

# **Lithium One Metals Inc.**

**(formerly Yorkton Ventures Inc.)**

Management's Discussion and Analysis

Six Months Ended December 31, 2022

(Expressed in Canadian Dollars)

Report Date – February 28, 2023

## **Introduction**

The following Management’s Discussion and Analysis (“MD&A”) of the results of operations and financial condition should be read in conjunction with the condensed consolidated interim financial statements as at December 31, 2022 and for the six months then ended and the audited consolidated financial statements as at June 30, 2022 and for the year then ended and related notes attached thereto of Lithium One Metals Inc. (formerly Yorkton Ventures Inc.) (the “Company”). The condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board, on a going concern basis. Except as otherwise disclosed, all dollar figures included therein and in the following MD&A are quoted in Canadian dollars, which is the functional currency of the Company.

This MD&A may contain forward-looking statements relating to the operations or to the environment in which we operate, which are based on the Company’s operations, forecasts and projections. Forward-looking statements are not guarantees of future performance. They involve risks, uncertainties and assumptions, and actual results may differ materially from those anticipated in these forward-looking statements.

## **Company Overview**

Lithium One Metals Inc. was incorporated under the *Business Corporations Act* (British Columbia) on August 30, 2006, and changed its name from Yorkton Ventures Inc. to Lithium One Metals Inc. on April 20, 2022. The Company is listed on the TSX Venture Exchange (the “TSX-V”) under the trading symbol LONE. The Company’s head office is located at 1680 – 200 Burrard Street, Vancouver, British Columbia, V6C 3L6, Canada.

The Company’s principal business activities are the exploration and evaluation of resource properties in Canada. The Company is in the process of exploring its resource properties, but it has not yet determined whether these properties contain ore reserves that are economically recoverable.

## **Exploration and Evaluation Assets**

### **Taycan Property**

On September 22, 2022, the Company entered into a mineral property option agreement whereby the Company can acquire a 100% interest in 70 mining claims located in Quebec, Canada. To acquire the 100% interest, the Company is to make the following cash and equity payments:

- Payment of \$100,000 (paid) and issuance of 1,200,000 common shares (issued) and 1,200,000 share purchase warrants (issued) exercisable at \$0.40 per common share for two years from the date of issuance within 10 days of TSX-V approval;
- Payment of \$200,000 and issuance of 1,000,000 common shares on or before the first anniversary of TSX-V approval; and
- Payment of \$300,000 and issuance of 2,000,000 common shares on or before the second anniversary of TSX-V approval.

Upon exercise of the option by the Company, the optionor will retain a 3% net smelter return (“NSR”) royalty, two-thirds of which may be purchased by the Company for \$2,000,000.

### **Cyr-Kapiwak Property**

On December 3, 2021, the Company entered into an agreement to acquire a 100% interest in the Cyr-Kapiwak property located in Quebec, Canada.

To acquire a 100% interest, the Company paid \$25,000 and issued 250,000 units. Each unit consisted of one common share and one share purchase warrant exercisable at \$0.60 for a period of 18 months.

In addition, the vendor retains a 2% NSR royalty. The Company can purchase one-half of the NSR royalty at any time in exchange for a payment of \$1,000,000.

### **Sirmac Property**

On January 11, 2022, the Company entered into an agreement to acquire a 100% interest in the Sirmac property located in Quebec, Canada. To acquire the 100% interest, the Company paid \$25,000 and issued 250,000 units. Each unit consisted of one common share and one share purchase warrant exercisable at \$0.60 per common share for a period of 18 months.

In addition, the vendor retains a 2% NSR royalty. The Company can purchase one-half of the NSR royalty at any time in exchange for a payment of \$1,000,000.

### **Bellechasse-Timmins Property**

On July 3, 2020, the Company entered into an agreement with Delta Resources Limited (“Delta”) to acquire a 100% interest in the Bellechasse-Timmins mineral property located in Quebec, Canada.

To acquire the 100% interest, the Company paid \$1,700,000.

In addition, Delta retains a 1% NSR royalty. The Company can purchase one-half of the NSR royalty in exchange for \$1,000,000.

Subsequent to December 31, 2022, the Company entered into an agreement to sell the Bellechasse-Timmins Property in consideration for the assumption of certain debts (Note 11(e)). The Company recorded an impairment charge of \$1,324,470 at December 31, 2022 to match the approximate debt to be assumed by the purchaser on completion of the sale.

On February 8, 2023, the Company entered into an agreement whereby it sold all the issued and outstanding common shares of its wholly owned subsidiary, 9412-1068 Quebec Inc., to an arm’s length private company. 9412-1068 Quebec Inc. holds the mineral claims that make up the Bellechasse-Timmins property. As consideration, the purchaser assumed all obligations of the Company as to principal and any accrued interest currently outstanding in respect of a promissory note dated April 1, 2022, in the principal amount of \$353,000 with interest of 10% per annum.

### **Parkview Property**

On July 12, 2021, the Company entered into an option agreement whereby it can acquire a 100% interest in certain mineral claims located in Newfoundland, Canada. To acquire the 100% interest, the Company is to make the following cash and share payments:

- Payment of \$50,000 (paid) and issuance of 400,000 common shares (issued) on TSX-V approval;
- Payment of \$50,000 and issuance of 300,000 common shares on or before 14 months following TSX-V approval;
- Payment of \$50,000 and issuance of 400,000 common shares on or before the second anniversary of TSX-V approval; and
- Payment of \$50,000 and issuance of 600,000 common shares on or before third anniversary of TSX-V approval.

Upon acquiring a 100% interest, the Company will grant the vendors a 2% NSR royalty, of which one-half can be repurchased for \$1,000,000. Furthermore, the Company will commence advance royalty payments of \$25,000 beginning after July 12, 2026 until the earlier of the date that the Company begins commercial production or makes a buyout payment to the vendor.

During the six months ended December 31, 2022, the Company did not make an option payment and decided not to pursue further exploration on the project. Accordingly, the Company recorded an impairment charge of \$345,457.

### **Knights-Melange Property**

On July 12, 2021, the Company entered into an option agreement whereby it can acquire a 100% interest in certain mineral claims located in Newfoundland, Canada. To acquire a 100% interest, the Company is to make the following cash and share payments:

- Payment of \$70,000 (paid) and issuance of 600,000 shares (issued) on TSX-V approval;

- Payment of \$50,000 and issuance of 300,000 common shares on or before 14 months following TSX-V approval;
- Payment of \$50,000 and issuance of 400,000 common shares on or before the second anniversary of TSX-V approval; and
- Payment of \$50,000 and issuance of 600,000 common shares on or before third anniversary of TSX-V approval.

Upon acquiring a 100% interest, the Company will grant the vendors a 2% NSR royalty, of which one-half can be repurchased for \$1,000,000. Furthermore, the Company will commence advance royalty payments of \$25,000 beginning after July 12, 2026 until the earlier of the date that the Company begins commercial production or makes a buyout payment to the vendor.

During the six months ended December 31, 2022, the Company did not make an option payment and decided not to pursue further exploration on the project. Accordingly, the Company recorded an impairment charge of \$436,272.

### **Adamhay Property**

On December 20, 2022, the Company entered into an option agreement whereby it can acquire a 100% interest in certain mineral claims located in Ontario, Canada. To acquire a 100% interest, the Company is to make the following cash and share payments:

- Payment of \$12,000 (paid) upon execution of the option agreement;
- Issuance of 300,000 common shares on TSX-V approval (issued);
- Payment of \$18,000 on or before the first anniversary of TSX-V approval;
- Payment of \$21,000 on or before the second anniversary of TSX-V approval; and
- Payment of \$30,000 on or before third anniversary of TSX-V approval.

Upon acquiring a 100% interest, the Company will grant the vendors a 1.5% NSR royalty, of which one-third can be repurchased for \$500,000.

### **Dagny Property**

On December 20, 2022, the Company entered into an option agreement whereby it can acquire a 100% interest in certain mineral claims located in Ontario, Canada. To acquire a 100% interest, the Company is to make the following cash and share payments:

- Payment of \$12,000 (paid) upon execution of the option agreement;
- Issuance of 300,000 common shares on TSX-V approval (issued);
- Payment of \$18,000 on or before the first anniversary of TSX-V approval;
- Payment of \$21,000 on or before the second anniversary of TSX-V approval; and
- Payment of \$30,000 on or before third anniversary of TSX-V approval.

Upon acquiring a 100% interest, the Company will grant the vendors a 1.5% NSR royalty, of which one-third can be repurchased for \$500,000.

### **Allison South Property**

On December 20, 2022, the Company entered into an option agreement whereby it can acquire a 100% interest in certain mineral claims located in Ontario, Canada. To acquire a 100% interest, the Company is to make the following cash and share payments:

- Payment of \$7,000 (paid) and issuance of 45,500 common shares on TSX-V approval (issued);
- Payment of \$7,000 and issuance of 45,500 common shares on or before the first-year anniversary of TSX-V approval; and
- Payment of \$12,500 and issuance of 91,000 common shares on or before the second anniversary of TSX-V approval.

Upon acquiring a 100% interest, the Company will grant the vendors a 2% NSR royalty, of which one-half can be repurchased for \$1,000,000.

### **Parks Property**

On December 20, 2022, the Company entered into an option agreement whereby it can acquire a 100% interest in certain mineral claims located in the Red Lake Mining District in Ontario, Canada. To acquire a 100% interest, the Company is to make the following cash and share payments:

- Payment of \$55,000 (paid) and issuance of 375,000 common shares on TSX-V approval (issued);
- Payment of \$55,000 and issuance of 375,000 common shares on or before the first-year anniversary of TSX-V approval; and
- Payment of \$110,000 and issuance of 750,000 common shares on or before the second anniversary of TSX-V approval.

Upon acquiring a 100% interest, the Company will grant the vendors a 2% NSR royalty, of which one-half can be repurchased for \$1,000,000.

### **Root South Property**

On December 20, 2022, the Company entered into an option agreement whereby it can acquire a 100% interest in certain mineral claims located in Ontario, Canada. To acquire a 100% interest, the Company is to make the following cash and share payments:

- Payment of \$19,000 (paid) and issuance of 130,000 common shares on TSX-V approval (issued);
- Payment of \$19,000 and issuance of 130,000 common shares on or before the first anniversary of TSX-V approval; and
- Payment of \$38,500 and issuance of 265,000 common shares on or before the second anniversary of TSX-V approval.

Upon acquiring a 100% interest, the Company will grant the vendors a 2% NSR royalty, of which one-half can be repurchased for \$1,000,000.

### **Sharp Property**

On December 20, 2022, the Company entered into an option agreement whereby it can acquire a 100% interest in certain mineral claims located in Ontario, Canada. To acquire a 100% interest, the Company is to make the following cash and share payments:

- Payment of \$14,500 (paid) and issuance of 100,000 common shares on TSX-V approval (issued);
- Payment of \$14,500 and issuance of 100,000 common shares on or before the first anniversary of TSX-V approval; and
- Payment of \$29,000 and issuance of 200,000 common shares on or before the second anniversary of TSX-V approval.

Upon acquiring a 100% interest, the Company will grant the vendors a 2% NSR royalty, of which one-half can be repurchased for \$1,000,000.

### **Pinto Property**

On February 2, 2023, the Company entered into a mineral property option agreement whereby the Company can acquire a 100% interest in certain mineral claims located in Ontario, Canada. To acquire the 100% interest, the Company is to make the following cash and equity payments:

- Payment of \$10,000 upon execution of the agreement (paid);
- Payment of \$50,000 and issuance of 1,000,000 common shares upon TSX-V approval; and
- Payment of \$30,000 and issuance of 1,000,000 common shares on or before the date that is six months after TSX-V approval.

Under the terms of the agreement, the Company must issue an additional 4,300,000 common shares on achieving certain milestones during exploration. Upon exercise of the option by the Company, the optionor will retain a 3% NSR royalty, one-third of which may be purchased by the Company for \$2,000,000. The transaction remains subject to approval by the TSX-V as of February 28, 2023.

### **Bugatti Property**

On February 6, 2023, the Company entered into a mineral property option agreement whereby the Company can acquire a 100% interest in certain mineral claims located in Quebec, Canada. To acquire the 100% interest, the Company is to make the following cash and equity payments:

- Payment of \$20,000 upon execution of the agreement;
- Payment of \$75,000 and issuance of 1,500,000 common shares upon TSX-V approval;
- Payment of \$75,000 and issuance of 2,000,000 common shares on or before the date that is six months after TSX-V approval; and
- Issuance of 1,000,000 common shares on or before the first anniversary date of TSX-V approval.

Under the terms of the agreement, the Company must issue an additional 1,000,000 common shares on achieving certain milestones during exploration. Upon exercise of the option by the Company, the optionor will retain a 2% NSR royalty, one-half of which may be purchased by the Company for \$1,000,000. The transaction remains subject to approval by the TSX-V as of February 28, 2023.

### **Ferrari Property**

On February 8, 2023, the Company entered into a mineral property option agreement whereby the Company can acquire a 100% interest in certain mineral claims located in Quebec, Canada. To acquire the 100% interest, the Company is to make the following cash and equity payments:

- Payment of \$10,000 upon execution of the agreement;
- Payment of \$100,000 and issuance of 2,000,000 common shares upon TSX-V approval;
- Payment of \$100,000 and issuance of 2,000,000 common shares on or before the date that is six months after TSX-V approval; and
- Issuance of 2,000,000 common shares on or before the first anniversary date of TSX-V approval.

Under the terms of the agreement, the Company must issue an additional 3,500,000 common shares on achieving certain milestones during exploration. Upon exercise of the option by the Company, the optionor will retain a 3% NSR royalty, one-third of which may be purchased by the Company for \$1,000,000. The transaction remains subject to approval by the TSX-V as of February 28, 2023.

### **Results of Operations**

#### *Three Months Ended December 31, 2022*

During the three months ended December 31, 2022, the Company reported a net loss of \$2,427,385 (2021 - \$240,374). The Company's loss included expenditures as follows:

- Consulting fees of \$80,500 (2021 - \$nil) were higher due to new consultants engaged as well as timing of expenditures;
- General and administrative of \$1,719 (2021 - \$2,624) was consistent from period to period;
- Management and directors' fees of \$14,000 (2021 - \$30,000) were lower due to classification of the CEO fees in 2022 being part of consulting fees, offset by fees charged by a director in 2022;
- Professional fees of \$56,265 (2021 - \$21,900) were higher compared to the prior period as a result of higher legal fees and timing of expenses;
- Share-based compensation of \$132,498 (2021 - \$185,600) varied as a result of Black-Scholes fair values and number of options granted between the periods;
- Shareholder communications and promotion of \$9,725 (2021 - \$250) increased due to news release and website costs not incurred in the comparative period;
- Transfer agent and filing fees of \$14,441 (2021 - \$nil) increased as a result of classification of expenses and regulatory filings;
- Impairment of exploration and evaluation assets of \$2,106,199 (2021 - \$nil) was the result of the write-offs to the Parkview and Knights Melange properties and the impairment of the Bellechasse-Timmins property to the subsequent sale value; and
- Interest expense of \$12,038 (2021 - \$nil) related to promissory note interest not incurred in 2021.

*Six Months Ended December 31, 2022*

During the six months ended December 31, 2022, the Company reported a net loss of \$2,582,354 (2021 - \$291,015). The Company's loss included expenditures as follows:

- Consulting fees of \$111,850 (2021 - \$nil) were higher due to new consultants engaged as well as timing of expenditures;
- General and administrative of \$6,539 (2021 - \$8,605) was consistent from period to period;
- Management and directors' fees of \$65,000 (2021 - \$60,000) varied due to classification of the CEO fees in 2022 being part of consulting fees, offset by fees charged by a director in 2022;
- Professional fees of \$71,888 (2021 - \$36,600) were higher compared to the prior period as a result of higher legal fees and timing of expenses;
- Share-based compensation of \$132,498 (2021 - \$185,600) varied as a result of Black-Scholes fair values and number of options granted between the periods;
- Shareholder communications and promotion of \$47,225 (2021 - \$250) increased due to news release and website costs not incurred in the comparative period;
- Transfer agent and filing fees of \$20,129 (2021 - \$nil) increased as a result of classification of expenses and regulatory filings;
- Impairment of exploration and evaluation assets of \$2,106,199 (2021 - \$nil) was the result of the write-offs to the Parkview and Knights Melange properties and the impairment of the Bellechasse-Timmins property to the subsequent sale value; and
- Interest expense of \$21,026 (2021 - \$nil) related to promissory note interest not incurred in 2021.

**Selected Annual Information**

	June 30, 2022 \$	June 30, 2021 \$	June 30, 2020 \$
Revenue	-	-	-
Net loss	(530,386)	(221,146)	(199,895)
Basic and diluted loss per common share	(0.02)	(0.01)	(0.02)
Total assets	2,838,150	1,049,843	885,772
Long-term debt	353,000	-	-
Dividends	-	-	-

**Summary of Quarterly Results**

For the periods ending	December 31, 2022 \$	September 30, 2022 \$	June 30, 2022 \$	March 31, 2022 \$
Revenue	-	-	-	-
Net loss	(2,427,385)	(154,969)	(155,492)	(83,879)
Basic and diluted loss per common share	(0.09)	(0.00)	(0.01)	(0.00)
Total assets	3,288,702	3,021,583	2,838,150	2,638,573
Non-current financial liabilities	-	-	353,000	-

For the periods ending	December 31, 2021 \$	September 30, 2021 \$	June 30, 2021 \$	March 31, 2021 \$
Revenue	-	-	-	-
Net loss	(240,374)	(50,641)	(79,016)	(65,265)
Basic and diluted loss per common share	(0.01)	(0.00)	(0.00)	(0.00)
Total assets	2,097,851	1,748,623	1,049,843	1,261,605
Non-current financial liabilities	-	-	-	-

## Liquidity and Capital Resources

The Company had cash of \$1,421,840 and working capital of \$361,147 at December 31, 2022, compared to cash of \$336 and a working capital deficit of \$662,354 at June 30, 2022.

The Company has taken the following measures to address working capital concerns during the 2023 fiscal period, and as of the date of this MD&A:

- During the six months ended December 31, 2022, the Company received \$240,000 pursuant to the exercise of share purchase warrants and \$122,500 pursuant to the exercise of stock options.
- On December 14, 2022, the Company completed a private placement and issued 6,180,000 common shares at \$0.25 per share for proceeds of \$1,545,000.
- Subsequent to December 31, 2022, the Company received \$70,000 from the exercise of 200,000 stock options and \$286,000 from the exercise of 800,000 share purchase warrants.
- On February 8, 2023, the Company entered into an agreement whereby it sold all the issued and outstanding common shares of its wholly owned subsidiary, 9412-1068 Quebec Inc., to an arm's length private company. 9412-1068 Quebec Inc. holds the mineral claims that make up the Bellechasse-Timmins property. As consideration, the purchaser assumed all obligations of the Company as to principal and any accrued interest currently outstanding in respect of a promissory note dated April 1, 2022, in the principal amount of \$353,000 with interest of 10% per annum.

The Company will need to obtain additional financing for working capital purposes and to continue exploration on its exploration and evaluation assets for the 2023 fiscal year and beyond.

## Related Party Transactions

These amounts of key management compensation are included in the amounts shown on the consolidated statements of comprehensive loss:

	<b>Six Months Ended December 31, 2022 \$</b>	<b>Six Months Ended December 31, 2021 \$</b>
Short-term compensation (consulting fees, management and directors' fees, professional fees, and exploration and evaluation asset expenditures)	107,000	60,000
Share-based compensation	-	132,189
	<b>107,000</b>	<b>192,189</b>

As at December 31, 2022, the Company owed \$125,486 (June 30, 2022 - \$171,267) to companies controlled by directors of the Company, which is included in accounts payable and accrued liabilities.

## Financial Instruments and Risks

### *Fair values*

Fair value measurements are classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 – valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 – valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair values of financial instruments, which include cash, accounts payable and accrued liabilities, and loans payable, approximate their carrying values due to the relatively short-term maturity of these instruments.

*Credit risk*

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. The carrying amount of financial assets represents the maximum credit exposure.

*Foreign exchange rate risk*

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is not exposed to any significant foreign exchange rate risk.

*Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company is not exposed to significant interest rate risk, as it does not have any liabilities with variable rates.

*Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's objective to managing liquidity risk is to ensure that it has sufficient liquidity available to meet its liabilities when due. The Company relies on raising debt or equity financing in a timely manner.

The following amounts are the contractual maturities of financial liabilities as at December 31, 2022 and June 30, 2022:

December 31, 2022	Total \$	Within	Within
		1 year \$	2-5 years \$
Accounts payable and accrued liabilities	494,002	494,002	-
Loans payable	626,851	626,851	-
	1,120,853	1,120,853	-

  

June 30, 2022	Total \$	Within	Within
		1 year \$	2-5 years \$
Accounts payable and accrued liabilities	452,674	452,674	-
Loans payable	613,000	260,000	353,000
	1,065,674	712,674	353,000

*Price risk*

The Company is exposed to price risk with respect to commodity prices. The Company's ability to raise capital to fund exploration and development activities is subject to risks associated with fluctuations in the market price of commodities.

**Capital Management**

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash and equity comprised of issued share capital and share-based payment reserve.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issuances or by undertaking other activities deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements. There have been no changes to the Company's approach to capital management during the six months ended December 31, 2022.

### Disclosure of Outstanding Share Data

	February 28, 2023	December 31, 2022	June 30, 2022
Common shares	36,280,500	34,030,000	24,300,000
Warrants	5,800,000	6,600,000	7,400,000
Stock options	1,450,000	1,650,000	1,200,000
Fully diluted shares	43,530,500	42,280,000	32,900,000

### Accounting Standards Adopted During the Period

During the six months ended December 31, 2022, the Company did not adopt any new accounting standards.

### Subsequent Events

- (a) See **Exploration and Evaluation Assets** for option agreements and a sale agreement entered into subsequent to December 31, 2022.
- (b) On January 11, 2023, the Company issued a total of 1,250,500 common shares for option payments on the Adamhay, Dagny, Allison South, Parks, Root South and Sharp properties.
- (c) Subsequent to December 31, 2022, the Company received \$70,000 from the exercise of 200,000 stock options and \$286,000 from the exercise of 800,000 share purchase warrants.

### Additional Disclosure for Companies Without Significant Revenue

An analysis of material components of the Company's exploration and evaluation assets is disclosed in the condensed consolidated interim financial statements as at December 31, 2022 and for the six months then ended.

An analysis of material components of the Company's general and administrative expenses is disclosed in the condensed consolidated interim financial statements as at December 31, 2022 and for the six months then ended to which this MD&A relates.

### Other

Additional disclosures pertaining to the Company's material change reports, press releases and other information are available on the SEDAR website at [www.sedar.com](http://www.sedar.com).