,145). The increase was primarily due to rent expenses in the current period.

vi) Shareholder information of $18,300 (2022 - $2,000). The increase was due to the company's effort to increase market awareness during the current period.

vii) Travel and promotion were $406 (2022 - $2,592). The decrease was due to less trips taken during the current period.

*Three months ended May 31, 2023 compared to three months ended May 31, 2023*

For the three months ended May 31, 2023, the Company reported a net loss of $141,432 (2022 - $215,085) before taxes and a comprehensive loss of $141,432 (2022 - $215,085). An explanation of some of the significant differences between the current and comparative period is as follows:

i) Consulting fees were $10,000 (2022 - $22,000). The decrease was due to less consultants hired in the current period.

ii) Filing and transfer agent fees were $3,277 (2022 - $24,772). The decrease was due to lower share activities in the current period.

iii) Management fees were $6,000 (2022 - $31,500). The decrease was due to reduced fees paid to a related party during the comparative period.

iv) Share-based payments were $50,300 (2022 - $69,200). The increase was due to less stock options granted during the current period.

v) Shareholder information of $10,860 (2022 - $2,000). The increase was due to company's effort to increase market awareness  during the current period.

**SUMMARY OF QUARTERLY RESULTS**

| | Q3 | Q2 | Q1 | Q4 |
|---|---|---|---|---|
| | May 31, 2023 | February 28, 2023 | November 30, 2022 | August 31, 2022 |
| Loss and comprehensive loss for the period | $(141,432) | $(121,511) | $(54,750) | $(117,731) |
| Loss per Share | (0.01) | (0.00) | (0.00) | (0.01) |
| | Q3 | Q2 | Q1 | Q4 |
| | May 31, 2022 | February 28, 2022 | November 30, 2021 | August 31, 2021 |
| Loss and comprehensive loss for the period | $ (215,085) | $(14,360) | $(11,382) | $ (40,327) |
| Loss per Share | (0.02) | (0.00) | (0.00) | (0.00) |

**EXPLORATION AND PROJECTS**

*Georgina Property*

On March 29, 2021, the Company entered into an agreement to acquire up to a 75% interest in one mining claim in the Nanaimo Mining Division, Vancouver Island, British Columbia. To acquire a 51% interest, the Company issued 100,000 common shares (issued for $2,000) and made a cash payment of $5,000 to the vendor.

To earn a further 24% (for a total of 75%), the Company must pay the vendor $10,000 on or before March 29, 2022 (paid), issue 100,000 common shares on or before the first anniversary of the initial listing of the Company's shares on an exchange (issued at a value of $5,500), and incur aggregate exploration expenditures of $200,000 of which $75,000 must be incurred before March 29, 2022 (incurred) and $125,000 on or before the first anniversary of the initial listing of the Company's shares on an exchange. Should the Company not earn the additional 24% interest, the property will revert back to the vendor.

The property is subject to a net smelter royalty of 2% payable to the vendor.

The property is located approximately 20 kilometers south of Sayward on northern Vancouver Island, British Columbia.

The property consists of one mineral claim covering an area of 2,069 hectares.

The property is in a relatively undeveloped area. Since 1969, exploration has been limited to prospecting and trenching and one 2019 geophysical survey. The programs have identified potential copper and gold deposits.

*Morrison River Property*

On August 8, 2022, the Company entered into an agreement to acquire a 100% interest in the Morrison River Property through the acquisition of 100% of the common shares of a privately held company that owns the property.

The Company issued 12,000,000 common shares (issued at a value of $1,366,000); and paid other transaction costs of $24,379 related to acquiring the privately held company through amalgamation.

*Future Plans*

In relation to the Property, the Company currently plans to follow recommendations made in the Technical Report. The Technical Report recommends that the Company retain a geophysicist to further interpret the airborne survey results, compile all available data, and undertake an exploration program which includes mapping, soil sampling and trenching of areas of interest.

*Frazer Lake-Mound Property*

On June 28, 2023, the Company entered into an option agreement with an Arm's length party to acquire a 100% interest in the Frazer Lake-Mound Property, Ontario, Canada.

Pursuant to the agreement, the Company will acquire the interest in the property by paying the optionor a total cash consideration of $250,001 as follows:

i) $1 on June 28, 2028, and
ii) $250,000 on or before June 28, 2024.

In addition, pursuant to the agreement, the Company will issue the Optionor 7,000,000 warrants on or before July 5, 2023, each warrant will entitle the holder to acquire one common share of the Company at a price of $0.05 until June 28, 2025. In addition, the Company also will issue the optionor 20,000,000 common shares on or before June 28, 2024.

The Company will grant the optionor a royalty of 2.0% of net smelter returns from minerals mined and removed from the property, of which the Company may purchase 1.0% at any time by paying a total of $1,500,000 to the optionor.

## LIQUIDITY AND CAPITAL RESOURCES

The Company reported working capital of $162,944 (August 31, 2022 – $50,745) at May 31, 2023 and cash of $194,232 (August 31, 2022 – $102,195). Current liabilities as at May 31, 2023 consisted of account payable and accrued liabilities of $75,289 (August 31, 2022 – $68,825).

During the period from September 1, 2022 to July 31, 2023, the Company:

i) issued a total of 100,000 common shares with a fair value of $5,500 for acquisition of Georgina Property.

ii) completed a non-brokered private placement of 1,800,000 flow-through units at a price of $0.05 for gross proceeds of $90,000. Each flow-through unit consists of one common share and one half of one common share purchase warrant. Each warrant is exercisable into an additional common share at a price of $0.10 until December 19, 2025.

    Concurrently, the Company completed a non-flow-through private placement of 6,100,000 units at a price of $0.05 for gross proceeds of $305,000. Each unit consists of a common share and a share purchase warrant. Each warrant is exercisable into an additional common share at a price of $0.10 until December 19, 2025.

The Company has limited working capital to continue administrative operations and development of its exploration asset and may continue to have capital requirements in excess of its currently available resources. The Company intends to raise additional financing either privately or through a public financing. There can be no assurance that the Company will have sufficient financing to meet its future capital requirements or that additional financing will be available on terms acceptable to the Company in the future.

## OFF-BALANCE SHEET ARRANGEMENTS

The Company does not utilize off-balance sheet arrangements.

## RELATED PARTY TRANSACTIONS

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 members of the Company's Board of Directors and corporate officers. The remuneration of directors and key management personnel made during the period is as follows:

| | Nine months ended May 31, 2023 | Nine months ended May 31, 2022 |
|---|---|---|
| Consulting | $ 9,000 | $ - |
| Management fee | 20,000 | 46,500 |
| Office | - | 500 |
| Professional fee | - | 10,800 |
| Share-based payments | 52,056 | 25,950 |
| **Total** | **$ 87,056** | **$ 83,750** |

During the period ended May 31, 2023 the Company:

i) paid or accrued management fees of $9,000 (2022 - $46,500) and office expenses of $Nil (2022 - $500) to a company owned by the former CEO of the Company.

ii) paid or accrued management fees of $7,000 (2022 - $46,500) to the former CEO of the Company

iii) paid or accrued management fees of $4,000 (2022 - $Nil) to the CEO of the Company.

iv) paid or accrued consulting fees of $9,000 (2022 - $Nil) to the CFO of the Company.

v) paid or accrued professional fees of $Nil (2022 - $10,800) to the former CFO of the Company.

vi) granted 1,150,000 (2022 – 300,000) stock options with a value of $52,056 (2022 - $25,950) to the CEO and former CEO of the Company.

As at May 31, 2023, due to related parties amounted to $2,100 (2022 – $2,000) included in accounts payable and accrued liabilities on the statements of financial position.

## FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company's financial instruments are comprised of cash and accounts payable and accrued liabilities. The carrying value of accounts payable and accrued liabilities as presented in the statements of financial position is a reasonable estimate of its fair value.

Financial assets and liabilities measured at fair value on a recurring basis are classified in their entirety based on the lowest level of input that is significant to their fair value measurement. Certain non-financial assets and liabilities may also be measured at fair value on a non-recurring basis. There are three levels of the fair value hierarchy that prioritize the inputs to valuation techniques used to measure fair value, with Level 1 inputs having the highest priority. The levels and the valuation techniques used to value financial assets and liabilities are described below.

*Level 1 – Quoted Prices in Active Markets for Identical Assets*
Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Cash is valued using quoted market prices in active markets. Accordingly, it is included in Level 1 of the fair value hierarchy.

*Level 2 – Significant Other Observable Inputs*
Quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

*Level 3 – Significant Unobservable Inputs*
Unobservable (supported by little or no market activity) prices.

*Financial Instrument Risks*

The Company's financial instruments are exposed to certain financial risks, including credit risk, interest rate risk, market risk, liquidity risk and currency risk.

a) Credit risk

The Company is exposed to credit concentration risk by holding cash. This risk is minimized by holding the investments in large Canadian financial institutions. The Company has no accounts receivable exposure.

b) Interest rate risk

The Company is exposed to minimal interest rate risk. Fluctuations in market interest rates do not have a significant impact on the Company's operations.

c) Market risk

The Company is exposed to market risk for fluctuating values of its publicly traded marketable securities and other corporate investments. The Company has no control over these fluctuations and does not hedge its investments.

d) Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its financial obligations as they come due. As at May 31, 2023, the Company manages this risk by monitoring its working capital to ensure its expenditures will not exceed available resources. As at May 31, 2023, the Company had cash of $194,232 (August 31, 2022 - $102,195) and a working capital of $162,944 (August 31, 2022 - $50,745). The Company may not be able to settle accounts payable and accrued liabilities of $75,289 (August 31, 2022 - $68,825). The Company will require financing from lenders, shareholders and other investors to generate sufficient capital to meet its short term business requirements. All of the Company's financial liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms.

e) Currency risk

Currency risk is the risk from fluctuations in foreign exchange rates and the degree of volatility of these rates. At May 31, 2023, the Company's cash is held in Canadian dollars and accordingly the Company is not exposed to currency risk.

## CRITICAL ACCOUNTING ESTIMATES

Please refer to the condensed interim consolidated financial statements for the period ended May 31, 2023 located on www.sedar.com.

## SIGNIFICANT ACCOUNTING POLICIES

Please refer to the condensed interim consolidated financial statements for the period ended May 31, 2023 located on www.sedar.com.

## MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The information provided in this report as referenced from the Company's financial statements for the referenced reporting period is the sole responsibility of management. In the preparation of the information along with related and accompanying statements and estimates contained herein, management uses careful judgement in assessing the values (or future values) of certain assets or liabilities. It is the opinion of management that such estimates are fair and accurate as presented.

## OTHER REQUIREMENTS

***Summary of Outstanding Securities as at July 31, 2023***

Authorized: Unlimited number of common shares without par value.

Issued and outstanding: 34,325,001 Common Shares.

Share Purchase Options

| Number of Options | Exercise Price | Expiry Date |
|---:|:---:|:---:|
| 500,000 | $0.10 | 30-Aug-24 |
| 800,000 | $0.10 | 4-May-25 |
| 200,000 | $0.135 | 18-Aug-25 |
| 500,000 | $0.055 | 12-Dec-25 |
| 1,250,000 | $0.065 | 17-Mar-26 |
| 3,250,000 | | |

Warrants

| Number of Warrants | Exercise Price | Expiry Date |
|---:|:---:|:---:|
| 402,500 | $0.10 | 11-Apr-24 |
| 7,000,000 | $0.10 | 28-Jun-25 |
| 7,000,000 | $0.10 | 19-Dec-25 |
| 14,402,500 | | |

## RISKS AND UNCERTAINTIES

The Company's principal activity is mineral exploration and development. Companies in this industry are subject to many and varied kinds of risks, including but not limited to, environmental, metal prices, political and economical. The Company has no producing properties, no significant source of operating cash flow and consequently no sales or revenue from operations. The Company has either not yet determined whether its mineral properties contain mineral reserves that are economically recoverable or where reserves have been determined, mining operations have not yet commenced. The Company has limited financial resources. Substantial expenditures are required to be made by the Company to establish reserves.

The property interests in whom the Company has an option to earn an interest are in the exploration stages only, are without and may not result in any discoveries of commercial mineralization, and have no ongoing mining operations.

Mineral exploration involves a high degree of risk and few properties, which are explored, are ultimately developed into producing mines, the result being the Company will be forced to look for other exploration projects. The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous materials and other matters.

*Additional disclosures pertaining to the Company's technical report, management information circulars, material change reports, press releases and other information are available on the SEDAR website at www.sedar.com.*

**CHANGE IN MANAGEMENT**

On September 16, 2022, Gary Musil resigned from the Board of Directors.

On December 1, 2022, the Company appointed Ross Mitgang as the new CEO, President and Director. Mike England resigned as CEO and President but will remain on the Board of Directors. In addition, Dianne Szigety resigned from the Board of Directors.

On April 5, 2023, the Company announced that Mr. Ross Mitgang has voluntarily resigned as the Chief Executive Officer and President of the Company but will remain on the Board of Directors. Additionally, Mr. Kelly Abbott is appointed as Chief Executive Officer and President of the Company.

On April 5, 2023, James Howard Place voluntarily resigned as a director of the Company.

On April 14, 2023, Mike England voluntarily resigned from the Board of Directors of the Company.