



## **CRITICAL ELEMENTS LITHIUM CORPORATION**

(an exploration company)

### **MANAGEMENT DISCUSSION AND ANALYSIS**

For the three- and six-month periods ended February 28, 2023 and 2022

(Second quarter)

# MANAGEMENT DISCUSSION AND ANALYSIS

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This management discussion and analysis ("MD&A") of Critical Elements Lithium 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 three- and six-month periods ended February 28, 2023 and 2022, and of the Company financial condition and future prospects. This discussion and analysis complements the unaudited condensed interim financial statements for the period ended February 28, 2023.

The annual audited 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](http://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](http://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 CRECF and on the Frankfurt Exchange under the symbol F12.

## DATE

The MD&A was prepared on the basis of information available as at April 27, 2023.

## CAUTION REGARDING FORWARD-LOOKING STATEMENTS

All statements, other than statements of historical fact, contained in this MD&A including, but not limited to, those relating to (i) management's belief that the Company has sufficient funds to meet its obligations and planned expenditures for the ensuing twelve months as they fall due, (ii) the Company's ability to secure additional financing in the future to complete the construction and commissioning of its Rose Lithium-Tantalum Project and meet its financial needs, (iii) the successful completion of the current environmental assessment and permitting process to advance the Rose Lithium-Tantalum Project, (iv) the development plans and timeline for the Rose Lithium-Tantalum Project, (v) the results and operational highlights of the feasibility study on the Rose Lithium-Tantalum Project, (vi) the project timeline, (vii) lithium demand growth and trends, (viii) the expected unfolding of construction and commissioning as well as the anticipated start of production at the Company's Rose Lithium-Tantalum Project and, (ix) the engineering study, (x) the results of such study and lithium hydroxide plant feed, (xi) the capacity and production, (xii) the mineral reserve estimates, (xiii) the mineral resource estimates, (xiv) the capital and operating costs estimates, (xv) the timing and amount of future production, (xvi) the costs of production, (xvii) the success of mining operations, (xviii) the ranking of the Project in terms of cash cost and production, (xix) the permitting, economic return estimates, (xx) the power and storage facilities, (xxi) the life of mine, (xxii) the social, community and environmental impacts, (xxiii) the lithium and tantalum markets and sales prices, (xxiv) the off-take agreements and purchasers for the Company's products, (xxv) the environmental assessment and permitting, (xxvi) the securing sufficient financing on acceptable terms, (xxvii) the opportunities for short and long term optimization of the Project, (xxviii) the continued positive discussions and relationships with local communities and stakeholders, (xxiv) any information as to the future plans and outlook for the Company, constitute "forward-looking information" or "forward-looking statements" within the meaning of certain securities laws, and are based on expectations, estimates and projections as of the time of this MD&A. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company as of the time of such statements, are inherently subject to significant business, economic and competitive uncertainties and contingencies. These estimates and assumptions may prove to be incorrect. Moreover, these forward-looking statements were based upon various underlying factors and assumptions, including the timely delivery and installation of the equipment supporting the production, the Company's business prospects and opportunities and estimates of the operational performance of the equipment, and are not guarantees of future performance.

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The words "anticipates", "plans", "expects", "indicate", "intend", "scheduled", "estimates", "forecasts", "guidance", "initiative", "outlook", "potential", "projected", "pursue", "strategy", "study", "targets", or "believes", or variations of or similar such words and phrases or statements that certain actions, events or results "may", "could", "would", or "should", "might", or "way forward", "will be taken", "will occur" or "will be achieved" and similar expressions identify forward-looking statements. Forward-looking information and statements are subject to known or unknown risks and uncertainties that may cause actual results to differ materially from those anticipated or implied in the forward-looking information and statements. Risk factors that could cause actual results or events to differ materially from current expectations include, among others, the lack of revenue, the Company's dependence upon the Rose Lithium-Tantalum Property, the exploration and mining risk, the title of property, the permits and licenses, the dividend policy, the conflicts of interest, the key employees, the labour relations, the mineral explorations and development activities inherently risky, the estimates of mineral resources and mineral reserves, the nature of the company's business, the unanticipated metallurgical processing problems, the life of mine plan, the need for funding and time of development, the construction and start-up of new mines and industrial plants, the infrastructures, supplies and inflation, the equipment shortages and access restrictions, the litigation and others legal proceedings, the climate change, the resource exploration and development is generally speculative in nature, the metal prices, the volatility of share price and market price of the common shares, the dilution, the sales per existing shareholders, the competition, the environmental and safety regulations, the environmental liabilities, the costs of environmental remediation, the stage of development, the uninsured hazard, the future financing, the Canada Revenue Agency, the public company obligations, the lithium demand as well as the change in technology. Unpredictable or unknown factors not discussed in this Cautionary Statement could also have material adverse effects on forward-looking statements. Many of these uncertainties and contingencies can directly or indirectly affect, and could cause, actual results to differ materially from those expressed or implied in any forward-looking statements. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Forward-looking statements are provided for the purpose of providing information about management's expectations and plans relating to the future. Readers are cautioned not to place undue reliance on these forward-looking statements as a number of important risk factors and future events could cause the actual outcomes to differ materially from the beliefs, plans, objectives, expectations, anticipations, estimates, assumptions and intentions expressed in such forward-looking statements. Such risk factors are more particularly set out hereinafter, under the section titled "Risks Factors" of this MD&A. The Company disclaims any intention or obligation to update or revise any forward-looking statements or to explain any material difference between subsequent actual events and such forward-looking statements, except to the extent required by applicable law.

## **NATURE OF ACTIVITIES**

Critical Elements Lithium Corporation is incorporated under the Canada Business Corporations Act. The purpose of the Company is profitably delivering responsibly sourced lithium for sustainable green energy solutions through partnerships with all stakeholders. The Company is involved in the acquisition, exploration, development and processing of critical minerals mining properties. The Company is active in Canada.

The Company's vision is to be a global leading low-cost lithium producer aiming to positively contribute to global decarbonization and to position itself as an employer of choice, trusted partner for the communities and governments where it operates, as well as investors, customers and suppliers.

The Company's strategy is to develop and operate the Rose Lithium-Tantalum Project, a high-purity spodumene deposit in Eeyou Istchee, Quebec, Canada, to continue to unlock value through active exploration of a land package of over 1,050 square kilometers and to achieve this vision with minimal environmental impact, including leveraging low carbon electricity available through Québec's established power grid, and in cooperation with the Cree Nation of Eastmain and other local Cree Nations communities, with whom relationships have been formalized.

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## QUARTERLY HIGHLIGHTS

- On December 8, 2022, the Company announced the appointment of Mr. Andy Fortin as Senior Process and Commissioning Director.
- On December 12, 2022, the Company announced the appointment of Mr. Michel Clément as Senior Project Control Director.
- In December 2022 and January 2023, the Company received \$2,248,607 following the exercise of 1,284,918 warrants at a price of \$1.75 each.
- In January 2023, the Company received \$512,241 following the exercise of 465,674 brokers and intermediaries options at a price of \$1.10 each.
- In January 2023, the Company issued 35,000 share purchase options to a consultant. Each share purchase option allows its holder to acquire a common share for \$2.10 per share for a period of two years.
- On January 20, 2023, the Company announced it has been named to the 2023 OTCQX® Best 50, a ranking of top performing companies traded on the OTCQX Best Market last year.
- On February 21, 2023, the Company announced it has ranked in the top 10 performing mining stocks in the 2023 TSX Venture 50™, which is comprised of the top 50 from over 1,713 companies on the TSX Venture Exchange.
- In February 2023, the Company announced that following the positive recommendation by the Environmental and Social Impact Review Committee (the “COMEX”), the Québec Minister of the Environment, the Fight against Climate Change, Wildlife and Parks has authorized Hydro-Québec’s connection and powerline relocation project, subject to certain conditions.

## SUBSEQUENT EVENTS

- In March 2023, the Company received \$216,118 following the exercise of 123,496 brokers and intermediaries options at a price of \$1.75 each. Following the exercise of these 123,496 brokers and intermediaries options, the Company issued 123,496 common shares of the Company as well as 61,748 warrants at a price of \$2.50 each expiring on December 3, 2023.

## OVERALL PERFORMANCE

### ROSE LITHIUM-TANTALUM – LITHIUM, TANTALUM PROJECT

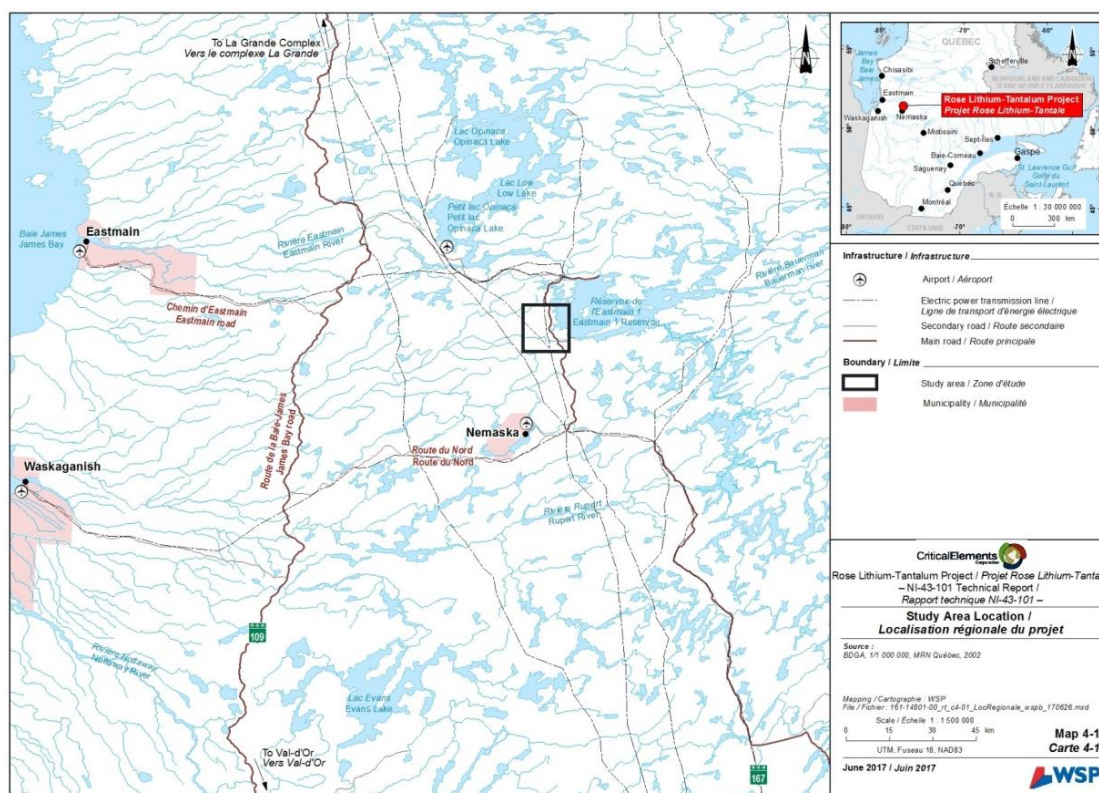
#### Property Description

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 and Eastmain-1 Road, usable all year round from Chibougamau. The mine site can also be reached by Matagami, via Route 109, Route du Nord and Eastmain-1 Road. 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



The Technical Report was prepared in compliance with the standards required by National Instrument 43-101 Standards of disclosure for mineral projects ("NI 43-101") and Form 43-101F1. The Company filed the Technical Report on Sedar on July 27, 2022.

The Feasibility Study was prepared in accordance to NI 43-101 standards by WSP Canada Inc ("WSP"), Bumigeme Inc., and InnovExplo Inc. InnovExplo Inc. was responsible for the resource estimate and the mine plan, Bumigeme Inc. was responsible for the mineral processing, and WSP was responsible for the environmental study, project infrastructure, financial modelling, and report integration. Information regarding the outlook for lithium comes from a market study prepared by Mr. Gerrit Fuelling on behalf of the Corporation. Mr. Fuelling is an independent consultant specializing in the lithium market.

The qualified persons for the study are:

InnoExplo Inc.;

- Carl Pelletier, P.Geo, Geologist
- Simon Boudreau, P.Eng, Mining Engineer

Bumigeme Inc.;

- Florent Baril, Eng, Metallurgical Engineer

WSP;

- Eric Poirier, Eng, PMP, Project Manager
- Rick McBride, P.Eng., Mining Engineer
- Olivier Joyal, Geologist

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## **Highlights**

- Average production, Year 2 to Year 16 of 173,317 tonnes of chemical grade 5.5% spodumene concentrate
- Average production, Year 2 to Year 16 of 51,369 tonnes of technical grade 6.0% spodumene concentrate
- Average production, Year 2 to Year 16 of 441 tonnes of tantalum concentrate
- Expected life of mine of 17 years
- Average operating costs of US\$74.48 per tonne milled, US\$540 per tonne of concentrate (all concentrate production combined)
- Estimated initial capital cost \$US\$357 million before working capital
- 100% equity basis for project
- Average gross margin of 68.3%
- After-tax NPV of US\$1,915 B (at 8% discount rate), after-tax IRR of 82.4% and average price assumptions of US\$4,039 per tonne technical grade lithium concentrate, US\$1,852 per tonne chemical grade lithium concentrate, US\$130 per kg tantalum pentoxide (Ta<sub>2</sub>O<sub>5</sub>)
- Anticipated construction time to start of production of 21 months

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 will excavate a total of 26.3M tonnes ore grading an average of 0.87% Li<sub>2</sub>O and 138 ppm Ta<sub>2</sub>O<sub>5</sub> after dilution. The mill will process 1.61M tonnes of ore per year to produce an annual average of 224,686 tonnes of technical and chemical grade spodumene concentrates and 441 tonnes of tantalite concentrate. The ore is contained in several parallel and continuous shallow dipping pegmatite dykes outcropping on surface. Over the life of mine, the open pit will excavate a total of 182.4M tonnes of waste rock and 10.9 M tonnes of overburden. The average strip ratio is 7.3 tonnes of stripping per tonne of ore.

Table 1 - Rose Key FS Results

Item	Units	Value
<b>Production</b>		
Project life (from start of construction to closure)	years	19
Mine life	years	17
Total mill feed tonnage	M t	26.3
Average mill feed grade		
Li <sub>2</sub> O	% Li <sub>2</sub> O	0.87
Ta <sub>2</sub> O <sub>5</sub>	ppm Ta <sub>2</sub> O <sub>5</sub>	138
<b>Lithium Concentrate Production</b>		
% of Production, Chemical Grade	%	75
% of Production, Technical Grade	%	25
<b>Mill recoveries</b>		
Li <sub>2</sub> O, Chemical Grade	%	90
Li <sub>2</sub> O, Technical Grade	%	87
Ta <sub>2</sub> O <sub>5</sub>	%	40
<b>Payable</b>		
5.5% Li <sub>2</sub> O Concentrate, Chemical Grade	t	2,798,000
6% Li <sub>2</sub> O Concentrate, Technical Grade	t	829,000
Ta <sub>2</sub> O <sub>5</sub> contained in concentrate	kg	1,453,000
<b>Average Commodity Prices</b>		
5.5% Li <sub>2</sub> O Concentrate, Chemical Grade	US\$/t <small>conc.</small>	1,852
6% Li <sub>2</sub> O Concentrate, Technical Grade	US\$/t <small>conc.</small>	4,039
Ta <sub>2</sub> O <sub>5</sub> contained in concentrate	US\$/kg <small>contained</small>	130
<b>Exchange rate</b>		1 US\$ : 1.30 CAN\$ 0.77 US\$ : 1 CAN\$

Item	Units	Value	
Project Costs		CA\$	US\$
Average Mining Cost	\$/t milled	37.89	29.17
Average Milling Cost	\$/t milled	19.88	15.31
Average General & Administrative Cost	\$/t milled	20.30	15.63
Average Concentrate Transport Costs	\$/t milled	18.66	14.37
Project Economics		CA\$	US\$
Gross Revenue	\$M	10,855	8,358
Total Selling Cost Estimate	\$M	236	182
Total Operating Cost Estimate	\$M	2,543	1,958
Total Sustaining Capital Cost Estimate	\$M	160	123
Total Capital Cost Estimate	\$M	464	357
Duties and Taxes	\$M	3,098	2,386
Average Annual EBITDA	\$M	493	379
Pre-Tax Cash Flow	\$M	7,452	5,738
After-Tax Cash Flow	\$M	4,354	3,352
Effective Tax Rate		42%	
Discount Rate*		8%	
Pre-Tax Net Present Value @ 8%	\$M	4,368	3,363
Pre-Tax Internal Rate of Return		125.0%	
Pre-Tax Payback Period	years	1.0	
After-Tax Net Present Value @ 8%	\$M	2,487	1,915
After-Tax Internal Rate of Return		82.4%	
After-Tax payback period	years	1.4	

\* Discounting starts with commercial production.

### **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 20 US\$ per kg Li<sub>2</sub>O and a tantalite concentrate with a price of 130 US\$ per Kg of Ta<sub>2</sub>O<sub>5</sub>. 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 May 27, 2022.

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 Reserve Estimate for the Rose Project at the \$36.92 net smelter return ("NSR") per tonne cut-off for the open-pit scenario.



**Table 1 - Mineral Reserve Estimate**

	Tonnage	NSR	Li <sub>2</sub> O <sub>eq</sub>	Li <sub>2</sub> O	Li <sub>2</sub> O	Ta <sub>2</sub> O <sub>5</sub>	Ta <sub>2</sub> O <sub>5</sub>
Category	(Mt)	(\$)	(%)	(%)	(000 t)	(ppm)	(000 t)
Probable	26.3	204	0.92	0.87	193.8	138	2.3
<b>Total</b>	<b>26.3</b>	<b>204</b>	<b>0.92</b>	<b>0.87</b>	<b>193.8</b>	<b>138</b>	<b>2.3</b>

- The Independent and Qualified Person for the Mineral Reserve Estimate, as defined by NI 43-101, is Simon Boudreau, P.Eng, of InnovExplo Inc. The effective date of the estimate is May 27, 2022.
- 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 ("MRE")

The current MRE is primarily based on changes made to the NSR parameters, supported by new assumptions concerning metal prices and the creation of potentially mineable shape to constrain the MRE for the potential underground extraction scenario. No changes to the interpretation and interpolation parameters were deemed necessary. The mineral resource model for the current MRE is based largely upon the model generated for the 2011 PEA.

The effective date of the estimate is May 27, 2022, based on compilation status, metal price parameters, metallurgical recovery inputs and creation of the constraining volume.

Given the density of the processed data, the search ellipse criteria, the drill hole density and the specific interpolation parameters, the QP is of the opinion that the current MRE 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 3 displays the results of the MRE for the Rose Lithium-Tantalum Project using \$31.4 NSR/t cut-off for the open-pit potential extraction scenario and \$121.12 NSR cut-off for the underground potential extraction scenario.

**Table 2 - Mineral Resource Estimate**

CATEGORY		Tonnage	NSR (\$)	Li <sub>2</sub> O <sub>Eq</sub> (%)	Li <sub>2</sub> O (%)	Ta <sub>2</sub> O <sub>5</sub> (ppm)
INDICATED	PIT	30 384 000	216	0.99	0.91	150
	UNDERGROUND	1 086 000	200	0.92	0.86	100
	<b>TOTAL INDICATED</b>	<b>31 470 000</b>	<b>215</b>	<b>0.99</b>	<b>0.91</b>	<b>148</b>
INFERRED	PIT	2 001 300	181	0.85	0.76	157
	UNDERGROUND	726 000	179	0.83	0.78	100
	<b>TOTAL INFERRED</b>	<b>2 727 300</b>	<b>180</b>	<b>0.85</b>	<b>0.77</b>	<b>141</b>

- The Independent and Qualified Person for the Mineral Resource Estimate, as defined by NI 43-101, is Carl Pelletier, P.Geo., of InnovExplo Inc. The effective date of the estimate is May 27, 2022. The MRE follow 2014 CIM Definition Standards and the 2019 CIM MRMR Best Practice Guidelines.
- These Mineral Resources are not Mineral Reserves as they do not have demonstrated economic viability.
- The model includes 23 mineralized zones.
- The reasonable prospect for eventual economic extraction is met by having constraining volumes applied to any blocks (potential open -pit or underground extraction scenario) using Whittle and the Deswik Stope Optimizer (DSO) and by the application of cut-off grades. The mineral resource is reported at a cut-off of \$31.4 NSR for the open-pit potential; and of \$121.12 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.
- Results are presented in-situ. 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.
- The qualified persons are not aware of any known environmental, permitting, legal, title-related, taxation, socio-political or marketing issues, or any other relevant issue, that could materially affect the potential development of mineral resources other than those discussed in the MRE.

### **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 4,600 tpd 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 26.3 Mt of ore, 182.4 Mt of waste, and 10.9 Mt of overburden for a total of 219.6Mt of material. The average stripping ratio is 7.3 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.

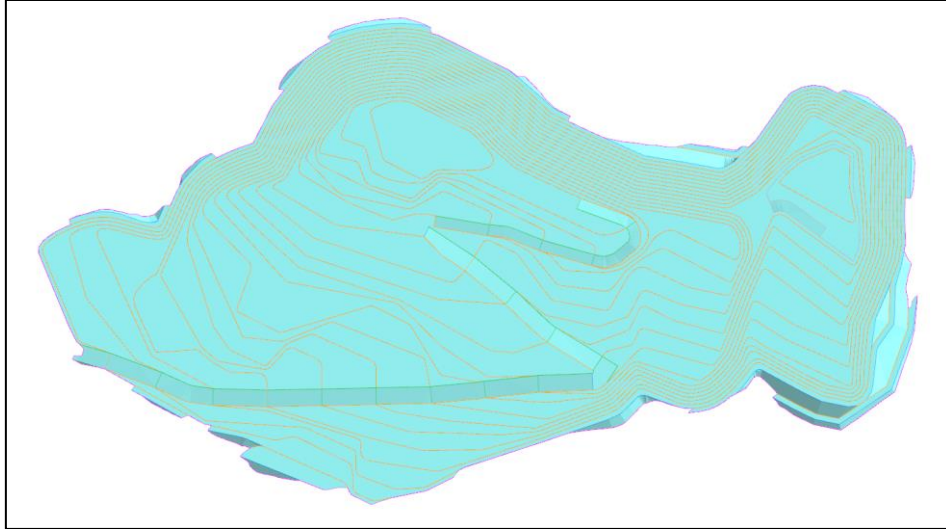
Contract mining will be used for the removal of the overburden while Critical Elements will undertake the mining of all hard rock material with its own equipment fleet and operators.

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, one (1) auxiliary excavator, one (1) auxiliary wheel loader, and two (2) water trucks.

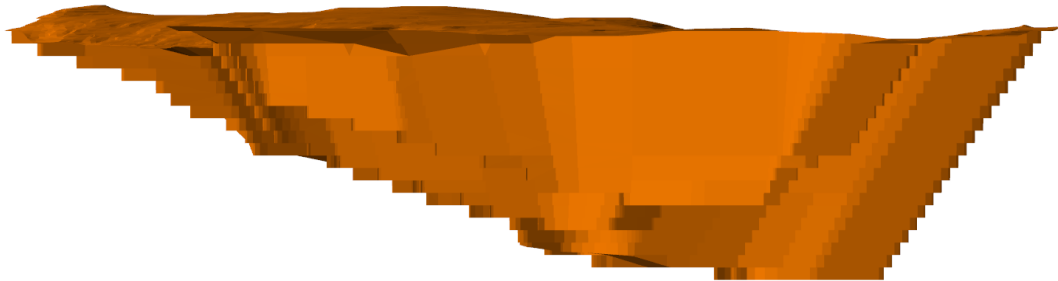
The Rose project pit was designed with a 10m single benching arrangement. A 57° inter-ramp angle and an overall pit slope angle of 55° were utilized for the ultimate pit design. A berm width of 7.0m corresponding to the recommended overall slope angle was used. The pit slopes in overburden have a face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



**Figure 3 – 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%  $\text{Li}_2\text{O}$  while the chemical grade lithium concentrate will grade 5.5%  $\text{Li}_2\text{O}$ . The tantalum concentrate will grade 20%  $\text{Ta}_2\text{O}_5$ .

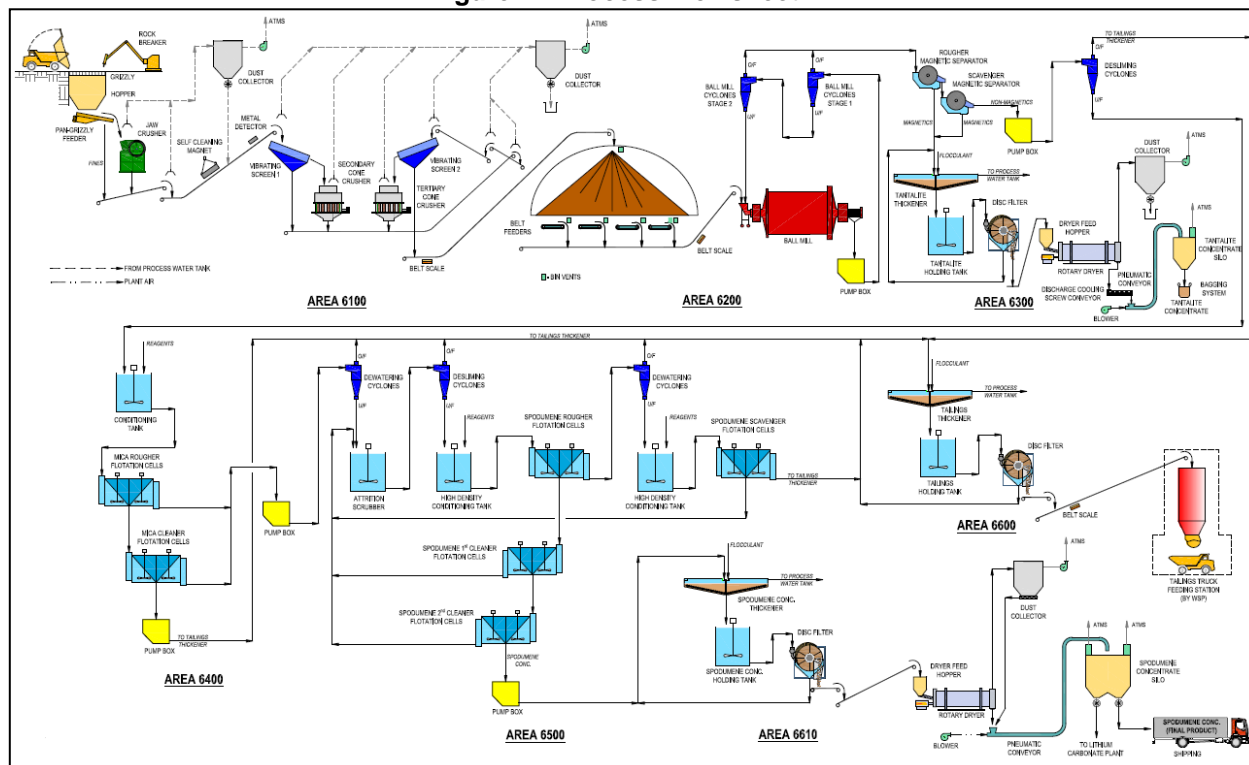
The beneficiation process includes crushing, grinding, magnetic separation and flotation. The crushing circuit will consist of a jaw crusher and two (secondary and tertiary) cone crushers, and screens. The crushed ore will have a  $P_{80}$  of 13 mm and will be stockpiled in a 9,200-tonne capacity dome; 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%  $\text{Ta}_2\text{O}_5$  by high intensity magnetic separation then upgraded further to 20.0%  $\text{Ta}_2\text{O}_5$  by gravity separation. The lithium flotation circuit will include removal of slimes after magnetic separation followed by mica flotation, scrubbing, and spodumene flotation to the required grade. 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 or less, and trucked to the waste rock / tailings piles where it will be dry stacked.

The spodumene plant will operate 24 hours per day, 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 Bumigeme Inc. is presented in Figure 4.

**Figure 4 - 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 consists 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

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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% minimum recovery for the tantalum concentrate.

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

### **Environmental and Social Impact Assessment**

In August 2021, Critical Elements announced that the Federal Minister of Environment and Climate Change had rendered a favorable decision in respect of the proposed Rose Project. In a Decision Statement, which included the conditions to be complied with by the Company, the Minister confirmed that the Project is not likely to cause significant adverse environmental effects when mitigation measures are taken into account.

In November 2022, the Company announced that it has received the Certificate of Authorization (“CA”) for the Rose Lithium-Tantalum Project from the Quebec Minister of the Environment, the Fight against Climate Change, Wildlife and Parcs. As per Chapter II of Quebec's *Environment Quality Act*, the COMEX, an independent body composed of members appointed by the governments of Quebec and the Cree Nation, was responsible for the assessment and review of the environmental and social impacts of the Rose Lithium-Tantalum Project.

Critical Elements has been working since the beginning with the Eastmain Community, on whose lands the Project lies. The Company maintains 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. In 2019, Critical Elements entered into an impact and benefits agreement with the Cree Nation of Eastmain, the Grand Council of the Cree (Eeyou Istchee), and the Cree Nation Government called the Pihkuutaau Agreement.

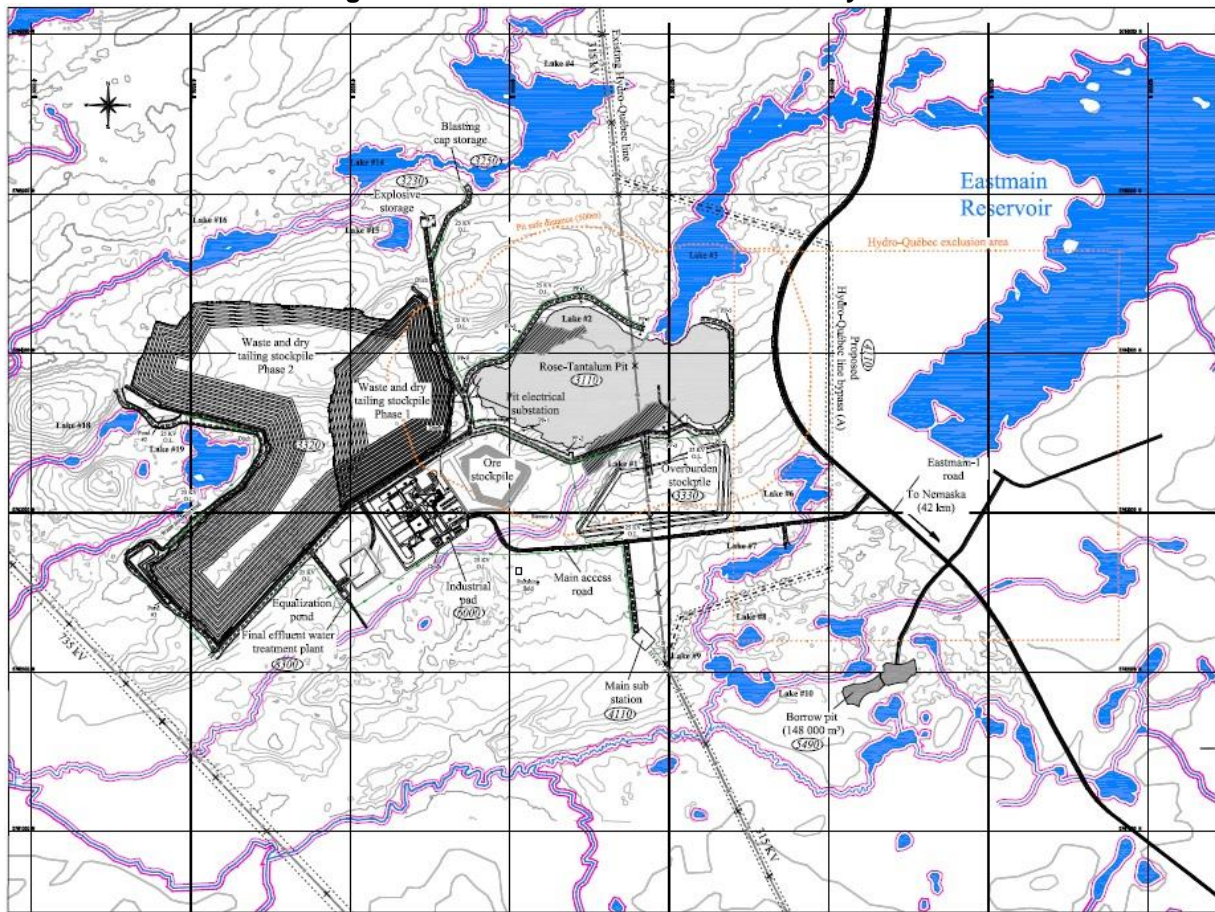
The Company's rehabilitation and restoration plan for the Rose Lithium-Tantalum project was accepted by the Ministry of Energy and Natural Resources of the province of Quebec (MERN) in May 2022. This plan is accompanied by a financial guarantee covering the cost of restoring the entire mine site amounting to \$21,692,923. In September 2022, a payment equal to half of this amount was made in the form of a bond by an insurance company, in order to preserve the Company's liquidity. The other half will be payable in two installments in May 2023 and May 2024. The Company will provide the insurance company with a guarantee in the form of an irrevocable letter of credit from a Canadian bank, for an amount equal to 25% of the bonded amount, adjustable with each subsequent change to the bonded balance to ensure that it is at all times equal to at least 25% of the bonded amount. In connection with this bond, the Company must pay an annual fee equivalent to 2% of the bonded amount. These costs are presented as an increase in exploration and evaluation costs for the Rose Lithium-Tantalum property in the statement of financial position.

### **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. The mine site layout is shown in figure 5.



**Figure 5 – Rose Lithium-Tantalum Site Layout**



Waste rock and tailings samples were analyzed 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 snow melt water will be collected in ditches and pumped to the water treatment plant.

The industrial pad has an area of 296,000 m<sup>2</sup> 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 ore pad will have a 3.9M tonne capacity where low-grade material may be stored.

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 to sedimentation ponds and treated, if necessary, before being released to the final effluent.

Water from the waste rock / dry tailings stockpile, the open pit, the industrial pad, the overburden stockpile and the 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.

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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 representing 4.2 km will be rerouted to allow open pit operation.

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 requested from Hydro-Québec. Current design has two 15 MW transformers operating 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.

**Figure 6 - 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 US\$357 M including all infrastructures described earlier with a 10% contingency. The sustaining capital is estimated at US\$126 M over the life of mine.

The total payable products are estimated at 2,797,668 tonnes of chemical grade 5.5%  $\text{Li}_2\text{O}$  concentrate, 829,198 tonnes of technical grade 6.0%  $\text{Li}_2\text{O}$  concentrate, and 7,264 tonnes of 20%  $\text{Ta}_2\text{O}_5$  concentrate.

**Table 4 – Initial Capital and Sustaining Capital Costs**

Item	Initial Capital	Sustaining Capital	Initial Capital	Sustaining Capital
	M CA\$	M CA\$	M US\$	M US\$
<b>Direct Capital Estimate</b>	<b>312.7</b>	<b>118.0</b>	<b>240.8</b>	<b>90.9</b>
Mining	62.8	110.3	48.3	85.0
Power & Electrical	39.3	0.8	30.3	0.6
Infrastructure	40.2	0.0	30.9	0.0
Process plant	153.3	0.0	118.0	0.0
TSF and Water management	17.2	6.9	13.3	5.3
<b>Indirect Capital Estimate</b>	<b>108.6</b>	<b>0.5</b>	<b>83.6</b>	<b>0.4</b>
Administration & Overhead	57.2	0.0	44.1	0.0
Project Development (Studies)	0.4	0.0	0.3	0.0
PCM, Other indirects & Other costs	50.9	0.5	39.2	0.4
Contingency	42.1	11.8	32.4	9.1
Mine Rehabilitation (incl. contingency)	0.0	21.7	0.0	16.7
Mine Rehabilitation Bond & Costs	0.2	8.0	0.2	6.2
<b>Total Capital Estimate</b>	<b>463.7</b>	<b>160.0</b>	<b>357.0</b>	<b>123.2</b>

### Operating Costs

The operating costs are estimated at \$96.73 / US\$74.48 per tonne of ore processed which include:

- Mining US\$29.17 per tonne processed
- Processing US\$15.31 per tonne processed
- G&A US\$15.63 per tonne processed
- Concentrate transportation US\$14.37 per tonne processed

The total operating costs are estimated at US\$550/tonne of concentrate after Tantalite Credit, as summarized in Table 5.

**Table 5 – Operating Costs per tonne of concentrate**

Item	CA\$/t all concentrate	US\$/t all concentrate
Mining	274	211
Processing	144	111
General and Administration	147	113
Transportation Concentrate	135	104
<b>Total Operating Costs</b>	<b>701</b>	<b>540</b>
SG&A	35	27
Royalties	30	23
<b>Total Operating Costs (w. SG&amp;A and Royalties)</b>	<b>766</b>	<b>590</b>
Less: Tantalite Credit	<b>52</b>	<b>40</b>
<b>Total Operating Costs (after Tantalite Credit)</b>	<b>714</b>	<b>550</b>

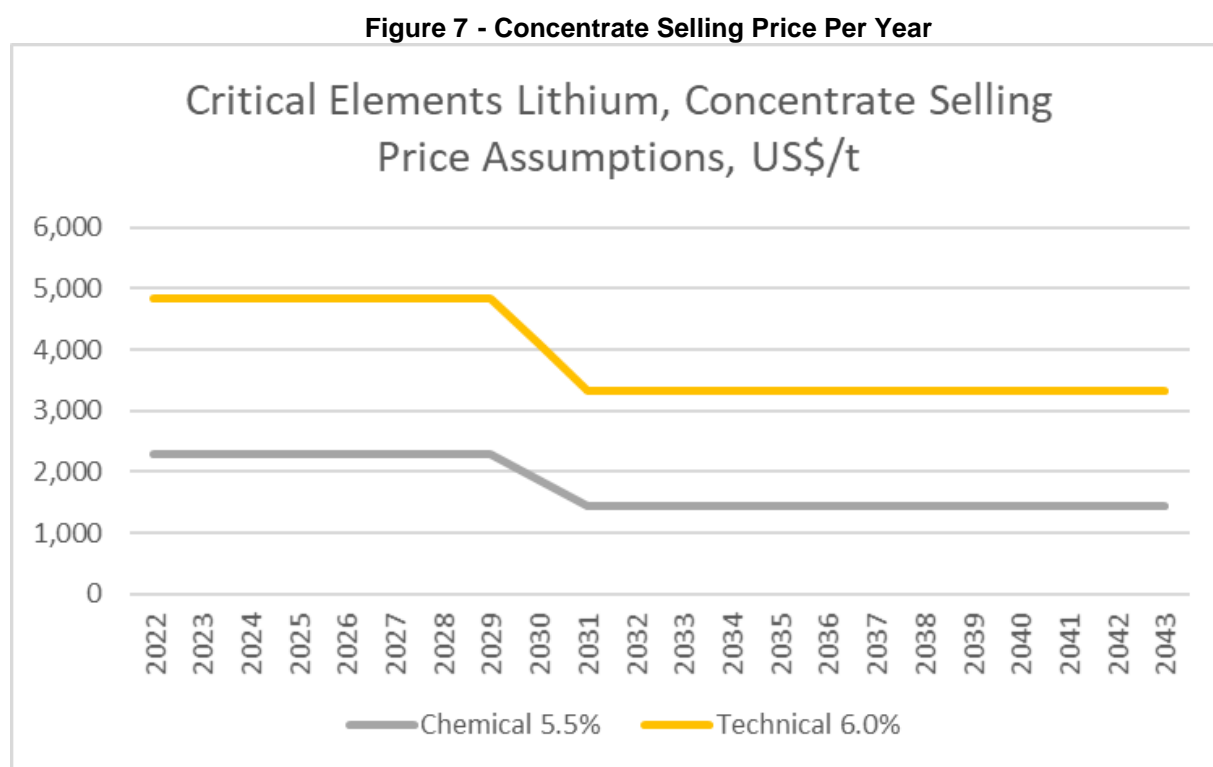


Energy unit costs are CA\$0.06 per kWh for electricity, CA\$1.70 per litre for diesel, and CA\$0.935 per m<sup>3</sup> for LNG.

### **Project Economics**

The mine will process 1,610,000 tonnes ore per year grading an average of 0.87% Li<sub>2</sub>O and 138 ppm Ta<sub>2</sub>O<sub>5</sub> over a period of 17 years. Over the Life of Mine (LoM), the averages for the price assumptions are US\$1,852 per tonne and US\$4,039 per tonne of chemical grade and technical grade lithium concentrates respectively (FOB port) and US\$130 per kg Ta<sub>2</sub>O<sub>5</sub> contained in the tantalum concentrate (FOB mine site).

Figure 7 shows the prices per year for the lithium concentrate products.



The pre-tax and after-tax NPV at various discount rates are presented in Table 6.

**Table 6 - 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%	\$7,452	\$4,354	\$5,738	\$3,352
NPV @ 5%	\$5,253	\$3,023	\$4,045	\$2,328
<b>NPV @ 8%</b>	<b>\$4,368</b>	<b>\$2,487</b>	<b>\$3,363</b>	<b>\$1,915</b>
NPV @ 10%	\$3,896	\$2,201	\$3,000	\$1,695
NPV @ 12%	\$3,497	\$1,959	\$2,693	\$1,509

*\*Discounting commences with commercial production.*

The after-tax internal rate of return is 82.4%.

## Sensitivity Analysis

The sensitivity of the NPV to exchange rate and chemical grade lithium concentrate price is presented in Table 7.

**Table 7 - After-Tax NPV Sensitivity to Exchange Rate and Chemical Grade Lithium Concentrate**

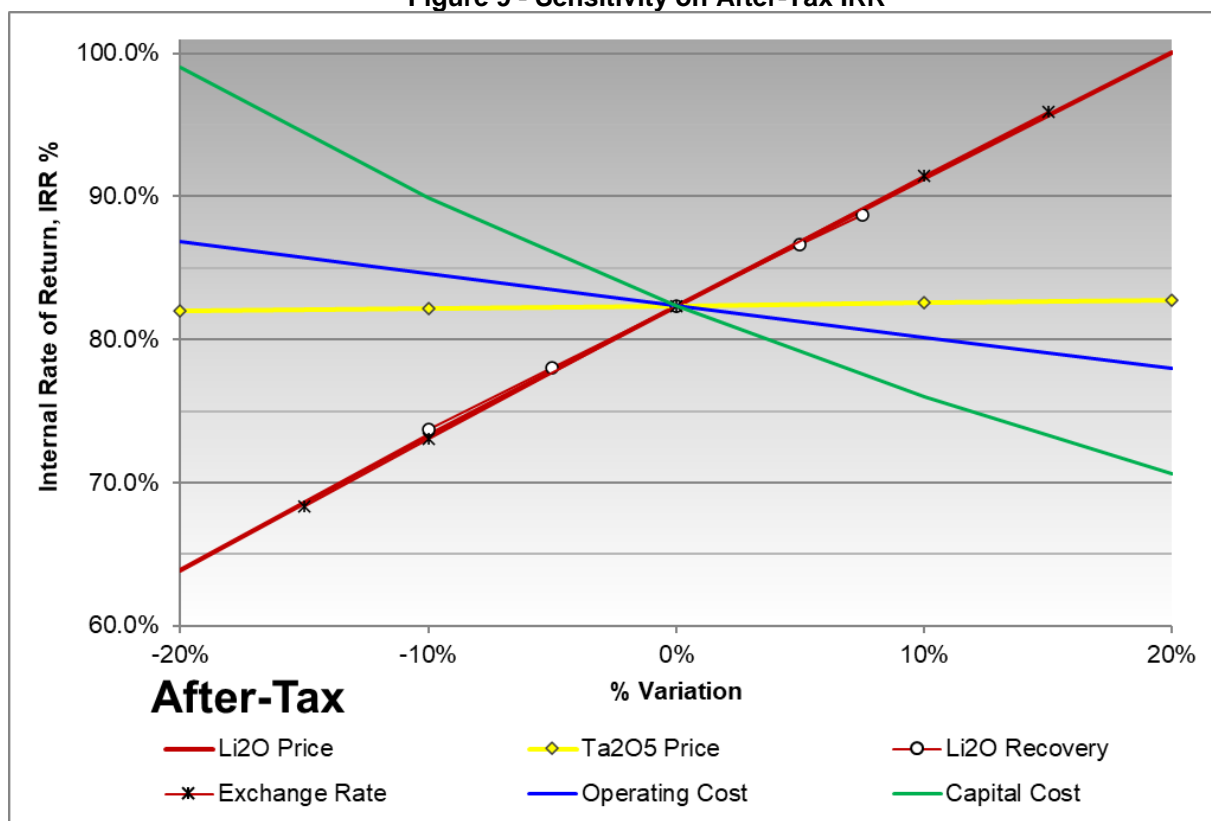
Exchange Rate	After-Tax NPV 8% Discount Rate - M CA\$				
	Li <sub>2</sub> O Price - Chemical Grade				
	-20%	-10%	Base Case	10%	20%
-10%	1475 M CA\$	1799 M CA\$	2121 M CA\$	2443 M CA\$	2765 M CA\$
<b>Base Case</b>	<b>1771 M CA\$</b>	<b>2129 M CA\$</b>	<b>2487 M CA\$</b>	<b>2844 M CA\$</b>	<b>3202 M CA\$</b>
10%	2065 M CA\$	2459 M CA\$	2852 M CA\$	3246 M CA\$	3639 M CA\$

Figures 8 and 9 present the sensitivity of the NPV at 8% discount rate and IRR to prices, Li<sub>2</sub>O recovery, exchange rate, operating costs, and capital cost. The economics are most sensitive to Li<sub>2</sub>O price, exchange rate, and Li recovery.

**Figure 8 - Sensitivity on After-Tax NPV 8%**



Figure 9 - Sensitivity on After-Tax IRR



## 2022 Exploration Program

During summer 2022, Critical Elements conducted a prospecting program. The objective of the field program was the identification of new pegmatite bodies using systematic rock geochemical sampling of all pegmatite bodies to refine the geological interpretation of the properties for further exploration work.

On the Rose Lithium-Tantalum Property, the Company has identified a new LCT pegmatite body north of the Lac Pivert showing. This new LCT pegmatite had grab samples reporting 1.04% Li<sub>2</sub>O and 244 ppm Ta<sub>2</sub>O<sub>5</sub> and 0.92% Li<sub>2</sub>O and 269 ppm Ta<sub>2</sub>O<sub>5</sub>.

### Rose Lithium-Tantalum: Sample Results

Property	Sample Number	UTM NAD 83 ZN18 Easting	UTM NAD 83 ZN18 Northing	Li <sub>2</sub> O (%)	Ta <sub>2</sub> O <sub>5</sub> (ppm)	Cs (ppm)
Rose	E146502	423105	5767711	0.92	269	75
Rose	E146503	423106	5767714	1.04	244	84

Note: Grab samples are selective by nature and may not to represent average grades of the pegmatite.

A total of 2,259 metres of drilling were completed during the summer of 2022 on the Pivert and JR showings.

The Lac Pivert pegmatite showing is located 3.5 kilometres North-West of the flagship Rose Lithium-Tantalum deposit. The Lac Pivert showing has a lateral extent of approximately 300 metres and remains open in all directions. Eight drill holes totaling 1,119 metres were completed during the summer exploration program. Seven of these holes intersected lithium-tantalum bearing pegmatite. The true thickness of the drill intersections is not known at this time.

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Selected drill intersection highlights include:

- LP-22-05: 0.9 % Li<sub>2</sub>O and 40 ppm Ta<sub>2</sub>O<sub>5</sub> over 6.4 m
- LP-22-06: 0.6 % Li<sub>2</sub>O and 49 ppm Ta<sub>2</sub>O<sub>5</sub> over 8.5 m
- LP-22-07: 1.3 % Li<sub>2</sub>O and 106 ppm Ta<sub>2</sub>O<sub>5</sub> over 2.1 m, and 0.7 % Li<sub>2</sub>O and 66 ppm Ta<sub>2</sub>O<sub>5</sub> over 3.8 m

The JR showing is located approximately one kilometre North-East of the Rose deposit. A total of 11 diamond drill holes have been completed totaling 1,140 metres. Ten of these holes intersected lithium-tantalum bearing pegmatite all hosted by pegmatite dykes. The true thickness of the intersections is not known at this time.

Selected drill intersections include:

- JR-22-10: 0.9 % Li<sub>2</sub>O and 147 ppm Ta<sub>2</sub>O<sub>5</sub> over 6.0 m, and 0.3 % Li<sub>2</sub>O and 144 ppm Ta<sub>2</sub>O<sub>5</sub> over 3.8 m
- JR-22-11: 0.2 % Li<sub>2</sub>O and 109 ppm Ta<sub>2</sub>O<sub>5</sub> over 10.0 m

### **Work done during the period**

Evaluation and exploration expenses of \$2,309,824 were incurred during the six-month period ended February 28, 2023. These expenses are mainly related to work on obtaining environmental authorizations, a detail engineering as well as geology and drilling work.

### **Objective/Milestone**

Following the closing of the bought deal financing dated December 3, 2021, the Company as anticipates that a portion of the funds raised will be used to achieve the various objectives / milestones mentioned below. These objectives / milestones could allow the Company to initiate the project financing for the construction of the mine of the Rose Lithium-Tantalum property.

### **Mill and mineral processing plant design**

The mill design will be divided in two phases: Phase 1 will consist of a gap analysis and a Front-End Engineering Design ("FEED"), and Phase 2 will consist of the detailed engineering design.

The Gap Analysis will focus on design review, optimization and mitigation of potential risks related to the flowsheet developed during the feasibility stage.

The FEED will optimize and freeze the design of the process plant and produce an updated CAPEX for construction. The FEED will deliver a comprehensive package of documents which will become the basis on which the detailed engineering will be produced. Specifications for long lead items will be identified for early procurement.

The process detailed design will immediately follow the FEED and will prepare all documents for construction.

The estimated amount for the FEED of processing plant will be of \$2,200,000 and \$7,500,000 for the detailed design<sup>1</sup>. FEED expenses of \$1,708,944 were recorded of which \$787,414 during the six-month period ended February 28, 2023.

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<sup>1</sup> The Company has the possibility, if necessary, to allocate these amounts differently from time to time, taking into account its strategy relative to the market, development and changes in the industry and regulatory landscape, as well as other conditions relevant at the applicable time.

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The initial budget is maintained as of the date of this management discussion and analysis report.

### **Infrastructure design**

The infrastructure design work will be divided in two phases: Phase 1 will consist of the FEED, and Phase 2 will consist of the detailed engineering. The infrastructure design will advance the feasibility work to final design and produce all documents ready for construction. Long lead items will be identified for early procurement. The infrastructure items include access roads, site water management and treatment plant, power supply and distribution, communication and IT systems, an office and dry complex, maintenance shops, warehouse, explosives storage, fuel storage, LNG storage and distribution, etc.

The estimated amount for the FEED of infrastructure will be of \$500,000 and \$5,500,000 for the detailed design.<sup>1</sup> FEED expenses of \$416,653 were recorded of which \$409,422 during the six-month period ended February 28, 2023.

The initial budget is maintained as of the date of this management discussion and analysis report.

### **Waste/tailings storage facility**

The design of the waste rock and tailings co-disposal facility will be finalized and documents will be prepared for construction. This will include a review of the feasibility design, the completion of geotechnical investigations, a site climate characterization review, a hazard classification of the filtered tailings and waste rock, tailings laboratory testing, a deposition staging plan, water management design of the contact water, hydrogeological modelling and seepage collection, stability assessment, an instrumentation plan, and a final design and report.

The estimated amount for the detailed design of waste/tailings storage facility will be of \$500,000<sup>1</sup>. FEED expenses of \$55,798 were recorded during the six-month period ended February 28, 2023.

The initial budget is maintained as of the date of this management discussion and analysis report.

### **Open pit**

The open pit design will be reviewed to optimize the excavation sequence, improve the equipment selection in view of the latest technologies, and optimize the cashflow.

The estimated amount for the detailed design of the open pit will be of \$500,000<sup>1</sup>. Expenses of \$64,986 were recorded during the six-month period ended February 28, 2023.

The initial budget is maintained as of the date of this management discussion and analysis report.

### **Owner team**

Hiring of qualified employees to complement the Corporation's technical team for Rose Lithium-Tantalum project.

The estimated amount for the owner team will be of \$1,500,000<sup>1</sup>. Expenses of \$164,831 were recorded during the six-month period ended February 28, 2023.

The initial budget is maintained as of the date of this management discussion and analysis report.

### **Environment commitments**

Environment commitments concerns the costs related to work to obtain authorizations and environmental commitments for the Rose Lithium-Tantalum project.

The estimated amount for the environment commitments will be of \$2,000,000<sup>1</sup>. Expenses of \$170,975 were recorded during the six-month period ended February 28, 2023.

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The initial budget is maintained as of the date of this management discussion and analysis report.

#### **ROSE NORTH – LITHIUM AND TANTALUM PROJECT**

##### **Property Description**

The Rose North 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 50 km north of the Cree village of Nemaska. The latter is located approximately 300 km north-west of Chibougamau.

The Rose North property is accessible by road via the Route du Nord and Eastmain-1 Road, usable all year round from Chibougamau. The site can also be reached by Matagami, via Route 109, Route du Nord and Eastmain-1 Road. The project is located 70 km south of Goldcorp's Éléonore gold mine and 55 km north-west of Nemaska's Whabouchi lithium project and 10 km south of Hydro-Québec's Eastmain 1 hydroelectricity generating plant. The Nemiscau airport services the regions air travel needs. The Rose North property site is located 60 km by road from the Nemiscau airport.

The Rose North property consists of 31 claims covering a total area of 16.14 km<sup>2</sup>. It lies in the northeastern part of Superior Province, within the Eastmain greenstone belt. It is wholly owned by the Company.

##### **Work done during the period**

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

Management will evaluate the potential of the property and may subsequently search to find a partner to continue exploration activities or to find a potential buyer.

#### **ROSE SOUTH – LITHIUM AND TANTALUM PROJECT**

##### **Property Description**

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

The Rose South property is accessible by road via the Route du Nord and Eastmain-1 Road, usable all year round from Chibougamau. The site can also be reached by Matagami, via Route 109, Route du Nord and Eastmain-1 Road. The project is located 80 km south of Goldcorp's Éléonore gold mine and 50 km north-west of Nemaska's Whabouchi lithium project and 40 km south of Hydro-Québec's Eastmain 1 hydroelectricity generating plant. The Nemiscau airport services the regions air travel needs. The Rose South property site is located 50 km by road from the Nemiscau airport.

The Rose South property consists of 280 claims covering a total area of 148.81 km<sup>2</sup>. It lies in the northeastern part of Superior Province, within the Eastmain greenstone belt. It is wholly owned by the Company.

##### **Work done during the period**

The 280 mining titles of the Rose South property were acquired via map designation during the six-month period ended February 28, 2023. No exploration work was carried out on the property during the period.

Management will evaluate the potential of the property and may subsequently search to find a partner to continue exploration activities or to find a potential buyer.

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## **ARQUES – LITHIUM, RARE EARTH, NIOBIUM AND TANTALUM PROJECT**

### **Property Description**

The Arques property is composed of one block totalling 136 claims covering an area of 6,840.82 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 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 Lemarre showing.

In March 2021, the Company completed a high-resolution heliborne magnetic survey of 17,187 linear kilometers on the Arques project and its vast portfolio of properties located in the James Bay Eeyou Istchee territory which cover approximately 700 square kilometers. The objective of the survey was to identify structures that would be high priority lithium targets for future exploration.

### **Work done during the period**

Evaluation and exploration expenses of \$4,471 were incurred during the six-month period ended February 28, 2023.

During summer and fall 2022, EarthLabs, through its GoldSpot Discoveries division, generated and ranked LCT pegmatite targets using its in-house "SmartTarget" methodology that combines both expert-driven and machine-learning data-driven targeting approaches.

Management continues to 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 304 claims, The Bourier property is composed of one block totaling 304 claims, 203 of which are optioned to Lomiko (see transaction details below), covering an area of 15,616 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.

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The Bourier project offers 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.

On April 24, 2021, the Company entered into an option agreement that gives Lomiko the right to acquire up to a 70% interest in the Bourier project. This option agreement was amended in December 2021.

#### **TERMS OF THE TRANSACTION**

Under the Agreement, Lomiko will earn its interest in the Bourier project by way of an option arrangement. The key terms of the Agreement are detailed in the below:

#### **GRANT OF FIRST OPTION**

Critical Elements grants to Lomiko the exclusive right and option to acquire, on or before December 31, 2023, an initial 49% Earned Interest in the Bourier Property by issuing to Critical Elements an aggregate of 5,000,000 common shares of Lomiko, by making a cash payments to Critical Elements totalling \$50,000 and by incurring or funding Exploration Expenditures for a total amount of \$1,300,000 on the Property, as follows:

- making a cash payment to Critical Elements of \$25,000 within a delay of five days following the execution of the Agreement (non-refundable) (condition fulfilled);
- making a cash payment to Critical Elements of \$25,000 within a delay of five days following the receipt of the required approvals from the Exchange (condition fulfilled);
- issuing to Critical Elements 5,000,000 common shares immediately following the receipt of the required approvals from the Exchange (condition fulfilled); and
- incurring or funding Exploration Expenditures aggregating not less than \$1,300,000 (\$382,328 already been incurred and charged back as of February 28, 2023), consisting of exploration and evaluation expenses, expenses related to the Bourier property claims and management fees) on the Bourier Property before December 31, 2023. As stipulated in the amended option agreement entered between the Company and Lomiko.

#### **GRANT OF SECOND OPTION**

Subject to Lomiko having exercised the First Option, Critical Elements will also grant to Lomiko the exclusive right and option to increase its undivided interest in and to the Bourier Property from 49% to 70% by making a cash payment to Critical Elements of \$250,000, by issuing to Critical Elements an aggregate of 2,500,000 common shares of Lomiko, by incurring or funding additional Exploration Expenditures for an amount of \$2,000,000 and by delivering a resource prepared in compliance with NI 43-101 on the Bourier Property prepared by a Qualified Person independent of Lomiko and Critical Elements, for a period commencing on the delivery of the First Option Exercise Notice and ending December 31, 2023, in summary as follows:

- making a cash payment to Critical Elements an amount of \$250,000 and issuing 2,500,000 common shares of Lomiko, on or before the date of delivery of the First Option Exercise Notice;
- incurring or funding additional Exploration Expenditures for an amount of \$2,000,000 on or before December 31, 2023; and
- delivering the Resource Estimate to Critical Elements on or before December 31, 2023.



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## **MILESTONE PAYMENTS**

Subject to Lomiko's right to withdraw from and terminate the First Option, Lomiko agrees to pay the following milestone payments to Critical Elements, payable at any time following the exercise of the First Option upon the occurrence of the following:

- On the estimation of a drilled defined resource (NI 43-101 compliant) of 5,000,000 tonnes at a cut-off grade of 0.6% Li<sub>2</sub>O (all categories) a payment of \$750,000, payable in cash or in common shares of Lomiko at the sole discretion of Lomiko;
- On the estimation of a drilled defined resource (NI 43-101 compliant) of 10,000,000 tonnes at a cut-off grade of 0.6% Li<sub>2</sub>O (all categories) a payment of \$1,000,000, payable in cash or in common shares of Lomiko at the sole discretion of Lomiko;
- On the estimation of a drilled defined resource (Ni 43-101 compliant) of 15,000,000 tonnes at a cut-off grade of 0.6% Li<sub>2</sub>O (all categories) a payment of \$1,500,000, payable in cash or in common shares of Lomiko at the sole discretion of Lomiko; and
- On the estimation of a drilled defined resource (NI 43-101 compliant) of 20,000,000 tonnes at a cut-off grade of 0.6% Li<sub>2</sub>O (all categories) a payment of \$2,000,000, payable in cash or in common shares of Lomiko at the sole discretion of Lomiko.

## **ROYALTY**

Following the exercise of the First Option by Lomiko, and in addition to the amounts paid, common shares issued and Exploration Expenditures incurred or funded by Lomiko under the First Option and thereafter under the Second Option, as applicable, Critical Elements shall receive a royalty equal to 2% net smelter returns resulting from the extraction and production of any Minerals on the Bourier Property.

The Royalty including the right of Lomiko to purchase a portion thereof (1%) by paying to Critical Elements a total cash amount of \$2,000,000.

## **OPERATOR**

During the agreement, Critical Elements shall act as the operator and as such, shall be responsible for carrying out and administering the Exploration Expenditures on the Property, in accordance with a work program approved by the Parties regarding the Property.

## **LITHIUM MARKETING RIGHTS**

In the event of a Lithium discovery, Critical Elements will retain Lithium Marketing Rights meaning the exclusive right of Critical Elements to market and act as selling agent for any and all Lithium products, including Lithium ore, concentrate and chemical, resulting from the extraction and production activities on the Bourier Property, including transformation into chemical products.

In March 2021, the Company completed a high-resolution helicopter magnetic survey of 17,187 linear kilometers on the Bourier project and its portfolio of properties located in the James Bay Eeyou Istchee territory which cover approximately 700 square kilometers. The objective of the survey was to identify structures that would be high priority lithium targets for future exploration.

During the summer of 2021, the Company and Lomiko engaged GoldSpot to conduct a lithium exploration prospectivity study on the Bourier claims within the Nemiscau greenstone belt.

The study hinged on digital extraction from an exhaustive collection of compiled data, including assessment files, government data and academic studies. This dataset provided outcrop/sample description, bedrock geology, geochemical analyses, and geophysical surveys. Original data was cleaned and combined to create a comprehensive data set for geological interpretation and machine learning processes.

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The compilation of discrete outcrop observations allowed a reliable update to existing geologic maps, resulting in a refined, lithium exploration-oriented pegmatite map. A total of 99 pegmatite bodies were added to the current geological map, highlighting previously unknown potential for economic lithium mineralization.

An up-to-date structural interpretation was created based on a high-resolution aeromagnetic survey commissioned by Critical Elements. This survey revealed structurally complex patterns, including large-scale folds and major ENE-trending ductile fault zones. A total of 15 lithium exploration targets were identified, reducing the area of investigation to approximately 9.5% of the total Bourier claim holding. Surface reconnaissance work led to the discovery of five new sectors of spodumene-rich pegmatite. These discoveries were made within, or in the extension of, high- to moderate-confidence targets generated by GoldSpot.

### **Work done during the period**

During the six-month period ended February 28, 2023, the Company incurred exploration and evaluation expenses of \$382,328. In accordance with the option agreement with Lomiko, an amount of \$382,328 had been charged back as of the date of this MD&A. That amount consists of exploration and evaluation expenses, as well as expenses related to the Bourier property management fees, as presented in the Company's statement of comprehensive income.

## **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-Québec 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 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.

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In March 2021, the Company completed a high-resolution heliborne magnetic survey of 17,187 linear kilometers on the Caumont project and its vast portfolio of properties located in the James Bay Eeyou Istchee territory which cover approximately 700 square kilometers. The objective of the survey was to identify structures that would be high priority lithium targets for future exploration.

### **Work done during the period**

Evaluation and exploration expenses of \$11,629 were incurred during the six-month period ended February 28, 2023.

During summer and fall 2022, Critical Elements conducted a prospecting program over several areas of the Company's Nemaska belt property portfolio, including the Caumont block. Prior to the prospecting campaign, EarthLabs, through its GoldSpot Discoveries division, generated and ranked LCT pegmatite targets using its in-house "SmartTarget" methodology that combines both expert-driven and machine-learning data-driven targeting approaches. The objective of the field program was the identification of new pegmatite bodies using systematic rock geochemical sampling of all pegmatite bodies to refine the geological interpretation of the properties for further exploration work.

Management continues to pursue 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. 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 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.

In March 2021, the Company completed a high-resolution heliborne magnetic survey of 17,187 linear kilometers on the Dumulon project and its vast portfolio of properties located in the James Bay Eeyou Istchee territory which cover approximately 700 square kilometers. The objective of the survey was to identify structures that would be high priority lithium targets for future exploration.

### **Work done during the period**

Evaluation and exploration expenses of \$10,769 were incurred during the six-month period ended February 28, 2023.

During summer and fall 2022, Critical Elements conducted a prospecting program over several areas of the Company's Nemaska belt property portfolio, including the Dumulon block. Prior to the prospecting campaign, EarthLabs, through its GoldSpot Discoveries division, generated and ranked LCT pegmatite targets using its in-house "SmartTarget" methodology that combines both expert-driven and machine-

learning data-driven targeting approaches. The objective of the field program was the identification of new pegmatite bodies using systematic rock geochemical sampling of all pegmatite bodies to refine the geological interpretation of the properties for further exploration work.

Management continues to pursue 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 one block totaling 98 claims covering a total area of 5,236.91 hectares and covers a distance of about 12 kilometres along a NW-SE axis. The Duval main block is contiguous to the Valiquette main block to the southwest.

It lies about two kilometres south of the Route du Nord and is served by a Hydro-Québec 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 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

In March 2021, the Company completed a high-resolution heliborne magnetic survey of 17,187 linear kilometers on the Duval project and its vast portfolio of properties located in the James Bay Eeyou Istchee territory which cover approximately 700 square kilometers. The objective of the survey was to identify structures that would be high priority lithium targets for future exploration.

The prospecting revealed a new two-kilometre-long trend of white pegmatite on the Company's 100% owned Duval property that hosts several lithium, cesium and tantalum anomalies, including 0.62% Li<sub>2</sub>O, 0.17% Li<sub>2</sub>O, 464 ppm Ta<sub>2</sub>O<sub>5</sub>, 321 ppm Cs in grab samples, and 2.08% Li<sub>2</sub>O in an angular pegmatite boulder that may have been transported one kilometre from the main discoveries during glaciation. These mineralized pegmatites are spatially associated with mafic volcanics along an interpreted regional-scale shear zone that borders the Nemiscau Belt, in a similar geological setting that extends to the Whabouchi lithium deposit, three kilometres off the claims to the north-east. These results show the potential of the Company's Nemaska trend properties. The reader is cautioned that grab samples are selective by nature and may not represent average grades of the mineralization in the pegmatites.

### **Duval: Selected Sample results**

Property	Sample number	UTM NAD 83 ZN18 Easting	UTM NAD 83 ZN18 Northing	Li <sub>2</sub> O (%)	Ta <sub>2</sub> O <sub>5</sub> (ppm)	Cs (ppm)
Duval	E073464	434666	5719893	0.01	<b>183</b>	15
Duval	B565166	438458	5723314	<b>0.11</b>	1	40
Duval	B565167	438612	5723304	0.00	<b>464</b>	34

Duval	B565177	438627	5723180	0.09	<b>66</b>	51
Duval	E073303	438624	5723083	0.02	<b>59</b>	48
Duval	E073304	438524	5723096	0.03	<b>65</b>	42
Duval	E073306	438518	5723090	0.02	<b>60</b>	44
Duval	E073307	438494	5723032	0.01	<b>73</b>	33
Duval	E073321	437590	5722597	<b>2.08</b>	<b>100</b>	15
Duval	E073324	437360	5722449	0.01	<b>183</b>	4
Duval	E074514	438824	5723594	<b>0.62</b>	<b>73</b>	82
Duval	E074515	438574	5723431	<b>0.17</b>	<b>147</b>	<b>321</b>

Note: Grab samples are selective by nature and may not to represent average grades of the pegmatite.

*All samples are grabs except E073321 which is an angular boulder.*

### Work done during the period

Evaluation and exploration expenses of \$13,176 were incurred during the six-month period ended February 28, 2023.

During summer and fall 2022, Critical Elements conducted a prospecting program over several areas of the Company's Nemaska belt property portfolio, including the Duval block. Prior to the prospecting campaign, EarthLabs, through its GoldSpot Discoveries division, generated and ranked LCT pegmatite targets using its in-house "SmartTarget" methodology that combines both expert-driven and machine-learning data-driven targeting approaches. The objective of the field program was the identification of new pegmatite bodies using systematic rock geochemical sampling of all pegmatite bodies to refine the geological interpretation of the properties for further exploration work.

The Company acquired 52 mining titles via map designation during the period covered by this MD&A.

Management continues to pursue 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 232 claims covering an area of 11 196.85 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 Li<sub>2</sub>O content superior to 2%. This discovery is an indication 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% Li<sub>2</sub>O**, including 15 m at 2.18% Li<sub>2</sub>O and 6 m at 3.6% Li<sub>2</sub>O in Hole LE-16-14
- **21 m at 2.65% Li<sub>2</sub>O** in Hole LE-16-13
- **18.85 m at 1.35% Li<sub>2</sub>O**, including 8.4 m at 2.26% Li<sub>2</sub>O in Hole LE-16-07
- **23 m at 1.61% Li<sub>2</sub>O**, including 10.5 m at 2.51% Li<sub>2</sub>O in Hole LE-16-03.

In March 2021, the Company completed a high-resolution heliborne magnetic survey of 17,187 linear kilometers on the Lemare project and its vast portfolio of properties located in the James Bay Eeyou Istchee territory which cover approximately 700 square kilometers. The objective of the survey was to identify structures that would be high priority lithium targets for future exploration.

During summer 2022, Critical Elements conducted a prospecting program over several areas of the Company's Nemaska belt property portfolio, including the Lemare block. Prior to the prospecting campaign, EarthLabs, through its GoldSpot Discoveries division, generated and ranked LCT pegmatite targets using its in-house "SmartTarget" methodology that combines both expert-driven and machine-learning data-driven targeting approaches. The objective of the field program was the identification of new pegmatite bodies using systematic rock geochemical sampling of all pegmatite bodies to refine the geological interpretation of the properties for further exploration work.

Sample results confirming the extension of the LCT pegmatite trend on the Lemare property have also been received for the Lemare property. The LCT pegmatite trend on the Lemare property now has a potential strike length of over 5 kilometres.

#### Lemare: Selected Sample Results

Property	Sample number	UTM NAD 83 ZN18 Easting	UTM NAD 83 ZN18 Northing	Li <sub>2</sub> O (%)	T a <sub>2</sub> O <sub>5</sub> (ppm)	Cs (ppm)
Lemare	B565764	466651	5731294	<b>0.11</b>	0	10
Lemare	E073359	466651	5731269	<b>0.38</b>	15	46
Lemare	E073452	464832	5733057	0.00	<b>208</b>	51
Lemare	E146557	472900	5735795	0.01	<b>159</b>	46
Lemare	E146571	475580	5736686	0.01	<b>183</b>	97
Lemare	E146585	471213	5734241	<b>1.75</b>	18	56
Lemare	E146586	471723	5734472	<b>0.88</b>	<b>244</b>	24
Lemare	E146668	473120	5735352	0.01	<b>208</b>	9
Lemare	E146671	472973	5735119	0.01	<b>65</b>	4
Lemare	E146675	472367	5734697	0.01	<b>220</b>	11
Lemare	E146681	471900	5734559	0.02	<b>134</b>	30
Lemare	E146697	471821	5734528	<b>0.11</b>	15	24

Lemare	E146784	470532	5733750	0.00	<b>256</b>	1
Lemare	E146787	470806	5733917	0.04	<b>85</b>	128
Lemare	E146788	470796	5733947	<b>1.14</b>	<b>62</b>	50
Lemare	E146789	470831	5733973	0.02	<b>134</b>	36
Lemare	E146791	470852	5733992	<b>0.11</b>	<b>708</b>	<b>490</b>
Lemare	E146792	470863	5734005	0.04	38	<b>&gt;500*</b>
Lemare	E147107	471635	5734466	<b>0.96</b>	<b>98</b>	67

Note: Grab samples are selective by nature and may not to represent average grades of the pegmatite.

### Work done during the period

Evaluation and exploration expenses of \$528,003 were incurred during the six-month period ended February 28, 2023. These expenses are mainly related with 3D modelization and geological compilation work, surface prospecting and drilling.

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

#### Property Description

The Nisk property is composed of one block totaling 100 claims covering an area of 5,113.95 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, staurotide 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 associated with ultramafic intrusion potential. It notably hosts the Nisk-1 Ni-Cu-PGE project.

#### Nisk-1 Ni-Cu-PGE project

The Nisk-1 project 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 project offers 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.

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On December 22, 2020, the Company signed an agreement with Power Nickel to option up to 80% of the Nisk nickel-copper-PGE project ("Nisk-1"), in Quebec's Eeyou Istchee James Bay territory in Quebec.

### **Option Terms**

#### **GRANT OF FIRST OPTION**

The Company grants to Power Nickel the exclusive right and option to acquire, on or before the date that is three years from the TSX Venture Exchange approval (February 24, 2021), an initial 50% Earned Interest in Nisk-1. In order to acquire this interest, Power Nickel must:

- (a) make cash payments totaling \$500,000 to the Company on or before the dates set out below:
  - (i) a non-refundable amount of \$25,000 on the date of execution of the agreement (condition fulfilled);
  - (ii) an amount of \$225,000 within a delay of five Business Days following the Effective Date (condition fulfilled); and
  - (iii) an amount \$250,000 within a delay of six months from the Effective Date (condition fulfilled).
- (b) issue to the Company within a delay of five Business Days following the Effective Date, 12,051,770 Shares of Power Nickel (condition fulfilled).
- (c) incur an aggregate of \$2,800,000 of Work Expenditures on Nisk-1 on or before the dates set out below:
  - (i) \$500,000 in Work Expenditures on or before the date that is one year from Effective Date (condition fulfilled);
  - (ii) \$800,000 in Work Expenditures (\$24,469 were incurred by the Company and will be charged back to Power Nickel) on or before the date that is two years from Effective Date (condition fulfilled); and
  - (iii) \$1,500,000 in Work Expenditures on or before the date that is three years from Effective Date (condition fulfilled).

#### **GRANT OF SECOND OPTION**

Subject to Power Nickel having exercised the First Option, the Company hereby also grants to the Optionee the exclusive right and option to increase its Earned Interest in and to Nisk-1 from 50% to 80% by incurring or funding additional Work Expenditures for an amount of \$2,200,000, including the delivery of a Resource Estimate, for a period commencing on the delivery of the First Option Exercise Notice and ending on the date that is four years from Effective Date.

Following the exercise of the Second Option, until such time as a definitive Feasibility Study regarding extraction and production activities on Nisk-1 is delivered to the Joint Venture, Critical Elements shall maintain a 20% non-dilutive interest in the Joint Venture and shall not contribute to any Joint Venture costs.

#### **OPERATORSHIP**

During the currency of the Agreement, except as otherwise contemplated under the Agreement, Power Nickel shall act as the operator and shall be responsible for carrying out and administering the Work Expenditures on Nisk-1. Power Nickel shall be entitled to receive a management fee equal to 10% of the amount of Work Expenditures incurred on internal work and equal to 5% of the amount of Work Expenditures incurred on contract work carried by third party contractors or consultants.



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## **ROYALTY**

Following the exercise of the First Option by Power Nickel, and in addition to the obligations of Power Nickel under the First and Second Option, if applicable, Critical Elements shall receive, in the event of a Lithium discovery, a royalty equal to 2% net smelter returns resulting from the extraction and production of Lithium products, including Lithium ore, concentrate and chemical, resulting from the extraction and production activities on Nisk-1, including transformation into chemical products. Power Nickel shall have the right at any time to purchase 50% of the Royalty and thereby reduce the Royalty to 1% by paying to Critical Elements a total cash amount of \$2,000,000.

## **LITHIUM MARKETING RIGHTS**

In the event of a Lithium discovery, Critical Elements will retain Lithium Marketing Rights meaning the exclusive right of Critical Elements to market and act as selling agent for any and all Lithium products, including Lithium ore, concentrate and chemical, resulting from the extraction and production activities on Nisk-1, including transformation into chemical products.

In March 2021, the Company completed a high-resolution heliborne magnetic survey of 17,187 linear kilometers on the Nisk project and its vast portfolio of properties located in the James Bay Eeyou Istchee territory which cover approximately 700 square kilometers. The objective of the survey was to identify structures that would be high priority lithium targets for future exploration.

## **Work done during the period**

Evaluation and exploration expenses of \$24,469 were incurred during the six-month ended February 28, 2023 of which an amount of \$24,469 has been committed and/or charged back as of the date of this MD&A.

## **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-Québec 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 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.

In March 2021, the Company completed a high-resolution heliborne magnetic survey of 17,187 linear kilometers on the Valiquette project and its vast portfolio of properties located in the James Bay Eeyou

Istchee territory which cover approximately 700 square kilometers. The objective of the survey was to identify structures that would be high priority lithium targets for future exploration.

#### Valiquette: Selected Sample results

Property	Sample number	UTM NAD 83 ZN18 Easting	UTM NAD 83 ZN18 Northing	Li <sub>2</sub> O (%)	Ta <sub>2</sub> O <sub>5</sub> (ppm)	Cs (ppm)
Valiquette	E073456	433436	5719194	0.00	69	1

Note: Grab samples are selective by nature and may not to represent average grades of the pegmatite.

*All samples are grabs except E073321 which is an angular boulder.*

#### Work done during the period

Evaluation and exploration expenses of \$10,917 were incurred during the six-month period ended February 28, 2023.

During summer and fall 2022, Critical Elements conducted a prospecting program over several areas of the Company's Nemaska belt property portfolio, including the Valiquette block. Prior to the prospecting campaign, EarthLabs, through its GoldSpot Discoveries division, generated and ranked LCT pegmatite targets using its in-house "SmartTarget" methodology that combines both expert-driven and machine-learning data-driven targeting approaches. The objective of the field program was the identification of new pegmatite bodies using systematic rock geochemical sampling of all pegmatite bodies to refine the geological interpretation of the properties for further exploration work.

Management continues to pursue 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 84 claims covering an area of 4,478.54 hectares. It is measuring about 17 kilometers in a SW-NE direction and including 83 contiguous South West to the Nisk-South main block. It is wholly-owned by the Company.

In March 2021, the Company completed a high-resolution airborne magnetic survey of 17,187 linear kilometers on the Bloc 1 project and its vast portfolio of properties located in the James Bay Eeyou Istchee territory which cover approximately 700 square kilometers. The objective of the survey was to identify structures that would be high priority lithium targets for future exploration.

During the summer of 2021, the Company mandated GoldSpot to conduct a remote targeting process for lithium and tantalum, nickel-copper and gold, on the New Block 1-6 and 7 claims within the prolific Nemiscau belt. GoldSpot uses cutting edge technology and geoscientific expertise to mitigate exploration risks and make mineral discoveries.

The GoldSpot study hinged on digital extraction from an exhaustive collection of compiled data, including assessment files, government data and academic studies. This dataset provided outcrop/sample description, bedrock geology, geochemical analyses, and geophysical surveys. Original data was cleaned and combined to create a comprehensive data set for geological interpretation and machine learning processes.

The compilation of discrete outcrop observations allowed a reliable update to existing geologic maps, resulting in a refined pegmatite map including metamorphic domains. A total of 42 pegmatite bodies, on the properties Blocs 1 to 7, were added to the current government geological map, highlighting previously unknown potential for economic lithium-tantalum mineralization. An up-to-date structural interpretation was created based on a high-resolution aeromagnetic survey commissioned by Critical Elements. This survey revealed structurally complex patterns, including large-scale folds and major ENE-trending ductile fault zones. GoldSpot generated lithium-tantalum, copper-nickel and gold focused targets. A total of 19

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lithium-tantalum exploration targets were identified, reducing the area of investigation to approximately 16% of the total claim holding.

During summer 2022, Critical Elements conducted a prospecting program over several areas of the Company's Nemaska belt property portfolio, including Bloc 1. The objective of the field program was the identification of new pegmatite bodies using systematic rock geochemical sampling of all pegmatite bodies to refine the geological interpretation of the properties for further exploration work.

### **Work done during the period**

Evaluation and exploration expenses of \$948 were incurred during the six-month period ended February 28, 2023.

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

## **BLOCS 2 TO 6 – LITHIUM, NICKEL AND COPPER PROJECT**

### **Property Description**

The Blocs 2 to 6 Property is composed of one block totaling 10 claims covering an area of 534.68 hectares. The property Blocs 2 to 6 is located in the east, southeast of the Duval main block. It is wholly-owned by the Company.

In March 2021, the Company completed a high-resolution airborne magnetic survey of 17,187 linear kilometers on the Blocs 2 to 6 project and its vast portfolio of properties located in the James Bay Eeyou Istchee territory which cover approximately 700 square kilometers. The objective of the survey was to identify structures that would be high priority lithium targets for future exploration.

During the summer of 2021, the Company mandated GoldSpot to conduct a remote targeting process for lithium and tantalum, nickel-copper and gold, on the New Block 1-6 and 7 claims within the prolific Nemiscau belt. GoldSpot uses cutting edge technology and geoscientific expertise to mitigate exploration risks and make mineral discoveries.

The GoldSpot study hinged on digital extraction from an exhaustive collection of compiled data, including assessment files, government data and academic studies. This dataset provided outcrop/sample description, bedrock geology, geochemical analyses, and geophysical surveys. Original data was cleaned and combined to create a comprehensive data set for geological interpretation and machine learning processes.

The compilation of discrete outcrop observations allowed a reliable update to existing geologic maps, resulting in a refined pegmatite map including metamorphic domains. A total of 42 pegmatite bodies, on the properties Bloc 1 to 7, were added to the current government geological map, highlighting previously unknown potential for economic lithium-tantalum mineralization. An up-to-date structural interpretation was created based on a high-resolution aeromagnetic survey commissioned by Critical Elements. This survey revealed structurally complex patterns, including large-scale folds and major ENE-trending ductile fault zones. GoldSpot generated lithium-tantalum, copper-nickel and gold focused targets. A total of 19 lithium-tantalum exploration targets were identified, reducing the area of investigation to approximately 16% of the total claim holding.

During summer 2022, Critical Elements conducted a prospecting program over several areas of the Company's Nemaska belt property portfolio, including Blocs 2 to 6. The objective of the field program was the identification of new pegmatite bodies using systematic rock geochemical sampling of all pegmatite bodies to refine the geological interpretation of the properties for further exploration work.

### **Work done during the period**

Evaluation and exploration expenses of \$1,591 were incurred during the six-month period ended February 28, 2023.

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Management continues to pursue 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.

In March 2021, the Company completed a high-resolution heliborne magnetic survey of 17,187 linear kilometers on the Bloc 7 project and its vast portfolio of properties located in the James Bay Eeyou Istchee territory which cover approximately 700 square kilometers. The objective of the survey was to identify structures that would be high priority lithium targets for future exploration.

During the summer of 2021, the Company mandated GoldSpot to conduct a remote targeting process for lithium and tantalum, nickel-copper and gold, on the New Block 1-6 and 7 claims within the prolific Nemiscau belt. GoldSpot uses cutting edge technology and geoscientific expertise to mitigate exploration risks and make mineral discoveries.

The GoldSpot study hinged on digital extraction from an exhaustive collection of compiled data, including assessment files, government data and academic studies. This dataset provided outcrop/sample description, bedrock geology, geochemical analyses, and geophysical surveys. Original data was cleaned and combined to create a comprehensive data set for geological interpretation and machine learning processes.

The compilation of discrete outcrop observations allowed a reliable update to existing geologic maps, resulting in a refined pegmatite map including metamorphic domains. A total of 42 pegmatite bodies, on the properties Bloc 1 to 7, were added to the current government geological map, highlighting previously unknown potential for economic lithium-tantalum mineralization. An up-to-date structural interpretation was created based on a high-resolution aeromagnetic survey commissioned by Critical Elements. This survey revealed structurally complex patterns, including large-scale folds and major ENE-trending ductile fault zones. GoldSpot generated lithium-tantalum, copper-nickel and gold focused targets. A total of 19 lithium-tantalum exploration targets were identified, reducing the area of investigation to approximately 16% of the total claim holding.

During summer 2022, Critical Elements conducted a prospecting program over several areas of the Company's Nemaska belt property portfolio, including Bloc 7. The objective of the field program was the identification of new pegmatite bodies using systematic rock geochemical sampling of all pegmatite bodies to refine the geological interpretation of the properties for further exploration work.

### **Work done during the period**

Evaluation and exploration expenses of \$620 were incurred during the six-month period ended February 28, 2023.

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

### **Person In Charge of Technical Disclosure**

Paul Bonneville, Mining Eng., Project Manager of the Company, is the qualified person under *NI 43-101* that has reviewed and approved the technical content of this MD&A for the properties.

## 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.

### RESULTS FOR THE THREE-MONTH PERIOD

The comments below provide an analysis of the operating results for the three-month period ended February 28, 2023. The selected financial information shown below is taken from the unaudited condensed interim financial statements for each of the three-month periods indicated.

### FINANCIAL HIGHLIGHTS

	February 28 (3 months)	
	2023	2022
Interest income and other revenues	\$ 264,504	\$ 35,639
General and administrative expenses	\$ 104,710	\$ 40,596
Salaries and fringe benefits	\$ 538,908	\$ 358,966
Registration, listing fees and shareholders' information	\$ 64,205	\$ 59,169
Professional and consultant fees	\$ 87,522	\$ 106,652
Share-based compensation	\$ 248,706	\$ -
Depreciation of fixed assets	\$ 972	\$ 815
Depreciation of right-of-use assets	\$ 7,372	\$ 4,999
Net change in fair value of marketable securities	\$ (1,697,125)	\$ 303,158
Engineering study of a lithium hydroxide plant	\$ 943	\$ 829,406
Foreign exchange loss	\$ 15,939	\$ 1,403
Loss before income taxes	\$ (147,282)	\$ (59,134)
Income on flow-through shares	\$ 147,282	\$ 59,134
Total comprehensive loss for the period	\$ (892,352)	\$ 1,669,525
Cash & cash equivalents	\$ 33,875,243	\$ 33,842,204

### Interest Income and other revenues

Interest income and other revenues for the three-month period ended February 28, 2023, amounted to \$265,504 (2022 - \$35,639) and consisted of interest income, management income and sublease income. The increase is primarily due to higher available cash balances during the three-month period ended February 28, 2023 compared to the three-month period ended February 28, 2022 as a result of December 2021 financing. The Company also benefited of higher interest rates during the three-month period ended February 28, 2023 compared to the three-month period ended February 28, 2022.

### General and administrative expenses

General and administrative expenses for the three-month period ended February 28, 2023, consisted mainly of occupancy expenses, travel expenses, promotional activities, office expenses and the Company's claim renewal expenses. The increase of \$64,114 compared to three-month period ended February 28, 2022, is mainly due to an increase in travel expenses and the Company's claim renewal expenses. The occupancy expenses item was also affected by the rental office in Blainville.

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### Salaries and fringe benefits

Salaries and benefits for the three-month period ended February 28, 2023, amounted to \$538,908 (2022 - \$358,966). This increase is due to the compensation granted to independent directors and to officers of the Company, which compensation was higher than the previous period. This increase is also attributable to the compensation for new employees recently hired.

### Professional and consultant fees

Professional and consulting fees for the three-month period ended February 28, 2023, consisted primarily of expenses of a legal and accounting nature, as well as audit, business development and management expenses. The \$19,130 decrease over the previous period is due to legal, consulting fees offset by an increase in the Company's business development fees.

### Stock-Based Compensation

Share-based payments and compensation for the three-month period ended February 28, 2023, represented the recognition of charges for 35,000 options granted to a consultant of the Company. A compensation expense of \$248,706 (2022 - Nil) 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. This item is also affected by the change in the fair value of Power Nickel Inc.'s share held by the Company.

### Engineering study of a lithium hydroxide plant

During the three-month period ended February 28, 2023, the work related to an engineering study for a chemical plant to produce high quality lithium hydroxide monohydrate for the electric vehicle battery and energy storage system industries, the costs related to this study resulted in the recognition of a credit of \$943 compared to an expense of \$829,406 in 2022.

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	Feb. 28 2023	Nov. 30 2022	August 31 2022	May 31 2022	Feb. 28 2022	Nov. 30 2021	August 31 2021	May 31 2021
Interest income and other revenues	265	225	110	58	35	30	16	15
Net loss (Gain)	(892)	946	2,398	908	1,670	1,463	859	222
Basic and diluted net loss per share	\$ (0.00)	\$ 0.00	\$ 0.01	\$ 0.00	\$ 0.01	\$ 0.01	\$ 0.00	\$ 0.00

### RESULTS FOR THE SIX-MONTH PERIOD

The comments below provide an analysis of the operating results for the six-month period ended February 28, 2023. The selected financial information shown below is taken from the unaudited condensed interim financial statements for each of the six-month periods indicated.

## FINANCIAL HIGHLIGHTS

	February 28 (6 months)	
	2023	2022
Interest income and other revenues	\$ 489,610	\$ 65,227
General and administrative expenses	\$ 199,487	\$ 98,855
Salaries and fringe benefits	\$ 1,120,203	\$ 677,894
Registration, listing fees and shareholders' information	\$ 214,599	\$ 99,596
Professional and consultant fees	\$ 297,655	\$ 266,932
Share-based compensation	\$ 1,194,873	\$ 232,345
Depreciation of fixed assets	\$ 1,672	\$ 2,598
Depreciation of right-of-use assets	\$ 12,372	\$ 9,998
Net change in fair value of marketable securities	\$ (2,393,346)	\$ 266,949
Engineering study of a lithium hydroxide plant	\$ (124,753)	\$ 1,551,835
Foreign exchange loss	\$ 20,883	\$ (9,012)
Loss before income taxes	\$ (247,488)	\$ (82,811)
Income on flow-through shares	\$ 247,488	\$ 82,811
Total comprehensive loss for the period	\$ 54,035	\$ 3,132,763
Cash & cash equivalents	\$ 33,875,243	\$ 33,842,204

### Interest Income and other revenues

Interest income and other revenues for the six-month period ended February 28, 2023, amounted to \$489,610 (2022 - \$65,227) and consisted of interest income, management income and sublease income. The increase is primarily due to higher available cash balances during the six-month period ended February 28, 2023 compared to the six-month period ended February 28, 2022 as a result of December 2021 financing. The Company also benefited of higher interest rates during the six-month period ended February 28, 2023 compared to the six-month period ended February 28, 2022.

### General and administrative expenses

General and administrative expenses for the six-month period ended February 28, 2023, consisted mainly of occupancy expenses, travel expenses, promotional activities, office expenses and the Company's claim renewal expenses. The increase of \$100,632 compared to six-month period ended February 28, 2022, is mainly due to an increase in travel expenses and promotional activities, as well as the Company's claim renewal expenses.

### Salaries and fringe benefits

Salaries and benefits for the six-month period ended February 28, 2023, amounted to \$1,120,203 (2021 - \$677,894). This increase is due to the compensation granted to independent directors and to officers of the Company, which compensation was increased during the six-month period ending February 28, 2023. This increase is also attributable to the compensation for new employees recently hired.

### Registration, listing fees and shareholder information

Registration, listing fees and shareholder information expenses for the six-month period ended February 28, 2023, consisted mainly of expenditures of a legal and regulatory nature incurred to comply with the requirements of the securities commission. The increase of \$115,003 is mainly due to an increase in shareholder information fees and regulatory fees. The expense relating to regulatory fees represents, among other things, the TSX Venture Exchange's annual invoice, which is based on the market capitalization of the Company, who was higher during the six-month period ended February 28, 2023, compared to the same period in 2022. This increase is also due to the Company's Sedar filing fees,

which have risen since the Company became a reporting issuer in several additional jurisdictions after filing a short form prospectus in November 2021.

### Stock-Based Compensation

Share-based payments and compensation for the six-month period ended February 28, 2023, represented the recognition of charges for 539,332 options granted to directors and officers of the Company. A compensation expense of \$1,194,873 (2022 - \$232,345) 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. This item is also affected by the change in the fair value of Power Nickel Inc.'s share held by the Company.

### Engineering study of a lithium hydroxide plant

During the six-month period ended February 28, 2023, the work related to an engineering study for a chemical plant to produce high quality lithium hydroxide monohydrate for the electric vehicle battery and energy storage system industries, the costs related to this study resulted in the recognition of a credit of \$124,753 compared to an expense of \$1,551,835 in 2022.

### LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents as at February 28, 2023, totalled \$33,875,243, compared to \$33,842,204 as at February 28, 2022. 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 of assets, as well as project development.

Financing sources table				
Date	Type	Financings	Amount	General description of the use of proceeds
Between September 1, 2021 and March 1, 2022	Exercise of share purchase options	Common shares	\$2,390,000	The net proceed of the financing was used for exploration and development purposes, fund the general administrative expenses as well as for other working capital needs.
Between September 1, 2021 and August 19, 2022	Exercise of warrants and brokers and intermediaries options	Common shares	\$2,022,013	The net proceed of the financing will be used for exploration and development purposes, fund the general administrative expenses as well as for other working capital needs.
December 2021	Bought deal private placement	Common shares	\$30,016,437	The vast majority of the net proceeds will be used to fund development of the Rose Lithium-Tantalum Property and also for general corporate purposes.
Between September 12, 2022 and February 13, 2023	Exercise of share purchase options	Common shares	\$396,000	The net proceed of the financing was used for exploration and development purposes, fund the general administrative expenses as well as for other working capital needs.
Between October 17, 2022 and March 1, 2023	Exercise of brokers and intermediaries options	Common shares	\$1,062,431	The net proceed of the financing will be used for exploration and development purposes, fund the general administrative expenses as well as for other working capital needs.
Between November 4, 2022 and February 13, 2023	Exercise of warrants	Common shares	\$12,049,340	The net proceed of the financing will be used for exploration and development purposes, fund the general administrative expenses as well as for other working capital needs.



For the fiscal year 2023, the Company has budgeted \$4,450,000 for administrative expenses. Over the next few years, the Company has also planned the purpose described below for the Rose Lithium-Tantalum property.

Purpose	Planned amount <sup>(3)</sup>	Expenses incurred during the six-month period ended February 28, 2023	Cumulative expenses
<b>Mill design</b>			
– Front end engineering (FEED)	\$2,200,000	\$787,414	\$1,708,944
– Detailed design	\$7,500,000	-	-
<b>Infrastructure</b>			
– Front end engineering (FEED)	\$500,000	\$409,422	\$416,653
– Detailed design	\$5,500,000	-	-
<b>Waste/tailings storage facility</b>			
– Detailed design	\$500,000	\$55,798	\$55,798
<b>Open pit</b>			
– Pit detailed design	\$500,000	\$64,986	\$64,986
<b>Pihkuutaau Agreement</b>	\$700,000	-	\$700,000
<b>Owner Team<sup>(1)</sup></b>	\$1,500,000	\$164,831	-
<b>Environment commitments<sup>(2)</sup></b>	\$2,000,000	\$170,975	\$170,975

- 1) Hiring of qualified employees to complement the Corporation's technical team.
- 2) Timing of these commitments depends on completion of the environmental assessment process.
- 3) The Company has the possibility, if necessary, to allocate these amounts differently from time to time, taking into account its strategy relative to the market, development and changes in the industry and regulatory landscape, as well as other conditions relevant at the applicable time.

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

	February 28 (6 months)	
	2023	2022
Operating activities	\$ (2,970,123)	\$ (3,492,347)
Financing activities	\$ 13,824,081	\$ 30,325,853
Investing activities	\$ (6,785,751)	\$ 785,579
Cash & cash equivalents variation	\$ 4,068,207	\$ 27,619,085
Cash & cash equivalents	\$ 33,875,243	\$ 33,842,204

During the periods ended February 28, 2023 and 2022 funds used for operating activities were spent primarily to promote the Company.

During the six-month period ended February 28, 2023, the Company's financing activities consisted in the issuance of shares following the exercise of share purchase options, the exercise of brokers and

intermediaries options and the exercise of warrants. The Company also proceed to the receipt of tax credit related to resources. The financing activities during the six-month period ended February 28, 2022 consisted in the issuance of shares following the exercise of stock options and warrants as well as the bought deal financing of December 3, 2021 for an amount of \$30,016,437.

During the six-month period ended February 28, 2023, investing activities consisted primarily of exploration work for the development of the Company's mining properties, the acquisition of a financial asset collateral, acquisition of marketable securities and the acquisition of of fixed assets. During the six-month period ended February 28, 2022, investing activities consisted primarily of exploration work for the development of the Company's mining properties and the receipt of a financial asset collateral investments.

## CONTRACTUAL OBLIGATIONS AND OFF-BALANCE-SHEET ARRANGEMENTS

### 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

NSR: Annual production net smelter return royalty

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## **NATURE OF OPERATIONS AND BASIS OF PRESENTATION**

The Company has determined that one of its mining properties, namely Rose Lithium-Tantalum, has economically recoverable ore reserves. As at February 28, 2023, the Company determined that it was still in the exploration stage with respect to its Rose Lithium-Tantalum property, because it has not yet obtained all the required financing and permits to start the construction and development phase of the Rose Lithium-Tantalum Project. The Company has not yet determined whether its other properties have economically recoverable ore reserves.

The exploration and development of mineral deposits involves significant financial risks. The success of the Company will be influenced by a number of factors, including exploration and extraction risks, regulatory issues, environmental regulations and other regulations as well as available financing.

Although management has taken steps to verify titles of the mining properties in which the Company holds an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's property title. The property title may be subject to unregistered prior agreements and non-compliant with regulatory requirements.

For the six-month period ended February 28, 2023, the Company recorded a net loss of \$54,035 (2022 - \$3,132,763) and has negative cash flows from operations of \$2,970,123 (2022 - \$3,492,347). In addition, as at February 28, 2023, the Company has a cumulated deficit of \$46,183,933 (2022 - \$42,836,849). The Company is still in the exploration stage and, as such, no revenue or positive cash flows have yet been generated from its operating activities. Consequently, management periodically seeks financing through the issuance of shares, the exercise of warrants and share purchase options to continue its operations and to discharge its commitments and liabilities in the normal course of operations.

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

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities during the normal course of operations, and do not reflect the adjustments to the carrying value of assets and liabilities, the reported revenues and expenses and statement of financial position classification that would be necessary if the going concern assumption would not be appropriate. These adjustments could be material.

## **RELATED-PARTY TRANSACTIONS**

### **Transactions with Key Executives and Directors**

During the six-month period ended February 28, 2023, the Company incurred development expenses of \$352,773 (2022 - \$287,190) 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 \$279,854 was payable as at February 27, 2023 (2022 - \$178,558).

The Company's Chief Executive Officer owns a 1% NSR on some of the claims of the 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 Company's:

	February 28 (6 months)	
	2023	2022
Management salaries and fringe benefits	\$ 806,898	\$ 553,928
Director's fees	\$ 122,219	\$ 35,108
Compensation and share-based payments	<u>\$ 1,012,330</u>	<u>\$ 165,276</u>
	<u>\$ 1,941,447</u>	<u>\$ 754,312</u>

#### EXPLORATION AND EVALUATION ASSETS

	February 28 (6 months)	
	2023	2022
Balance, beginning of period	<u>\$ 31,083,036</u>	<u>\$ 27,036,007</u>
Add:		
Accrued interest on long-term debt	-	61,863
Financial guarantee bond management fees	102,537	-
Acquisition of mining properties	31,238	2,278
Community consultations	41,466	42,200
Drilling	990,364	-
Geology	488,743	266,400
Environmental study	243,061	583,455
Feasibility study	11,550	-
Engineering	1,341,808	220,767
Owner team	164,831	-
General exploration and evaluation expenses	16,920	12,331
	<u>3,432,518</u>	<u>1,189,294</u>
Balance, before deduction	<u>34,515,554</u>	<u>28,225,301</u>
Rebidding	(406,796)	(216,315)
Tax credit related to resources	(339,953)	(21,875)
	<u>(746,749)</u>	<u>(238,190)</u>
Balance, end of period	<u>\$ 33,768,805</u>	<u>\$ 27,987,111</u>

#### Financial guarantee bond management fees

The Company's rehabilitation and restoration plan for the Rose Lithium-Tantalum project was accepted by the MERN in May 2022. This plan is accompanied by a financial guarantee covering the cost of restoring the entire mine site amounting to \$21,692,923. In September 2022, a payment equal to half of this amount was made in the form of a bond by an insurance company, in order to preserve the Company's liquidity. The other half will be payable in two installments in May 2023 and May 2024. The Company will provide the insurance company with a guarantee in the form of an irrevocable letter of credit from a Canadian bank, for an amount equal to 25% of the bonded amount, adjustable with each subsequent change to the bonded balance to ensure that it is at all times equal to at least 25% of the bonded amount. In connection with this bond, the Company must pay an annual fee equivalent to 2% of the bonded amount. These costs are presented as an increase in exploration and evaluation costs for the Rose Lithium-Tantalum property in the statement of financial position.

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### **Acquisition of mining properties**

During the six-month period ended February 28, 2023, the Company acquired 332 claims on the Duval and Rose Sud properties compared to the six-month period ended February 28, 2022 where 34 claims were acquired on the Bourier property.

### **Drilling**

During the six-month period ended February 28, 2023, the Company incurred \$990,364 for drilling planning, organization and execution on Rose Lithium-Tantalum and Lemare projects. There was no such activity during the six-month period ended February 28, 2022.

### **Geology**

During the six-month period ended February 28, 2023, works to compile geological data and to carry out mapping and reconnaissance work based on the geological compilation, analysis and geophysical data on Rose Lithium-tantalum, Caumont, Valiquette, Bloc 1, Bloc 2 to 6, Bloc 7, Duval, Dumoulon, Lemare, Nisk and Bourier has been done. The work on the Bourier property was charged back under the terms of the option agreement with Lomiko. 3D modelization work also took place on the Lemare property. During the six-month period ended February 28, 2022, the Company mandated GoldSpot to compile geological data and to carry out mapping and reconnaissance work based on the geological compilation and geophysical data on Caumont, Bourier, Bloc 1, Blocs 2 to 6 and Bloc 7 properties. The work on the Bourier property was charged back under the terms of the option agreement with Lomiko.

### **Environmental study**

The environmental study involved the costs related to work on obtaining the environmental authorizations and commitments for the Rose Lithium-Tantalum project.

### **Feasibility Study**

During the six-month period ended February 28, 2023, the feasibility study involved the costs related to a new Feasibility Study on the Rose Lithium-Tantalum project. There was no such activity during the six-month period ended February 28, 2022.

### **Engineering**

Engineering involved during the six-month ended February 28, 2023 and 2022 are costs incurred to prepare for the detailed engineering for the Rose Lithium-Tantalum project.

### **Owner Team**

During the six-month period ended February 28, 2023, the Company has hired qualified employees to complete the technical team of the Company. No similar activity was carried out during the six-month period ended February 28, 2022.

### **Rebilling**

During the six-month ended February 28, 2023, the Company charged back the work done on the Bourier property as described under the terms of the option agreement with Lomiko and on the Nisk property as described under the terms of the option agreement with Power Nickel.

### **Tax credit related to resources**

The Company is eligible for a refundable tax credit related to resources and a mining tax return and to this end, recorded an amount receivable of \$339,953 during the six-month period ended February 28, 2023 (2022 - \$21,875).

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**Additional information****MATERIAL COMPONENTS**

	February 28 (6 months)		
	2023	2022	2021
<b>Statements of Comprehensive Income</b>			
Net loss and comprehensive loss for the period	\$ 54,035	\$ 3,132,763	\$ 1,192,790
Engineering Study	\$ (124,753)	\$ 1,551,835	\$ -
Salaries and fringe benefits	\$ 1,120,203	\$ 677,894	\$ 496,902
Net change in fair value of marketable securities	\$ (2,393,346)	\$ 266,949	\$ 18,629
Stock-based compensation	\$ 1,194,873	\$ 232,345	\$ 176,127
Professional and consultant fees	\$ 297,655	\$ 266,932	\$ 219,292

	February 28 (6 months)		
	2023	2022	2021
<b>Statements of Financial Position</b>			
Exploration and evaluation assets	\$ 33,768,805	\$ 27,987,111	\$ 26,572,417
Marketable securities	\$ 3,819,753	\$ 2,224,106	\$ 90,513
Financial asset collateral investments	\$ 2,854,332	\$ -	\$ 1,332,275
Long-term debt	\$ -	\$ 694,934	\$ 760,919

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**DISCLOSURE OF OUTSTANDING SHARE DATA (as at April 27, 2023)**

<b>Common shares outstanding:</b>	217,785,300	
<b>Share purchase options outstanding:</b>	3,339,332	
Average exercise price of:	\$ 1.40	
<b>Expiry date</b>	<b>Number of shares</b>	<b>Exercise price</b>
		<b>\$</b>
2023	1,450,000	1.25
2024	50,000	0.52
2025	235,000	Between 0.24 and 2.10
2026	400,000	Between 1.35 and 1.74
2027	1,204,332	Between 1.35 and 2.29
	<u>3,339,332</u>	
<b>Deferred share units outstanding:</b>	<u>78,602</u>	
<b>Restricted share units outstanding:</b>	<u>279,474</u>	
<b>Brokers and intermediaries options outstanding:</b>	905,639	
Average exercise price of:	\$ 1.75	
<b>Expiry date</b>	<b>Number of shares</b>	<b>Exercise price</b>
		<b>\$</b>
2023	905,639	1.75
	<u>905,639</u>	
<b>Warrants outstanding:</b>	8,580,373	
Average exercise price of:	\$ 2.50	
<b>Expiry date</b>	<b>Number of shares</b>	<b>Exercise price</b>
		<b>\$</b>
December 2023	8,580,373	2.50
	<u>8,580,373</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 requires 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 Note 4 to the Annual Financial Statements, filed on SEDAR ([www.sedar.com](http://www.sedar.com)).

During the six-month period ended February 28, 2023, the Company adopted the following new standard:

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## Share-based payments

### Deferred share units (“DSU”) and Restricted share units (“RSU”)

Deferred share units and Restricted share units that are payable in cash or in equity instruments at the option of the Company, for which no history of cash payment exists, are measured at fair value on the grant date and not subsequently re-measured. DSUs and RSUs mandatorily redeemed in cash are subsequently adjusted at each financial position reporting date for changes in fair value. The grant date fair value of equity-settled share-based arrangements is recorded as an expense over the vesting period or using management’s best estimate when contractual provisions restrict vesting until completion of certain performance conditions, with a corresponding increase in equity.

## 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 Note 4 to the Annual Financial Statements filed on SEDAR ([www.sedar.com](http://www.sedar.com)).

## CERTIFICATION OF INTERIM FILINGS

The Chief Executive Officer and Chief Financial Officer have signed the official basic certificates for venture issuers as required by *Regulation 52-109 respecting certification of disclosure in issuers' annual and interim filings*, confirming the review, absence of untrue or misleading information and fair presentation of the interim documents filed.

- The Chief Executive Officer and Chief Financial Officer have confirmed that they have reviewed the interim financial statements and the interim MD&A (collectively referred to as the “interim filings”) of the Company for the six-month period ended February 28, 2023.
- The Chief Executive Officer and Chief Financial Officer have confirmed that, based on their knowledge, having exercised reasonable diligence, the interim 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, with respect to the period covered by the interim filings.
- The Chief Executive Officer and Chief Financial Officer have confirmed that, based on their knowledge, having exercised reasonable diligence, the interim financial statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date and for the periods presented in the interim filings for these periods.

## RISKS FACTORS

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. The risks described herein and in other documents forming part of the Company’s disclosure record are not the only risks facing the Company. Additional risks and uncertainties not currently known to the Company, or that the Company currently deems immaterial, may also materially and adversely affect its business. Prospective purchasers or holders of Company’s common shares should give careful consideration to all risk factors enumerated below.



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## ***Risks Factors Related to the Company***

**Lack of Revenue.** As the Company does not have revenues, it is dependent upon future financings to continue its plan of operation, yet stay in business. 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.

**The Company's Dependence upon the Rose Lithium-Tantalum Property.** Although the Company owns title interest in a number of properties, the Company expects future mining operations at the Rose Lithium-Tantalum Property to account for most or all of the Company's ore production unless additional properties are brought into production or other producing properties are acquired. Any adverse condition affecting the Rose Lithium-Tantalum Property could be expected to have a material adverse effect on the Company's financial performance, results of operations and prospects. While the Technical Report demonstrates the economic feasibility of the Rose Lithium-Tantalum Property, the inability to achieve commercial operations on a basis that is economically viable, will have a material adverse effect on the Company. The Company's ongoing development of the Rose Lithium-Tantalum Property involves the exploration of new areas although there is no assurance that additional mineral resources or mineral reserves will be discovered. Even if discovered, extraction of ore from new areas may present new or different challenges for the Company and may not be economic.

**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. From time to time the Company increases its internal exploration and operating expertise with due advice from consultants and others as required. The economics of developing 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 reviewed and is satisfied with the titles to its mineral properties, and, to the best of its knowledge, such titles are in good standing, there is no guarantee that titles to such properties will not be challenged or impugned. The properties may be subject to prior unregistered agreements of transfer or aboriginal land claims, and titles may be affected by undetected defects. In addition, according to the applicable mining legislation in the Province of Québec, the Company will need to incur expenditures on its properties and pay a rent in order to renew claims upon their expiry. There can be no assurance that the Company will be successful in renewing all such claims. The properties in which the Company holds an interest are not currently subject to territorial claims on behalf of First Nations. No insurance can however be provided to the effect that such will not be the case in the future.

**Permits and Licenses.** The Company's activities and 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. There can be no assurance that various permits which the Company may require in the normal course for its current and anticipated exploration, development and construction activities as well as mining operations, including without limitation, on the Rose Lithium-Tantalum Property will be maintainable or obtainable on reasonable terms or on a timely basis. Furthermore, any delays in obtaining the anticipated construction permits would have an adverse effect on the Company's timing and costs.

**Dividend Policy.** No dividends on the common shares of the Company have been paid to date. The Company anticipates that, for the foreseeable future, it will retain future earnings and other cash resources for the operation and development of its business. Payment of any future dividends will be at the discretion of the Board of Directors ("Board") after taking into account many factors, including the

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Company's operating results, financial condition, and current and anticipated cash needs.

**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. Conflicts, if any, will be dealt with in accordance with the relevant provisions of the CBCA. 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, 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.

**Key Employees.** The success of the Company is currently largely dependent on the performance of its directors and officers as well as its operations and technical leaders. The loss of the services of any of these persons could have a materially adverse effect on the Company's business and prospects. There is no assurance the Company can maintain the services of its directors, officers or other qualified personnel required to operate its business.

**Labour Relations.** While the Company has good relations with its employees, there can be no assurance that it will be able to maintain positive relationships with its employees. In addition, relations between the Company and its employees may be impacted by regulatory or governmental changes introduced by the relevant authorities in whose jurisdictions the Company carries on business. Adverse changes in such legislations or in the relationship between the Company and its employees could have a material adverse impact on the Company's business, results of operations and financial condition.

**Mineral Exploration and Development Activities Inherently Risky.** The business of exploration for minerals and mining involves a high degree of risk that even a combination of experience, knowledge and careful evaluation may not be able to overcome. Few properties that are explored are ultimately developed into mineral deposits with significant value. Unusual or unexpected ground or water conditions, geological formation pressures, fires, rock bursts, power outages, labor disruptions, flooding, earthquakes, explosions, cave-ins, landslides, mechanical equipment and facility performance problems, the inability to obtain suitable adequate machinery, equipment or labor and other unfavorable operating conditions are some of the risks involved in the operation of mines and the conduct of exploration and development programs. Unknown rock mechanics and hydrogeological conditions that cannot be predicted ahead of mining, such as faulting, zones of weak rock, or zones of unanticipated water inflow, may only be discovered during mining and may require significant changes to the mining plan. While lab testing may reduce uncertainty in some of the rock properties, it is never possible to identify all of these potential risks in advance. The Company's Rose Lithium-Tantalum Property and any future mining operations will be subject to all the hazards and risks normally incidental to exploration, development and production, any of which could result in work stoppages and damage to or destruction of exploration or development facilities, mines and other producing facilities, damage to life and property, environmental damage and possible legal liability for any or all damage.

**Estimates of mineral resources and mineral reserves.** The estimates of mineral resources and mineral reserves for the Rose Lithium-Tantalum Property have been prepared in accordance with National Instrument 43-101 - *Standards of Disclosure for Mineral Projects* ("NI 43-101"). There are numerous uncertainties inherent in estimating mineral resources and mineral reserves and no assurance can be given that the anticipated tonnages and grades will be achieved, that the indicated level of recovery will be realized or that any categories of mineral resources or reserves will be upgraded to higher categories. The estimation of mineralization is a subjective process and the accuracy of estimates is a function of quantity and quality of available data, the accuracy of statistical computation and the assumptions and judgments made in interpreting engineering and geological information. Mineral reserves at the Rose Lithium-Tantalum Property have been determined to be economic ore in the context of the Technical Report in accordance with NI 43-101. However, factors such as market price fluctuations, increased production costs, reduced recovery rates, and changes to other assumptions applied to the estimates, may render the mineral reserves uneconomic. It should be understood that the

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mineral resources and mineral reserves presented in the Technical Report are estimates of the size and grade of the deposits based on a number of drillings and samplings and on assumptions and parameters available. The level of confidence in the estimates depends upon a number of uncertainties. These uncertainties include, but are not limited to, future changes in product prices and/or production costs, differences in size and grade and recovery rates from those expected, and changes in project parameters. There is no assurance that the Rose Lithium-Tantalum Property implementation will be realized or that the current estimates of volume and grade of minerals mined/processed or of cash flows derived from production will be achieved.

**Nature of the Company's business.** It is not anticipated that the Company will earn income from ongoing operations in the near future; those operations are aimed at the discovery and development of lithium deposits for economic value. There is no assurance that any deposits having economic value will be discovered or, if discovered, will be sufficient to sustain feasible mining activities or profitable operations.

The Company's operations are subject to all of the hazards and risks normally incidental to exploration and development of lithium properties, any of which could result in damage to life or property, environmental damage and possible legal liability for any or all damage. The Company's activities may be subject to prolonged disruption of activities or scheduled work programs, due to weather conditions, barriers to property access, whether natural (such as floods or road damage) or man-made (such as blockades), depending on the location of operations in which the Company has interests. In the course of exploration, development and production of mineral properties, certain risks, and in particular, unexpected or unusual geological operating conditions including cave-ins, fires, flooding, earthquakes or other conditions may occur. While the Company may obtain insurance against certain risks in such amounts as it considers adequate, the nature of these risks is such that liabilities could exceed policy limits or could be excluded from coverage. There are also risks against which the Company cannot insure or against which it may elect not to insure. The potential costs which could be associated with any liabilities not covered by insurance or in excess of insurance coverage or compliance with applicable laws and regulations may cause substantial delays and require significant capital outlays, adversely affecting the future earnings and competitive position of the Company and, potentially, its financial position.

Whether a lithium deposit will be commercially viable depends on a number of factors, some of which are the particular attributes of the deposit, such as its size and grade, proximity to infrastructure, financing costs and governmental regulations, including regulations relating to prices, taxes, royalties, infrastructure, land use, importing and exporting and environmental protection. The effect of these factors cannot be accurately predicted, and the combination of these factors may result in the Company not receiving an adequate return on invested capital.

**Unanticipated metallurgical processing problems.** Unanticipated metallurgical processing problems may occur during operations, including, without limitation, mechanical problems with milling or extraction equipment, unexpected grade anomalies in processed material, contaminants in processing or processed material, and the inability to operate tested processes at scale which can lead to lower metallurgical recoveries than expected and delay and impede operations, which may affect the profitability of the Rose Lithium-Tantalum Property. In addition, further metallurgical testing or operations may determine that the metals cannot be extracted as economically as anticipated.

**Life of Mine Plan.** The life of mine plan proposes to mine 26.3 Mt of ore, 182.4 Mt of waste, and 10.9 Mt of overburden for a total of 219.6 Mt of material. The average stripping ratio is 7.3 tonnes of stripping per tonne of ore. The planned production rate is at 4,600 tonnes per day over 350 operating days per year. The open pit mining schedule allows for a 17-year mine life. The mine will produce a total of 26.3 million tonnes of ore grading an average of 0.87% Li<sub>2</sub>O and 138 ppm Ta<sub>2</sub>O<sub>5</sub>, including dilution. The mill will process 1.61 million tonnes of ore per year to produce an annual average of 224,686 tonnes of technical and chemical grade spodumene concentrate and 441 tonnes of tantalite concentrate. However, significant changes in the life of mine plan can occur as a result of experience obtained in the course of carrying out the Company's mining activities, changes in mining methods and rates, process changes, investments in new equipment and technology and other factors. There can be no assurance that the

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estimates in the Company's plan will be consistent with future economic factors or actual results and performance or that the Company will not amend its existing life of mine plan for its Rose Lithium-Tantalum Property in the future.

**Need for Funding and Time of Development.** There is a risk that the development of the Rose Lithium-Tantalum Property into commercial production will not be completed on time or on budget, or not at all. The development and construction schedule of the Rose Lithium-Tantalum Property is based on management's expectations, and may be delayed by a number of factors, some of which are beyond the Company's control. It is common in new mining operations to experience unexpected costs, problems and delays during permitting, construction, development and mine start-up. Most, if not all, projects of this kind suffer delays in start-up and commissioning due to late delivery of components, the inadequate availability of skilled labour and mining equipment, adverse weather or equipment failures, the rate at which expenditures are incurred, delays in construction schedules, or delays in obtaining the required permits or consents, or to obtain the required financing. In addition, delays in the early stages of mineral production often occur. During this time, the economic feasibility of production may change. Capital and operating costs are estimates based on the interpretation of geological data, pre-feasibility and feasibility studies and other conditions, and there can be no assurance that they will prove to be accurate. The costs, timing and complexities of developing the Rose Lithium-Tantalum Property may be significantly higher than anticipated, including because the availability of infrastructure such as surface access, skilled labour, and energy at an economic cost, cannot be assured. In addition, cost estimates may increase significantly as more detailed engineering work and studies are completed. The Company requires financing through equity and/or debt securities to complete the development, construction and commissioning of the Rose Lithium-Tantalum Property and to fund future working capital, capital expenditures, operating and exploration costs and other general corporate requirements. The success and the pricing of any such capital raising and/or debt financing is dependent upon the prevailing market conditions at that time and upon the Company's ability to attract significant amounts of debt and/or equity. There is no assurance that such financing will be obtained on terms satisfactory to the Company and, if raised by offering equity securities, any financing may involve a dilution to existing shareholders. Failure to obtain any financing necessary for the Company's capital expenditure could result in the delay or indefinite postponement of further construction and development of the Rose Lithium-Tantalum Property which in turn would materially and adversely affect the financial and operating results of the Company and the market price of the Company's securities and, ultimately, could result in the loss of its properties.

**Construction and Start-Up of New Mines and Industrial Plants.** The success of construction projects and the start-up of new mines and industrial plants by the Company is subject to a number of risks and challenges including the availability and performance of engineering and construction contractors, suppliers and consultants; unforeseen geological formations; the implementation of new mining and industrial processes; the receipt of required governmental approvals and permits in connection with the construction of mining and industrial facilities and the conduct of operations, including environmental and operating permits; price escalation on all components of construction and start-up; engineering and mine design adjustments; the underlying characteristics, quality and unpredictability of the exact nature of mineralogy of a deposit and the consequent accurate understanding of ore or concentrate production; and the successful completion and operation of haulage ramp and conveyors to move ore and other operational elements. Any delay in the performance of any one or more of the contractors, suppliers, consultants or other persons on which the Company is dependent in connection with its construction and development activities, a delay in or failure to receive the required governmental approvals and permits in a timely manner or on reasonable terms, or a delay in or failure in connection with the completion and successful operation of the operational elements in connection with the mine and the industrial facilities could delay or prevent the construction and start-up as planned and may result in additional costs being incurred by the Company beyond those budgeted. There can be no assurance that current or future construction and start-up plans implemented by the Company will be successful.

**Infrastructure, Supplies and Inflation.** The availability of skilled labour, electricity and other necessary supplies at an economic cost cannot be assured. These are integral requirements for exploration, development and production facilities on mineral properties. Prices for goods and services will fluctuate in relation to the level of investment in the mining sector; it is reasonable to expect that increased demand could impact the Company's future economic projections and competitiveness, as it may entail a

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meaningful increase in costs for various goods and services.

Improvements in the economic conditions for the mining industry as a whole will typically result in increases to both the costs of planned exploration and development activities, which must also be factored into economic models used in projections for future development and potential operations. Increased demand for, and costs of, goods or services could result in delays if they cannot be obtained in a timely manner due to inadequate availability, and may cause scheduling difficulties and delays due to the need to coordinate their availability, any of which could materially increase project exploration, development and/or construction costs. These factors could have a material adverse impact on the Company's operations and profitability.

**Equipment shortages and access restrictions.** The Company's interest in the Rose Lithium-Tantalum Property will require adequate infrastructure, such as roads, bridges and sources of power and water, for future exploration and development activities. The lack of availability of these items on terms acceptable to the Company or the delay in availability of these items could prevent or delay exploitation or development of the Company's mineral properties. Natural resource exploration, development, processing and mining activities are dependent on the availability of mining, drilling and related equipment in the particular areas where such activities are conducted. A limited supply of such equipment or access restrictions may affect the availability of such equipment to the Company and may delay exploration, development or extraction activities. Certain equipment may not be immediately available, or may require long lead time orders. A delay in obtaining necessary equipment could have a material adverse effect on the Company's operations and financial results.

**Litigation and Other Legal Proceedings.** Like most companies, the Company is subject to the threat of litigation and may be involved in disputes with other parties which may result in litigation or other proceedings. The Company's operations are subject to the risk of legal claims by employees, unions, contractors, debt holders, lenders, suppliers, future joint venture partners, shareholders, governmental agencies or others through private actions, class actions, administrative proceedings, regulatory actions or other litigation.

### **General Risk Factors**

**Climate Change.** Climate change is an international concern and, as a result, poses risk of both climate changes and government policy in which governments are introducing climate change legislation and treaties that could result in increased costs, and therefore, could decrease profitability of the Company's operations. The Canadian government has established a number of policy measures in response to concerns relating to climate change. The impacts of these measures will most likely be to increase costs for fossil fuels, electricity and transportation; restrict industrial emission levels; impose added costs for emissions in excess of permitted levels; and increase costs for monitoring and reporting. Compliance with these initiatives could have a material adverse effect on the Company's results of operations. The Company's current regulatory risks associated with climate change mainly fall under its obligations under the Québec carbon market trading scheme. Increased public awareness and concern regarding global climate change may result in more legislative and/or regulatory requirements to reduce or mitigate the effects of GHG emission. If the current trend of increasing regulation continues, this may result in the increase of costs of the operations of the Company.

In addition, the physical risks of climate change may also have an adverse effect on the operations of the Company. Global climate change could exacerbate certain of the threats facing the Company's business, including the frequency and severity of weather-related events, resource shortages, changes in rainfall and storm patterns and intensities, water shortages and changing temperatures, which can disrupt the Company's operations, damage its infrastructure or properties, create financial risk to Company's business or otherwise have a material adverse effect on its results of operations, financial position or liquidity. These may result in substantial costs to respond during the event, to recover from the event and possibly to modify existing or future infrastructure requirements to prevent recurrence. Climate changes could also disrupt the Company's operations by impacting the availability and cost of materials needed for mining operations and could increase insurance and other operating costs.

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**Resource exploration and development is generally speculative in nature.** Resource exploration and development is a speculative business involving significant risks which even a combination of careful evaluation, experience and knowledge may not eliminate. Few properties which are explored are ultimately developed into producing mines. There is no assurance that the Rose Lithium-Tantalum Property or any other mineral properties which may be explored by the Company may be developed into producing mines.

**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.

**Volatility of Share Price and Market Price of the Common Shares.** The price of the shares of resource companies tends to be volatile. Fluctuations in the world of metal prices in response to many other elements beyond the control of the Company could materially affect the price of the common shares of the Company.

There can be no assurance that an active market for the common shares of the Company will be sustained after any offering of securities. Securities of companies with smaller capitalizations have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include global economic developments and market perceptions of the attractiveness of certain industries. There can be no assurance that continuing fluctuations in price will not occur. If an active market for the common shares of the Company does not continue, the liquidity of a purchaser's investment may be limited. If such a market does not develop, purchasers may lose their entire investment in the common shares of the Company.

As a result of any of these factors, the market price of the common shares of the Company at any given point in time may not accurately reflect the long-term value of the Company. Securities class-action litigation often has been brought against companies following periods of volatility in the market price of their securities. The Company may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages, and also divert management's attention and resources.

**Dilution.** Additional financing needed to continue funding the development and operation of the Company may require the issuance of additional securities of the Company. The issuance of additional securities and the exercise of Warrants, options and other convertible securities will result in dilution of the equity interests of any persons who are or may become holders of common shares.

**Sales by existing shareholders.** Sales of a substantial number of common shares in the public market could occur at any time. These sales, or the market perception that the holders of a large number of common shares intend to sell common shares, could reduce the market price of the common shares. If this occurs and continues, it could impair the Company's ability to raise additional capital through the sale of securities.

**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 and safety regulations.** The Company operations may be subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations which would result in environmental pollution. A breach of such legislation may result in the imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental

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legislation is evolving in a manner that means standards are stricter, 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 comply fully with all environmental regulations. Such operations and exploration activities are also subject to substantial regulation under applicable laws by governmental agencies. There can be no assurance, however, that such laws and regulations will not have an adverse effect on any mining project which the Company might undertake.

Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations and mineral exploration and development may be required to compensate those suffering loss or damage by reason of mining or other exploration and/or development activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations and, in particular, environmental laws. Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties.

**Environmental liabilities.** Exploration activities may also have environmental impacts and may cause environmental liabilities. In any such events, the Company may be required to remediate these properties and the costs of such work could have an adverse effect upon the Company and the value of its shares.

The Company will be required to obtain permits or maintain them in good standing and comply with various other government regulations and there could be significant adverse consequences to the Company arising from not obtaining such permits or not complying with such government regulations.

The current and future operations of the Company may require obtaining permits or maintaining them in good standing from various governmental authorities and will be governed by laws and regulations governing prospecting, development, mining, production, export, taxes, labour standards, occupational health, waste disposal, land use, environmental protections, mine safety and other matters. There is no assurance that the Company will be able to obtain all necessary permits or maintain them in good standing and approvals that may be required to undertake exploration activity or commence construction or operation of lithium extraction facilities on the Company's properties or any other properties the Company may acquire in the future. To the extent such approvals are required and not obtained, the Company may be curtailed or prohibited from commencing or continuing with mining operations, or proceeding with any future exploration or development of the Company's properties.

**Costs of environmental remediation.** Planned expenditures may differ from the actual expenditures required. It is not possible to determine the exact amount that will be required to complete remediation activities, and the amount that the Company is required to spend could be materially different than current estimates. Environmental bonds or other forms of financial assurance represent only a portion of the total amount of money that will be spent on remediation over the life of a mine's operation. Although the Company includes estimated remediation costs in its mining plans, it may be necessary to revise the planned expenditures and the operating plan for the Company's properties in order to fund required remediation activities.

**Stage of development.** Based on the Technical Report (as such term is defined below), the Company has determined that one of its mineral properties, the Rose Lithium-Tantalum Property, contains economically recoverable ore reserves. As at February 28, 2023, 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.

**Uninsured hazards.** Hazards such as unusual geological conditions are involved in exploring for and

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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 Rose Lithium-Tantalum Property, 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.

**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).

**Public Company Obligations.** As a publicly listed corporate entity, the Company is subject to evolving rules and regulations promulgated by a number of governmental and self-regulated organizations, including the Canadian Securities Administrators, the TSXV, the OTCQX International, the Frankfurt Exchange, and the International Accounting Standards Board, which govern corporate governance and public disclosure regulations. These rules and regulations continue to evolve in scope and complexity creating many new requirements, which increase compliance costs and the risk of non-compliance. The Company's efforts to comply with these rules and obligations could result in increased general and administration expenses and a diversion of management time and attention from financing, development, operations and, eventually, revenue-generating activities.

**Lithium Demand.** Lithium is considered an industrial mineral and the sales prices for the different lithium compounds are not public. Lithium is not a traded commodity like base and precious metals. Sales agreements are negotiated on an individual and private basis with each different end-user. Therefore, it is possible that the sales prices used in the Technical Report will be different than the actual prices at which the Company is able to sell its lithium compounds. In addition, there are a limited number of producers of lithium compounds and it is possible that these existing producers will try to prevent newcomers from entering the chain of supply by increasing their production capacity and lowering sales prices. Factors such as foreign currency fluctuation, supply and demand, industrial disruption and actual lithium market sale prices could have an adverse impact on operating costs and stock market prices and on the Company's ability to fund its activities. In each case, the economics of the Rose Lithium-Tantalum Property could be materially adversely affected, even to the point of being rendered uneconomic.

**Changes in technology.** Lithium carbonate and hydroxide are currently key materials used in batteries, including those used in electric vehicles. However, the technology pertaining to batteries, electric vehicles and energy creation and storage is changing rapidly and there is no assurance that lithium will continue to be used to the same degree it is used now, or that it will be used at all. Any decline in the use of lithium in batteries or technologies utilizing such batteries may result in a material and adverse effect on the Company's prospects for development of the Rose Lithium-Tantalum Property.