

Snow Lake Resources Ltd.

Management's Discussion and Analysis

For the Year Ended June 30, 2022

(Expressed in Canadian Dollars)

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The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") of Snow Lake Resources Ltd., d/b/a Snow Lake Lithium Ltd. ("Snow Lake", "we" or the "Company") summarizes the significant factors affecting the Company's operating results, financial condition, liquidity and cash flows as of and for the years ended June 30, 2022, 2021 and 2020. This MD&A should be read in conjunction with the Company's consolidated financial statements and the related notes thereto for the years ended June 30, 2022 (the "2022 Financials"). Amounts are expressed in Canadian dollars unless otherwise stated. This MD&A contains forward-looking statements that are based on the beliefs of management, as well as assumptions made by, and information currently available to, our management. Actual results could differ materially from those discussed in or implied by forward-looking statements as a result of various factors. See also "Introductory Notes – Forward-Looking Information."

The 2022 Financials and the financial information contained in this MD&A are prepared pursuant to International Financial Reporting Standards ("IFRS") and in accordance with the standards of the United States Public Company Accounting Oversight Board. As permitted by the rules of the U.S. Securities and Exchange Commission for foreign private issuers, we do not reconcile our financial statements to United States generally accepted accounting principles.

This MD&A reports the Company's activities through June 30, 2022, unless otherwise indicated. All figures are expressed in Canadian dollars, unless otherwise noted.

During the year ended June 30, 2022 ("Fiscal 2022"), the Company remained at the exploration stage, had not placed any of its mineral properties into production, and has not generated any revenues. It intends to proceed with the development of the Snow Lake Lithium™ property through economic studies such as a pre-feasibility study (PFS) and provided the results are positive, through to mine development. The Company intends, in the longer term, to derive substantial revenues from becoming a strategic supplier of battery-grade lithium hydroxide to the growing electric vehicle and battery storage markets. The Company is not expected to start generating revenues until the fourth quarter of 2024, at the earliest. Our planned exploration and development of mineral resources, primarily lithium, will require significant investment prior to commercial introduction and may never be successfully developed or commercially successful.

Corporate Developments

On November 23, 2021, Snow Lake closed its initial public offering ("IPO") through the issuance of 3,680,000 common shares, including 480,000 common shares sold upon full exercise of the underwriters' over-allotment option, at a public offering price of C\$9.51 (USD \$7.50) per share for gross proceeds of C\$34,988,520 (USD \$27,600,000).

On December 13, 2021, the Company provided an update on its progress towards commercial lithium production. Having received all necessary permits from the Province of Manitoba for its winter drilling campaign, the Company contracted BigIce Services Canada to provide it with the necessary winter drill access in order to mobilize the diamond drill to the Snow Lake Lithium™ property. Quesnel Bros. Diamond Drilling Ltd. ("QB Drilling") was also contracted to provide drilling crews and drill rigs that will allow Snow Lake to drill between 5,000 to 15,000 meters of core, weather depending.

On December 15, 2021, the Company announced the engagement of SLR Consulting Canada ("SLR") to conduct environmental baseline studies, which is essential for full scale commercial mining and production at the Snow Lake Lithium mine. SLR provides world-leading advisory, environmental, and engineering consulting services to address unique challenges faced by the mining and minerals industry. This represented a critical step on the path to achieving a fully permitted operation that is congruent with the highest standards of Environmental, Social and Governance (ESG) to which Snow Lake is committed.

On December 20, 2021, the Company also announced that it had entered into a contractual agreement with SGS Natural Resources ("SGS") to perform the necessary metallurgical testing required for the preliminary economic assessment (PEA), and for the subsequent pre-feasibility study (PFS). SGS is a recognized leader in lithium analysis and a global expert in this field and will lead the program for the development and optimization of the process to produce a lithium hydroxide monohydrate product from the Snow Lake lithium ore.

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On January 25, 2022, Philip Gross, the Company's Chief Executive Officer, was invited to a meeting with Manitoba Premier Hon. Heather Stefanson, which also included Minister of Economic Development, Investment and Trade, and Deputy Premier, the Hon. Cliff Cullen, and Minister of Natural Resources and Northern Development, the Hon. Scott Fielding. The purpose of the meeting was to discuss Snow Lake's progress and strategic initiatives as well as the general outlook for lithium production in the province.

On February 2, 2022, the Company contracted Forage BRL Drilling to participate in its winter drilling program in order to maximize resource expansion as much as possible at its Snow Lake Lithium™ Project and Sherritt Gordon (SG) deposits.

On February 8, 2022, the Company announced its recent acquisition and property expansion in and around its resource block at the Snow Lake Lithium™ Project. The Company has been engaged over the past several years in historic geological data analysis, diligence and in depth "in-the-field" prospecting campaigns, which have culminated in the acquisition, through the staking and filing of claims with the Manitoba Mineral Resources Division, of mineral rights on an additional 33,614 acres (13,603 ha) of Crown land which we believe is highly prospective of lithium. The total land holdings for the Snow Lake Lithium™ Project now stands at 55,318 acres (22,386 ha) or 86.43 square miles.

On April 11, 2022, the Company commissioned a scoping study to assess the proposed creation of a lithium hydroxide plant in South Manitoba. The study will accelerate the company towards commercialized lithium production from both Snow Lake Lithium's mine and the proposed lithium hydroxide plant in CentrePort, Winnipeg, Manitoba, and will identify the technologies, innovations, skills and potential partners required to deliver a world-class lithium hydroxide plant within Manitoba.

On April 12, 2022, the Company announced an approved grant of C\$157,500 from the Manitoba Mineral Development Fund (the "MMDF") to help fund the ongoing winter drilling campaign. A previous grant of \$62,000 from the MMDF was utilized in the ongoing geophysics drone campaign. The new grant will assist with costs relating to the next phase of the drilling campaign as we transition from ice roads to helicopter drilling over the spring and summer months.

On June 3, 2022, the Company announced the resignation from its board of directors of its Chairman, Louie Simens, effective May 29, 2022, and the appointment of Mr. Gross, as successor with immediate effect.

On June 7, 2022, the Company announced a collaboration with the University of Manitoba (the "UoM") to strengthen the understanding of the lithium deposits in Snow Lake, Manitoba, and to support the development of a framework to help shape Canada's future minerals and metals strategy. Led by Dr. Mostafa Fayek from the UoM's Faculty of Environment, Earth and Resources, the two-year research project between Snow Lake and the UoM will provide considerable insights into the Company's critical mineral inventory and most effective exploration strategies to extract lithium from the Snow Lake Lithium™ site in the future.

On June 21, 2022, the Company announced the signing of a Memorandum of Understanding with Epiroc Canada Inc. ("Epiroc") for Epiroc to assist with the technical and commercial design of the world's first fully electric lithium mine at the Snow Lake Lithium™ Project. As part of its collaboration, Epiroc will contribute to the review of site planning and design for Snow Lake's planned fully electric lithium mine and will give technical and engineering advice for the project's overall development.

Results of Operations

The following table sets forth a summary of the Company's consolidated results of operations for the periods indicated. The information should be read together with our consolidated financial statements and related notes included elsewhere in this annual report. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period.

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	For the Years ended June 30,		
	2022	2021	2020
	C\$	C\$	C\$
<u>Expenses</u>			
Stock-based compensation	8,035,506	-	-
Professional fees	698,209	174,211	57,272
Directors' and officers' consulting fees	687,585	200,858	118,700
Insurance expense	681,504	-	-
Transfer agent and regulatory fees	236,926	22,244	3,885
Consulting fees	220,890	34,399	43,255
Interest on loan and debentures	167,873	140,264	-
General and administrative expenses	129,415	8,254	20,626
Travel expenses	112,074	-	957
Amortization of transaction costs	56,512	13,284	-
Research expenses	33,733	-	-
Bank fees and interest	9,343	2,084	2,669
	(11,069,570)	(595,598)	(247,364)
<u>Other Income</u>	1,623,116	43,162	65,248
<u>Net Loss and Comprehensive Loss</u>	(9,446,454)	(552,436)	(182,116)

During Fiscal 2022, the Company incurred a net loss of C\$9,446,454 (2021 – C\$552,436; 2020 – C\$182,116). As of June 30, 2022, the Company had an accumulated deficit of C\$10,545,535 (June 30, 2021 – C\$2,271,524; June 30, 2020 – C\$1,719,088) and a working capital of C\$23,248,132 (June 30, 2021 – working capital deficiency of C\$977,358; June 30, 2020 – working capital deficiency of C\$189,254). While the Company was able to raise funds from the IPO during the current year, there is no certainty that additional financing at terms that are acceptable to the Company will be available, and an inability to obtain financing would have a direct impact on the Company's ability to continue as a going concern.

The following discussion summarizes the key components of Snow Lake's results of operations during the years ended June 30, 2022, 2021 and 2020:

During Fiscal 2022, the Company incurred total operating expenses of C\$11,069,570, as compared to total operating expenses of C\$595,598 in 2021 and C\$247,364 in 2020, respectively. The substantial increase in operating expenses in Fiscal 2022 is primarily due to non-cash stock-based compensation C\$8,035,506 (2021 – \$nil; 2020 – \$nil) recorded upon the vesting of restricted share units and stock options granted to certain officers and directors' during the year. The grant date fair value of these securities is subject to various estimates, based on the application of the Black-Scholes valuation model ("Black-Scholes") which requires management to make various assumptions and estimates which are susceptible to uncertainty, including the expected volatility of the share price, expected forfeitures, expected dividend yield, expected term of the warrants or options, and expected risk-free interest rate. Changes in these input assumptions can significantly affect the fair value estimate.

The increase in operating expenses in Fiscal 2022 is also attributable to the following items:

Professional fees totalled C\$698,209 (2021 – C\$174,211; 2020 – C\$57,272), of which a significant portion was incurred due to Company's listing process, where the Company had to rely on the services of outside consultants in areas such as legal counsel, accountants and auditors, which remain critical to the Company's operations post-listing.

Directors' and officers' consulting fees totalled C\$687,585 (2021 – C\$200,858; 2020 – C\$118,700), as compensation for the management team and the Board had increased especially increased due to new appointments of officers and directors upon completion of the Company's listing on the Nasdaq Composite, reflecting the increased scope of activities on various areas such as exploration and drilling, administration and financial reporting.

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Insurance expense from directors' and officers' ("D&O") insurance coverage totalled C\$681,504 (2021 – \$nil; 2020 – \$nil), as the Company was required to obtain D&O insurance for its officers and directors upon listing. Having prepaid for the coverage, the portion of coverage used up to June 30, 2022 was expensed as a result.

Transfer agent and regulatory fees totalled C\$236,926 (2021 – C\$22,244; 2020 – \$nil), and similar to D&O insurance, it was essential for the Company to appoint a transfer agent upon listing to assist in recording changes of ownership and maintaining security holder records. Regulatory fees comprised of filing in conjunction of the listing and ensuing filing requirements, are also included in transfer agent and regulatory fees.

Consulting fees totalled C\$220,890 (2021 – C\$34,399; 2020 – C\$43,255), and comprised of third-party work primarily for marketing, investor relations and information technology. These fees are primarily related to promotional activities related to the Company's IPO, as well as other subsequent costs associated with the Company building its marketing strategy.

Interest on loan and debentures totalled C\$167,873 (2021 – C\$140,264; 2020 – \$nil), which relate to the borrowing cost of certain loans and debentures received in 2021.

General and administrative expenses totalled C\$129,415 (2021 – C\$8,254; 2020 – C\$20,626) as the rise was correlated to the increased scope of activities from having obtained a public listing, and due to expansion from the current drilling program.

Travel expenses totalled C\$112,074 (2021 – \$nil; 2020 – C\$957), as management resumed travelling for business purposes as COVID restrictions began lifting in the current year, whereas in the prior year, relatively fewer travel expenses were recorded due to lockdown and travel restrictions.

The Company also recorded other income of C\$1,623,116 in Fiscal 2022 (2021 – C\$43,162; 2020 – C\$65,248), comprised primarily of a gain on change in fair value of derivative liabilities of C\$1,103,839 (2021 – C\$32,676; 2020 – \$nil), and grant income of C\$109,745 (2021 – \$nil; 2020 – \$nil) received from the Manitoba Mineral Development Fund. In Fiscal, the Company also recorded a foreign exchange gain of C\$409,532 (2021 – foreign exchange loss of C\$254; 2020 – foreign exchange loss of C\$6,001).

As a result of the above items, net loss for Fiscal 2022 was C\$9,446,454 (loss of C\$0.60 per basic and diluted share), as compared to a net loss of C\$552,436 (loss of C\$0.04 per basic and diluted share) for 2021 and a net loss of C\$182,116 (loss of C\$0.01 per basic and diluted share) for 2020.

Liquidity and Capital Resources

The following table sets forth a summary of the Company's consolidated cash flows for the periods indicated. The information should be read together with our consolidated financial statements and related notes included elsewhere in this annual report. Our historical results presented below are not necessarily indicative of cash flows that may be expected for any future period.

	For the Years ended June 30,		
	2022	2021	2020
	C\$	C\$	C\$
<u>Operating Activities</u>			
Net loss for the year	(9,446,454)	(552,436)	(182,116)
Adjustments for non-cash items:	7,122,585	110,132	(68,574)
Net change in non-cash working capital items:	(775,103)	78,828	(7,291)
Cash Flows (used in) Operating Activities	(3,098,972)	(363,476)	(257,981)
<u>Financing Activities</u>			
Loan from Nova Minerals Limited	-	-	(1,114)

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Proceeds from issuance of convertible debentures	-	805,000	-
Proceeds from issuance of shares on IPO, net of issuance	31,993,072	-	-
Proceeds received from loan, net of repayments	193,636	-	-
Proceeds from exercise of warrants	365,114	4,883	113
Cash Flows provided by (used in) Financing Activities	32,551,822	809,883	(1,001)
<u>Investing Activities</u>			
Payments for exploration and evaluation assets	(5,979,286)	(270,652)	(196,928)
Cash Flows (used by) Investing Activities	(5,979,286)	(270,652)	(196,928)
Increase (decrease) in cash	23,473,564	175,755	(455,910)
Cash, beginning of year	318,844	143,089	598,999
Cash, end of year	23,792,408	318,844	143,089

During Fiscal 2022, net cash used in the Company's operating activities was C\$3,098,972 (2021 – net cash used of C\$363,476; 2020 – C\$257,981). The substantial increase for Fiscal 2022 in operating spending is a direct reflection of the increased scope of activities as the Company continued to evolve as a public company and expand its drilling program. With a healthy cash position on hand, the Company made several advances to secure the services of certain vendors for the next 12 months, in order to assist its growth strategy.

During Fiscal 2022, net cash provided by financing activities was C\$32,551,822 (2021 – net cash provided of C\$809,883; 2020 – net cash used of C\$1,001). In November 2021, the Company closed the IPO for gross proceeds raised of almost \$35 million, with issuance cost of C\$2,995,448 paid on closing. The Company also received a loan of C\$873,253 to finance its D&O insurance, of which C\$679,617 had been repaid up to June 30, 2022, as well as total proceeds of C\$365,114 on exercises of warrants. In 2021, the Company raised funds of \$805,000 through the issuance of certain convertible debentures, and it also received proceeds of C\$4,883 through exercises of warrants.

During Fiscal 2022, the Company also incurred investing cash outflows of C\$5,979,286 (2021 – C\$270,652; 2020 – C\$196,928) through payments made for the Company's exploration and evaluation assets on the Snow Lake Lithium™ Project. The substantial increase in the use of cash for investing activities is directly tied to the increased exploration activities as drilling programs commenced in Snow Lake, Manitoba.

As Snow Lake had yet to generate any revenues to date, the Company currently has no regular cash flows from operations, and the level of operations is principally a function of availability of capital resources. The primary source of funding has historically been through private placement financings of equity securities and convertible debentures. While it was able to raise almost \$35 million through its IPO in November 2021, the Company will likely have to continue to rely on equity or debt financings in order to maintain its working capital and expenditures requirements. There is no guarantee that the Company will be able to successfully complete such financings, as market conditions and business performance may dictate availability and interest.

As at June 30, 2022, the Company had current assets of C\$25,029,009 (June 30, 2021 – C\$397,461; June 30, 2020 – C\$154,480), including cash of C\$23,792,408 (June 30, 2021 – C\$318,844; June 30, 2020 – C\$143,089) to settle current liabilities of C\$1,780,877 (June 30, 2021 – C\$1,374,819; June 30, 2020 – C\$343,734), for a working capital of C\$23,248,132 (June 30, 2021 – working capital deficiency of C\$977,358; June 30, 2020 – working capital deficiency of C\$189,254).

Management is actively monitoring cash forecasts and managing performance against its forecasts. In the past year, the Company had substantially built up financial position through the raising of funds from the IPO and by conversion certain outstanding debentures. Nevertheless, management will remain cautious in its capital management approach, and continue to look for new sources of financing in the next 12 months, to fund its working capital to advance the Company's operations.

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Research and Development, Patents and Licenses, Etc.

The Company has no significant research and development plans at present, other than certain work through a collaboration with the University of Manitoba to strengthen the understanding of the lithium deposits in Snow Lake, Manitoba, which are recorded research expenses in Fiscal 2022.

Trend Information

Other than as disclosed elsewhere in this annual report, we are not aware of any trends, uncertainties, demand, commitments or events that are reasonably likely to have a material effect on our net revenues and income from operations, profitability, liquidity, capital resources, or would cause reported financial information not to be indicative of future operation results or financial condition.

Critical Accounting Estimates

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenue, and expenses. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue, and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. These estimates are reviewed periodically, and adjustments are made as appropriate in the period they become known. Items for which actual results may differ materially from these estimates are described as follows:

Going concern

At each reporting period, management exercises judgment in assessing the Company's ability to continue as a going concern by reviewing the Company's performance, resources, and future obligations. The conclusion that the Company will be able to continue as a going concern is subject to critical judgments of management with respect to assumptions surrounding the short and long-term operating budgets, expected profitability, investment and financing activities and management's strategic planning. The assumptions used in management's going concern assessment are derived from actual operating results along with industry and market trends. Management believes there is sufficient capital to meet the Company's business obligations for at least the next 12 months, after taking into account expected cash flows and the Company's cash position at year-end.

Fair value of financial assets and financial liabilities

Fair value of financial assets and financial liabilities on the consolidated statements of financial position that cannot be derived from active markets, are determined using a variety of techniques including the use of valuation models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. Judgments include, but are not limited to, consideration of model inputs such as volatility, estimated life and discount rates.

Economic recoverability of future economic benefits of exploration and evaluation assets

Management has determined that exploration and evaluation assets and related costs incurred, which have been recognized on the consolidated statements of financial position, are economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit including geological data, scoping studies, accessible facilities, and existing and future permits.

Provisions

Provisions recognized in the consolidated financial statements involve judgments on the occurrence of future events, which could result in a material outlay for the Company. In determining whether an outlay will be material, the Company considers the expected future cash flows based on facts, historical experience and probabilities associated with such future events. Uncertainties exist with respect to estimates made by management and as a result, the actual expenditure may differ from amounts currently reported.

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Income taxes

Income taxes and tax exposures recognized in the consolidated financial statements reflect management's best estimate of the outcome based on facts known at the reporting date. When the Company anticipates a future income tax payment based on its estimates, it recognizes a liability. The difference between the expected amount and the final tax outcome has an impact on current and deferred taxes when the Company becomes aware of this difference.

In addition, when the Company incurs losses that cannot be associated with current or past profits, it assesses the probability of taxable profits being available in the future based on its budgeted forecasts. These forecasts are adjusted to take account of certain non-taxable income and expenses and specific rules on the use of unused credits and tax losses. When the forecasts indicate the sufficient future taxable income will be available to deduct the temporary differences, a deferred tax asset is recognized for all deductible temporary differences.

In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted.

Options and warrants

Options and warrants, including finders' warrants, are initially recognized at fair value, based on the application of Black-Scholes. This pricing model requires management to make various assumptions and estimates which are susceptible to uncertainty, including the expected volatility of the share price, expected forfeitures, expected dividend yield, expected term of the warrants or options, and expected risk-free interest rate. Changes in these input assumptions can significantly affect the fair value estimate.

Expected credit losses on financial assets

Determining an allowance for expected credit losses for amounts receivable and all debt financial assets not held at fair value through profit or loss requires management to make assumptions about the historical patterns for the probability of default, the timing of collection and the amount of incurred credit losses, which are adjusted based on management's judgment about whether economic conditions and credit terms are such that actual losses may be higher or lower than what the historical patterns suggest.