



CRITICAL ELEMENTS LITHIUM CORPORATION

(Formerly Critical Elements Corporation)
(an exploration company)

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended August 31, 2019

MANAGEMENT DISCUSSION AND ANALYSIS

This management discussion and analysis ("MD&A") of Critical Elements Lithium Corporation (formerly Critical Elements Corporation) ("Critical Elements" or the "Company") complies with Rule 51-102A of the Canadian Securities Administrators regarding continuous disclosure.

The MD&A is a narrative explanation, through the eyes of the management of Critical Elements, of how the Company performed during the year ended August 31, 2019, and of the Company's financial condition and future perspectives or opportunities. This discussion and analysis supplements, but does not form part of, the audited financial statements for the year ended August 31, 2019. It reports on the Company's performance for the year ended August 31, 2019, and should therefore be read in conjunction with the audited financial statements as at August 31, 2019 and the notes thereto. This review was prepared by management with information available as at the date of the MD&A.

The condensed interim financial statements have been prepared by the Company's management in accordance with International Financial Reporting Standards ("IFRS").

The accounting policies of Critical Elements, as well as the accounting standards issued but not yet effective, are detailed in the notes to the Annual Financial Statements, filed on SEDAR (www.sedar.com).

All figures are in Canadian dollars unless otherwise stated. Additional information relating to the Company can be found on SEDAR at www.sedar.com. The shares of Critical Elements are listed on the TSX Venture Exchange under the symbol CRE, on the American Over-The-Counter QX stock exchange (OTCQX) under the symbol CFECF and on the Frankfurt Exchange under the symbol F12.

DATE

The MD&A was prepared on the basis of information available as at November 18, 2019.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements that reflect the Company's current expectations regarding future events. To the extent that any statements in this document contain information that is not historical, the statements are essentially forward-looking and are often identified by words such as "anticipate", "expect", "estimate", "intend", "project", "plan" and "believe". Forward-looking statements involve risks, uncertainties, and other factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements. There are many factors that could cause such differences, particularly: volatility and sensitivity to market metal prices; impact of change in foreign currency exchange rates and interest rates; imprecision in reserve estimates; environmental risks including increased regulatory burdens; unexpected geological conditions; adverse mining conditions; changes in government regulations and policies, including laws and policies; failure to obtain the necessary permits and approvals from government authorities; and other development and operating risks.

While the Company believes that the assumptions underlying in the forward-looking statements are reasonable, undue reliance should not be placed on these statements, which only apply as of the date of this document. The Company disclaims any intention or obligation to update or revise any forward-looking statement, whether or not it should be revised because of new information, future events or otherwise, unless required to do so by the applicable securities laws.

NATURE OF ACTIVITIES

Critical Elements Lithium Corporation is incorporated under the Canada Business Corporations Act. The Company is involved in the acquisition, exploration and development of mining properties. The Company is active in Canada.

HIGHLIGHTS

- Filed and completed 43-101 report (dated November 29, 2017) for the Rose Lithium-Tantalum Project indicating:
 - NPV of \$726 million
 - Capex \$341 million
 - Average annual production of 186,327 tonnes of chemical grade lithium concentrate
 - Average annual production of 50,205 tonnes of technical grade lithium concentrate
 - Average annual production of 429 tonnes of tantalum concentrate
 - Mine life of 17 years
 - Low risk approach using open pit mining and conventional lithium processing
- Successfully completed pilot plant conversion process from spodumene concentrate to lithium hydroxide and lithium carbonate.
- The Canadian Environmental Assessment Agency (“CEAA”) confirmed, on March 5, 2019, that the Environmental Impact Statement for the Rose Lithium-Tantalum Mine Project initially filed on August 2, 2017 is now deemed complete. This is an important step in the process of obtaining authorization for the project.
- In July 2019, the Cree Nation of Eastmain, the Grand Council of the Crees (Eeyou Istchee), the Cree Nation Government and the Company have signed an impact and benefit agreement, referred to as the Pikhuutau Agreement, concerning the development and operation of the Rose Lithium-Tantalum Project in Eeyou Istchee.
- In October 2019, the Company announced that Primero Group (“Primero”) has successfully completed the first phase of its Early Contractor Involvement (“ECI”) agreement. Primero has provided a Guaranteed Maximum Price (“GMP”) for the engineering, procurement and construction (“EPC”) of the Rose Lithium-Tantalum project (“Project”) on a lump sum turnkey basis that is in line with the Project’s feasibility study published November 29, 2017.
- The Company continues to work closely with its financial advisor, Canaccord Genuity Corp. (“Canaccord”), to evaluate ongoing interest from global strategic partners that seek to accelerate the Rose Lithium-Tantalum project to production. Discussions with multiple potential partners are advancing and our goal is to finalize a transaction by the end of the fiscal year. Progress is being made on delivering commitments totaling \$341 million for a financing package to fund construction.

OVERALL PERFORMANCE

ROSE LITHIUM-TANTALUM – LITHIUM, TANTALUM PROJECT

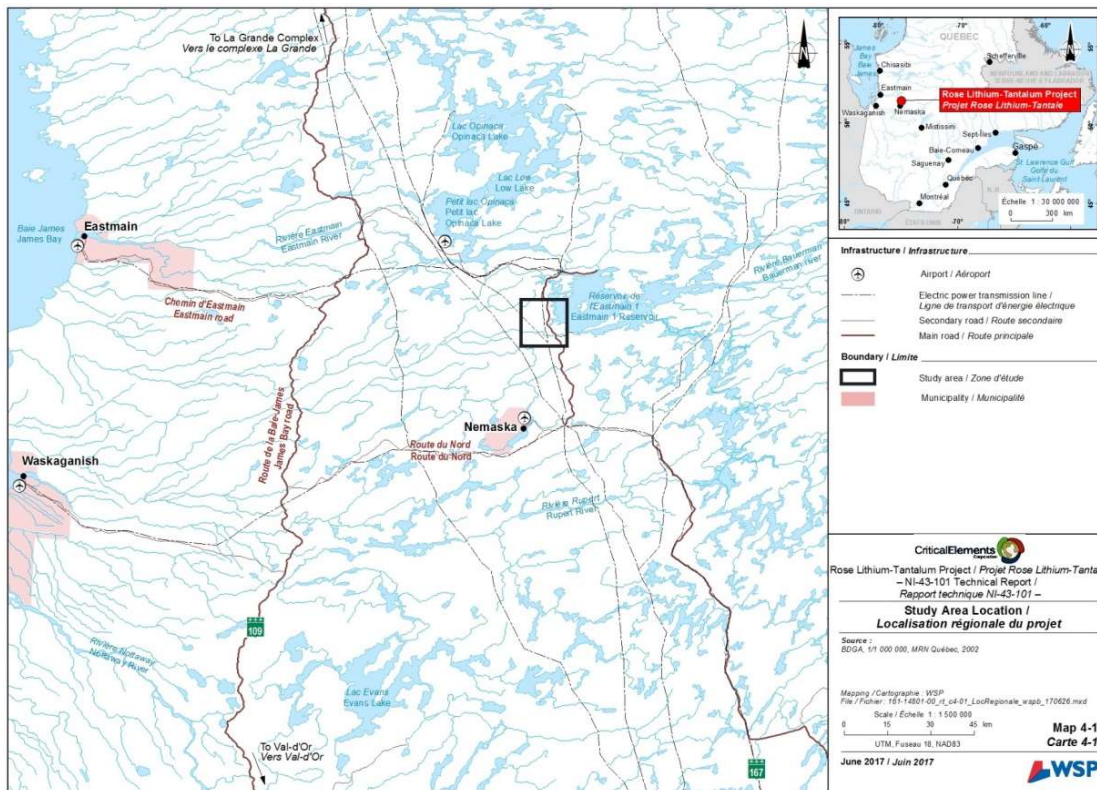
Property Description

The Rose Lithium-Tantalum property is located in northern Québec's administrative region, on the territory of Eeyou Istchee James Bay. It is located on Category III land, on the Traditional Lands of the Eastmain Community, approximately 40 km north of the Cree village of Nemaska. The latter is located approximately 300 km north-west of Chibougamau.

The Rose Lithium-Tantalum property is accessible by road via the Route du Nord, usable all year round from Chibougamau. The mine site can also be reached by Matagami, via Route 109 and Route du Nord. Figure below shows the regional location of the project. The project is located 80 km south of Goldcorp's Éléonore gold mine and 45 km north-west of Nemaska's Whabouchi lithium project and 20 km south of Hydro Québec's Eastmain 1 hydroelectricity generating plant. The Nemiscau airport services the regions air travel needs. The Rose Lithium-Tantalum property site is located 50 km by road from the Nemiscau airport.

The Rose Lithium-Tantalum property comprises 473 claims spread over a 24,654 ha area. Geologically, the Rose Lithium-Tantalum property is located at the north-east end of the Archean Lake Superior Province of the Canadian Shield.

Rose Lithium-Tantalum Property Location



In April 2017, the Company announced that it had successfully completed its pilot plant trials. The program confirmed the suitability and robustness of the beneficiation plant design. The outstanding results yielded lithium concentrate grades of up to 6.56% and recoveries of up to 83.4%. Results obtained in pilot plant testing demonstrate very good understanding of the processing of the mineralized material, and the commercial plant should generate results similar to the locked cycle tests with the optimized equipment.

Locked cycle tests returned outstanding results, with a lithium concentrate grade of 6.65% Li₂O and recoveries of up to 89.7%. Tantalite recoveries were 48.1% for Rose and 64.4% for Rose South, respectively, with grades of 1.44% and 2.39% Ta₂O₅, respectively. The trials also included testing of low iron content mineralized material suitable for higher-value Glass and Ceramics applications (Spodumene Tech Grade).

In July 2017, has announced that its environmental impact study ("EIS") for the Rose Lithium-Tantalum Project was officially submitted to the Environmental and Social Impact Review Committee ("COMEX") and the Canadian Environmental Assessment Agency ("CEAA"). Submission of the EIS, which was developed by WSP, is an important step in the process of obtaining authorization for the project. The EIS was submitted to COMEX in accordance with Chapter II of the Quebec *Environment Quality Act* and to the CEAA in accordance with the *Canadian Environmental Assessment Act*.

On November 27, 2017, the Company proceeds to the filing on SEDAR of a National Instrument ("NI") 43-101 technical report representing the qualifying report for the feasibility study of the Rose Lithium-Tantalum. Highlights are as follows:

- Average annual production of 186,327 tonnes of chemical grade lithium concentrate
- Average annual production of 50,205 tonnes of technical grade lithium concentrate
- Average annual production of 429 tonnes of tantalum concentrate
- Expected life of mine of 17 years
- Average operating costs of \$66.56 per tonne milled, \$458 (US\$344) per tonne of concentrate (all concentrate production combined)
- Estimated initial capital cost \$341.2 million before working capital
- 100% equity basis for project
- Average gross margin 63.6%
- After-tax NPV of \$726 million (at 8% discount rate), after-tax IRR of 34.9% and price assumption of US\$1,500 per tonne technical grade lithium concentrate, US\$750 per tonne chemical grade lithium concentrate, US\$130 per kg tantalum pentoxide
- Anticipated construction time to start of production of 21 months

The completion of the feasibility on the spodumene plant is the first step to enter the market and establish the Company as a high quality lithium supplier. The low-risk approach is characterised by simple open-pit mining and conventional lithium processing technologies.

The feasibility is based on a conventional truck and shovel open pit operation and a conventional milling process to produce technical and chemical grade spodumene concentrates and a tantalite concentrate.

The mine is planned to excavate a total of 26.8M tonnes ore grading an average of 0.85% Li₂O and 133 ppm Ta₂O₅ after dilution. The mill will process 1.61M tonnes of ore per year to produce an annual average of 236,532 tonnes of technical and chemical grade spodumene concentrates and 429 tonnes of tantalite concentrate. The ore is contained in several parallel and continuous low dipping pegmatite veins outcropping on surface. The ore zones are open at depth and a future underground operation is possible.

Over the life of mine, the open pit will excavate a total of 182.4M tonnes of waste rock and 11.0 M tonnes of overburden. The average strip ratio is 7.2 tonnes of stripping per tonne of ore.

Table 1: Rose Key FS Results

Item	Units	Value	
Production			
Project life (from start of construction to closure)	years	19	
Mine life	years	17	
Total mill feed tonnage	M t	26.8	
Average mill feed grade			
Li ₂ O	% Li ₂ O	0.85	
Ta ₂ O ₅	ppm Ta ₂ O ₅	133	
Lithium Concentrate Production			
% of Production, Chemical Grade	%	75	
% of Production, Technical Grade	%	25	
Mill recoveries			
Li ₂ O, Chemical Grade	%	90	
Li ₂ O, Technical Grade	%	87	
Ta ₂ O ₅	%	40	
Payable			
5% Li ₂ O Concentrate, Chemical Grade	t	3,070,000	
6% Li ₂ O Concentrate, Technical Grade	t	827,000	
Ta ₂ O ₅ contained in concentrate	kg	1,431,000	
Commodity Prices			
5% Li ₂ O Concentrate, Chemical Grade FOB port	US\$/t conc.	750	
6% Li ₂ O Concentrate, Technical Grade FOB port	US\$/t conc.	1,500	
Ta ₂ O ₅ contained in concentrate FOB mine site	US\$/kg contained	130	
Exchange rate		1 US\$: 1.33 CAN\$ 0.75 US\$: 1 CAN\$	
Project Costs		CA\$	US\$
Average Mining Cost	\$/t milled	30.69	23.02
Average Milling Cost	\$/t milled	16.14	12.11
Average General & Administrative Cost	\$/t milled	12.15	9.12
Average Concentrate Transport Costs	\$/t milled	7.57	5.68
Project Economics		CA\$	US\$
Gross Revenue	\$M	4,973	3,729
Total Selling Cost Estimate	\$M	152	114
Total Operating Cost Estimate	\$M	1,785	1,339
Total Sustaining Capital Cost Estimate	\$M	127	95
Total Capital Cost Estimate	\$M	341	256
Duties and Taxes	\$M	1,000	750
Pre-Tax Cash Flow	\$M	2,567	1,926
After-Tax Cash Flow	\$M	1,567	1,175
Effective tax rate		39%	
Discount Rate		8%	
Pre-Tax Net Present Value @ 8%	\$M	1,257	943
Pre-Tax Internal Rate of Return		48.2%	
Pre-Tax Payback Period	years	2.3	
After-Tax Net Present Value @ 8%	\$M	726	545
After-Tax Internal Rate of Return		34.9%	
After-Tax payback period	years	2.8	

Reserve Estimate

A Mineral Reserve Estimate for 17 mineralized zones was prepared during this study. The estimation assumed the production of a chemical grade spodumene concentrate with a price of 15.66 US\$ per kg Li₂O and a tantalite concentrate with a price of 130 US\$ per Ta₂O₅. The recoveries were fixed at 85% and 64% for Li and Ta respectively. The grade-recovery curve used for resource estimate, which became available after the mineral reserves were evaluated, was verified and found to have little influence on the reserve estimate. The production of a higher value technical grade spodumene concentrate was not assumed in the reserve estimate.

Based on compilation status, metal price parameters, and metallurgical recovery inputs, the effective date of the estimate is August 4, 2017.

The estimate was prepared in accordance with CIM's standards and guidelines for reporting mineral resources and reserves.

Table 1 displays the results of the Mineral Reserve Estimate for the Rose Project at the \$29.70 NSR per tonne cut-off for the open-pit scenario.

Table 1 – Mineral Reserve Estimate

	Tonnage	NSR	Li₂O_{eq}	Li₂O	Ta₂O₅
Category	(Mt)	(\$)	(%)	(%)	(ppm)
Probable	26.8	148.99	0.96	0.85	133
Total	26.8	148.99	0.96	0.85	133

- The Independent and Qualified Person for the Mineral Reserve Estimate, as defined by NI 43-101, is Patrick Frenette, P.Eng, M.Sc.A, of InnovExplo Inc. The effective date of the estimate is August 4, 2017.
- The model includes 17 mineralized zones.
- Calculations used metric units (metres, tonnes and ppm).
- The number of metric tons was rounded to the nearest thousand. Any discrepancies in the totals are due to rounding effects. Rounding followed the recommendations in NI 43-101.
- InnovExplo is not aware of any known environmental, permitting, legal, title-related, taxation, socio-political, marketing or other relevant issue that could materially affect the Mineral Reserve Estimate.

Resource Estimate

InnovExplo updated the mineral resource estimate from the 2011 PEA for 23 mineralized zones. The mineral resource was updated on a block value basis using current pricing and cost parameters.

The effective date of the estimate is August 29, 2017, based on compilation status, metal price parameters, and metallurgical recovery inputs.

Given the density of the processed data, the search ellipse criteria, the drill hole density and the specific interpolation parameters, InnovExplo is of the opinion that the current mineral resource estimate can be classified as Indicated and Inferred resources. The estimate was prepared in accordance with CIM's standards and guidelines for reporting mineral resources and reserves.

Table 2 displays the results of the Mineral Resource Estimate for the Rose Project using \$30 NSR per tonne cut-off for the open-pit mine and \$110 NSR cut-off for the underground mine.

Table 2 – Mineral Resource Estimate

		Tonnage	NSR	Li₂O_{eq}	Li₂O	Ta₂O₅
	Category	(Mt)	(\$)	(%)	(%)	(ppm)
Indicated	Pit-constrained	30.0	161	1.04	0.93	150
	Underground	1.9	159	1.02	0.94	114
	Total Indicated	31.9	161	1.04	0.93	148
Inferred	Pit-constrained	2.0	137	0.90	0.79	153
	Underground	0.8	149	0.96	0.88	126
	Total Inferred	2.8	141	0.92	0.82	145

- The Independent and Qualified Person for the Mineral Resource Estimate, as defined by NI 43-101, is Pierre-Luc Richard, P.Geo., M.Sc., of InnovExplo Inc. The effective date of the estimate is August 29, 2017.
- These Mineral Resources are not Mineral Reserves as they do not have demonstrated economic viability.
- The model includes 23 mineralized zones.
- Results are presented in situ and undiluted.

- Sensitivity was assessed using cut-off NSR values for \$5-10 increments from \$20 to \$150. The mineral resource is reported at a cut-off of \$30 NSR for the open-pit and of \$110 NSR for the underground potential based on market conditions (metal price, exchange rate and production cost).
- A range of densities was used on a per-zone basis based on statistical analysis of all available data.
- A minimum true thickness of 2.0 metres was applied, using the grade of the adjacent material when assayed or a value of zero when not assayed.
- High grade capping was done on raw assay data based on the statistical analyses of individual mineralized zones.
- Compositing was done on drill hole intercepts falling within mineralized zones (composite lengths vary from 1.5 m to 3 m in order to distribute the tails adequately).
- Resources were evaluated from drill holes using a 2-pass OK interpolation method in a block model (block size = 5 m x 5 m x 5 m).
- The inferred category is only defined within the areas where blocks were interpolated during pass 1 or pass 2 where continuity is sufficient to avoid isolated blocks being interpolated by only one drill hole. The indicated category is only defined by blocks interpolated by a minimum of two drill holes in areas where the maximum distance to the closest drill hole composite is less than 40 metres for blocks interpolated in pass 1.
- The number of metric tons was rounded to the nearest thousand. Any discrepancies in the totals are due to rounding effects. Rounding followed the recommendations in NI 43-101.
- InnovExplo is not aware of any known environmental, permitting, legal, title-related, taxation, socio-political, marketing or other relevant issue that could materially affect the Mineral Resource Estimate.

Feasibility Study

The parameters used for the feasibility study are the following:

- Open pit mining rate of 1,610,000 tpy
- Spodumene process plant with a 4,900 tpd nominal capacity

Mining Operation

The mineralization is hosted within outcropping pegmatite dykes subparallel to surface. The ore body is relatively flat, close to surface and comprised of north oriented stacked lenses. Mineralization recognized to date on the Rose property includes rare element of Lithium-Cesium-Tantalum or LCT-type pegmatites and molybdenum occurrences.

A conventional truck and shovel open-pit approach was considered to mine the Rose Lithium-Tantalum Project's Probable Mineral Reserves. The dimensions of the engineered pit design are approximately 1,620m long x 900m wide x 200m deep.

The life of mine plan (LOM) proposes to mine 26.8 Mt of ore, 182.4 Mt of waste, and 11.0 Mt of overburden for a total of 220.2 Mt of material. The average stripping ratio is 7.2 tonnes of stripping per tonne of ore. The nominal production rate is estimated at 4,600 tonnes per day and 350 operating days per year.

The mining operation production rate is set to approximately 15 Mt of material per year. An open pit mining schedule was planned and resulted in a mine life of 17 years.

Contract mining will be used for the removal of the overburden while Critical Elements will undertake the mining of all hard rock material with its own equipment fleet and operators,

The main production fleet will consist of one (1) backhoe excavator, one (1) electric front shovel, one (1) wheel loader, seven (7) haul trucks (65t), seven (7) haul trucks (135t), two (2) rotary drills, one (1) DTH drill, two (2) bulldozers, one (1) wheel dozer, two (2) graders, and two (2) water trucks.

The Rose Lithium-Tantalum project pit was designed with a 10m single benching arrangement. A 57° inter-ramp angle and an overall pit slope angle of 55° were utilized for the ultimate pit design. A berm width of 7.0m corresponding to the recommended overall slope angle was used. The pit slopes in overburden have a face ratio of 2.5:1 with a 10m berm width.

The main in-pit haulage ramp is designed at 30.9m wide to allow a double-lane traffic, except for the last benches at the pit bottom that are designed at 20.4m wide for single lane traffic. A 2m drainage ditch is included to allow for water drainage and pipe installation. The maximum gradient of the inner curvature of all ramp segments is 10%.

Figure 2 – Rose Lithium-Tantalum Pit Plan View

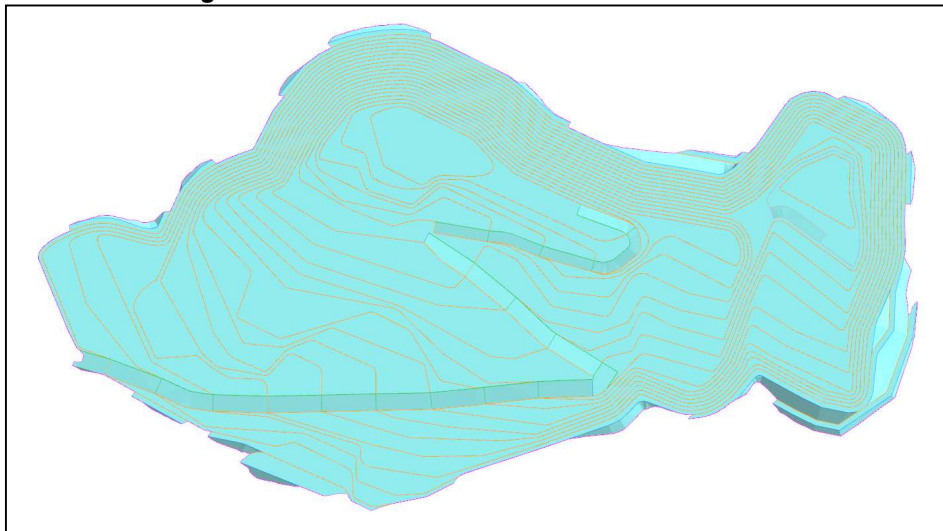
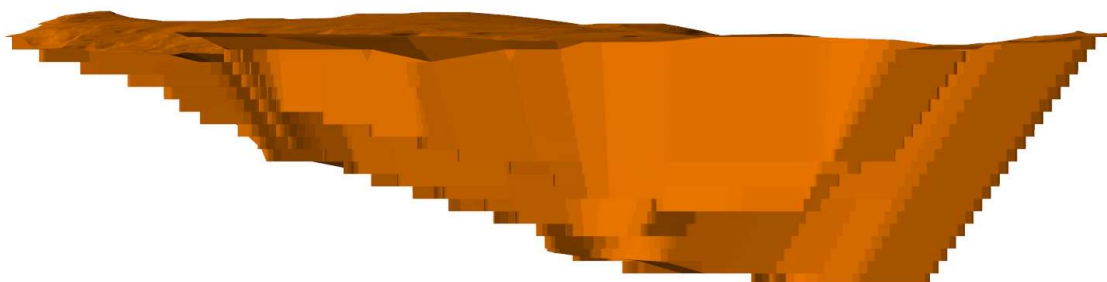


Figure 3 – Rose Lithium-Tantalum Pit Side View Looking West



Mineral Processing

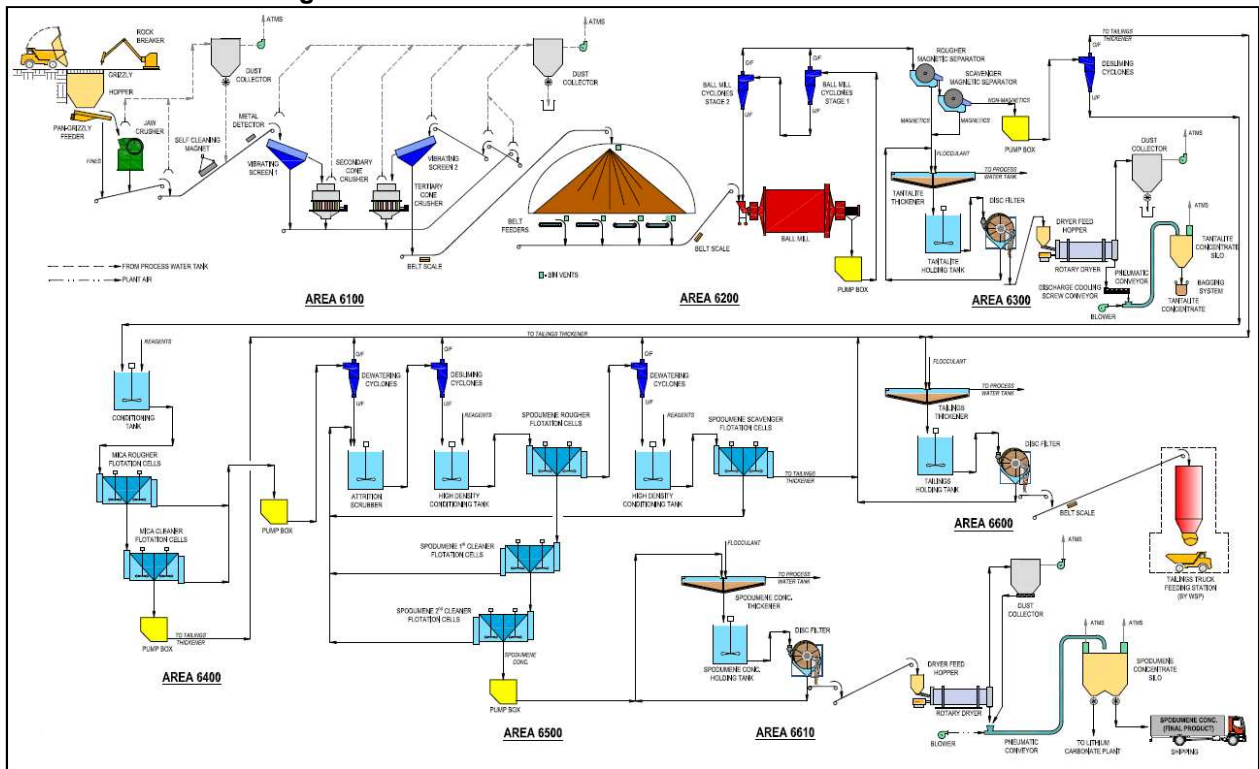
A standard froth flotation process will be utilized to produce technical grade and chemical grade lithium concentrates and a tantalum concentrate. The mineral process plant will consist of crushing, beneficiation, and dewatering areas. The technical grade lithium concentrate will grade 6.0% Li_2O while the chemical grade lithium concentrate will grade 5.0% Li_2O . The tantalum concentrate will grade 20% Ta_2O_5 .

The beneficiation process includes crushing, grinding, magnetic separation and flotation. The crushing circuit will consist of a jaw crusher and two (secondary and tertiary) cone crushers, and screens. The crushed ore will have a P_{80} of 13mm and will be stockpiled in a 9,200 tonnes capacity dome; this is sufficient for approximately two days of mill operation. The grinding circuit will consist of a ball mill operating in a closed circuit and a two-stage cyclone cluster. The tantalum will first be recovered at a grade of 2.0% Ta_2O_5 by high intensity magnetic separation then upgraded further to 20.0% Ta_2O_5 by gravity separation. The tantalum concentrate will then be thickened, vacuum filtered, dried to 1% moisture and bagged, ready for shipping. The lithium flotation circuit will remove slimes, separate mica, and purify the lithium to the required grade. The spodumene concentrate will then be thickened, vacuum filtered, dried to 1% moisture, and stored in 1500 tonne silo from where it can be bulk loaded into trucks. The tailings will be thickened, vacuum filtered to 15% moisture, and trucked to the waste rock / tailings piles where it will be dry stacked.

The spodumene plant will operate 24 hours per day, seven (7) days per week, and 52 weeks per year. The process plant was designed with an operating availability of 90%. The crushing circuit was designed using an operating availability of 50%. The concentrator capacity has been established at a nominal throughput rate of 4 900 dry tonnes per day. The plant has a capacity of 1,610,000 per year.

The process plant flowsheet developed by Bumigame Inc. is presented in Figure 4.

Figure 4: Rose Lithium-Tantalum Process Flowsheet



Metallurgy

Bench scale metallurgical testing was performed at ACME Metallurgical Limited in Vancouver in 2011. The results from these tests were used for the PEA study. Three composites; the Rose (main structure), the Rose Sud-Est (Southeast structure) and Tantalum (secondary structure with higher tantalum and lower lithium content) were subjected to various metallurgical tests.

SGS Canada Inc. in Lakefield conducted tests from 2013 to 2015 to improve lithium and tantalum recoveries. In 2015 SGS Canada Inc. developed a conceptual flowsheet based on a series of bench scale tests on various samples from the Rose deposit. The proposed flowsheet is comprised of conventional three-stage crushing and single stage grinding followed by magnetic separation for the recovery of tantalum, mica flotation, and spodumene flotation. This flowsheet was the basis of the process plant design.

SGS Canada also conducted a pilot plant program in early 2017 on two samples from the Rose project (Rose and Rose South). The main objective of the pilot plant program was to generate spodumene concentrate for testing in a lithium carbonate pilot plant which was conducted by Outotec in Germany and Finland. Secondary objectives were to prove metallurgical performance on a continuous pilot scale and to generate metallurgical and operating data for further studies. The spodumene pilot plant demonstrated the robustness of the design process.

The feasibility study assumes 87.3% and 90% recovery for technical and chemical grade lithium concentrates respectively and 40% recovery for the tantalum concentrate.

Process water will be recycled releasing minimal amounts to the equalization pond and final effluent treatment plant.



Bulk sampling for pilot plant work

Environmental and Social Impact Assessment

Baseline environmental studies were initiated in the spring 2011. In 2016, various studies were undertaken in order to update the 2011 data and to obtain the baseline information that is required to assess the project's impacts within the Environmental and Social Impact Assessment ("ESIA") of the Rose mine Project. In total, eleven different sectorial studies were completed documenting the following components:

- Hydrology
- Surface Water and Sediments
- Terrestrial fauna
- Aquatic fauna
- Artificial light at night
- Landscape
- Environmental Site Assessment – Phase I
- Vegetation
- Greenhouse gas
- Noise (including modelling)
- Archeology
- Air quality (including modelling)

The baseline study was completed and the ESIA was submitted to the Canadian Environmental Assessment Agency (CEAA) and the Ministère du Développement durable, de l'Environnement, et de la Lutte contre les changements climatiques (MDDELCC) of the Québec Province on July 28th, 2017. The ESIA included preliminary information regarding Hydrogeology and will be updated when modelling is completed.

Critical Elements has been working since the beginning with the Eastmain Community, on whose lands the Project lies. The Company continue to maintain good relations with the Grand Council of the Cree and with the neighbouring Nation of Nemaska. Consultations have been ongoing and are planned throughout the life of the Project.

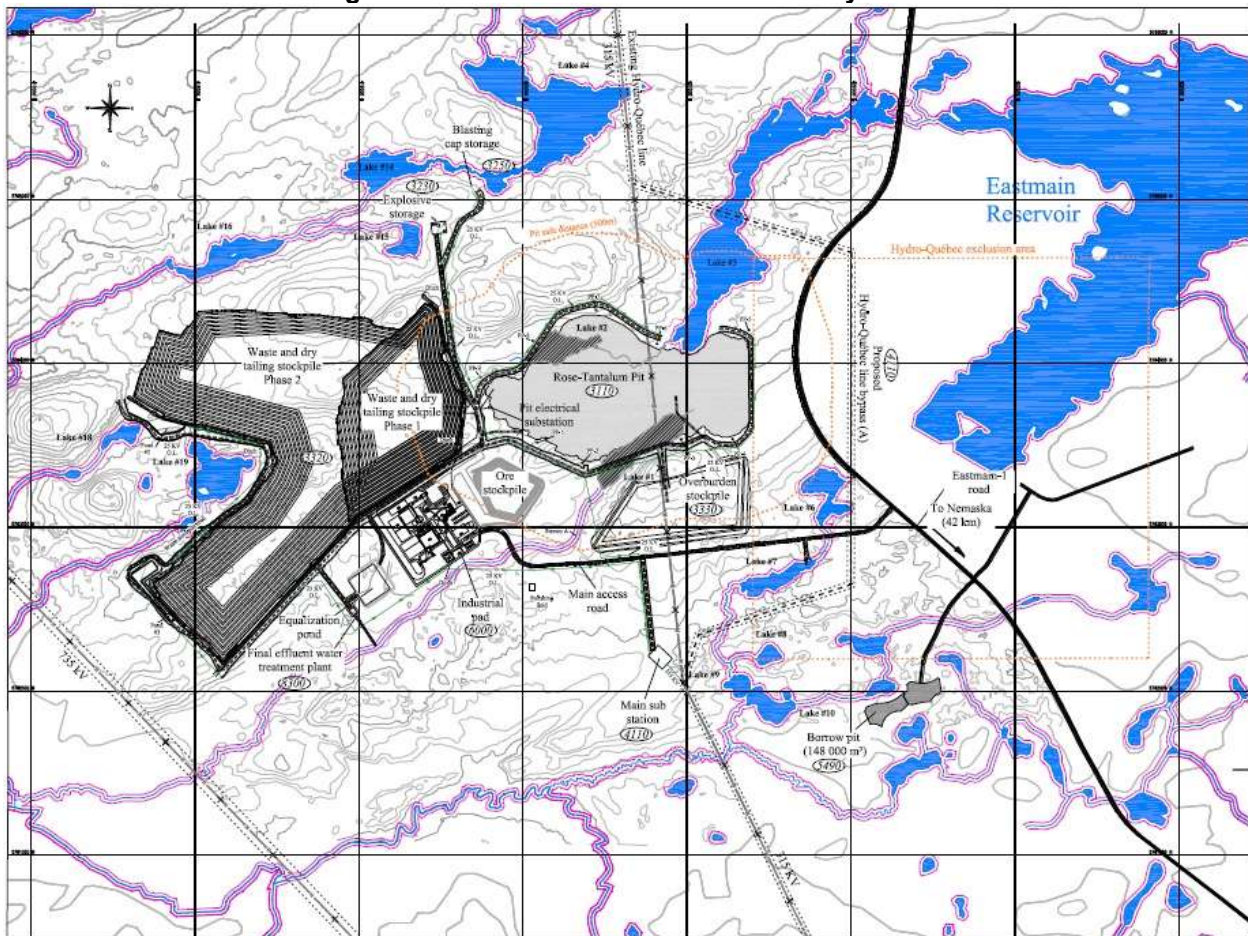
The Company continues to engage with both the federal and provincial governments regarding clarifications related to the Environmental and Social Impact Assessment.

Infrastructure

The project infrastructure includes site main services and haulage roads, explosive and detonator storage, a spodumene processing plant, a pit equipment maintenance facility, a warehouse, diesel and gasoline storage, LNG storage and distribution, ore stockpile pad, waste rock and dry tailings stockpile, overburden stockpile, main electrical substation and distribution, fresh and potable water supply, sewage, surface water management, final effluent treatment, communication system, gate house, and an administrative building. A lithium carbonation plant is not included in the feasibility study, but additional space is provided on the industrial pad and services are planned for future installation.

The mine site layout is shown in figure 5.

Figure 5 – Rose Lithium-Tantalum Site Layout



Waste rock and tailings samples were analysed at the SGS Canada's laboratory in Lakefield and both were found to be non-acid generating. The dry tailings and the waste rock will be stored in the same facility which has sufficient capacity for the life of mine. Rain and melt water will be collected in ditches and pumped to the water treatment plant.

The ore pad will have a 3.9M tonne capacity where low grade material may be stored.

The industrial pad has an area of 296,000 m² and will contain the process plant, the maintenance facility, warehouse, administration building, diesel and gasoline storage tanks, LNG storage and distribution, and all associated services. LNG will be used for buildings heating and for the drying of the lithium and tantalum concentrates. The LNG facility will be in place for the kiln of a lithium carbonate plant if required, necessitating the addition of only one additional reservoir.

The hydrology study has suggested that water inflow to the open pit is to be expected. In order to maximize pit slopes, water wells will be constructed around the pit periphery to lower the water table below the pit floor. One of these wells will be used to supply the mine site with fresh water. Water from the other wells will be directed directly to the final effluent.

Impacted water from the waste rock / dry tailings pad, the open pit, the industrial pad, and roads will be collected in an equalization pond and treated before being released as final effluent.

The mine site will have a 2.7 km main access road from the Eastmain 1 road to the industrial pad. Including the service roads, the site will total 15.8 km of roads.

Electricity will be provided by Hydro-Québec. A 315 kV electrical transport line (L3176), owned by Hydro-Québec, runs North-South over the eastern side of the Rose Property. It runs over the planned open pit. The portion running over the open pit will be rerouted to allow open pit operation. Critical Elements and Hydro-Québec have signed an agreement to conduct a technical study for the supply of electricity to the mine and the rerouting of the power line. In a previous study Hydro-Québec provided costs for preparation work in supplying electrical power and for the rerouting of the power line which is to be incurred by the mine. These costs were incorporated in the FS. The schedule of the power line relocation fits with Critical Elements construction schedule such that electrical power will be available from the main grid in time for the mill commissioning and start-up. The 315kV power line reroute will total 4.2 km.

The power demand for the project has been estimated at about 13,486 kW (15,615 kVA) and a reserve of up to 20 MVA has been accepted by Hydro-Québec. Two 15 MW transformers will operate at the same time to feed the site and the processing plant. The transformers will feed the 25 kV mine site electrical network. Power lines are necessary to feed the processing plant, the industrial pad, the final water treatment plant, the open pit and wells, the pumps at the waste rock / dry tailings water collecting ponds, and the explosives and detonator storage facilities. A total of 15.5 km of power lines are planned.



Power line at Rose Lithium-Tantalum site

Capital Costs

The capital and operating costs were estimated in Canadian dollars. An economic analysis was conducted with a discounted cash-flow before and after tax. The initial capital cost is estimated at CA\$341.2M including all infrastructures described earlier with a 10% contingency. The sustaining capital is estimated at CA\$126.8M over the life of mine.

The total payable products are estimated at 3,070,006 tonnes of chemical grade Li₂O concentrate, 827,196 tonnes of technical grade Li₂O concentrate, and 7,157 tonnes of Ta₂O₅ concentrate.

Table 3 – Initial Capital and Sustaining Capital Costs

Item	Initial Capital M CA\$	Sustaining Capital M CA\$	Initial Capital M US\$	Sustaining Capital M US\$
Direct Capital Estimate	235.1	93.8	176.3	70.4
Mining	49.3	89.5	37.0	67.1
Power & Electrical	27.8	0.6	20.8	0.4
Infrastructure	36.7	0.0	27.5	0.0
Process plant	111.9	0.0	83.9	0.0
TSF and Water management	9.5	3.8	7.1	2.8
Indirect Capital Estimate	74.9	0.4	56.2	0.3
Administration & Overhead	32.2	0.0	24.1	0.0
Project Development (Studies)	0.4	0.0	0.3	0.0
PCM, Other indirects & Other costs	42.3	0.4	31.7	0.3
Contingency	31.0	9.4	23.2	7.1
Mine Rehabilitation (incl. contingency)	0.0	17.8	0.0	13.4
Mine Rehabilitation Bond	0.2	5.4	0.1	4.0
Total Capital Estimate	341.2	126.8	255.9	95.1

Operating Costs

The operating costs are estimated at \$66.56 per tonne of ore processed which include:

- Mining \$30.69 per tonne processed
- Processing \$16.14 per tonne processed
- G&A \$12.15 per tonne processed
- Concentrate transportation \$ 7.57 per tonne processed

The operating costs are estimated at \$458/tonne (US\$344/tonne) of concentrate as summarized in table 4.

Table 4 – Operating Costs per tonne of concentrate

Item	CA\$/t Li ₂ O concentrate	US\$/t Li ₂ O concentrate
Mining	211	158
Processing	111	83
General and Administration	84	63
Transportation Concentrate	52	39
Total Operating Costs	458	344
SG&A	26	20
Royalties	13	10
Total Operating Costs (w. SG&A and Royalties)	497	373
Less: Tantalite Credit	48	36
Total Operating Costs (after tantalite credit)	449	337

Energy unit costs are \$0.05 per kWh for electricity, \$0.95 per litre for diesel, and \$0.546 per m³ for LNG.

Project Economics

The mine will process 1,610,000 tonnes ore per year grading an average of 0.85% Li₂O and 133 gpt Ta₂O₅ over a period of 17 years. The price assumptions are US\$750 per tonne and US\$1,500 per tonne of chemical grade and technical grade lithium concentrates respectively (FOB port) and US\$130 per kg Ta₂O₅ contained in the tantalum concentrate (FOB mine site). The pre-tax and after-tax NPV at various discount rates are presented in table 5.

Table 5 – Pre-Tax and After-Tax NPV

Discount Rate	Pre-Tax M CA\$	After-Tax M CA\$	Pre-Tax M US\$	After-Tax M US\$
NPV @ 0%	2,567	1,567	1,926	1,175
NPV @ 5%	1,620	960	1,215	720
NPV @ 8%	1,257	726	943	545
NPV @ 10%	1,070	605	802	454
NPV @ 12%	914	504	686	378

The after tax internal rate of return is 34.9%.

Sensitivity Analysis

The sensitivity of the NPV to exchange rate and chemical grade lithium concentrate price is presented in table 6.

Table 6 – After-Tax NPV Sensitivity to exchange rate and chemical grade lithium concentrate

Exchange Rate USD/CAD	After-Tax NPV @ 8% Discount Rate - M CA\$				
	Li ₂ O Price - Chemical Grade				
	720 US\$/t	810 US\$/t	Base Case	990 US\$/t	1080 US\$/t
0.70	798M CA\$	923M CA\$	840M CA\$	1,172M CA\$	1,296M CA\$
Base Case	687M CA\$	805M CA\$	726M CA\$	1,038M CA\$	1,154M CA\$
0.80	590M CA\$	701M CA\$	627M CA\$	920M CA\$	1,030M CA\$

Figures 6 and 7 present the sensitivity the NPV at 8% discount rate and IRR to prices, Li₂O recovery, exchange rate, operating costs, and capital cost. The economics are most sensitive to Li₂O price, exchange rate, and Li recovery.

Figure 6 – Sensitivity on After-Tax NPV 8%

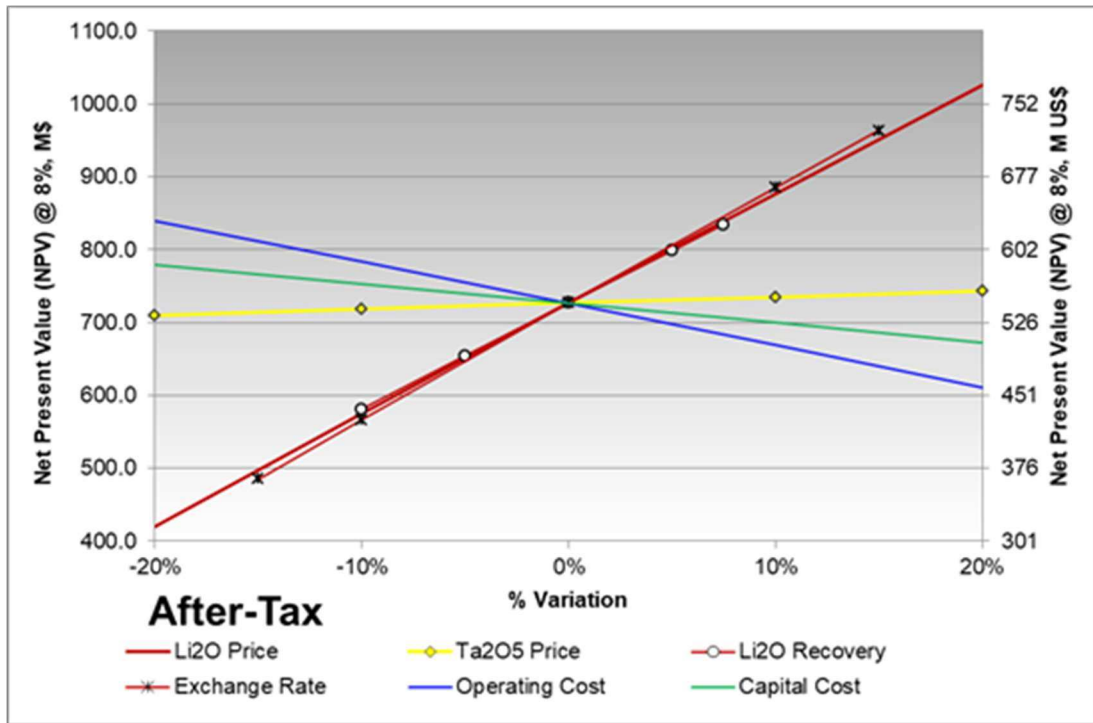
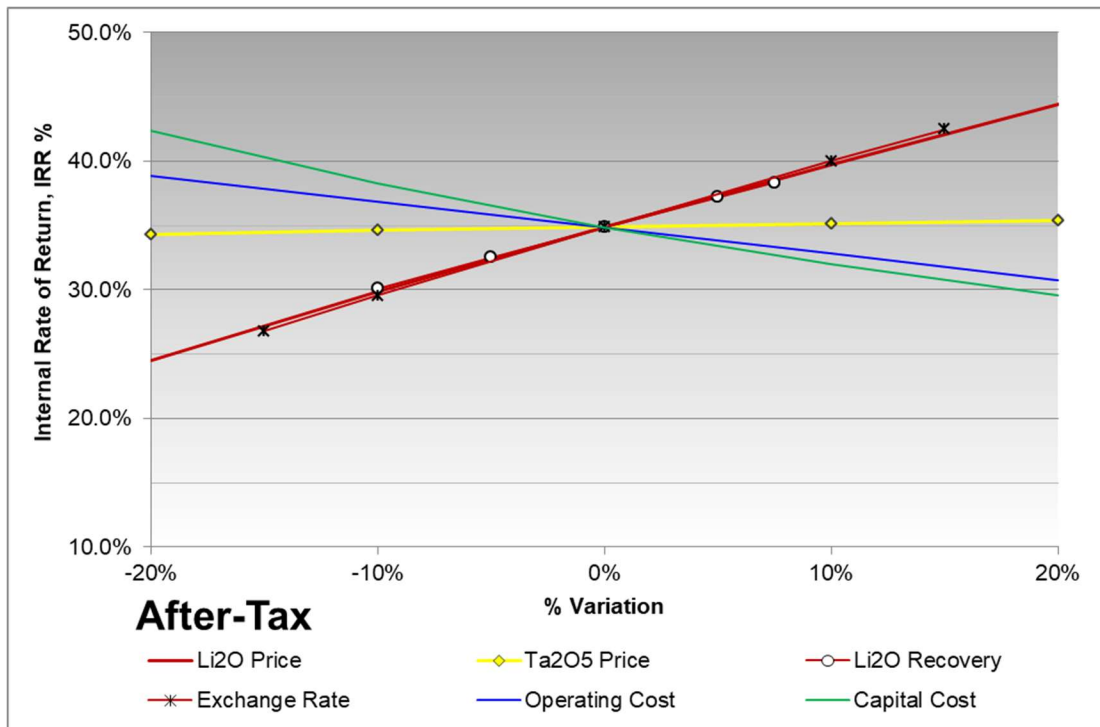


Figure 7 – Sensitivity on After-Tax IRR



Lithium Demand Outlook

The future growth of the lithium market will be dominated by a growing Lithium Battery industry, mainly driven by electric cars, but also further by energy storage applications and other power tools (e-scooter, e-bikes, wireless devices in general). The growth rate is widely accepted of being beyond 20% up to 2030 and growing further, whereas in 2025 there is market consensus for a requirement of about 900,000 to 1 Million mt of Lithium carbonate equivalents. With declining costs of now approaching 100 USD per KWh for Lithium Ion Battery cells, they are also becoming attractive for use in private installations combined with increasing use of photovoltaic roof-top electricity generation ("PV").

In Germany a new regulation demands that for all PV projects exceeding 1MW power generation an energy storage system has to be installed by 2025. This is in order to avoid peak energy stressing the electricity distribution systems, a phenomenon which already pushes European systems to their limits during the summer months and increasingly so with the ongoing addition of new PV systems, be they commercial or private.

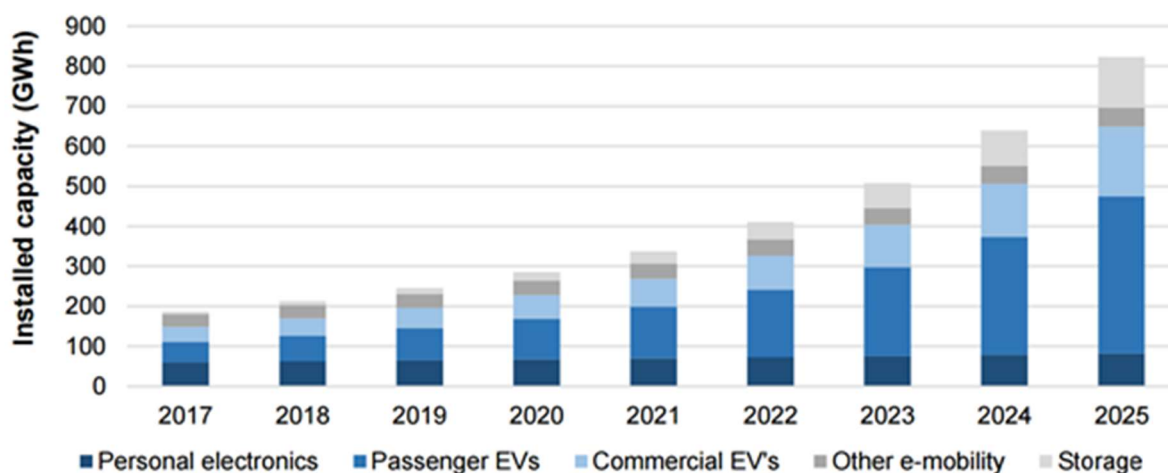
The German Automobile Manufacturers Association considers an electric vehicle penetration rate of 15% to 25% being possible by 2025. The lower range for market penetration of 15% corresponds to some 15 million cars or if we assume a market of 100 million cars by 2025 and an average of 30 kg of lithium carbonate equivalent ("LCE") needed for the battery 450,000 MT of LCEs required for this segment alone.

Canaccord, amongst others, assumes that the overall share of electric vehicles will climb to over 50% of all Li-ion batteries installed, i.e. being the driver of the expanding lithium market. The absolute growth numbers from Canaccord's forecast are higher than previous assumptions, however, in line of some forecasts from original equipment manufacturers (OEMs).

The current growth assumptions will if they materialize, lead to a lithium demand requirement of approximately, 900,000 mt to 1 Million mt of LCE. This is an additional 7,000,000t of LCE required from 2019 till 2025 or the equivalent of approximately 1,400,000t per year of LCE.

In Figure 8 the individual sectors growth are described.

Figure 8: Lithium Ion Battery Installed Shares of Application



Source: Canaccord Genuity Research (Battery Materials Update, report June 2017)

Lithium Price Outlook

In 2017, off take agreements for spodumene CG with a Lithium oxide content between 5.0 and 6.0% have been executed, whereby 120,000t of 5.5% spodumene concentrate has been contracted at US\$830/t FOB. Pricing mechanisms have been linked to Lithium Carbonate TG prices for China. Every additional 0.1% of Li₂O content will garner a premium of US\$15/t, enabling prices between 750 US\$/mt and 905 US\$/mt for spodumene CG 5.0 and 6.0. Also, suppliers who are able to provide a higher quality spodumene CG yielding lower conversion cost will also be able to achieve higher prices. In 2019 prices for CG Spodumene and Lithium carbonate TG have softened as Chinese converters have failed to meet battery grade specifications, which caused an oversupply of Lithium Carbonate TG. However, prices for Battery Grade Lithium carbonate and Lithium hydroxide on a long-term contractual basis have remained stable over the last three years.

The market for spodumene TG is a specialty chemicals market, which addresses the specific needs for customers in the glass and ceramic industry. Historically, prices have been reflecting the higher value of iron free spodumene like in Lithium carbonate and specific properties of the crystalline material. Therefore, pricing for spodumene TG is directly linked to the Lithium oxide content in Lithium carbonate.

Works done following the feasibility study

In February 2018, the Company signed an agreement with the Cree Nation of Eastmain and Niskamoon Corporation for the implementation of the Eastmain River Lake Sturgeon Spawning Ground Enhancement Project located just above Conglomerate Bridge on the James Bay Highway, 113 km from the mouth of the Eastmain river.

Work done during the year

Evaluation and Exploration expenses of \$3,056,595 were incurred during the year.

In October 2018, the Company announced the results of its pilot plant program recently completed at the Outotec Research Center, successfully converting spodumene concentrate from the Rose Lithium-Tantalum Project into battery grade lithium hydroxide using a thermal leaching process. These results provide Critical Elements the flexibility, in conjunction with lithium carbonate and spodumene production, to meet all needs of cathode, battery and electric vehicle producers.

The pilot plant conversion process from spodumene concentrate to lithium hydroxide demonstrated strong results **with extraction rates of 93%**. This extraction rate surpasses the worldwide average of between 70 to 75% in what is accepted as an industry standard. In addition, the pilot plant produced **battery grade lithium hydroxide with 99% purity**.

On March 5, 2019, the Canadian Environmental Assessment Agency confirmed that the Environmental Impact Statement for the Rose Lithium-Tantalum Mine Project initially filed on August 2, 2017 is now deemed complete. This is an important step in the process of obtaining authorization for the project.

The Company granted on March 27, 2019 to Primero Group with the Early Contractor Involvement contract (the "ECI") for the Rose Lithium-Tantalum project.

A summary of the recommended ECI approach is included below:

- ECI Phase I – Guaranteed Maximum Price ("GMP"):
 - Review and assimilate all of the existing design and data
 - Stress test and optimize the design through reviews, specific value engineering and trade-off studies
 - Reconfirm quantities and pricing
 - Initiate selected engineering deliverables to achieve nominally 25% engineering definition
 - Formulate a GMP for the process plant and associated process supporting infrastructure
 - Submit a proposal and schedule to progress to the next phase

In July 2019, the Cree Nation of Eastmain, the Grand Council of the Crees (Eeyou Istchee), the Cree Nation Government and the Company have signed an impact and benefit agreement, referred to as the Pikhuutaa Agreement, concerning the development and operation of the Rose Lithium-Tantalum Project in Eeyou Istchee.

In October 2019, the Company announced that Primero Group ("Primero") has successfully completed the first phase of its ECI agreement. Primero has provided a GMP for the EPC of the Rose Lithium-Tantalum project ("Project") on a lump sum turnkey basis that is in line with the Project's feasibility study published November 29, 2017.

The Company continues to work closely with its financial advisor, Canaccord, to evaluate ongoing interest from global strategic partners that seek to accelerate the Rose Lithium-Tantalum project to production. Discussions with multiple potential partners are advancing and our goal is to finalize a transaction in order to finance and start construction of the project. Progress is being made on delivering commitments totaling \$341 million for a financing package to fund construction.

ARQUES – LITHIUM, RARE EARTH, NIOBIUM AND TANTALUM PROJECT

Property Description

The Arques property is composed of one block totalling 123 claims covering an area of 6,148 hectares and a distance of some 18 kilometres in a SW-NE direction. It is contiguous to the Lemare property on its southeast border. The property is traversed in a NE direction by a Hydro-Québec power line and a permanent gravel road that heads north to the Eastmain River and beyond to the La Grande River area. Secondary roads branching off from these also provide access to the property.

The Lac des Montagnes volcano-sedimentary formation runs just inside the southeast border of the Arques property. The primary observed geology is mainly composed of orthogneisses made up of metamorphosed felsic intrusives. In the winter of 2011, a major alkaline intrusion, the Arques Complex, was identified by diamond drilling.

The Arques Alkaline Complex shows similar characteristics to other deposits known for Rare Earth Elements (REE), Niobium (Nb) and Tantalum (Ta) mineralization.

The Arques project offers strong lithium potential in a well-established area. The lithium pegmatites tend to occur in swarms in the volcano-sedimentary units. The Arques property covers a large part of the regional volcano-sedimentary unit, a favourable unit that hosts Nemaska Lithium's Wabouchi deposit and the Lemare showing.

Work done during the year

No exploration work was carried out on the property during the year.

Management however pursue its research to find a partner to continue exploration activities or to find a potential buyer.

BOURIER – LITHIUM COPPER, ZINC, GOLD AND SILVER PROJECT

Property Description

The Bourier property is composed of one block totaling 203 claims covering an area of 10,252 hectares for some 30 kilometres in length. It is located just along the east side of the new Rupert hydroelectric complex.

The Lac des Montagnes volcano-sedimentary formation crosses the Bourier property in a NE direction. It is composed of paragneiss, amphibolites and granitic intrusions. To the north of the Lac des Montagnes Formation, mainly orthogneiss formed of metamorphosed granite has been observed, while the south area of this formation is composed mainly of paragneiss, also intruded by granites.

In the Bourier Lake area, what has been identified as an exhalative massive sulphide horizon in felsic rocks was discovered during fieldwork conducted north of Bourier Lake in the summers of 2010 and 2011. Soil samples taken over an 8-km strike length of this horizon returned anomalous values for Ni, Cu, Zn and Pb. Some channel samples and other grab samples returned anomalous values for Au, As, Ni and Cu. This exhalative horizon in felsic rocks is now known to extend more than 25 km over the property.

The Bourier project offers strong lithium potential in a well-established area. The lithium pegmatites tend to occur in swarms in the volcano-sedimentary units. The Bourier property covers a large part of the regional volcano-sedimentary unit, a favourable unit that hosts Nemaska Lithium's Wabouchi deposit and the Lemarre showing.

Work done during the year

No exploration work was carried out on the property during the year.

Management however pursues its research to find a partner to continue exploration activities or to find a potential buyer.

CAUMONT – LITHIUM, COPPER, NICKEL, PGE AND GOLD PROJECT

Property Description

The Caumont property is made of four non-adjacent claim blocks totalling 94 claims spread over 50.37 kilometres in the eastern part of the Lac des Montagnes volcano-sedimentary formation. These blocks are identified as Nemiscau Lake, Kename, Caumont West and Caumont East. A Hydro-Quebec power line crosses the southern part of the Nemiscau Lake block in a NW/SE direction. This block can easily be accessed by road up to Lac Nemiscau, located close to the west boundary of the block, and then by boat. The Kename block is located East of Lac Kanamakuskacik and South West of Lac de la Sicotière. It can also be accessed by road. The Caumont West block can be accessed by plane, landing on Lac Caumont, or directly by helicopter. The Caumont East block can be accessed by helicopter.

The four blocks forming the property are located in the eastern part of the Lac des Montagnes volcano-sedimentary formation. The formation is locally composed of amphibolite quartz-rich paragneiss, biotite and sillimanite-bearing schist, pegmatite, basalt and ultramafic intrusives.

The property is currently recognized for its magmatic nickel (Ni), copper (Cu) and platinum group elements (PGE) potential. Geophysical surveys show the signature and extent of ultramafic intrusions and iron formations, with some of them confirmed by historic geological reports. In addition, some areas of the property show potential for gold mineralization associated with shear zone:

- Associated with the Tent showing, aplitic dykes overlapping the mafic and ultramafic rocks show gold potential. The best values were 4.29% Cu, 4.34 g/t Au, 16.65 g/t Ag and 1.74 g/t Pd. Mineralization could be due to remobilization of the host rock mineralization.
- 100 metres east of the Tent showing, grab sample L943057, collected in a muscovite-rich metasediment with 15% arsenopyrite and quartz veins, returned 1.6 g/t Au.
- 10 meters from this sample, grab sample L943077, collected in a metasediment with 20% garnet porphyry, 5% arsenopyrite and 5% pyrite, returned 0.219 g/t Au.
- At the west end of the Caumont West block, a metasediment with mineral segregation (alternating silicified bands with chloritic bands) with traces of sulphides was sampled. Grab samples L943046 and L943418 returned 0.239 g/t and 0.167 g/t Au, respectively.

The Caumont project offers strong lithium potential in a well-established area. The lithium pegmatites tend to occur in swarms in the volcano-sedimentary units. The Caumont property covers a large part of the regional volcano-sedimentary unit, a favourable unit that hosts Nemaska Lithium's Wabouchi deposit and the Lemarre showing.

Work done during the year

No exploration work was carried out on the property during the year.

Management however pursues its research to find a partner to continue exploration activities or to find a potential buyer.

DUMULON – LITHIUM, ZINC, LEAD AND GOLD PROJECT

Property Description

The Dumulon property consists of 36 contiguous cells covering a total area of 1,929 hectares. The project is located 20 km south of the Nemiscau airport and can be accessed by helicopter.

The property is located in the central part of the Lac des Montagnes volcano-sedimentary formation. The geology covered by the property is mainly composed of paragneiss with local granitic intrusions. South of Indian Lake, discontinuous lenses of metabasalts and amphibolites were mapped. Strong EM anomalies are associated with plurikilometric magnetic bands oriented NW70°.

The property is currently known for its SEDEX-type deposits and disseminated and replacement gold deposits potential. All conductive anomalies appear to be caused by a graphitic shear zone mineralized in pyrite and pyrrhotite. The Dumulon showing is associated with a carbonate dyke, 60 cm wide, embedded in an outcrop of metasediments. The sphalerite and galena mineralization returned four grab samples with values of between 1.2 and 4.6% Zn, associated with Pb levels between 0.4 and 3.0%. In addition, three grab samples returned gold values of 0.19 g/t, 0.25 g/t and 0.29 g/t Au.

The Dumulon project offers strong lithium potential in a well-established area. The lithium pegmatites tend to occur in swarms in the volcano-sedimentary units. The Dumulon property covers a large part of the regional volcano-sedimentary unit, a favourable unit that hosts Nemaska Lithium's Wabouchi deposit and the Lemarre showing.

Work done during the year

No exploration work was carried out on the property during the year.

Management however pursues its research to find a partner to continue exploration activities or to find a potential buyer.

DUVAL – LITHIUM, GOLD, COPPER, NICKEL AND PGE PROJECT

Property Description

The Duval property is composed of two blocks totaling 46 claims covering a total area of 2,458.92 hectares and covers a distance of about 12 kilometres along a SW-NE axis. The Duval main block is contiguous to the Valiquette main block to the northeast. It lies about two kilometres south of the Route du Nord and is served by a Hydro Quebec power line and a gravel road, which cross the southern half of the block in a southeasterly direction. The Duval main block can be accessed by the road leading to Lac des Montagnes and then by boat. An old winter road along the SE shore of Lac des Montagnes has been refurbished and can be used for winter drilling on the main block.

The property is located in the middle part of the Lac des Montagnes volcano-sedimentary formation. In the vicinity of the Duval block, the formation is about 8 km wide and is oriented NE. It is locally composed of amphibolite quartz-rich paragneiss, biotite and sillimanite-bearing schist, pegmatite, basalt and ultramafic intrusives. Geophysical surveys show the signature and extent of ultramafic intrusions and iron formations, with some of them confirmed by historical drilling.

As the Duval property is located in the same geological environment as the Valiquette property, it is currently recognized for its magmatic nickel (Ni), copper (Cu) and platinum group elements (PGE) potential.

The Duval project offers strong lithium potential in a well-established area. The lithium pegmatites tend to occur in swarms in the volcano-sedimentary units. The Duval property covers a large part of the regional volcano-sedimentary unit, a favourable unit that hosts Nemaska Lithium's Wabouchi deposit and the Lemarre showing.

Work done during the year

No exploration work was carried out on the property during the year.

Management however pursues its research to find a partner to continue exploration activities or to find a potential buyer.

LEMARE – GOLD, COPPER, NICKEL, PGE AND LITHIUM PROJECT

Property Description

The Lemare property is composed of one block totaling 156 claims covering an area of 7,326.63 hectares for a length of over 20 kilometres in a SW-NE direction. It is contiguous to the Nisk property on its northwest border. Secondary roads running from a Hydro-Québec power line and permanent gravel roads that run along its northwest boundary provide access all through the property.

The Lac des Montagnes volcano-sedimentary formation crosses the Lemare property in a NE direction. It is composed of paragneiss (gneiss formed of metamorphosed sediment), amphibolites and granitic intrusives. The north part of the Lac des Montagnes formation is mainly composed by orthogneisses intruded by granites, while the south is composed principally of paragneisses, also intruded by felsic to intermediate intrusives.

Several areas of the property show potential for gold mineralization. There is substantial evidence of hydrothermal activity, such as the many silicified and oxidized corridors of mineralization associated with pyrite and pyrrhotite, the presence of quartz-tourmaline veins and the arsenopyrite and tourmaline mineralization hosted in shear zones. The showings of the property are summarized below:

- The Lac de la Chlorite showing is hosted in a metabasalt with 10 to 15% arsenopyrite and returned gold values of 1.645 g/t, 0.726 g/t and 0.532 g/t.
- The Lac de la Sillimanite showing, having previously returned 4.7 g/t Au (Raymond, 2009), was resampled, and three grab samples returned 0.877 g/t, 0.368 g/t and 0.125 g/t Au.
- On target NI-8, quartz-tourmaline veins returned values of 0.33 and 0.23 g/t Au.
- SE of target NI-1, an outcrop of metasediment with 5% pyrite as returned 0.15 g/t Au. Two boulders in the area returned grades of 0.17 g/t and 0.09 g/t Au.
- To the east of Post Albanel, at the Ancre showing in the Lac Voirdye area, a grab sample in a mineralized metabasalt with 1% pyrite returned 0.53 g/t Au, 1.55 g/t Ag and 0.12% Cu.

The potential for nickel-copper-PGE mineralization is confirmed by the presence of the Nisk-1 deposit nearby. Several magnetic anomalies are present on the property; these have not been drill tested.

The GRAAB showing, a spodumene pegmatite with an apparent thickness of 5 to 14 metres by 200 metres, has been identified. A total of 43 samples were collected along 62 metres of channels. Eleven of these samples showed a Li₂O content superior to 2%. This discovery proves that new lithium pegmatites could still be discovered on the Lemare property.

Lepidico Ltd. carried out two drilling programs on the Lemare project within the scope of an option agreement that expired on July 27, 2018.

The best results included:

- **41.5 m at 1.71% Li₂O**, including 15 m at 2.18% Li₂O and 3 m at 3.6% Li₂O in Hole LE-16-14
- **21 m at 2.65% Li₂O** in Hole LE-16-13
- **18.85 m at 1.35% Li₂O**, including 8.4 m at 2.26% Li₂O in Hole LE-16-07
- **23 m at 1.61% Li₂O**, including 10.5 m at 2.51% Li₂O in Hole LE-16-03.

Work done during the year

No exploration work was carried out on the property during the period.

Management however pursues its research to find a partner to continue exploration activities or to find a potential buyer.

NISK – LITHIUM, COPPER, NICKEL, PGE AND GOLD PROJECT

Property Description

The Nisk property is composed of one block totaling 101 claims covering an area of 5,167.34 hectares and a length of over 20 kilometres. The Route du Nord from Chibougamau runs inside the south border of the property. The property is also traversed in a NE direction by a Hydro-Québec power line and a road that heads north to the Eastmain River and beyond to the La Grande River area.

The Lac des Montagnes volcano-sedimentary formation crosses the property in a NE direction. The geology covered by the property is mainly composed of biotite, sillimanite, staurotite and garnet-bearing gneisses and granites, pegmatites, amphibolites and ultramafic intrusive rocks. Geophysical surveys show the signature and extent of ultramafic intrusions, some of which have been historically confirmed by drilling. The north part of the Lac des Montagnes formation is mainly composed by orthogneisses intruded by granites, while the south is composed principally of paragneisses, also intruded by granites.

The property is currently known for its magmatic nickel-copper sulphide deposits associated with ultramafic intrusion potential. It notably hosts the Nisk-1 Ni-Cu-PGE deposit.

Nisk-1 Ni-Cu-PGE deposit

The Nisk-1 deposit is located at UTM coordinates 459,950 mE / 5,728,500 mN. It is hosted in an elongated body of serpentinized ultramafic rocks that intrude the Lac des Montagnes paragneiss and amphibolite sequence. The ultramafic rock intrusion is a sill bordered by paragneisses and amphibolites. Quite similar on either side of the ultramafic sill, they still can be subdivided into a lower paragneiss sequence ("LPS") to the NW of the sill (stratigraphically older) and an upper paragneiss sequence ("UPS") to the SE of the sill (stratigraphically younger).

The ultramafic sill is not a single intrusion. At least two distinct lithological units can be identified. The first, a grey serpentinized peridotite with magnetite veinlets, does not contain any sulphide minerals. The second is a black serpentinized peridotite with chrysotile veinlets. The Ni-Cu-Co-Fe sulphide mineralization is invariably associated with this black serpentinite.

In summary and on average, the sequence intersected by drilling, (striking N164°E with a 50° to 70° plunge to the SE) in the ultramafic body is as follows: (i) 35 meters of unmineralized grey serpentinite; (ii) 4 meters of unmineralized black serpentinite; (iii) 12 meters of massive to disseminated sulphides in black serpentinite; and (iv) 27 meters of unmineralized black serpentinite, sometimes alternating with the grey serpentinite, also unmineralized.

The Nisk-1 deposit is the only mineralized zone with estimated resources on the property. This resource calculation NI43-101 as been performed in 2009 by Pierre Trudel, PH.D., P. Eng. from RSW Inc. The resource stands as follows:

- Measured resource: 1,255,000 tonnes at 1.09% Ni; 0.56% Cu; 0.07% Co; 1.11 g/t Pd and 0.20 g/t Pt;
- Indicated resource: 783,000 tonnes at 1.00% Ni; 0.53% Cu; 0.06% Co; 0.91 g/t Pd and 0.29 g/t Pt;
- Inferred resource: 1,053,000 tonnes at 0.81% Ni; 0.32% Cu; 0.06% Co; 1.06 g/t Pd and 0.50 g/t Pt.

The Nisk project offers strong lithium potential in a well-established area. The lithium pegmatites tend to occur in swarms in the volcano-sedimentary units. The Nisk property covers a large part of the regional

volcano-sedimentary unit, a favourable unit that hosts Nemaska Lithium's Wabouchi deposit and the Lemarre showing.

Work done during the year

No exploration work was carried out on the property during the year.

Management however pursues its research to find a partner to continue exploration activities.

VALIQUETTE – LITHIUM, COPPER, NICKEL, PGE AND GOLD PROJECT

Property Description

The Valiquette Property is composed of one block totaling 104 claims covering an area of 5,563.07 hectares. It is measuring about 20 kilometers in a SE-NW direction and is contiguous South West to the Duval main block. The property can be accessed by a Hydro-Quebec gravel road up to the Lac des Montagnes, and then by boat. An old winter road along the SE shore of Lac des Montagnes can be used for works.

The property is located in the middle part of the Lac des Montagnes volcano-sedimentary formation. In the vicinity of the Duval block the formation width is about 8 km and its orientation NE. It is locally composed of amphibolite quartz-rich paragneiss, biotite and sillimanite-bearing schist, pegmatite, basalt and ultramafic intrusives. Geophysical surveys show the signature and extent of ultramafic intrusions and iron formations, with some of them confirmed by historical drilling.

The property is currently recognized for its magmatic nickel (Ni), copper (Cu) and platinum group elements (PGE) potential and host the Valiquette showing. The Valiquette showing is associated with a peridotite intrusions at the contact of the volcanogenic sediment of the Lac des Montagne formation. Historical results of surface sampling returned up to 1.75% Ni and 1.42% Cu (grab samples) and the best intersections returned from the 2011 drilling campaign are 2.66% Ni and 0.71% Cu over 3.2 meters, 0.78% Ni and 0.47% Cu over 4.8 meters, 1.15% Ni and 0.39% Cu over 8.3 meters and 1.47% Ni and 0.26% Cu over 2.5 meters.

The Valiquette project offers strong lithium potential in a well-established area. The lithium pegmatites tend to occur in swarms in the volcano-sedimentary units. The Valiquette property covers a large part of the regional volcano-sedimentary unit, a favourable unit that hosts Nemaska Lithium's Wabouchi deposit and the Lemarre showing.

Work done during the year

No exploration work was carried out on the property during the year.

Management however pursues its research to find a partner to continue exploration activities or to find a potential buyer.

BLOC 1 – LITHIUM, NICKEL AND COPPER PROJECT

Property Description

The Bloc 1 Property is composed of one block totaling 72 claims covering an area of 3,846.95 hectares. It is measuring about 13 kilometers in a SW-NE direction and is contiguous South West to the Nisk-South main block. It is wholly-owned by the Company.

Work done during the year

No exploration work was carried out on the property during the year.

Management however pursues its research to find a partner to continue exploration activities or to find a potential buyer.

BLOC 2 TO 6 – LITHIUM, NICKEL AND COPPER PROJECT

Property Description

The Bloc 2 to 6 Property is composed of one block totaling 8 claims covering an area of 427.82 hectares. The property Bloc 2 to 6 is located in the east, southeast of the Duval main block. It is wholly-owned by the Company.

Work done during the year

No exploration work was carried out on the property during the year.

Management however pursues its research to find a partner to continue exploration activities or to find a potential buyer.

BLOC 7 – LITHIUM, NICKEL AND COPPER PROJECT

Property Description

The Bloc 7 Property is composed of one block totaling 54 claims covering an area of 2,890.54 hectares. It is measuring about 7 kilometers in a SW-NE direction and is contiguous to the Valiquette, Dumoulon and Caumont Est main blocks. It is located southwest of Valiquette block, north of Dumoulon block and east of Caumont Est block. It is wholly-owned by the Company.

Work done during the year

No exploration work was carried out on the property during the year.

Management however pursues its research to find a partner to continue exploration activities or to find a potential buyer.

Person In Charge of Technical Disclosure

Jean-Sebastien Lavallee (OGQ #773), geologist, shareholder, Chairman and Chief Executive Officer of the Company and a Qualified Person under *NI 43-101 on standards of disclosure for mineral projects*, has written and approved the technical content of this MD&A for the properties.

SELECTED ANNUAL INFORMATION

The following selected financial data is derived from our audited financial statements for the year ended August 31, 2019.

In \$ 000's except for share data	Year ended August 31, 2019	Year ended August 31, 2018⁽¹⁾	Year ended August 31, 2017
Interest income and other revenues	101	47	45
Net loss	2,357	4,988	3,828
Basic and diluted net loss per share	(0.01)	(0.03)	(0.03)
Total assets	28,026	28,930	23,343
(1) Restated			

This selected annual information should be read in conjunction with the audited financial statements filed on www.sedar.com for the year ended August 31, 2019.

RESULTS OF OPERATIONS

Critical Elements anticipates that, for the foreseeable future, quarterly results of operations will primarily be impacted by several factors, including the timing of exploration and the efforts and timing of expenditures related to the development of the Company. Due to fluctuations in these factors, the Company believes that the period-to-period comparisons of operating results are not a good indication of its future performance.

The following discussion and analysis are based on Critical Elements' results of operations for the year ended August 31, 2019. The following selected financial information data is derived from the Company's audited financial statements for the year indicated.

FINANCIAL HIGHLIGHTS

	August 31	
	2019	2018
Interest income and other revenues	\$ 101,215	\$ 47,326
General administrative expenses	\$ 423,633	\$ 822,707
Salaries and fringe benefits	\$ 1,120,676	\$ 1,733,813
Registration, listing fees and shareholders' information	\$ 132,279	\$ 146,950
Professional and consultant fees	\$ 368,417	\$ 524,161
Share-based compensation	\$ 255,190	\$ 2,107,781
Depreciation of fixed assets	\$ 3,788	\$ 4,217
Decrease (increase) in fair value of the marketable securities	\$ 149,910	\$ (299,941)
Foreign exchange loss (gain)	\$ 4,404	\$ (4,801)
Total comprehensive loss for the year	<u>\$ 2,357,082</u>	<u>\$ 4,987,561</u>
Cash & cash equivalents	\$ 1,980,232	\$ 4,325,113

Interest income and other revenues

Interest income and other revenues for the year ended August 31, 2019, amounted to \$101,215 (\$47,326 - 2018) and consisted of interest income, sublease income and amounts for administrative services rebilled out to other companies. The increase from the previous year was mainly due to interest income. Given its status as a mining exploration company, Critical Elements does not generate any steady income, and must finance its activities by issuing equity.

General Administrative Expenses

General administrative expenses for the year ended August 31, 2019, consisted mainly of occupancy expenses, travel expenses, promotional activities, office expenses and the Company's claim renewal expenses. The decrease of \$399,074 from the previous year was due to a decrease in travel expenses, promotional activities and the Company's claim renewal expenses, offset by an increase in the costs associated with work in supplying electrical power and for the rerouting of the power line for the Rose Lithium-Tantalum project.

Salaries and fringe benefits

Salaries and benefits for the year ended August 31, 2019, amounted to \$1,120,676 (\$1,733,813 in 2018). This decrease is due to a change in the number of employees compared to the previous year and an allowance recognized by the Company for the year ended August 31, 2018, for the payment of bonuses at completion of key milestones. The Company decided not to pay any bonus for the year ended August 31, 2019.

Registration, Listing Fees and Shareholder Information

Registration, listing fees and shareholder information expenses for the year ended August 31, 2019, consisted mainly of expenditures of a legal and regulatory nature incurred to comply with the requirements of the securities commission. A \$14,671 decrease resulted from lower listing, registrar and sponsorship expenses, offset by an increase in the cost related to shareholder communications.

Professional and Consultant Fees

Professional and consulting fees for year ended August 31, 2019, consisted primarily of expenses of a legal and accounting nature, as well as audit, business development and management expenses. The \$155,744 change from the previous year was due to a decrease in professional fees, consulting fees, investor relations and business development fees are also affecting this decrease.

Stock-Based Compensation

Share-based payments and compensation for the year ended August 31, 2019, represented the recognition of charges for 750,000 options granted to directors, officers and consultants during the period and 300,000 stock options granted earlier. A compensation expense of \$255,190 (\$2,107,781 – 2018) calculated using the Black-Scholes option pricing model was allocated during that year in relation to the stock options granted.

Change in the fair value of the marketable securities

The change in the value of marketable securities is related to fluctuations in the prices of securities held on the TSX Venture Exchange and the Australian Stock Exchange, in the case of the common shares of Lepidico Ltd. No marketable securities were acquired or disposed during the year ended August 31, 2019.

SUMMARY OF QUARTERLY RESULTS

The comments below provide an analysis of the operating results for the three-month period ended August 31, 2019. The selected financial information shown below is taken from the condensed unaudited interim consolidated financial statements for each of the three-month periods indicated.

FINANCIAL HIGHLIGHTS

	August 31 (3 months)	
	2019	2018
Interest income and other revenues	\$ 30,877	\$ 24,437
General administrative expenses	\$ 156,690	\$ 124,698
Salaries and fringe benefits	\$ 221,630	\$ 725,801
Registration, listing fees and shareholders' information	\$ 36,247	\$ 44,713
Professional and consultant fees	\$ 73,510	\$ 77,213
Share-based compensation	\$ -	\$ 22,773
Depreciation of fixed assets	\$ 995	\$ 1,063
Decrease (increase) in fair value of the marketable securities	\$ 73,391	\$ 218,864
Foreign exchange loss (gain)	\$ 160	\$ (52)
Total comprehensive loss for the period	\$ 531,746	\$ 1,190,636
Cash & cash equivalents	\$ 1,980,232	\$ 4,325,113

Interest Income and other revenues

Interest income and other revenues for the three-month period ended August 31, 2019, amounted to \$30,877 (2018 - \$24,437) and consisted of interest income, sublease income and amounts for administrative services rebilled out to other companies. The increase from the previous period was due to interest income. Given its status as a mining exploration company, Critical Elements does not generate any steady income, and must finance its activities by issuing equity.

General Administrative Expenses

General administrative expenses for the three-month period ended August 31, 2019, consisted mainly of occupancy expenses, travel expenses, promotional activities, office expenses and the Company's claim renewal expenses. The increase of \$31,992 from the previous period was due to an increase in the costs associated with work in supplying electrical power and for the rerouting of the power line for the Rose Lithium-Tantalum project, offset by a decrease in travel and entertainment expenses and the Company's claim renewal expenses.

Salaries and fringe benefits

Salaries and benefits for the three-month period ended August 31, 2019, amounted to \$221,630 (2018 - \$725,801). This variation is due to changes in the number of employees from the previous period, as well as an allowance recognized by the Company during the three-month period ended August 31, 2018, for bonuses to be paid at completion of key milestones.

Stock-Based Compensation

Share-based payments and compensation for the three-month period ended August 31, 2018 represented the recognition of the charge for a tranche of 75,000 options granted previously. A compensation expense of \$22,773 calculated using the Black-Scholes option pricing model was allocated during that period in relation to the stock options granted.

Change in the fair value of the marketable securities

The change in the value of marketable securities is related to fluctuations in the prices of securities held on the TSX Venture Exchange and the Australian Stock Exchange, in the case of the common shares of Lepidico Ltd. No marketable securities were acquired or disposed during the three-month period ended August 31, 2019.

The selected financial information below was taken from Critical Elements' unaudited financial statements for each of the following quarters:

\$000s of \$ except for share data	August 31 2019	May 31 2019	Feb. 28 2019	Nov. 30 2018	August 31 2018	May 31 2018	Feb. 28 2018	Nov. 30 2017
Revenues	31	18	23	29	24	11	9	3
Net loss (net profit)	532	579	427	819	1,869	1,108	2,879	(85)
Basic and diluted net loss (net profit) per share	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.01	\$ 0.01	\$ (0.01)	\$ (0.02)	\$ 0.00

This table does not include the 2018 reclassifications relating to the application of IFRS 9. See Note 4 to the audited financial statements as at August 31, 2019.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents as at August 31, 2019, totalled \$1,980,232, compared to \$4,325,113 as at August 31, 2018. It is management's intention to search further capital funding in the form of equity or debts to support current and future exploration and evaluation assets development.

Financing sources table				
Date	Type	Financings	Amount	General description of the use of proceeds
May 2018	Bought deal private placement	Common shares	\$7,000,000	The net proceed of the financing was used to: Fund the general administrative expenses, investing activities and other working capital needs

For the next year, the Company has budgeted \$1,820,000 for administrative expenses. The Company has been successful in the past in raising financing; however, it requires significant additional financing in the near and long-term and there is uncertainty as to the ability to raise such financing. Advanced exploration of some of the mineral properties would require substantially more financial resources. There is no assurance that such financing will be available when required, or under terms that are favourable to Critical Elements. The Company may also select to advance the exploration and development of exploration and evaluation assets through joint ventures. Management is currently considering opportunities for further financing.

CASH FLOWS

	August 31	
	2019	2018
Operating activities	\$ (2,305,526)	\$(3,802,537)
Financing activities	\$ 1,618,851	\$ 6,941,742
Investing activities	\$ (1,658,206)	\$ (827,749)
Cash & cash equivalents variation	\$ (2,344,881)	\$ 2,311,456
Cash & cash equivalents	\$ 1,980,232	\$ 4,325,113

During the year ended August 31, 2019 funds used for operating activities were spent primarily on improving operations and promotion of the Company.

During the year ended August 31, 2019, financing activities consisted to the receipt of tax credits relating to resources, mining tax credits and exercised of share purchase options.

During the year ended August 31, 2019, investment activities consisted primarily of exploration to develop the Rose Lithium-Tantalum. The Company also pledged an additional non-redeemable guaranteed certificate of deposit.

CONTRACTUAL OBLIGATIONS AND OFF-BALANCE-SHEET ARRANGEMENTS

Other Commitments

In May 2014, the Company signed a lease contract for its Montreal office, expiring in July 2019 and renewed until July 2024. Minimum payments, totalling \$279,565, are solely comprised of payments to be made over the next five fiscal years.

ROYALTIES ON THE MINING PROPERTIES

PROPERTY	ROYALTY		DESCRIPTION
	Name	Percentage	
Rose Lithium-Tantalum	Jean-Sébastien Lavallée	37.5%	2% NSR of which 1% may be purchased for an amount of \$1,000,000
	Jean-Raymond Lavallée	37.5%	
	Fiducie familiale St-Georges	25%	
Arques	Alain Champagne	100%	1.4% NSR on some claims
	Golden Goose	100%	2% NSR on some claims of which 1% may be purchased for an amount of \$1,000,000
Bourier	Alain Champagne	100%	1,4 % NSR on some claims
Caumont	Golden Goose	100%	2% NSR on some claims of which 1% may be purchased for an amount of \$1,000,000
	Jean-Sébastien Lavallée	50%	1% NSR
	Jean-Raymond Lavallée	50%	
	Victor Cantore	100%	1.5% NSR on some claims of which 1% may be purchased for an amount of \$1,000,000
	Affinage Tectonic	100%	1% NSR on some claims that may be purchased for an amount of \$1,000,000
Duval	Jean-Sébastien Lavallée	50%	1% NSR
	Jean-Raymond Lavallée	50%	
	Golden Goose	100%	2% NSR on some claims of which 1% may be purchased for an amount of \$1,000,000
Lemare	Jean-Sébastien Lavallée	50%	1% NSR
	Jean-Raymond Lavallée	50%	
	Alain Champagne	100%	1,4% NSR sur certains claims
	Golden Goose	100%	2% NSR on some claims of which 1% may be purchased for an amount of \$1,000,000
Nisk	Jean-Sébastien Lavallée	50%	1% NSR
	Jean-Raymond Lavallée	50%	
	Alain Champagne	100%	1,4 % NSR on some claims
	Golden Goose	100%	2% NSR on some claims of which 1% may be purchased for an amount of \$1,000,000
Valiquette	Jean-Sébastien Lavallée	50%	1% NSR
	Jean-Raymond Lavallée	50%	
	Golden Goose	100%	2% NSR on some claims of which 1% may be purchased for an amount of \$1,000,000

RELATED-PARTY TRANSACTIONS

Transactions with Key Executives and with members of the Board of Directors

During the year ended August 31, 2019 the Company incurred no professional and consultants fees (\$45,249 – 2018) and incurred development expenses of \$109,781 (2018 - \$285,848) with Consul-Teck Exploration Minière Inc., a company of which the Chief Executive Officer is a shareholder. In relation with these transactions, an amount of \$18,000 was payable as at August 31, 2019 (2018 – \$71,949).

The Company's chief executive officer and a director own a 1% NSR on some of the claims of the Caumont, Duval, Lemare, Nisk and Valiquette properties and 2% NSR on some of the claims of the Rose Lithium-Tantalum property.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed by the related parties.

The following table reflects the remuneration of key management and directors of the Corporation's:

	August 31, 2019	August 31, 2018
	\$	\$
Salaries and fringe benefits	1,449,323	1,614,524
Compensation and share-based payments	96,283	1,570,992
	<u>1,545,606</u>	<u>3,185,516</u>

CERTIFICATION OF ANNUAL FILINGS

The Chief Executive Officer and the Chief Financial Officer have signed the Basic Certifications of Annual Filings as required by National Instrument 52-109 for the venture issuer, thus confirming, the review, the absence of misrepresentations and the fair presentation of the annual filings.

- The Chief Executive Officer and the Chief Financial Officer confirm to have reviewed the annual financial statements and the annual MD&A (together, the “annual filings”) of the Company for the year ended August 31, 2019.
- Based on their knowledge, having exercised reasonable diligence, the Chief Executive Officer and the Chief Financial Officer confirm that the annual filings do not contain any untrue statement of a 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, for the period covered by the annual filings.
- Based on their knowledge, having exercised reasonable diligence, the Chief Executive Officer and the Chief Financial Officer confirm that the annual financial statements together with the other financial information included in the annual filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date of and for the period presented in the annual filings.

EXPLORATION AND EVALUATION ASSETS

	August 31	
	2019	2018
Balance, beginning of period	<u>\$ 21,003,210</u>	<u>\$ 18,543,309</u>
Add:		
Community consultations	731,663	-
Geology	-	51,965
Environmental study	788,168	704,120
Development allowance	752,833	727,586
Finance expenses	783,931	718,615
	<u>3,056,595</u>	<u>2,202,286</u>
Balance, before deduction	<u>24,059,805</u>	<u>20,745,595</u>
Tax credit related to resources	<u>1,847</u>	<u>(257,615)</u>
Balance, end of period	<u>\$ 24,057,958</u>	<u>\$ 21,003,210</u>

MATERIAL COMPONENTS

	2019	August 31 2018	2017
Statements of Comprehensive Income			
Professional and consultant fees	\$ 368,417	\$ 524,161	\$ 334,631
Salaries and fringe benefits	\$ 1,120,676	\$ 1,733,813	\$ 1,519,101
General administrative expenses	\$ 423,633	\$ 822,707	\$ 390,914
Stock-based compensation	\$ 255,190	\$ 2,107,781	\$ 1,506,702
Statements of Financial Position			
Exploration and evaluation assets	\$ 24,057,958	\$ 21,003,210	\$ 18,543,309
Long-term debt	\$ 4,485,023	\$ 3,692,758	\$ 3,514,143
Accrued interest on long-term debt	\$ 1,327,767	\$ 787,767	\$ 247,767

The following selected financial information is derived from the Company's unaudited financial statements.

DISCLOSURE OF OUTSTANDING SHARE DATA (as at November 13, 2019)

Common shares outstanding:	158,828,368	
Options outstanding:	7,850,000	
Average exercise price of:	\$ 0.74	
Expiry date	Number of shares	Exercise price
		\$
January 2020	1,000,000	0.18
February 2020	750,000	1.25
October 2020	200,000	0.79
November 2021	50,000	0.50
November 2021	3,850,000	0.56
February 2023	1,750,000	1.25
November 2023	200,000	0.80
April 2024	50,000	0.52
	<u>7,850,000</u>	
Brokers and intermediaries options:	420,000	
Average exercise price of:	\$ 1.00	
Expiry date	Number of shares	Exercise price
		\$
May 2020	420,000	1.00
	<u>420,000</u>	
Warrants outstanding:	3,500,000	
Average exercise price of:	\$ 1.25	
Expiry date	Number of shares	Exercise price
		\$
May 2020	3,500,000	1.25
	<u>3,500,000</u>	

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The determination of estimates require the exercise of judgment based on various assumptions and other factors such as historical experience and current and expected economic conditions. Actual results could differ from those estimates.

Critical judgments in applying the Company's accounting policies are detailed in the Annual Financial Statements, filed on SEDAR (www.sedar.com).

NEW ACCOUNTING POLICIES ADOPTED IN FISCAL 2019

Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)

On June 20, 2016, the IASB issued amendments to IFRS 2, *Share-based Payment*, clarifying how to account for certain types of share-based payment transactions.

The amendments provide requirements on the accounting for:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

On September 1, 2018, the Corporation has adopted IFRS 2 and has concluded that, based on its current operations, it had no impact on the Company's financial statements.

Impact of the application of IFRS 9, Financial Instruments

During the year ended August 31, 2019, the Company applied IFRS 9, *Financial Instruments*, (issued July 2014) and related consequential amendments to other IFRS. The requirements of IFRS 9 are a significant change from IAS 39, *Financial Instruments: Recognition and Measurement*. These new requirements are relevant to the Company; the details of the requirements and their impact on the Company's financial statements are described below.

The Company has applied IFRS 9 retrospectively in accordance with the transitional provisions set out in the standard, and has restated its comparative financial statements. The initial application date for the Company was September 1, 2018. Consequently, the Company applied the requirements of IFRS 9 to financial instruments that were not derecognized as at September 1, 2018, but not to financial instrument requirements that were derecognized at that date. Comparative amounts relating to financial instruments not derecognized as at September 1, 2018, were restated where applicable.

The following table summarizes the impact the adoption of IFRS 9 has on the classification of financial assets and liabilities:

Asset/Liability	Classification under IAS 39	Classification under IFRS 9
Cash and cash equivalents	Loans and receivables	Amortized cost
Other receivables	Loans and receivables	Amortized cost
Marketable securities	Fair value through other comprehensive income	Fair value through profit and loss
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Long-term debt Accrued interest on long-term debt	Other financial liabilities	Amortized cost

Financial asset classification and measurement

IFRS 9 contains three classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income and fair value through profit or loss. The classification of financial assets under IFRS 9 is generally depends on the business model for managing the asset and the asset's contractual cash flow characteristics. IFRS 9 eliminates the following IAS 39 categories: held-to-maturity financial investments, loans and receivables, and available-for-sale financial assets.

Management reviewed and measured the Company's existing financial instruments as at September 1, 2018, based on the facts and circumstances that existed at that date and concluded that the application of IFRS 9 has had the following impact on the Company's financial instruments regarding their classification and measurement:

Investments previously designated as available-for-sale financial assets and measured at fair value at each reporting date under IAS 39 will now be classified in the fair value through profit and loss category in accordance with IFRS 9. Unrealized gains or losses reflected in other comprehensive income until these gains or losses are realized or a decline in value of the financial asset is other than temporary will now be charged to net earnings. This change resulted in the following adjustments to the prior year's financial statements:

Increase in net income for fiscal ended August 31, 2018	\$563,958
Decrease in the sum of the other elements of comprehensive income as at August 31, 2018	\$28,094
Increase in deficit as at August 31, 2017	\$592,052

Classification and measurement of financial liabilities

The classification and measurement requirements for financial liabilities are the same in IFRS 9 as in IAS 39. The application of IFRS 9 had no impact on the classification and measurement of the Company's financial liabilities.

FINANCIAL INSTRUMENTS

Financial instruments are measured on initial recognition at fair value, plus, in the case of financial instruments other than those classified as fair value through profit or loss ("FVPL"), directly attributable transaction costs. Financial instruments are recognized when the Company becomes party to the contracts that give rise to them and are classified as amortized cost, FVPL or fair value through other comprehensive income, as appropriate

A description of financial instruments and their fair value is included in the Financial Statements filed on SEDAR (www.sedar.com).

RISKS AND UNCERTAINTIES

Critical Elements is subject to a variety of risks, some of which are described below. If any of the following risks occur, the Company's business, results of operations or financial condition could be adversely affected in a material manner.

Exploration and mining risks. The business of exploration for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. Unusual or unexpected formations, formation pressures, fires, power outages, labour disruptions, flooding, cave-ins, landslides and the inability to obtain suitable or adequate machinery, equipment or labour are other risks involved in the conduct of exploration programs. The Company from time to time increases its internal exploration and operating expertise with due advice from consultants and others as required.

The economics of developing gold and other mineral properties is affected by many factors, including the cost of operations, variation of the grade of ore mined and fluctuations in the price of any minerals produced. There are no underground or surface plants or equipment on the Company's mineral properties, nor any known bodies of commercial ore. Programs conducted on the Company's mineral property would be an exploratory search for ore.

Titles to property. While the Company has diligently investigated title to the various properties in which it has an interest, and to the best of its knowledge, title to those properties are in good standing, this should not be construed as a guarantee of title. The properties may be subject to prior unregistered agreements or transfer, or native or government land claims, and title may be affected by undetected defects.

Permits and licenses. The Company's operations may require licenses and permits from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development and mining operations at its projects.

Metal prices. Even if the Company's exploration programs are successful, factors beyond the control of the Company may affect marketability of any minerals discovered. Metal prices have historically fluctuated widely and are affected by numerous factors beyond the Company's control, including international, economic and political trends, expectations for inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities and worldwide production levels. The effect of these factors cannot accurately be predicted.

Competition. The mining industry is intensely competitive in all its phases. The Company competes with many companies possessing greater financial resources and technical facilities than itself for the acquisition of mineral interests as well as for recruitment and retention of qualified employees.

Environmental regulations. The Company's operations are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions of spills, release or emission of various substances produced in association with certain mining industry operations, such as seepage from tailing disposal areas, which could result in environmental pollution. A breach of such legislation may result in imposition of fines and penalties. In addition, certain types of operations require submissions to and approval of environmental impact assessments. Environmental legislation is evolving in a manner which means stricter 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 directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. The Company intends to fully comply with all environmental regulations.

Conflicts of interest. Certain directors or proposed directors of the Company are also directors, officers or shareholders of other companies that are similarly engaged in the business of acquiring, developing and exploiting natural resource properties. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interest which they may have in any project or opportunity of the Company. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his interest and abstain from voting on such matter. In determining whether or not the Company will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

Stage of development. Based on the NI 43-101-compliant feasibility study dated November 27, 2017, the Company has determined that one of its mineral properties, the Rose lithium-tantalum property, contains economically recoverable ore reserves. As at August 31, 2019, the Company considered that the Rose lithium-tantalum property was still at the exploration stage, as all the financing needed to start the construction and development phase of the project had not yet been secured. The Company does not have a history of revenue or return on investment, and there can be no assurance that it will generate revenue, operate at a profit, or yield return on investment in the future.

Industry conditions. Mining and milling operations are subject to government regulations. Operations may be affected in varying degrees by government regulations such as restrictions on production, price controls, tax increases, expropriation of property, pollution controls or changes in conditions under which minerals may be mined, milled or marketed. The marketability of minerals may be affected by numerous factors beyond the control of the Company, such as government regulations. The effect of these factors cannot be accurately determined.

Uninsured hazards. Hazards such as unusual geological conditions are involved in exploring for and developing mineral deposits. The Company may become subject to liability for pollution or other hazards which cannot be insured against or against which the Company may elect not to insure because of the high cost of premiums or for other reasons. The payment of any such liability could result in the loss of Company assets or the Company's insolvency.

Future financing. Completion of future programs may require additional financing, which may dilute the interests of existing shareholders. The Company has been successful in the past in raising financing, however it requires significant additional financing in the near and long-term and there is uncertainty as to the ability to raise such financing. Specifically, in order to move forward on its mining project Rose lithium-tantalum, the Company will have to raise additional funds. If management is unable to obtain new funding, the Company may be unable to continue its operations, and amounts realized for assets may be less than amounts reflected in these financial statements.

Key employees. Management of the Company rests on a few key officers and members of the board of directors, the loss of any of whom could have a detrimental effect on its operations.

Canada Revenue Agency. No assurance can be made that Canada Revenue Agency will agree with the Company's characterization of expenditures as Canadian exploration expenses or Canadian development expenses or the eligibility of such expenses as Canadian exploration expenses under the *Income Tax Act* (Canada).