

## **PEGMATITE ONE LITHIUM AND GOLD CORP.**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE COMPANY'S FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE YEAR ENDED AUGUST 31, 2023**

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**December 22, 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 December 22, 2023 and should be read together with the consolidated financial statements and related notes for the years ended August 31, 2023 and 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.

#### **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 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.

## RESULTS OF OPERATIONS

As at August 31, 2023, the Company had total assets of \$810,389 (2022 - \$1,733,576). As at August 31, 2023, the Company had current liabilities of \$280,471 (2022 - \$68,825).

### *Year ended August 31, 2023 compared to year ended August 31, 2022*

For the year ended August 31, 2023, the Company reported a loss of \$1,835,609 (2022 - \$375,059) before taxes and a comprehensive loss of \$1,835,609 (2022 - \$358,558). An explanation of some of the significant differences between the current and comparative year is as follows:

- i) Filing and transfer agent fees were \$23,332 (2022 - \$34,011). The decrease was due to lower share activities during the current year.
- ii) Professional fees were \$157,240 (2022 - \$106,598). The increase was due to higher legal fees during the current year.
- iii) Management fees were \$56,000 (2022 - \$85,000). The decrease was due to reduced fees paid to a related party during the current year.
- iv) Share-based payments were \$76,200 (2022 - \$92,100). The decrease was due to fewer stock options granted during the current year.
- v) Office and miscellaneous of \$14,699 (2022 - \$2,289). The increase was primarily due to increased activities during the current year.
- vi) Shareholder information of \$25,484 (2022 - \$12,000). The increase was due to the Company's effort to increase market awareness during the current year.
- vii) Write-off of explorations and evaluations assets of \$1,446,659 (2022 - \$Nil) due to the impairment of the Morrison River Property during the current year.

### *Three months ended August 31, 2023 compared to three months ended August 31, 2022*

For the three months ended August 31, 2023, the Company reported a net loss of \$1,517,916 (2022 - \$124,717) before taxes and a comprehensive loss of \$1,517,916 (2022 - \$117,731). An explanation of some of the significant differences between the current and comparative period is as follows:

- i) Consulting fees were \$3,850 (2022 - \$14,000). The decrease was due to less consultants hired in the current period.
- ii) Share-based payments were \$Nil (2022 - \$22,900). The decrease was due to no stock options granted during the current period.
- iii) Write-off of explorations and evaluations assets of \$1,446,659 (2022 - \$Nil) due to the impairment of the Morrison River Property during the current period.

## SELECTED ANNUAL INFORMATION

The following summary of selected audited financial information is derived from, and should be read in conjunction with, the Company's audited consolidated financial statements, including the notes thereto, for the financial years ended August 31, 2023, and 2022, and from the date of incorporation on March 4, 2021 to August 31, 2021:

	2023	2022	2021
	\$	\$	\$
Revenue	-	-	-
Loss and comprehensive loss for the year/period	1,835,609	358,558	63,417
Basic and diluted net loss per common share	0.06	0.03	0.01
Working capital	29,559	50,745	129,042
Total assets	810,389	1,733,576	256,617

## FOURTH QUARTER

There were no significant transactions during the quarter ended August 31, 2023.

## SUMMARY OF QUARTERLY RESULTS

	Q4	Q3	Q2	Q1
	August 31, 2023	May 31, 2023	February 28, 2023	November 30, 2022
Loss and comprehensive loss for the period	\$(1,517,916)	\$(141,432)	\$(121,511)	\$(54,750)
Loss per Share	(0.04)	(0.01)	(0.00)	(0.00)
	Q4	Q3	Q2	Q1
	August 31, 2022	May 31, 2022	February 28, 2022	November 30, 2021
Loss and comprehensive loss for the period	\$(117,731)	\$(215,085)	\$(14,360)	\$(11,382)
Loss per Share	(0.01)	(0.02)	(0.00)	(0.00)

## EXPLORATION AND PROJECTS

### *Georgina Property*

On March 29, 2021, the Company entered into an option agreement to acquire up to a 75% interest in a mining claim in the Nanaimo Mining Division, British Columbia.

During the period ended August 31, 2021, the Company acquired 51% interest in the property by issuance of 100,000 common shares and paid \$5,000 in cash to the vendor.

The Company earned the remaining 24% of the total 75% interest by making the following payments as follows:

- \$10,000 on or before March 29, 2022 (paid);
- 100,000 common shares on or before the date that is six months from the date of the initial listing of the Company's shares on the CSE (issued at a value of \$5,500); and
- exploration expenditures of \$200,000 (incurred).

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.

During the year ended August 31, 2023, the Company determined it would no longer explore the property which is an indicator of impairment under IFRS 6, resulting in an assessment of the property's recoverable amount. Subsequent to August 31, 2023, the Company entered into a non-binding agreement with Valor Resources Limited ("Valor") where Valor has an option to acquire a 100% interest in the property for total cash consideration of AUD\$70,000 and 270,000,000 Valor Shares. There is no firm commitment for Valor. As such, the Company has written off the property in full, recognizing an impairment loss of \$1,446,659 during the year ended August 31, 2023.

#### Frazer Lake-Mound Property

On June 28, 2023, and amended on December 4, 2023, the Company entered into an option agreement to acquire a 100% interest in the Frazer Lake-Mound Property, Ontario, Canada.

Pursuant to the agreement, the Company will acquire 100% interest in the property by paying total cash consideration of \$250,001 as follows:

- i) \$1 on June 28, 2023 (paid); and
- ii) \$25,000 on or before August 8, 2026.
- iii) Issue 7,000,000 warrants on or before July 5, 2023 (issued at a fair value of \$171,000). Each warrant will entitle the holder to acquire one common share of the Company at a price of \$0.05 until June 28, 2025.
- iv) Issue 2,000,000 common shares on or before August 8, 2026.

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.

#### Frazer Lake Expansion

On August 8, 2023, and amended on December 4, 2023, the Company entered into an agreement to acquire a 100% interest to an additional 383 mining claims in the vicinity of the Frazer Lake Mound Property in northwestern Ontario, Canada.

Pursuant to the agreement, the Company will acquire 100% interest in the claims by making the payments as follows:

- i) \$25,000 on or before August 8, 2026; and
- ii) Issuance of 3,200,000 common shares on or before August 8, 2026.

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 \$750,000 to the optionor.

## Valor Resources Limited. –Agreement

Subsequent to August 31, 2023, the Company into an agreement (the “Agreement”) to option out 100% interest of its Morrison River Property and Frazer Lake-Mound Property to Valor (the “Transaction”) as follows:

### *Morrison River Property*

Pursuant to the Agreement, Valor may acquire a 100% interest (subject to existing net smelter returns) in the Morrison Property, which is a non-binding obligation of the parties, by Valor paying the Company a total of AUD\$80,000 cash (or 20,000,000 ordinary shares in the capital of Valor (each a "Valor Share"), at Valor's election) and 250,000,000 Valor Shares, as follows:

- i) AUD\$20,000 cash or 5,000,000 Valor Shares, at Valor's election, on the earlier of:
  - a) Upon execution of a definitive agreement (the “Formal Agreement”); or
  - b) December 31, 2023, or extended to the date when the Company has completed their due diligence on Valor.
- ii) AUD\$30,000 cash or 7,500,000 Valor Shares , at Valor's election, on the earlier of:
  - a) Upon commencement of on ground field-based exploration activities; or
  - b) June 1, 2024.
- iii) AUD\$30,000 cash or 7,500,000 Valor Shares on or before 3<sup>rd</sup> month anniversary from the commencement of on ground field-based exploration activities.
- iv) 250,000,000 Valor Shares on or before on or before September 30, 2024, if Valor elects to proceed with the acquisition of 100% interest.

### *Frazer Lake-Mound Property*

Pursuant to the Agreement, Valor may acquire a 100% interest (subject to existing net smelter returns) in the Frazer Property, which is a binding obligation of the parties, by Valor paying the Company a total of AUD\$320,000 cash (or 80,000,000 Valor Shares, at Valor's election) and 1,000,000,000 Valor Shares, as follows:

- i) firm commitment of AUD\$80,000 cash or 20,000,000 Valor Shares , at Valor's election, on the earlier of:
  - a) Upon execution of a Formal Agreement; or
  - b) December 31, 2023, or extended to the date when the Company has completed their due diligence on Valor.
- ii) firm commitment of AUD\$120,000 cash or 30,000,000 Valor Shares , at Valor's election, on the earlier of:
  - a) Upon commencement of on ground field-based exploration activities; or
  - b) June 1, 2024.
- iii) AUD\$120,000 cash or 30,000,000 Valor Shares on or before 3<sup>rd</sup> month anniversary from the commencement of on ground field-based exploration activities.
- iv) 1,000,000,000 Valor Shares on or before on or before September 30, 2024, if Valor elects to proceed with the acquisition of 100% interest.

The Company will be granted a 2% NSR for the properties, which Valor can repurchase for 1% for \$2,250,000.

The Agreement contains customary representations, warranties and covenants including a termination fee up to AUD\$500,000.

The Transaction is subject to, among other things, the approval of the Company's shareholders, if required, receipt of the required regulatory approvals, and other customary conditions of closing.

## LIQUIDITY AND CAPITAL RESOURCES

The Company reported working capital of \$29,559 (2022 – \$50,745) at August 31, 2023 and cash of \$258,111 (2022 – \$102,195). Current liabilities as at August 31, 2023 consisted of account payable and accrued liabilities of \$280,471 (2022 – \$68,825).

During the period from September 1, 2022 to December 22, 2023, the Company:

- i) issued a total of 100,000 common shares with a fair value of \$5,500 for acquisition of the 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. The Company paid issuance costs of \$46,274. A value of \$Nil was attributed to the flow-through premium liability in connection with the financing. As of August 31, 2023, the Company fulfilled its spending commitment.  
  
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.
- iii) issued 293,500 common shares pursuant to the exercise of warrants for gross proceeds of \$29,350, and accordingly, the Company reallocated \$21,219 of contributed surplus of share capital.
- iv) issued 700,000 common shares pursuant to the exercise of warrants for gross proceeds of \$70,000.

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:

	Year ended August 31, 2023	Year ended August 31, 2022
Consulting fees	\$ 12,000	\$ 3,000
Management fees	56,000	85,000
Office	6,000	500
Professional fees	-	10,800
Share-based payments	52,056	48,850
<b>Total</b>	<b>\$ 126,056</b>	<b>\$ 148,150</b>

During the year ended August 31, 2023 the Company:

- i) paid or accrued management fees of \$Nil (2022 - \$25,000) and office expenses of \$6,000 (2022 - \$500) to a company owned by the former CEO of the Company.
- ii) paid or accrued management fees of \$9,000 (2022 - \$60,000) to a company owned by the former CEO of the Company.
- iii) paid or accrued management fees of \$7,000 (2022 - \$Nil) to the former CEO of the Company.
- iv) paid or accrued management fees of \$40,000 (2022 - \$Nil) to the CEO of the Company.
- v) paid or accrued consulting fees of \$12,000 (2022 - \$3,000) to the CFO of the Company.
- vi) paid or accrued professional fees of \$Nil (2022 - \$10,800) to the former CFO of the Company.
- vii) granted 1,150,000 (2022 – 500,000) stock options with a value of \$52,056 (2022 - \$48,850) to the CEO and former CEO of the Company.

As at August 31, 2023, due to related parties amounted to \$42,613 (2022 – \$1,050) included in accounts payable and accrued liabilities on the statements of financial position. These amounts are unsecured, non-interest bearing, and have no fixed terms of repayment.

## **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 given its short term to maturity.

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. The levels and the valuation techniques used to value financial assets and liabilities are described below. There were no transfers between levels of the fair value hierarchy during the year.

### *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, price 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) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. 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 of 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 closely monitors commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

d) Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its financial obligations as they come due. As at August 31, 2023, the Company manages this risk by monitoring its working capital to ensure its expenditures will not exceed available resources. As at August 31, 2023, the Company had cash of \$258,111 (2022 - \$102,195) and a working capital of \$29,559 (2022 - \$50,745). The Company may not be able to settle accounts payable and accrued liabilities of \$280,471 (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 are 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 August 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 consolidated financial statements for the year ended August 31, 2023 located on [www.sedarplus.ca](http://www.sedarplus.ca).

### **SIGNIFICANT ACCOUNTING POLICIES**

Please refer to the consolidated financial statements for the year ended August 31, 2023 located on [www.sedarplus.ca](http://www.sedarplus.ca).



## 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 December 22, 2023*

Authorized: Unlimited number of common shares without par value.

Issued and outstanding: 35,318,501 Common Shares.

#### Share Purchase Options

Number of Options	Exercise Price	Expiry Date
150,000	\$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
2,100,000		

#### Warrants

Number of Warrants	Exercise Price	Expiry Date
7,000,000	\$0.10	28-Jun-25
6,300,000	\$0.10	19-Dec-25
13,300,000		

## 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.sedarplus.ca](http://www.sedarplus.ca).*

## **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.