Advance Lithium

CORP.

(“Advance Lithium”)

Formerly Advance Gold Corp.

Management’s Discussion and Analysis
For the Year Ended May 31, 2022

The following discussion and analysis, prepared as of September 28, 2022, should be read together with the consolidated financial statements of Advance Lithium for the year ended May 31, 2022, which are prepared in accordance with International Financial Reporting Standards (“IFRS”). All amounts are stated in Canadian dollars unless otherwise indicated. The reader should also refer to the audited consolidated financial statements for the years ended May 31, 2022 and May 31, 2021 and related notes attached thereto and the related Management Discussion and Analysis for those years.

Forward looking financing financial statements & cautionary factors that may affect future results

This MD&A may contain “forward-looking statements” which reflect the Company’s current expectations regarding the future results of operations, performance and achievements. The Company has tried, wherever possible, to identify these forward-looking statements by, among other things, using words such as “anticipate,” “believe,” “estimate,” “expect” and similar expressions. The statements reflect the current beliefs of the management of the Company, and are based on currently available information. Accordingly, these statements are subject to known and unknown risks, uncertainties and other factors, which could cause the actual results, performance, or achievements of the Company to differ materially from those expressed in, or implied by, these statements. Historical results of operations and trends that may be inferred from the following discussions and analysis may not necessarily indicate future results from operations. Additional information related to Advance Lithium is available for view on SEDAR at www.sedar.com.

Description of Business

Advance Lithium is an exploration stage company engaged in the evaluation and exploration of mineral property interests. Advance Lithium trades on the TSX Venture Exchange under the symbol “AALI”. It currently has interests in Zacatecas, Mexico.

Management & Directors

Allan Barry Laboucan, Director, President & Chief Executive Officer – Mr. Laboucan is a First Nations mining entrepreneur who started working in the mining sector in 1993 as consultant in investor relations, strategic planning and digital marketing. During his career he has worked with some of the most talented people in geosciences that have mentored him throughout his career. In 2005, Allan founded Allan Barry Reports and the success of his reports opened doors for appearing many times on business television and online media. His reports are respected with some of the top talent in the sector appearing as guests on his online shows broadcast on his website.

Marie Cupello, Corporate Secretary & Chief Financial Officer - Ms. Cupello has more than 20 years of experience as a bookkeeper for a wide variety of companies including junior exploration companies, a management company and a non-profit society, among others. For the past seventeen years she has been head of the accounting department for a number of private companies and several publicly listed companies.

Mr. Jeffrey Scott Ackert, Director - Mr. Ackert began his career as a regional geologist with St. Joe Minerals, Bond Gold Canada and LAC Minerals in the 1980s. In 1990 he became mine geologist at LAC Minerals' Golden Patricia Mine (Barrick Gold Corp after 1994) where he specialized in production and exploration. In 1996 he was appointed VP Exploration for Orezone

Resources Inc. focusing on West Africa and was subsequently named VP Technical Services in 2005. During his time at Orezone, its market cap increased from $2M to over $300M due to resource development of various projects in West Africa including Essakane, Sega and Bondigui in Burkina Faso. Since 2013, Mr. Ackert has been a Director of Altai Resources Inc. Mr. Ackert is currently Vice President of Business Development of C3 Metals Inc. Mr. Ackert holds a BSc. in Geology from the University of Toronto.

William Atkinson, Director – Mr. Atkinson is a partner of Atkinson & Company, CPA and has extensive governance, financial reporting and auditing experience. He is an important addition to the board of directors that enhances the board with his accounting experience working with publicly reporting companies.

Ali Afif Fawaz, Director - Mr. Fawaz is an international transportation supply chain professional and a licensed customs broker. Since 2000, Mr. Fawaz has been the managing director of Villa Plast Ltd., a scrap-metal recycling plant in Dar es Salaam, Tanzania, and since 2001 he has been the managing director of BNM Company Ltd., a company providing clearing and freight forwarding liaison services to associated entities in the Democratic Republic of Congo. Mr. Fawaz also consults and provides services to a number of entities involved in freight forwarding, and the container freight and cargo transport industries operating out of Dar es Salaam, Tanzania, as well as being involved, since 2010, as a consultant to the mining industry in Tanzania. Mr. Fawaz is fluent in English, French, Arabic and Kiswahili.

Duke Greenstein, Director - Duke Greenstein is a businessman with extensive experience in management of complex manufacturing systems for some of the most well-known consumer brands. He also has extensive experience in contract negotiations, and in sales and marketing. His skill set will help with guidance in several areas as we advance our projects. Mr. Greenstein has joined the board as an independent director.

Brad Newell, Director - Brad Newell leads his family owned private businesses that include a leading retail flooring company serving the Vancouver region and a popular golf course. In addition to his business interests, he is also an active philanthropist.

Performance Summary

Kakamega Properties

Rosterman, Bukura and Sigalagala Gold Properties, Kenya East Africa

On April 20, 2011, the Company entered into an option and joint venture agreement with Aviva Corporation Ltd., which was subsequently acquired by a subsidiary of Barrick Gold Corporation and had its name changed to Acacia mining plc. (“Acacia”) in 2014, to earn at least a 75% interest in the Kakamega Property. Acacia completed all the requirement to earn the 75% interest in the property.

Once Acacia obtained a 75% interest, the Company may elect to participate as to its 25% share of all revenues, costs, assets and liabilities arising from the election to joint venture or, alternatively, elect to dilute their interest to 10% after which Acacia may convert the Company’s interest in the property to a 3% net smelter royalty (“NSR”).

On August 19, 2020, Shanta Gold Limited (“Shanta Gold”) (AIM: SHG), the East Africa-focused gold producer purchased 100% of the shares of Barrick’s subsidiary Acacia Exploration (Kenya) Ltd. from two subsidiaries of Barrick Gold Corporation. The terms of the JV agreement remain with Shanta Gold now in the role as the operator of the Joint Venture.

As at May 31, 2021, the Company’s participation interest was diluted to 11.13% under the Option and Joint Venture agreement, giving Shanta Gold an 88.87% interest in the Kakamega Properties.

On July 31, 2021, the Company elected to further dilute its participation interest to 10.85% under the Option and Joint Venture agreement, giving Shanta Gold an 89.15% interest in the Kakamega Properties.

Shanta Gold submitted applications for license renewals for all three licenses on October 30, 2021, three months prior to the current license expiry date of January 30, 2022. The renewal, if approved, will be for an additional three year period. A condition of renewal is that approximately 50% of the license area must be relinquished, retaining 8.13 km2 on PL/2018/0210 (Bukura), 8.00 km2 on PL/2019/0211 (Sigalagala) and 3.95 km2 on PL/2018/0212 (Rosterman).

On October 31, 2021, the Company elected to further dilute its participation interest to 9.78% under the Option and Joint Venture agreement, giving Shanta Gold a 90.22% interest in the Kakamega Properties. Under the Joint Venture agreement, should a Joint Venture Party's interest be reduced to 10% or less, it shall cease to be a Joint Venture Party and shall be entitled to receive a net smelter royalty subject to various terms. Written notice has been provided by Shanta Gold obliging the Company to relinquish all of its remaining interest in exchange for the net smelter royalty. The Company now holds a 3% uncapped NSR on three exploration licences in Western Kenya.

On June 9, 2022, the Company sold the 3% Net Smelter Return on its three claims in Kenya to Orogen Royalties Inc. for US$120,000 and the transfer of 100% ownership of its Sarape epithermal gold project in Mexico. Orogen will retain a 1.5% royalty on the Sarape project.

The Company impaired the Kakamega Property to $151,776 (US$120,000) and recorded an impairment of $276,086.

Qualified Person

Jeffrey Scott Ackert, a director of the Company, is a Qualified Person as defined by National Instrument 43-101 and has reviewed and approved the exploration information and technical disclosure for the Kakamega Properties.

Tabasquena Property

On July 20, 2017, Advance Mexico, a subsidiary of the Company, entered into an agreement with Hot Spring Mining S.A. de C.V. ("Hot Spring Mining") to acquire the Tabasquena Silver Mine in Zacatecas, Mexico ("Mining Concessions"). The Company issued 1,000,000 common shares to Hot Spring Mining in exchange for 100% interest in the Mining Concessions.

Hot Spring Mining will retain a 2.5% NSR of which the Company has the right to purchase a maximum of 1.5% NSR at $500,000 per each 0.5% NSR. In addition, two partners of Hot Spring Mining became consultants of the Company since October 2017.

On September 27, 2018, the Company acquired Exchange approval to purchase certain mining equipment assets on the Tabasquena project in exchange for 600,000 common shares with a fair value of $300,000, to be issued in tranches of 150,000 shares. On October 2, 2018, 150,000 common shares were issued with a fair value of $21,000, 150,000 common shares were issued on July 19, 2019 with a fair value of $21,000, and 150,000 common shares were issued on October 30, 2019 with a fair value of $21,000. The final 150,000 shares were issued on January 2, 2020 and have a fair value of $21,000.

During the year ended May 31, 2022, the Company fully impaired the Tabasquena Property as no further exploration work is planned in the near future.

Venaditas Property

On April 9, 2018, Advance Mexico entered into an agreement with Hot Spring Mining to acquire its 100% interest in the mining concession Venaditas in Zacatecas, Mexico. The Company issued 1,000,000 common shares to Hot Spring Mining in exchange for 100% interest in the Mining Concessions.

Hot Spring Mining will retain a 2.5% NSR of which the Company has the right to purchase a maximum of 1.5% NSR at $500,000 per each 0.5% NSR. In addition, two partners of Hot Spring Mining became consultants of the Company for a minimum period of 16 months at $2,000 per month each starting in January 2018. The agreement with the consultants were extended on September 1, 2019 for an additional 16 months. Exchange approval for the transaction was obtained in October 2018.

During the year ended May 31, 2022, the Company fully impaired the Vendaditas Property as no further exploration work is planned in the near future.

Lithium Property, Mexico:

In February 2021, the Company entered into an option to purchase agreement to acquire a series of 13 lithium-potassium-boron prospective salars in central Mexico as well as a pilot plant designed and built using a patented extraction method. The Company has the right to acquire a 90% interest in the project with Hot Spring Mining retaining a 10% carried interest through to production, converting to a participating interest upon commercial production.

TSX Exchange approval was obtained on October 28, 2021 and the Company has paid to Hot Spring 5,000,000 shares and intends to purchase the test plant for USD$150,000 within 2 years of signing the agreement. If either the mining rights for the lithium project or the extraction method is sold, 50% of the proceeds will be retained by the Company and the remaining 50% will be paid to Hot Spring.

Qualified Person

Julio Pinto Linares, PGeo, is a Qualified Person as defined by National Instrument 43-101 and has reviewed and approved the exploration information and technical disclosure for the Mexican properties.

Selected Annual Information

The following selected annual information is derived from the Company's annual consolidated financial statements for each of the three most recently completed financial years.

		Year ended May 31, 2022 IFRS / C$		Year ended May 31, 2021 IFRS / C$		Year ended May 31, 2020 IFRS / C$
Total revenue		--		--		--
Net loss before other items	$	541,790	$	733,762	$	241,033
Loss and comprehensive loss	$	3,555,474	$	725,264	$	236,870
Basic and diluted loss per common share	$	(0.05)	$	(0.01)	$	(0.01)
Total assets	$	871,842	$	3,225,656	$	1,955,317
Total non-current financial liabilities	$	--	$	--	$	--
Distributions or cash dividends declared	$	--	$	--	$	--

Results and Discussion of Operations

Advance's focus continues to be the exploration of properties and consequently, no operating income is shown or expected. The Company incurred a loss and comprehensive loss of $3,555,474 for the year ended May 31, 2022, compared to a loss and comprehensive loss of $725,264 for the prior fiscal year. The current period loss is due to a write-off of exploration expenses on projects in Mexico and Kenya.

The most notable reduction in expenditures stemmed mainly from consulting fees and stock based compensation. As of May 31, 2022, the Company had current assets of $75,403 as compared to $68,770 for the prior fiscal year, the increase due to an increase in prepayments. As of May 31, 2022, the Company's current liabilities were $485,146, as compared to current liabilities of $307,678 for the prior fiscal year, the increase stemming from the increase in exploration activity on the Mexican projects. Cash used for operating activities increased to $448,837 for the year ended May 31, 2022 from $303,594 for the prior fiscal year, the increase stemming from an increase in prepaid expenses and payments for accounts payable and accrued liabilities. The cash used for investing activities decreased to $192,948 for the year ended May 31, 2022 from $1,227,769 for the previous fiscal year. Finally, the cash provided by financing activities decreased from $1,577,872 for the year ended May 31, 2021 to $597,200 for the current fiscal year.

Summary of Quarterly Results

	May 31/22 IFRS	Feb 28/22 IFRS	Nov 30/21 IFRS	Aug 31/21 IFRS	May 31/21 IFRS	Feb 28/21 IFRS	Nov 30/20 IFRS	Aug 31/20 IFRS
Total assets	$ 871,872	$ 4,093,543	$ 4,170,862	$ 3,321,733	$ 3,225,656	$ 3,201,596	$ 2,836,785	$ 2,933,797
Exploration properties & deferred costs	$ 749,851	$ 3,677,290	$ 3,484,066	$ 3,146,808	$ 3,078,950	$ 2,535,049	$ 2,312,013	$ 1,965,695
Working capital (deficiency)	$ (409,743)	$ (412,138)	$ (112,592)	$ (213,282)	$ (238,908)	$ 153,442	$ 15,557	$ 448,615
Deficit	$ 10,791,068	$ 7,635,345	$ 7,494,777	$ 7,383,134	$ 7,286,989	$ 7,099,130	$ 7,023,753	$ 6,686,373
Revenues	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Net loss (income)	$ 3,211,867	$ 133,784	$ 115,612	$ 94,211	$ 188,701	$ 71,427	$ 338,620	$ 126,516
Earnings (loss) per share	$ (0.05)	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.01)

The significant changes in key financial data from June 1, 2020 to May 31, 2022 can be attributed to an increase in exploration activity and the write-down of exploration properties. The increase in the net loss for the quarter is due to an increase in all expenses except consulting fees, office and sundry, stock based compensation and transfer agent and filing fees. As of May 31, 2022, the Company's current liabilities were $485,146 compared to current liabilities of $307,678 as at May 31, 2021, the increase is due to an increase in exploration and general and administration expenses. The difficulties in raising capital has had a significant effect upon the Company's cash flow.

Liquidity

Advance Lithium does not currently own or have an interest in any producing resource properties and has not yet derived any revenues from the sale of resource products. Advance Lithium's exploration activities have been funded through the issuance of common shares pursuant to private placements and the exercise of stock options and warrants, and Advance Lithium expects that it will continue to be able to utilize this source of financing until it develops cash flow from its operations. There can be no assurance, however, that Advance Lithium will be able to obtain required financing in the future on acceptable terms, or at all. In the near term, Advance Lithium plans to attract suitable partners in order to advance its currently held properties.

	May 31, 2022	May 31, 2021
Working capital (deficiency)	$ (409,743)	$ (238,908)
Deficit	$ 10,791,068	$ 7,286,989

Financing

On July 10, 2020, the Company closed a private placement to issue 4,014,998 units at $0.075 per unit for gross proceeds of $301,125. Each unit consists of one common share of the Company and one common share purchase warrant, each warrant being exercisable at $0.10 for 24 months. No value was allocated to the attachable warrants, using the residual value method, due to the proceeds being less than market value at the time.

On July 17, 2020, the Company issued 200,000 shares for exercised warrants for gross proceeds of $20,000.

On August 10, 2020, the Company issued 200,000 shares for exercised warrants for gross proceeds of $20,000.

On August 11, 2020, the Company closed a private placement to issue 7,200,000 units at $0.10 per unit for gross proceeds of $720,000. Each unit consists of one common share of the Company and one common share purchase warrant, each warrant being exercisable at $0.12 for 24 months. No value was allocated to the attachable warrants, using the residual value method, due to the proceeds being less than market value at the time. The Company incurred finder's fees of $15,700 in connection with this financing.

On October 5, 2020 the Company issued 574,415 shares for exercised warrants for gross proceeds of $57,442.

On January 18, 2021, the Company issued 800,000 shares for exercised warrants for gross proceeds of $64,000.

On February 5, 2021, the Company issued 1,153,846 shares for exercised warrants for gross proceeds of $92,308.

On February 17, 2021, the Company issued 400,000 shares for exercised warrants for gross proceeds of $32,000.

On February 19, 2021, the Company issued 1,375,000 shares for exercised warrants for gross proceeds of $110,000.

On February 24, 2021, the Company issued 703,846 shares for exercised warrants for gross proceeds of $56,307.

On February 26, 2021, the Company issued 1,105,000 shares for exercised warrants for gross proceeds of $88,400.

On March 26, 2021, the Company issued 457,000 shares for exercised warrants for gross proceeds of $31,990.

On June 17, 2021, the Company closed a private placement to issue 3,333,333 units at $0.06 per unit for gross proceeds of $200,000. Each unit consists of one common share of the Company and one common share purchase warrant, each warrant being exercisable at $0.075 for 24 months. No value was allocated to the attachable warrants, using the residual method, due to the proceeds being less than market value at the time. Finders' fees have been paid to certain finders in accordance with the Exchange policies in the amount of 8% cash and 266,667 Broker's warrants, each warrant being exercisable at $0.075 for 24 months, expiring June 17, 2023; expected volatility of 162% and dividend yield of nil.

On October 28, 2021, the Company issued 5,000,000 shares at a price of $0.055 per share to satisfy the requirements of the Lithium agreement (Note 6).

On November 23, 2021, the Company closed a private placement to issue 9,800,000 units at $0.05 per unit for gross proceeds of $490,000. Each unit consists of one common share of the Company and one common share purchase warrant, each warrant being exercisable at $0.065 for 12 months. No value was allocated to the attachable warrants, using the residual method, due to the proceeds being less than market value at the time. Finders' fees have been paid to certain finders in accordance with the Exchange policies in the amount of 8% cash and 200,000 Broker's warrants, each warrant being exercisable at $0.065 for 12 months, expiring November 23, 2022; expected volatility of 162% and dividend yield of nil. Included in the private placement, $25,000 debentures and $27,000 accounts payable were settled with private placement units. No gain or loss was recognized.

Capital Resources

Advance Lithium does not have sufficient funds to meet its anticipated general and administrative expenses for the next 12 months and will therefore have to find alternative sources of funding to pay these anticipated expenses. Advance Lithium may from time to time choose to raise money in the capital markets if favourable conditions are present. Additional financing will be required for further exploration programs on Advance Lithium's properties during the next fiscal year should new acquisitions occur.

Fourth Quarter Results

Advance Lithium had a net loss of $3,207,500 (2021 –$188,701) and general and administrative expenses of $233,051 (2021 - $232,083) during the quarter ended May 31, 2022. Such expenses included:

	Q4 2022		Q4 2021
Advertising and promotion	37,410	$	17,669
Consulting fees	16,147		-
Interest, bank charges and foreign exchange loss	3,314		2,587
Management fees	22,500		22,500
Office and sundry	5,008		6,587
Professional fees	21,057		19,340
Stock-based compensation	99,992		134,039
Rent and telephone	1,153		1,494
Transfer agent and filing fees	2,417		4,738
Wages and benefits	24,053		23,130
	233,051	$	232,083

Administrative expenses have increased very slightly from the prior year due primarily to an increase advertising and promotion and a marked decrease in consulting fees and stock-based compensation. Advance Lithium had a working capital deficiency of $409,743 for the year ended May 31, 2022.

Related Party Transactions

Related parties are directors and officers, and companies controlled by directors and officers of Advance Lithium. The following summarizes Advance Lithium's related party transactions for the years ended May 31, 2022 and 2021:

		Year Ended May 31, 2022		Year Ended May 31, 2021
Management Fees	$	90,000	$	90,000
Salaries	$	83,767	$	57,598

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 to by the related parties. Management fees were paid to a director of Advance Lithium.

Critical Accounting Estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions about future events that affect amounts reported in the financial statements. Actual results could differ from these estimates. Significant accounting estimates used in the preparation of Advance Lithium's consolidated financial statements are:

(a) Impairment of non-financial assets

When there are indications that an asset may be impaired, the Company is required to estimate the asset's recoverable amount. Recoverable amount is the greater of value in use and fair value less costs to sell. Determining the value in use requires the Company to estimate expected future cash flows associated with the assets and a suitable discount rate in order to calculate present value. Full impairment on the Tabasquena, Venaditas and Kakamega projects was recognized for the year ended May 31, 2022.

(b) Stock-based compensation

Management is required to make certain estimates when determining the fair value of share option awards, and the number of awards that are expected to vest. These estimates affect the amount recognized as share-based compensation in the Company's consolidated statement of comprehensive loss. For the year ended May 31, 2022 the Company recognized share-based compensation expense of $99,992 (2021 - $383,394).

(c) Exploration and evaluation assets

Management is required to apply judgment in determining whether technical feasibility and commercial viability can be demonstrated for its mineral properties under exploration. Once technical feasibility and commercial viability of a property can be demonstrated, it is reclassified from exploration and evaluation assets and subject to different accounting treatment. As at May 31, 2022 and 2021 management had determined that no reclassification of exploration and evaluation assets was required.

(d) Income taxes

The measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the consolidated financial statements.

Newly adopted accounting standards

Accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company’s financial statements.

Off-Balance Sheet Arrangement

Advance Lithium does not have any off-balance sheet arrangements which may affect its current or future operations or conditions.

Financial Instruments

Fair Value

Fair value estimates are made at the reporting period end date, based on relevant market information. Estimated fair value amounts are designed to approximate amounts at which financial instruments could be exchanged in a current transaction between willing parties who are under no compulsion to act.

The Company uses a fair value hierarchy to categorize the inputs used in valuation techniques to measure fair value of financial instruments. The classifications are as follows: the use of quoted market prices for identical assets or liabilities (Level 1), internal models using observable market information as inputs (Level 2) and internal models without observable market information as inputs (Level 3). The Company had no Level 2 or Level 3 financial instruments at May 31, 2022 and May 31, 2021, and there have been no transfers between levels.

The following is an analysis of the Company’s financial assets measured at fair value as at May 31, 2022 and 2021:

	May 31, 2022		
	Level 1	Level 2	Level 3
Cash	$ 4,385	$ -	$ -

	May 31, 2021		
	Level 1	Level 2	Level 3
Cash	$ 48,970	$ -	$ -

Financial Risk Management
The Company's financial instruments potentially expose it to a variety of risks, including credit risk, foreign exchange risk (currency), liquidity and interest rate risk.

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist of cash and amounts receivable. The Company deposits the majority of its cash with high credit quality financial institutions in Canada and Mexico reducing the credit risk. Amounts receivable consist of refundable tax credits and therefore the credit risk is minimal.

Currency risk
Currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. Certain assets and liabilities of the Company are denominated in Kenyan Shilling and Mexican Peso and are therefore subject to fluctuation against the Canadian dollar. Currency risk is considered to be moderate.

The Canadian dollar equivalent of financial instruments denominated in foreign currencies as at May 31, 2022 and 2021 is as follows:

	May 31, 2022	May 31, 2021
Cash	$ 108	$ 15,727
Accounts payable	(66,573)	(30,527)
	$ (66,465)	$ (14,800)

Interest rate risk
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Current financial assets and financial liabilities are generally not exposed to interest rate risk because of their short-term nature, maturity, and fixed interest rate on debentures.

Liquidity risk
Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company manages liquidity by maintaining adequate cash balances. The Company's expected source of cash flow in the upcoming year is anticipated to be through equity financing and future loan facilities, and potential joint venture agreements. Cash on hand at May 31, 2022 is insufficient to fund the Company's operational needs for the next 12 months. Liquidity risk is assessed as high.

Advance Lithium's financial instruments consist of cash, investments, accounts receivable and accounts payable. The fair value of these financial instruments is approximately equal to their carrying values, unless otherwise noted. Unless otherwise noted, it is management's opinion that Advance Lithium is not exposed to significant interest, currency or credit risks arising from these financial instruments. Interest rate risk is limited as the Company only invests in highly liquid securities with short-term maturities. The Company manages its currency risk through the preparation of short and long term expenditure budgets in different currencies and converting Canadian dollars to foreign currencies whenever exchange rates are favourable. Credit risk is minimal as accounts receivable consists primarily of goods and services tax refunds due from the Government of Canada.

As at May 31, 2022 $4,277 cash and cash equivalents are held in Canadian dollars, $49 cash and cash equivalents are held in US dollars and Kenya Schilling, and $59 cash and cash equivalents are held in Mexican Pesos. Advance Lithium does not use derivative instruments or foreign exchange contracts to hedge against gains or losses arising from foreign exchange fluctuations.

Changes in Accounting Policies

Advance Lithium has not changed its accounting policies for the twelve months ended May 31, 2022.

Outstanding Share Data

The authorized capital of Advance Lithium consists of an unlimited number of common shares and an unlimited number of preferred shares, issuable in series with special rights and restrictions attached. As of September 28, 2022 there were 75,216,472 common shares issued and outstanding, 7,475,000 stock options outstanding, and the following warrants and broker's warrants outstanding:

Grant Expiry Date	Grant Price	Warrants Outstanding
Nov. 23, 2022	0.065	10,000,000
Feb. 27, 2023[(1)(2)]	0.12	2,500,000
Jun. 17, 2023	0.075	3,600,000
		16,100,000

(1) On February 4, 2022, the TSX Venture Exchange consented to the extension of 2,500,000 warrants having an original expiry date of February 22, 2022 with an exercise price of $0.12 per common share

(2) On February 27, 2022, 25,600 Broker's warrants expired, unexercised

Subsequent Events

On July 9, 2022, 3,082,000 warrants at $0.06 per share expired, unexercised.

On July 10, 2022, 4,014,998 warrants at $0.10 per share expired, unexercised.

On July 28, 2022, 7,200,000 warrants at $0.12 per share expired, unexercised.

On August 10, 2022, the Company announced that, subject to the approval of the Exchange, it proposes to undertake a non-brokered private placement of units (the "Units") at a price of two cents ($0.02) per Unit (the "Financing"). Each Unit shall be comprised of one common share in the capital of the Company and one common share purchase warrant with each warrant being exercisable to purchase one common share at a price of five cents ($0.05) per share at any time within 24 months of the date of issuance. The Financing will be for a maximum of $200,000 resulting in 10,000,000 Units being issued. Funds will be used to advance the Lithium and Sarape projects and for general corporate purposes.

Investor Relations

Investor relations activities are performed by directors, officers and key personnel.

Risk Factors

Exploration-stage mineral exploration companies face a variety of risks and, while unable to eliminate all of them, Advance Lithium aims at managing and reducing such risks as much as possible. Few exploration projects successfully achieve development stage, due to factors that cannot be predicted or anticipated, and even one such factor may result in the economic viability of a project being detrimentally impacted such that it is neither feasible nor practical to proceed. Advance Lithium closely monitors its activities and those factors that could impact them, and employs experienced consultants to assist in its risk management and to make timely adequate decisions.

Environmental laws and regulations could also impact the viability of a project. Advance Lithium has ensured that it has complied with these regulations, but there can be changes in legislation outside Advance Lithium's control that could also add a risk factor to a project. Operating in a specific country has legal, political and a currency risk that must be carefully considered to ensure their level is commensurate to Advance Lithium's assessment of the project.

Approval

The Board of Directors of the Company has approved the disclosure contained in this MD&A.