(the "Company")

FORM 51-102F1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

Introduction

This Management's Discussion and Analysis ("MD&A") of South Star Battery Metals Corp. is the responsibility of management and covers the year ended December 31, 2023. The MD&A takes into account information available up to and including March 28, 2024 and should be read together with the annual audited consolidated financial statements for the years ended December 31, 2023 and 2022, which are available on the SEDAR+ website at www.sedarplus.ca. All financial information in this document is prepared in accordance with International Financial Reporting Standards ("IFRS") and is presented in Canadian dollars unless otherwise indicated.

Throughout this document the terms *we, us, our, the Company* and *South Star* refer to South Star Battery Metals Corp.

Additional information related to the Company is available for view on SEDAR+ (www.sedarplus.ca).

This document contains forward-looking statements. Please refer to "Note Regarding Forward-Looking Statements."

The Company trades on the TSX Venture Exchange ("TSXV") under the symbol STS and on the OTCQB under the symbol STSBF.

Description of Business

The Company is a Canadian battery metals project developer focused on the selective acquisition and development of near-term production projects in the Americas. The Company's primary focus is the Santa Cruz Graphite Mine in Southern Bahia, Brazil. The Company is also advancing its option on the BamaStar Graphite Project in Alabama, USA.

BUSINESS HIGHLIGHTS

Santa Cruz Project Highlights

Phase 1 Construction

The Company is working to commission Phase 1 facilities for approximately 420t/month capacity. Substantial completion on the build is currently scheduled for June 2024 followed by a 45 day commissioning schedule. Through the end of 2023, the construction teams have completed approximately 400 days with no loss time accidents.

Main work programs for Q4 2023 included:

- Ore bin & crusher assemblies: all equipment in place, civil work is completed and approximately 85% complete on all electrical and mechanical assemblies;

- Concentration/Mill Plant: all equipment except mills delivered to site and contractor working on structural steel assemblies and positioning major equipment. Construction is approximately 35% complete;
- Thickener and Tailings Filter Plant: all major equipment in place and contractor working on finalizing structural steel assemblies as well as electrical and mechanical assemblies. Construction is approximately 50% complete;
- Drying, Bagging and Warehouse Plant: all major equipment in place and contractor working on finalizing structural steel assemblies as well as electrical and mechanical assemblies. Construction is approximately 65% complete;
- Civil infrastructure including entrance, security, truck scale, additional offices, supply chain storage warehouse and contractor support area: all buildings and equipment are in place and approximately 95% complete; and
- Electrical substation and internal electrical distribution network: all major equipment is delivered to site and in place. Construction is approximately 60% complete.

The Company had planned to complete Phase 1 construction by end of 2023, followed by a 45 day commissioning schedule; however, equipment supplier delays, contractor manpower shortages, and weather all contributed to an overall Phase 1 construction delay of approximately 6 months. Currently, the start of commercial production is planned for August 2024 with a name plate capacity of 420 t/month.

Permitting and licensing

On January 24, 2023 the Planned Economic Analyses ("PAEs") and request for the final mining license for all 13 exploration claims were submitted to the Brazilian Mining Authority ("ANM") and are in technical evaluation at the regional superintendent's office in Salvador. In addition, seven new exploration claims totaling approximately 7,000 additional hectares have been applied for by the Company.

The proposed PAE doubles the Santa Cruz production capacity presented in the previously released Prefeasibility Study ("PFS") (March 2020) and incorporates a third phase of project development. The planned production schedule follows:
- 2 years with 5,000 tonnes per year ("tpy") of concentrates (Phase 1);
- 2 years with 25,000 tpy of concentrates (Phase 2); and
- Life of mine ("LOM") with 50,000 tpy of concentrates (Phase 3).

The approval of the PAE and mining license is the final step in securing the LOM mining license for each of the 13 exploration claims and converting them to mining concessions.

Phase 1 operations are fully licensed with a trial mining license ("GU") and associated environmental license for the Claim 872.737/2010. The Company has paid the municipal building permit for construction of the Phase 1 plant, mine and infrastructure and which was received in the year ended December 31, 2022. The documentation for the definitive mining licenses incorporating Phases 2 (25,000 tpy concentrate) & 3 (50,000 tpy concentrate) for all the 13 mining concessions have been submitted to the Brazilian Mining Authorities and are in technical evaluation. Subsequently, five of the claims, including the main claim for Phase 1 operations, were approved technically at the regional office in February 2024, and forwarded to the Ministry of Mines and Energy ("MME") in Brasilia for final review of the life-of-mine permit applications. The approval by the MME of the full mining concessions incorporating Phases 2 and 3 will allow the Company to increase Phase 1 production to name plate capacity of 13,000 tpy from 5,000 tpy.

The Company submitted the consolidated Phases 1, 2 & 3 environmental reports and documentation in April 2023 with the objective of obtaining both the mining and environmental permits and licenses required for Phases 2 & 3. In February 2024, the Company received its environmental permits for Phases 2 & 3 for 8 of its mining claims, including all the main claims currently planned for near-term production. The Phases 2 and 3 environmental permits were approved with conditions generally in line with the Phase 1 permit and are consistent with the current environmental and community engagement programs already underway.

Exploration

The Company mobilized a geophysics contractor in November 2022 to perform approximately 3-4 linear kilometers of geophysics to test the limits of the priority drilling targets at the Santa Cruz Project for a 2024 exploration program which will include 3000-4000m of drilling in Q1/Q2-2024 to expand current resources and reserves to extend mine life.

The geophysics team has completed the field work for the first three lines of induced polarization ("IP") & electrical resistivity ("ER") with 10m electrode spacing with an estimated penetration of 80-90 meters. The lines were completed on sections with known geology and graphite grades based on recent drilling program. The results were interpreted and then will be compared to the known geologic sections and graphitic carbon ("Cg") grade. The IP and the ER together provided excellent results on the known sections and identified some previously unknown potential targets. The team completed an additional 4 kms of IP/ER. The results will be used to plan and prioritize the 2024 drilling program composed of approximately 1,000-1,500 meters of diamond drilling and 2,500-3,000 meters of reverse circulation drilling.

Value-Add Products

In 2022, the Company confirmed the process flowsheet for Santa Cruz concentrates. The Company also generated and shipped 100g samples of various product samples to potential clients. Those samples are in evaluation.

In March 2024, the contracts for a value-add process study have been finalized as part of the National Instrument 43-101 ("NI 43-101) Preliminary Economic Assessment ("PEA") for BamaStar, with the study scheduled for completion in July 2024. The Study's techno-economic analysis will present a scenario with concentrates from both BamaStar and Santa Cruz providing feedstocks for the secondary processed, specialty-graphite products. The Study will outline the strategic production/commercial plan for South Star's planned downstream transformation plant for the manufacturing of battery-graphite and other specialty-graphite commercial products, in the southeastern USA.

<u>BamaStar Graphite Project, Alabama Highlights</u>

Grant from United States Department of Defense

In the year ended December 31, 2023, the Company announced that it has received a US$3.2 million grant (equaling approximately CA$4.4 million) from the Department of Defense ("DoD") under the Defense Production Act ("DPA") Title III authorities utilizing funds appropriated by the Inflation Reduction Act, to advance a National Instrument 43-101 Feasibility Study ("FS") for the BamaStar Graphite Project. The FS will also incorporate a vertically integrated lithium-ion ("Li-ion") battery-graphite anode manufacturing facility in the southeast corridor of the United States. The FS will cover all aspects of the planned BamaStar graphite mine from upstream mining operations to the downstream manufacturing of finished commercial battery-ready graphite products, while detailing all important and essential related information, including operational, financial, commercial graphite product performance data, and environmental, social and governance criteria. South Star's planned battery-graphite products will include a broad range of products from coated spherical purified graphite ("CSPG") active anode materials for Li-ion battery applications to conductivity-enhancement products for use in all major primary (i.e., non-rechargeable) and secondary (i.e., rechargeable) battery chemistries.

South Star is committed to developing BamaStar's downstream commercial battery-graphite manufacturing facility in the southeast corridor of the U.S. Given the global demand for Li-ion battery-graphite anode materials and due to the complete lack of U.S. manufacturing capacity, the Company's management believes in the criticality of addressing the United States' urgent need to have integrated, safe-sourced, domestic graphite production capability at commercial scale in the most efficient, cost-effective and shortest timeframe possible. The Company views the present challenging macroeconomic and geopolitical environments as a significant and increasing risk to the U.S. and its allies, in terms of both national and energy security.

South Star's Santa Cruz Graphite Mine in Brazil is currently finalizing Phase-1 construction and will commence commercial concentrate production in August of 2024. While the BamaStar graphite mine is being developed, South Star intends to initially commence commercial operations at the Company's planned U.S. downstream battery-graphite manufacturing facility utilizing premium graphite concentrate supplied from Santa Cruz. In addition to the assurance of security of supply of graphite concentrate to feed the U.S. downstream plant, the strategic and enduring competitive advantages of this integrated approach mitigates the risks of probable long-term supply/demand imbalance and probable price increases globally for graphite concentrate beginning in the near future. This integrated approach of a diversified portfolio of scalable facilities allows for an accelerated U.S. downstream production of critical battery grade anode materials, while BamaStar is developed and built in parallel. South Star intends for the Company's U.S. downstream facilities to scale over time and be ready to process the entirety of the BamaStar graphite mine's concentrate feedstock.

The DoD will contribute funding to the BamaStar FS on a cost-share basis. As part of the agreement, the DoD will provide US$3,179,999 and South Star will contribute US$3,772,499 in matching funding on a cost-share basis over a period of 18 months, and after the successful delivery by the Company of a National Instrument 43-101 Preliminary Economic Assessment.

Graphite is classified by the U.S. Department of Energy as critical and high risk in both the short and medium term. It is an essential material for many applications, including transportation, communications, defense, microprocessors, high-tech, graphene, etc. The U.S. currently produces no graphite concentrates or downstream battery-grade anode materials.

Exploration

On April 26, 2023, the Company filed the NI 43-101 Technical Report and Mineral Resource Estimate on the BamaStar Graphite Project. The maiden resource estimate includes 520,000 tonnes of contained graphite with an open pit-constrained mineral resource estimate of 22M tonnes of inferred resources at an average grade of 2.4% (Cg), based on a 1.1% cut-off grade. The mineral resource estimate confirms the significant potential of this historical mine with graphite mineralization open at depth and in both directions (NE & SW). Further, the mineral resource estimate and initial open pit optimization confirms the deposit is amenable to open pit mining operations with at-surface mineralization and low strip ratios. Summary technical information with respect to the BamaStar Graphite Project is provided below.

The drillers completed approximately 1,900 m of drilling and 15 holes to support the upcoming PEA scheduled to be released in Q3 of 2024. Drillers mobilized in May 2023 and completed in Q3 of 2023. All holes intercepted significant intervals of graphite mineralization. Results are available in the Company's news release dated November 8, 2023. Consulting engineering, laboratory test facilities and process design firms are reviewing the scope of work and preparing a budget proposal and statement of qualifications. The PEA study was awarded in Q1 of 2024.

Value-Add Products

In 2022, the Company contracted North Carolina State University Mineral Research Laboratory ("MRL") to complete a metallurgical testing program using 3 x 1-tonne samples of ore from various targets within the BamaStar Graphite Project. Approximately 30 kgs of bulk flake concentrate with an average Cg grade of 94.12% was produced. Intermediate process samples including ore, rougher concentrate and tails were preserved for further testing. The concentrates will be sent to a technological partner in the United States for physical and chemical characterization and value-add/battery testing.

In March 2024, the contracts for a value-add process study have been finalized as part of the National Instrument 43-101 ("NI 43-101) Preliminary Economic Assessment ("PEA") for BamaStar, with the study scheduled for completion in July 2024. The PEA will incorporate the Company's 2023 drill-program results, providing an update to the maiden Mineral Resource Estimate for the BamaStar project. The Study's techno-economic analysis will present a scenario with concentrates from both BamaStar and Santa Cruz providing feedstocks for the secondary processed, specialty-graphite products. The Study will outline the strategic production/commercial plan for South Star's planned downstream transformation plant for the manufacturing of battery-graphite and other specialty-graphite commercial products, in the southeastern USA.

Company representatives have engaged and met with numerous senior economic-development representatives for states in the region, including Alabama and Louisiana. The team has commenced a site-selection process to determine the most advantageous location for siting South Star's planned downstream transformation plant to produce coated spherical purified graphite ("CSPG") for lithium-ion ("Li-ion") battery applications, in addition to conductivity-enhancement products suited for numerous battery chemistries, and other unique and innovative products. Once the PEA has been completed, the Company plans to continue directly with the BamaStar FS which is scheduled for completion in December of 2025.

Corporate Highlights

On January 10, 2023, the Company closed a non-brokered private placement by issuing 434,277 Units at a price of $0.53 per Unit for gross proceeds of $230,166. Each Unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holders to purchase one additional common share of the Company at an exercise price of $1.25 per common share for a period of five years from the date of issue and is subject to certain acceleration provisions. The Company paid cash finder's fees of $13,810 and issued 8,685 finder's warrants exercisable at a price of $0.53 for a period of 5 years.

On May 23, 2023, the Company closed a non-brokered private placement by issuing 127,925 Units at $0.53 for gross proceeds of $67,800. Each Unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holders to purchase one additional common share of the Company at an exercise price of $1.25 per common share for a period of five years from the date of issue and is subject to certain acceleration provisions.

On July 14, 2023 and August 11, 2023, the Company completed a non-brokered private placement by issuing 8,533,865 Units at $0.53 for gross proceeds of $4,522,948. Each Unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holders to purchase one additional common share of the Company at an exercise price of $1.25 per common share for a period of five years from the date of issue and is subject to certain acceleration provisions. The Company paid cash finder's fees of $27,825.

Subsequent to December 31, 2023, the Company completed a non-brokered private placement of 9,301,352 common shares at a price of $0.72 per common share for gross proceeds of $6,697,119. The Company paid cash of $190,421 and issued 125,472 common shares as finder's fees.

PROJECTS

Santa Cruz Graphite Mine Project

South Star Battery Metals Corp. owns 100% of the Santa Cruz Graphite Mine Project through its wholly owned subsidiaries Brasil Graphite Corp. ("BGC") and Brasil Graphite Mineracao Ltda. ("BGM"). The Santa Cruz Project is located in the state of Bahia, Brazil and consists of 13 approved licenses covering 13,316 hectares. The Company issued a Prefeasibility Study ("**PFS**") technical report prepared in accordance with National Instrument 43-101 guidelines with an effective date of March 18, 2020 as filed on Sedarplus.ca.

Phase 1 pilot plant operations are fully licensed and permitted and in construction. Completion of construction and commissioning are scheduled to complete August 2024. The purpose of the Phase 1 operations is to start production and cash flow, generate large scale samples for material qualification processes and solidify long-term commercial relationships for securing purchase agreements for the Phase 2 production. The Company will continue to develop the project with additional drilling, environmental studies, independent metallurgical studies, mine planning, process plant engineering, and equipment sourcing for the Phase 2 operations, including advanced purification processing technology to upgrade concentrates for value-add applications. This includes the lithium-ion battery market, alkaline battery markets, dispersions and coatings, expandable graphites & fire retardants and other newly emerging graphite technologies.

In 2022, the Company closed on Phase 1 of a Stream Agreement with Sprott Private Resource Streaming and Royalty (B) Corp. for US$10,000,000 as outlined in the accompanying audited consolidated financial statements for the year ended December 31, 2023.

BamaStar Graphite Project, Alabama

The Company has entered into an Earn-in and Option Agreement ("BamaStar Agreement") on the BamaStar Graphite Project in Alabama with Hexagon Energy Materials Limited ("Hexagon") (ASX: HXG) and U.S. Critical Minerals LLC, a privately held exploration company incorporated in the United States. The BamaStar Agreement allows South Star to earn-in up to 75% of the BamaStar Graphite Project.

Currently, Hexagon owns 80% of the BamaStar Graphite Project, and USCM with a small group of individuals owning the remaining 20% of the BamaStar Graphite Project. The BamaStar Graphite Project is located on the northeast end of the Alabama Graphite Belt and covers approximately 500 acres in Coosa County, Alabama. The BamaStar Graphite

Project is an historic mine active during World Wars I & II. The BamaStar Graphite mine historically targeted friable outcropping graphite mineralization, averaging approximately 3%-5% graphitic carbon. Mineralization is at surface, and the graphitic host rock was mined historically with shovels and excavators with no drilling and blasting required.

BamaStar Agreement Terms

The following is a summary of the key terms of the Earn-in and Option:
- South Star to complete drilling, resource estimation, and analysis needed to produce a NI 43-101 compliant Preliminary Economic Assessment (PEA) within three years from the signing of the final agreements ("Earn-in Period").
- South Star to fund an annual minimum expenditure of CAD$250,000 (CAD$750,000 total minimum) during the Earn-in Period to earn 75% of the BamaStar Graphite Project.
- South Star to extend or renew, as needed, and as part of the earn-in expenditure, the existing mineral leases and surface agreements on the BamaStar Graphite Project to ensure they are valid for a period of a minimum of 12 months beyond the Earn-in Period.
- Upon satisfaction of the first three items listed above, South Star shall have the right, but not the obligation, exercisable within an agreed period, to acquire 75% of the BamaStar Graphite Project, following which (subject to the put option described below) the parties would operate the BamaStar Graphite Project as a joint venture.
- For a period of six months following the exercise of the 75% earn-in option ("Option Period"), Hexagon and USCM individually have the right, but not the obligation, to sell their remaining 25% interest in the BamaStar Graphite Project for an aggregate payment of CAD$250,000 in South Star shares ("Put Option").
- During the Option Period, any expenditures will be shared pro rata. Failure by any party to pay their share shall result in a proportional dilution of interest in the BamaStar Graphite Project.
- Should South Star's interest in the BamaStar Graphite Project increase to 90% or greater, South Star shall have the right, but not the obligation, to purchase the entire remaining interest not owned or under its control on a basis proportional to the Put Option.
- Within six months of the BamaStar Graphite Project achieving commercial production, South Star shall make a payment of CAD$250,000 in South Star shares ("Production Bonus"). The Production Bonus shall be proportionately reduced to reflect any reduction in the remaining 25% interest held by the parties.

In 2022, the Company contracted North Carolina State University Mineral Research Laboratory ("MRL") to complete a metallurgical testing program using 3 x 1-tonne samples of ore from various targets within the BamaStar Graphite Project which were delivered to MRL in August 2022. A bulk sampling program was carried out in 2019 at the BamaStar Project during which a total of approximately 100 tons of prospective material from 8 locations were extracted, crushed and placed in 1-ton super sacks. All sacks were sealed, marked for identification and securely stored in a commercial warehouse. A one-ton sample sack was selected from each of 3 sample locations and sent to the MRL for pilot and bench scale work. The bulk sample locations selected are identified as CMB002, CMB005 and CMB007 (See exploration map from news release dated December 12, 2022) and were chosen to be representative across the project area. Approximately 30 kgs of bulk flake concentrate with an average Cg grade of 94.12% was produced. Intermediate process samples including ore, rougher concentrate and tails were preserved for further testing.

The concentrates will be sent to a technological partner in the United States for physical and chemical characterization and value-add/battery testing. The program will encompass:
- Characterization of physiochemical properties;
- Carbothermal purification;
- Micronization;
- Spheronization and coating;
- Cathode conductivity enhancement material;
- LiB coin cell construction and long-term cycling;
- Coating dispersion;
- Expandability; and
- Market analysis to maximize profitability for a basket of goods produced from and based on the BamaStar Project's graphite characteristics.

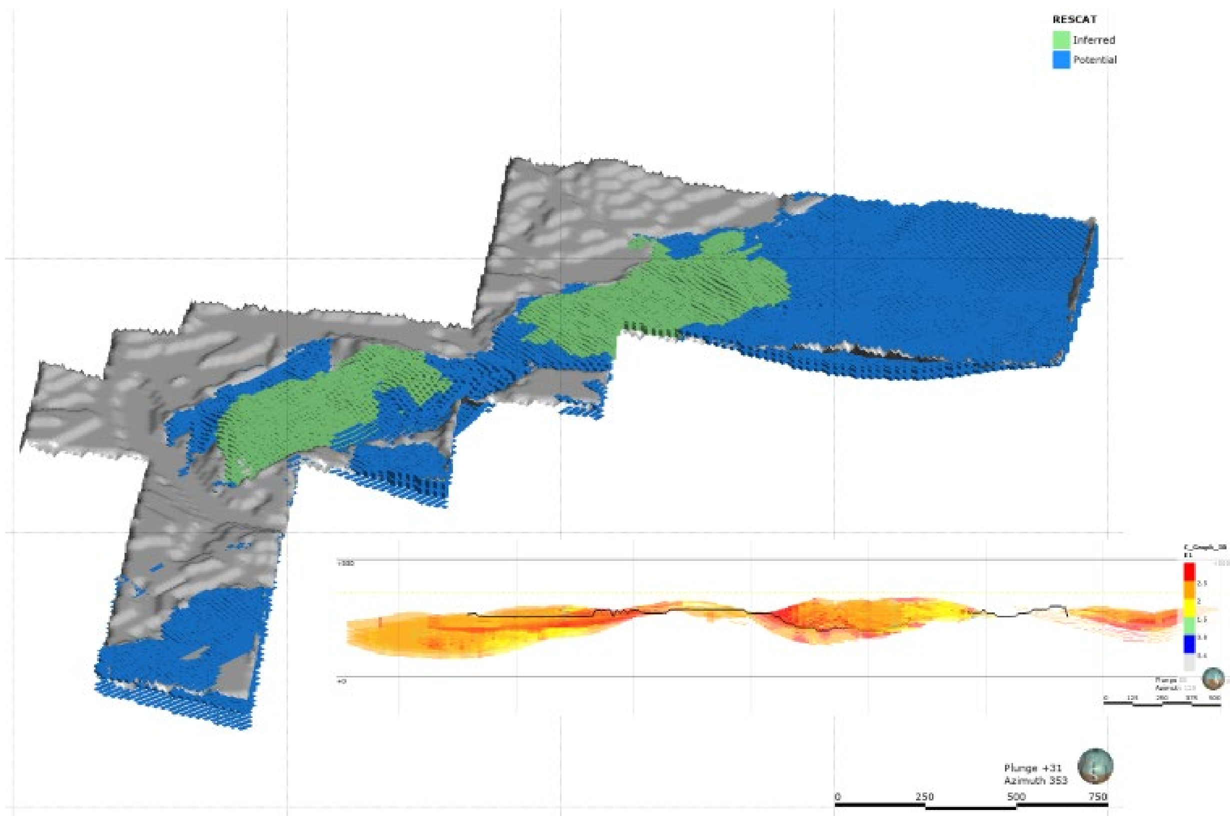
The Company completed a maiden drilling campaign at the BamaStar Graphite Project which was carried out by Logan Drilling USA and consisted of 12 holes of HQ core and totaled 506 meters. Sample assays for all 12 holes were completed at Activation Laboratory Ltd. ("Actlabs") in Ontario, Canada.

The maiden drilling program was based on the previous mapping, trenching and sampling. The program was designed to test the geologic model, lithologies, controls and mineralization. Drill collar locations for the 12 holes in Phase 1 can be viewed on a map on South Star's website.

Assay samples were sent to ActLabs and graphitic carbon (% Cg) was tested using LECO analysis. Actlabs is an accredited independent laboratory with the ISO 9001:2015 & ISO/IEC 17025:2017 registrations.

In April 2023, the Company published NI 43-101 Mineral Resource Estimate and Technical report with summary results as follows:

The maiden resource estimate includes 520,000 tonnes of contained graphite with an open pit-constrained mineral resource estimate of 22M tonnes of inferred resources at an average grade of 2.4% (Cg), based on a 1.1% cut-off grade. The mineral resource estimate confirms the significant potential of this historical mine with graphite mineralization open at depth and in both directions (NE & SW). Further, the mineral resource estimate and initial open pit optimization confirms the deposit is amenable to open pit mining operations with at-surface mineralization and low strip ratios.



Mineral Resource Estimate

Figure 1: BamaStar NI 43-101 Inferred and Potential Mineral Resource Estimate

Table 1. Mineral Resource Statement: Open Pit-Constrained Resources (1.1% Cg cut-off grade).

Mineral Resource Category	Zone	Density (g/cm³)	Tonnes (M)	Graphitic Carbon (% Cg)	In-Situ Graphite (t)
Inferred	Central	2.64	11	2.4	260,000
	North	2.60	11	2.3	260,000
	Totals:	**2.62**	**22**	**2.4**	**520,000**

Table 2. Un-constrained Inferred Mineral Resources (1.1% Cg cut-off grade).

Mineral Resource Category	Zone	Density (g/cm³)	Tonnes (M)	Graphitic Carbon (% Cg)	In-Situ Graphite (t)
Inferred	Central	2.64	11	2.5	270,000
	North	2.61	12	2.3	280,000
	Total:	**2.62**	**23**	**2.4**	**540,000**

Notes to Table 1 and Table 2 (#7 does not apply to Table 2):

1. *The independent Qualified Person for the Mineral Resource Estimate, as defined by NI 43-101, is Mr. Simon Mortimer, (FAIG #7795) of Atticus Geoscience Consulting S.A.C., working with Caracle Creek International Consulting Inc. The effective date of the Mineral Resource Estimate is March 7, 2023.*
2. *These Mineral Resources are not Mineral Reserves as they do not have demonstrated economic viability. The quantity and grade of reported Inferred Resources in this Mineral Resource Estimate are uncertain in nature and there has been insufficient exploration to define these Inferred Resources as Indicated. However, it is reasonably expected that the majority of Inferred Mineral Resources could be upgraded to Indicated Mineral Resources with continued exploration. Slight differences may occur due to rounding.*
3. *Mineralized domains were based on lithological contacts. A cut-off grade of 1.0% graphitic carbon (Cg) was used for defining the mineralized domain, which was determined on the basis of core, surface trench, and surface sample pit assay geostatistics and drill core lithologies for the deposit.*
4. *Geological and block models for the Mineral Resource Estimate used data from a total of 12 surface diamond drill holes (core), 29 trenches, and 90 surface sample pits. The drill hole database was validated prior to resource estimation and QA/QC checks were made using industry-standard control charts for blanks, core duplicates and commercial certified reference material inserted into assay batches by South Star Battery Metals.*
5. *Quantities and grades in the Mineral Resource Estimate are rounded to an appropriate number of significant figures to reflect that they are estimations. Slight differences may occur due to rounding.*
6. *An economic cut-off grade of 1.1% graphitic carbon (Cg) was calculated and applied to the resource block model for reporting purposes.*
7. *The mineral resource estimates (Central and North zones) were constrained by conceptual pit envelopes using the following optimization parameters, as provided by South Star Battery Metals, and agreed to by the QP. Commodity prices used were (US$) $7,770/t graphite, pit slopes of 34 degrees in oxide and 54 degrees in fresh rock. Mining and processing costs (US$) were based on benchmarking from similar deposit types, utilizing a mining cost of $2.25/t (oxide) and $2.75/t (fresh rock), recovery of 97.2% graphite, with processing cost of $76.12/t (oxide) and $78.10/t (fresh rock), and a G&A cost of $2.00/t. Pit optimization was performed using Datamine's Studio NPVS software.*
8. *The geological model comprises one mineralized domain split into five solids due to faulting, they are hosted by quartzites and sillimanite gneisses both with quartz veins and graphite lenses up to 40 m wide. Individual wireframes were created for each domain.*
9. *The block model was prepared using Leapfrog Edge. A 15 m x 15 m with variable height block model was created and samples were composited at 1.0 m intervals. Grade estimation for graphite used data from trench and drill hole data and was carried out using Inverse Distance Squared Weighting.*

10. Grade estimation was validated by comparison of input and output statistics (Nearest Neighbor method), swath plot analysis, and by visual inspection of the assay data, block model, and grade shells in cross-sections.
11. Density assignation was carried out for the mineralization domain using flat density by weathering domain, on the basis of 37 specific gravity measurements collected in 14 surface locations, and 51 specific gravity measurements collected during the core logging process, the average estimated density value within the strong weathering is 2.32 g/cm3 (t/m3), moderate weathering is 2.47 g/cm3 (t/m3), weak weathering is 2.62 g/cm3 (t/m3), while the fresh rock domain of the resource model yielded 2.80 g/cm3 (t/m3).
12. The Mineral Resource Estimate was prepared following the CIM Estimation of Mineral Resources & Mineral Reserves Best Practice Guidelines (November 29, 2019).

The 2023 drilling program was completed in August 2023. The PEA will present the vertically integrated strategic production plan of concentrates from both Santa Cruz and BamaStar mines feeding a centrally located, value-add plant in the southeast United States and producing active anode material for electric vehicles, as well as purified/micronized and expandable graphite products.

Outlook

Santa Cruz Phase 1 (5,000 tpy concentrates) is in construction with commercial production scheduled for August 2024. In 2024, work is planned to begin on an updated NI 43-101 Feasibility Study to expand resources and reserves, update costs/pricing assumptions, revise capital and operating forecasts, and incorporate Phase 3 expansion to 50,000 tpa of concentrates. The Phases 2 & 3 environmental permits were approved in February 2024. The approval of the final mining license for five of the main claims, including the areas required for all the near-term production, is expected around Q2 2024. The Santa Cruz FS is expected to take approximately 12 months, once the drilling and analytics are complete. Once the FS is completed and all the permits are in hand, an investment decision can be weighed regarding future expansions.

The BamaStar Graphite Project is ahead of the original 3-year development program as outlined in the earn-in Agreement. The NI 43-101 Mineral Resource Estimate and Technical report was filed in April 2023. In 2023, approximately 1,900 meters were completed and a resource / reserve estimate update will be completed to support a NI 43-101 PEA. The PEA's techno-economic analysis will present a scenario with concentrates from both BamaStar and Santa Cruz providing feedstocks for the secondary processed, specialty-graphite products. The Study will outline the strategic production/commercial plan for South Star's planned downstream transformation plant for the manufacturing of battery-graphite and other specialty-graphite commercial products, in the southeastern USA. The PEA is expected to completed in July 2024. Once the PEA is completed, The Company intends to continue directly to starting the field work and drilling programs required for the BamaStar FS, which is expected to be completed in December 2025.

Richard L. Pearce, a Director of South Star Battery Metals Corp., is a Qualified Person as defined by National Instrument 43-101 and was responsible for verifying the scientific and technical information herein and has read and approved this MD&A.

Selected Annual Information

	Year ended December 31, 2023	Year ended December 31, 2022	Year ended December 31, 2021
Net loss	$ 5,011,435	$ 4,902,486	$ 2,223,185
Basic and diluted loss per share*	0.14	0.21	0.15
Total assets	29,224,344	26,471,888	9,389,602
Working capital	3,779,431	16,318,359	3,231,983
Total long-term liabilities	14,397,340	14,257,266	-

*Post 5:1 share consolidation

Over 2021, the Company focused on the preparation of its Santa Cruz Graphite Project for development. At the end of 2021, the Company entered into the BamaStar Agreement and brought the BamaStar Graphite Project into its portfolio. Over 2022, the Company worked to finance the Phase 1 operations of the Santa Cruz Graphite Project through equity financings and the Stream Agreement culminating in the Phase 1 Stream closing in Q4 2022. Additionally, the Company completed its first drill program on the BamaStar Graphite Project. Overall 2022 reflects a higher rate of activity which the Company anticipates will trend higher in future years. The year ended December 31, 2023 reflects the development of the capital assets of Santa Cruz Graphite Project toward commercial production to begin in 2024. Additionally, the Company published a maiden NI 43-101 technical report on to the BamaStar project which included a maiden resource estimate as disclosed above.

Results of Operations

The tables below present the Company's exploration expenditures at the Santa Cruz Graphite Project in Bahia, Brazil, up to the point it converted to a development property in 2022, and BamaStar Graphite project in Alabama, U.S. over the years ended December 31, 2022 and 2023. Work programs and ongoing activity are detailed in the Business Highlights. Significantly, the year ended December 31, 2022 reflects the Company's first drill program and assays on the BamaStar Graphite Project and permitting and preparatory work in Brazil culminating in the transition to development work at the end of 2022. In the year ended December 31, 2023, the BamaStar Graphite Project completed drilling leading to a NI 41-101 resource report.

The Company's exploration and evaluation expenditures for the years ended December 31, 2023 and 2022 are as follows:

For the year ended December 31, 2023	BamaStar Graphite, USA	Total
Drilling	$ 935,573	$ 935,573
Field office expenses	157,308	157,308
Geological and technical reporting	290,741	290,741
Project management	86,379	86,379
Property costs	8,562	8,562
Expenses incurred during the year	$ 1,478,563	$ 1,478,563

For the year ended December 31, 2022	BamaStar Graphite, USA	Santa Cruz, Brazil	Total
Drilling	$ 212,079	$ -	$ 212,079
Field office expenses	44,619	58,483	103,102
Geological and technical reporting	75,925	86,110	162,035
Information technology	-	60,133	60,133
Material testing program	131,449	-	131,449
Permits and licenses	-	32,688	32,688
Professional fees	-	137,892	137,892
Project management	48,948	-	48,948
Property costs	15,615	-	15,615
Travel and transportation	14,639	27,543	42,182
Wages and service fees	-	466,675	466,675
Expenses incurred during the year	$ 543,274	$ 869,524	$ 1,412,798

Summary Quarterly Results

The following table summarizes the quarterly results for each of the three-month periods ended:

In Canadian dollars	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023
Total assets	$ 29,224,344	$ 30,696,096	$ 26,811,613	$ 27,119,052
Long-term liabilities	14,397,340	14,906,819	14,197,633	14,680,087
Working capital	3,779,431	8,384,663	8,585,931	1,460,770
Net loss	(1,325,614)	(1,516,702)	(1,311,110)	(858,009)
Basic and diluted loss per share*	(0.03)	(0.04)	(0.04)	(0.03)
	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022
Total assets	$ 26,471,888	$ 12,335,400	$ 13,142,905	$ 10,291,815
Long-term liabilities	14,257,266	511,609	484,195	1,054,727
Working capital	16,318,359	966,296	1,792,326	1,460,770
Net loss	(2,244,065)	(828,584)	(976,348)	(853,489)
Basic and diluted loss per share*	(0.08)	(0.04)	(0.05)	(0.04)

*Post 5:1 share consolidation effected June 2022

Over the periods presented, periodic private placements or similar financings have bolstered total assets and enabled investment into the Santa Cruz Graphite Project and the BamaStar Graphite Project in 2022. The completion of the Phase 1 Stream with SRSR in the quarter ended December 31, 2022 has spurred the movement to development of the Santa Cruz Graphite Project and injected US$10 million into the Company. The amount is recorded as a long-term liability (deferred revenue). This also added a non-cash expense of $440,882 for warrants issued to SRSR in the quarter ended December 31, 2022. The loss per quarter over 2022 increased with additional capital resources from private placements and the addition of the BamaStar Graphite Project with the associated drill program in 2022. Work in the three months ended March 31, 2023 and June 30, 2023 included the continuing development of the Santa Cruz Graphite Mine Project as well as exploration on the BamaStar Graphite Project.

Results of Operations

Results for the three months ended December 31, 2023 and 2022

During the three months ended December 31, 2023, the Company incurred a net loss of $1,325,614 as compared to a net loss of $2,244,065 for the three months ended December 31, 2022. Significant items making up the loss include:

- Consulting and management fees of $274,191 (2022 - $298,199) which captures the costs of the CEO, CFO and supporting accounting staff as well as additional support for the BamaStar operations.
- Exploration and evaluation expenditures of $46,553 (2022 - $585,337) reflect the timing of exploration projects conducted on the Company's properties. The Company had completed its planned exploration for BamaStar in the three months ended September 30, 2023 and was working on financing options for its next phases in the current period. Expenditures for the three months ended December 31, 2023 included the tail end of the exploration and evaluation phase of the Santa Cruz Graphite Project before moving into development, and a drill program on the BamaStar Graphite Project.
- Investor relations expense of $68,869 (2022 - $118,642) reflected marketing programs and resources during the respective periods.
- Professional fees of $68,195 (2022 - $444,494) include ongoing legal and audit fees. In the prior period, an increase specifically related to legal and closing costs under the Stream Agreement.
- Share-based payments expense of $170,249 (2022 - $33,960) is a non-cash expense related to the valuation of stock options and restricted share units granted and vesting to key personnel and consultants.
- Wages and support staff of $164,371 (2022 - $Nil) relates to costs for staff in Brazil to support operations.
- Finance expense of $412,283 (2022 - $767,859) materially relates to the recognition of a non-cash financing expense on the deferred revenue of the stream pursuant to accounting standards. In the three months ended December 31, 2022, the expense included a non-cash financing expense on the deferred revenue of the stream pursuant to accounting standards of $166,847, a non-cash financing expense related to land purchase of $116,941 and $440,882 for warrants granted to SRSR pursuant to the closing of the Phase 1 Stream. The

Company incurred an interest expense of $40,773 on the US$2 million Promissory Note under the terms of the Stream Agreement in the three months ended December 31, 2022.

Results for the years ended December 31, 2023 and 2022

During the year ended December 31, 2023, the Company incurred a net loss of $5,011,435 as compared to $4,902,486 for the year ended December 31, 2022. Significant items making up the loss include:

- Consulting and management fees of $728,881 (2022 - $582,856) includes the costs of the CEO, CFO and supporting accounting staff. In late 2022, the Company engaged additional consulting support for furtherance of the BamaStar Graphite Project.
- Exploration and evaluation expenditures of $1,478,564 (2022 - $1,412,798) are incurred relative to exploration programs in a financial period. In the current year, the Company completed its NI 43-101 Maiden Resource Report on BamaStar Graphite Project in Alabama, U.S. and completed a drill program in September 2023. In 2022, the Company continued to advance the Santa Cruz Graphite Project to secure a construction permit, improve company infrastructure in preparation for development work and additions to the in-country team before entering the development phase in December 2022. The Company also completed a work program on the BamaStar Graphite Project inclusive of a material testing program, and first drilling program with associated assays.
- Investor relations expense of $342,969 (2022 - $794,304) includes marketing programs, news release services and human resources during the respective periods.
- Office expense of $209,331 (2022 - $77,152) includes expanded and enhanced insurance coverage for its development works in Brazil and a more robust operational environment in Brazil.
- Professional fees of $213,152 (2022 - $961,668) include ongoing legal, tax advisory and audit fees. In the prior period, expenses included transaction closing costs reimbursed to SRSR pursuant to the terms of the Stream Agreement and legal fees with an increase specifically related to legal costs under the Stream Agreement for the binding agreement and closing on the Phase 1 Stream.
- Share-based payments expense of $228,564 (2022 - $320,832) is a non-cash expense related to the valuation of stock options and restricted share units granted and vesting to key personnel and consultants.
- Travel and transportation costs of $179,418 (2022 – $46,167) has increased due to the increased activity in Brazil.
- Wages and support staff of $594,270 (2022 - $Nil) relates to costs for staff in Brazil to support operations.
- Finance expense of $1,622,178 (2022 - $767,859) includes recognition of a non-cash financing expense on the deferred revenue of the stream pursuant to accounting standards of $1,619,602. In the year ended December 31, 2022, the expense included a non-cash financing expense on the deferred revenue of the stream pursuant to accounting standards of $166,847, a non-cash financing expense related to land purchase of $116,941 and $440,882 for warrants granted to SRSR pursuant to the closing of the Phase 1 Stream. The Company incurred an interest expense of $40,773 on the US$2 million Promissory Note under the terms of the Stream Agreement in the year ended December 31, 2022.

Additionally, the Company incurred a non-recurring recovery of $137,033 in the year ended December 31, 2023 by issuing RSUs vesting through April 2024 to the CEO in settlement of a bonus accrued as of December 31, 2022.

In the year ended December 31, 2023, the Company generated interest income of $667,700 (2022 - $131,743) on its cash and cash equivalents in Canada and Brazil.

Liquidity

The Company's mineral exploration and development activities do not currently provide a source of income and we therefore have a history of losses, and an accumulated deficit. However, given the nature of our business, the results of operations as reflected in the net losses and losses per share do not provide a complete interpretation of our valuation.

As of December 31, 2023, the Company had working capital of $3,779,431. This balance included a cash and cash equivalents balance of $6,451,034 (2022 - $17,257,618) to settle current liabilities of $2,784,962 (2022 - $1,098,874).

Prior to the execution of the Phase 1 Stream, the Company financed its operations primarily through the issuance of common shares and convertible debentures. As needed, the Company will continue to seek capital to fund its business objectives which include exploration and engineering studies related to both the Santa Cruz and the BamaStar Graphite Projects. The Company will require additional capital to execute its business objectives.

Operating Activities: The Company does not yet generate cash from active operating activities. The Company used net cash for operating activities for the year ended December 31, 2023, of $3,122,993 (2022 – generated cash of $9,653,131). The positive cash flow in the year ended December 31, 2022 relates to the receipt of the Phase 1 Consideration from the Stream Agreement as deferred revenue. The operating Company does not generate revenue at this time and operating activities reflect cash consumed in its regular development, exploration, and corporate activities.

Investing Activities: Net cash used by the Company for investing activities for the year ended December 31, 2023 was $12,786,818 (2022 – $2,263,145). The Company invested $11,711,912 (2022 - $241,920) into construction of assets and mine development costs which includes delivery of significant mill assets, ongoing infrastructure, civil and earthworks at the Santa Cruz Graphite Mine Project. Additionally, the Company made payments, net of applied amounts, of $401,191 (2022 - $Nil) toward the purchase of machinery and equipment pending delivery. In 2023, the Company spent $673,714 (2022 - $926,929) for land purchase payments pursuant to the contractual payment plan to acquire land at the Santa Cruz site.

Financing Activities: For the year ended December 31, 2023, cash generated from financing activities was $4,473,482 (2022 – $6,200,922). The Company received $4,590,748 (2022 - $6,542,553) from issuance of shares and paid $96,176 (2022 – $388,531) in share issuance costs. Additionally, the Company received $Nil (2022 - $9,625) from the exercise of options and $Nil (2022 - $39,750) from the exercise of warrants. The Company made lease payments of $21,090 (2022 - $9,467) in the year ended December 31, 2023. In the year ended December 31, 2022, the Company received a promissory note of $2,498,000 from SRSR and repaid the amount in November 2022 at a value of $2,721,174.

Subsequent to December 31, 2023, the Company completed a non-brokered private placement of 9,301,352 common shares at a price of $0.72 per common share for gross proceeds of $6,697,119. The Company paid cash of $190,421 and issued 125,472 common shares as finder's fees.

The financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company's continuing operations rely on the ability of the Company to continue to raise capital until it achieves profitable operations.

Capital Resources

In 2022, the Company entered into land purchases payable over two years pursuant to a payment schedule. Title to the land will transfer once the payments are completed. The Company has remaining (undiscounted) purchase obligations of $654,701.

The Company entered into the Stream Agreement with the Phase 1 Stream closing in November 2022. Consequently, the Company recognized a deferred revenue obligation of US$10 million which is presented as a long-term liability.

The Company will continue to seek capital to advance its business objectives as defined above in "Outlook". In the past the Company has raised capital in the public markets by issuing common shares pursuant to private placements and through loans payable. The Company does not presently utilize any quantitative measures to monitor its capital and is not subject to externally imposed capital requirements.

Off-Balance Sheet Arrangements

As December 31, 2023, the Company had no material off-balance sheet arrangements such as guarantee contracts, contingent interest in assets transferred to an entity, derivative instruments obligations or any obligations that trigger financing, liquidity, market, or credit risk to the Company.

Related Party Transactions

Key management personnel consist of the officers of the Company and the Company's Board of Directors. During the year ended December 31, 2023, the Company:

a) Paid or accrued management and consulting fees of $104,318 (2022 - $107,246) to Red Fern Consulting Ltd., a company in which the Chief Financial Officer ("CFO") is a significant shareholder, for services provided by the CFO and accounting team;

b) Paid or accrued management and consulting fees of $329,068 (2022 – $438,962) to the Chief Executive Officer of the Company and employment benefits of $13,728 (2022 - $28,167) to the CEO of the Company;

c) Paid or accrued management and consulting fees of $2,700 (2022 - $10,000) to Eric Allison, a director of the Company; and

d) Paid or accrued management and consulting fees of $16,580 (2022 - $Nil) to a company controlled by Roger Mortimer, a director of the Company.

Included in accounts payable and accrued liabilities as at December 31, 2023, is $126,915 (2022 - $218,516) due to officers, directors or companies with a director in common for cash advances, unpaid consulting fees and unpaid expenses. The amounts due to related parties are unsecured, non-interest bearing and due on demand.

During the period ended December 31, 2023, the Company granted 257,436 RSUs to the CEO in settlement of a compensation bonus in the amount of US$101,068 recorded as of December 31, 2022. The RSUs vest over the period of one year. Consequently, the Company recorded a recovery of $137,033 for the amount previously recorded to accounts payable for management bonus compensation in the year ended December 31, 2023 and related party share-based compensation of $92,705 related to the RSUs.

During the year ended December 31, 2023, the Company recorded share-based payments of $104,563 (2022 - $286,049) related to the fair value of stock options granted and vested to key management personnel and additional share-based payments expense of $6,400 (2022 - $nil) for RSUs.

Proposed Transactions

There are no proposed transactions, defined as a proposed asset or business combination or disposition, under consideration.

Changes in Accounting Policies including Initial Adoption

The Company's accounting policies are described in Note 4 of its annual audited financial statements for the year ended December 31, 2023.

Financial Instruments and Risk Management

Financial assets and financial liabilities are measured on an ongoing basis at fair value or amortized cost. The disclosures in the notes to these financial statements describe how the categories of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognized.

As at December 31, 2023, the carrying value and fair values of the Company's financial instruments, with comparative figures for December 31, 2022 are shown in the table below:

	December 31, 2023		December 31, 2022	
	Fair Value	Carrying Value	Fair Value	Carrying Value
Financial assets				
Cash and cash equivalents	$ 6,451,034	$ 6,451,034	$ 17,257,618	$ 17,257,618
Financial liabilities				
Accounts payable	1,563,302	1,563,302	470,121	470,121
Land purchase liability	654,701	625,962	1,253,685	1,141,103

Financial risk factors

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and receivables. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions.

Liquidity risk

The Company's approach to managing liquidity risk is to try and have sufficient liquidity to meet liabilities when due. As of December 31, 2023, the Company had a cash and cash equivalents balance of $6,451,034 (2022 - $17,257,618) to settle current liabilities of $2,784,962 (2022 - $1,098,874). All of the Company's accounts payable and accrued liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms. Land purchase commitments are subject to payment plans with some timing uncertainty relative to contractual deliverables by the seller.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. The Company does not have a practice of trading derivatives.

Currency risk

The Company's main project is in Brazil with local operations. As such, the Company is exposed to foreign currency risk. Fluctuations in the exchange rate between the Canadian dollar, United States dollar and the Brazilian real (R$) may have an adverse effect on the Company's business. The Company does not enter into any foreign exchange hedging contracts. As at December 31, 2023, the Company held net financial instruments liabilities in Brazil of R$4,400,000 (CAD$1,200,000). A 10% movement in the foreign exchange rate would have impacted other comprehensive income by approximately $120,000 as the Brazilian real is the functional currency of that entity. Foreign currency risk will have an impact the Company's net loss and net financial instruments.

Interest rate risk

The Company's financial assets exposed to interest rate risk consist of cash balances. The Company's current policy is to invest excess cash in high-interest bank accounts and investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As at December 31, 2023, the Company had deposits of $776,111 (R$2,847,070) in interest-bearing cash equivalents in Brazil. As at December 31, 2023, the Company did not have any interest-bearing debt.

Price risk

The Company is exposed to price risk with respect to commodity and equity prices. The Company closely monitors commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

Outstanding Share Data

As at the date of this report, the Company had 51,362,791 common shares issued and outstanding. The Company has 257,436 restricted share units (RSUs) outstanding and vesting on April 27, 2024 and 334,035 RSUs outstanding and vesting on January 5, 2025.

The following incentive stock options and share purchase warrants were outstanding at the date of this report:

	Number	Exercise price	Expiry date
Stock options			
	18,000	$ 0.75	June 17, 2024
	100,000	0.62	December 7, 2024
	462,000	0.275	August 4, 2025
	835,000	0.41	August 24, 2027
	208,000	0.74	December 21, 2028
	1,623,000		

	Number	Exercise price	Expiry date
Share purchase warrants			
	1,060,000	$ 0.30	May 4, 2024(1)
	4,472,800	0.75	October 25, 2024(2)
	3,468,890	1.25	June 23, 2027(2)
	4,365,096	1.25	November 3, 2027(2)
	69,194	0.53	November 3, 2027(2)
	4,390,000	1.25	November 15, 2027(2)
	73,300	0.53	November 15, 2027(2)
	1,200,000	0.72	November 22, 2025(3)
	434,277	1.25	January 12, 2028(2)
	8,685	0.53	January 12, 2028(2)
	127,925	1.25	May 23, 2028(2)
	1,159,981	1.25	July 15, 2028(2)
	7,373,884	1.25	August 11, 2028(2)
	28,204,032		

Outstanding warrants are subject to acceleration clause: If during a period of ten consecutive trading days between the date that is four (4) months following the issuance and the expiry of the Warrants the daily volume weighted average trading price of the common shares of the Company on the TSXV (or such other stock exchange where the majority of the trading volume occurs) exceeds
(1) C$1.25,
(2) C$2.50, or
(3) C$1.80,
respectively, on each of those ten consecutive days, the Company may, within 30 days of such an occurrence, give written notice to the holders of the Warrants that the Warrants will expire at 4:00 p.m. (Vancouver time) on the 30th day following the giving of notice unless exercised by the holders prior to such date. Upon receipt of such notice, the holders of the Warrants will have 30 days to exercise their Warrants. Any Warrants which remain unexercised at 4:00 p.m. (Vancouver time) on the 30th day following the giving of such notice will expire at that time.

RISK FACTORS

The securities of the Company should be considered a highly speculative investment and investors should carefully consider all of the information disclosed in this MD&A and the Company's profile on the SEDAR+ website at www.sedarplus.ca prior to making an investment in our securities. In addition to the other information presented in this MD&A, the following risk factors should be given special consideration when evaluating an investment in any of our securities.

There is no assurance that risk management steps taken will avoid future loss due to the occurrence of the risks described below (or incorporated by reference herein) or other unforeseen risks. If any of the risks described below actually occur, then the Company's business, financial condition and operating results could be adversely affected.

The risks and uncertainties described or incorporated by reference herein are not the only ones the Company faces. Additional risks and uncertainties, including those that the Company is unaware of or that are currently deemed immaterial, may also adversely affect the Company and its business. Investors should consult with their professional advisors to assess any investment in the Company.

Market Disruption and Geopolitical Risks

Market disruption can be caused by economic, financial, or political events and factors, including but not limited to, international wars or conflicts (including Russia's military invasion of Ukraine), geopolitical developments (including trading and tariff arrangements, sanctions and cybersecurity attacks), instability in regions such as Asia, Eastern Europe and the Middle East, terrorism, natural disasters and public health epidemics (including the outbreak of COVID-19 globally).

The extent and duration of such events and resulting market disruptions cannot be predicted but could be substantial and could magnify the impact of other risks to the Company. These and other similar events could adversely affect the U.S. and foreign financial markets and lead to increased market volatility, reduced liquidity in the securities markets, significant negative impacts on issuers and the markets for certain securities and commodities and/or government intervention. They may also cause short- or long-term economic uncertainties in the United States and worldwide. Further, due to closures of certain markets and restrictions on trading certain securities, the value of securities of the Company could be significantly impacted, which could lead to such securities being valued at zero.

Negative Operating Cash Flow

The Company reported negative operating cash flow for the financial year ended December 31, 2023. As a result of the expenses to be incurred by the Company in connection with its business objectives for the development of the Santa Cruz Graphite Project, the Company anticipates that negative operating cash flows will continue until profitable commercial operations are achieved. Accordingly, the Company will be using substantial additional capital in order to fund its future exploration and development activities for its Santa Cruz Graphite Project. Full funding has been arranged through the Streaming Agreement with SRSR to fund Phase 1 and partial funding for Phase 2 of the Company's mine construction on the Santa Cruz Graphite Project. To date, however, the Company has received US$10,000,000 pursuant to the terms of Phase 1 of the Streaming Agreement. Payment of Phase 2 proceeds by SRSR is subject to certain additional conditions, including achieving commercial operations under Phase 1. There is no guarantee that these conditions will be met or that the Company will receive the Phase 2 proceeds from SRSR. There is no guarantee that alternative funding sources for mine construction will be available to the Company. Any failure to obtain additional financing or failure to achieve profitability and positive operating cash flows will have a material adverse effect on its financial condition and results of operations.

Phase 2 Closing

The Stream Agreement provides that the Phase 2 closing and the receipt by the Company of a minimum of an additional US$9.0 million and a maximum US$18.0 million is conditional upon the satisfaction by the Company of certain conditions precedent which include without limitation, completion of a Phase 2 study, receipt by the Company of sufficient available cash (together with the Phase 2 deposit and any committed financing) to complete the development of the Santa Cruz Graphite Project; receipt by the Company of binding quotations from vendors representing quotations for all material equipment required for the Phase 2 commencement of commercial production in accordance with the Phase 2 study; receipt of a cost to complete certificate in respect of the Santa Cruz Graphite

Project; and the production and sale of at least 500 tonnes of graphite products which meet or exceed the stated minimum graphite specifications per month for a period of four consecutive months; as well as satisfactory due diligence by SRSR and receipt of the approval of the investment committee of SRSR. There is no guarantee the Company will be able to achieve the fulfilment of the conditions precedent.

Expropriation Event

The Stream Agreement provides that if there is an expropriation event and the Company or any of its affiliates receives compensation the net proceeds received are to be shared with SRSR in proportion to their respective interests.

Stream Agreement Share Pledges

The Stream Agreement provides that upon the occurrence of certain events of default which include, among other things, failure to make delivery of graphite products as required under the Stream Agreement, failure to make payments to SRSR as its sales agent for such graphite products and a breach of the Company's covenants, subject to customary cure periods (where applicable) will result in the right of SRSR to, among other things, terminate the Stream Agreement and demand damages for its losses. The obligations of the Company and certain of its affiliates under the Stream Agreement and related documents are secured by the Stream Agreement Share Pledges. As a result if the Company or such affiliates are in default of such obligations the Company may lose its interest in and rights over its affiliates which own the Santa Cruz Graphite Project, among other interests/rights.

Additional Financing

The continued development of the Company will require additional financing. There is no guarantee that the Company will be able to achieve its current business strategy. The Company intends to fund its business objectives by way of additional offerings of equity and/or debt financing as well as through anticipated positive cash flow from operations in the future. The failure to raise or procure such additional funds or the failure to achieve positive cash flow could result in the delay or indefinite postponement of current business objectives. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, will be on terms acceptable to the Company. If additional funds are raised by offering equity securities, existing shareholders could suffer significant dilution. The Company will require additional financing to fund its operations until positive cash flow is achieved.

As noted above under the heading "*Negative Operating Cash Flow*", funding has been arranged through the Streaming Agreement to fund mine construction on the Santa Cruz Graphite Project, but there is no guarantee that conditions applicable to delivery of proceeds under the Streaming Agreement will be met or that the Company will receive the Phase 2 proceeds from SRSR. There is no guarantee that alternative funding sources for mine construction will be available if the Company does not receive the proceeds under the Streaming Agreement.

Foreign Operations Risks

Political and related legal and economic uncertainty may exist in the countries where the Company operates or may operate in the future. The Company's mineral exploration, development and mining activities may be adversely affected by political instability and changes to government regulation relating to the mining industry. Inherent risks with conducting foreign operations include, but are not limited to: renegotiation, cancellation or forced modification of existing contracts; expropriation or nationalization of property; changes in laws or policies or increasing legal and regulatory requirements of particular countries including those relating to taxation, royalties, imports, exports, duties, currency, or other claims by government entities, including retroactive claims and/or changes in the administration of laws, policies and practices; uncertain political and economic environments; war, terrorism, sabotage and civil disturbances; delays in obtaining or the inability to obtain or maintain necessary governmental permits or to operate in accordance with such permits or regulatory requirements; currency fluctuations; import and export regulations, including restrictions on the export of graphite or other minerals; limitations on the repatriation of earnings; and increased financing costs.

The Company operates in Brazil and has projects in Brazil and the United States. The Company cannot guarantee that changes will not be made in the government or laws of the jurisdictions in which the Company's operations are located or changes in the regulatory environment for mining companies in general or companies not domiciled in these countries, which could adversely and materially affect the Company.

Government Regulations, Consents and Approvals

Exploration, development and mining activities are subject to laws and regulations governing health and work safety, employment standards, environmental matters, mine development, prospecting, mineral production, exports, taxes, labour standards, reclamation obligations and other matters. It is possible that future changes in applicable laws, regulations, agreements or changes in their enforcement or regulatory interpretation could result in changes in legal requirements or in the terms of permits and agreements applicable to the Company or its properties which could have a material adverse impact on the Company's operations and exploration programs and future development projects.

Mineral Titles

Although the Company has legal ownership on key mining rights, there is no guarantee that title to such mineral property interests will not be contested or challenged. The Company's mineral property interests may be subject to prior unregistered agreements or transfers and ownership may be affected by undetected irregularities. Mining rights may be contested and, if such contest is successful, the development of the Company's assets and/or operations may be adversely affected.

Exploration and Development

Mineral exploration and development of mineral properties involves a high degree of risk, and few properties which are explored are ultimately developed into producing mines. There is no assurance that the Company's exploration and development activities will result in any discoveries of commercial bodies of minerals. The long-term profitability of the Company's operations will be in part directly related to the cost and success of its exploration programs, which may be affected by a number of factors. Unusual or unexpected formations, formation pressures, fires, power outages, labour disruptions, flooding, explosions, tailings impoundment failures, cave-ins, landslides and the inability to obtain adequate machinery, equipment or labour are some of the risks involved in mineral exploration and exploitation activities.

Substantial expenditures are required to establish mineral reserves and resources through drilling, to develop metallurgical processes to extract the resources and, in the case of new properties, to develop the extraction and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major deposit, no assurance can be given that resources will be discovered in sufficient quantities to justify commercial operations or that the funds required for development can be obtained on a timely basis. The commercial viability of a mineral deposit once discovered is also dependent on a number of factors, some of which are the particular attributes of the deposit, such as size, grade and proximity to infrastructure, as well as metal prices. Most of the above factors are beyond the control of the Company. There can be no assurance that the Company's mineral exploration activities will be successful. In the event that such commercial viability is never attained, the Company may seek to transfer its property interests or otherwise realize value or may even be required to abandon its business and fail as a "going concern".

Permits & Licenses

The operations of the Company may require licenses and permits from various governmental authorities to carry out exploration, development and operations at its projects. Obtaining permits can be a complex and time-consuming process. There can be no assurances 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, in a timely manner or at all. Failure to obtain such licenses and permits may adversely affect the Company's business as the Company would be unable to legally conduct its intended exploration work, which may result in it losing its interest in the subject property. Any failure to comply with permits and applicable laws and regulations, even if inadvertent, could result in the interruption or closure of operations or material fines, penalties or other liabilities. In addition, the requirements applicable to sustain existing permits and licenses may change or become more stringent over time and there is no assurance that the Company will have the resources or expertise to meet its obligations under such licenses and permits.

Phase 1 operations are fully licensed with a trial mining license ("GU") and associated environmental license for the Claim 872.737/2010. The Company has paid the municipal building permit for construction of the Phase 1 plant, mine and infrastructure and which was received in the year ended December 31, 2022. The documentation for the definitive mining licenses incorporating Phases 2 (25,000 tpy concentrate) & 3 (50,000 tpy concentrate) for all the 13 mining concessions have been submitted to the Brazilian Mining Authorities and are in technical evaluation. Subsequently, five of the claims, including the main claim for Phase 1 operations, were approved technically at the regional office in February/March 2024, and forwarded to the Ministry of Mines and Energy ("MME") in Brasilia for final review of the life-of-mine permit applications. The approval by the MME of the full mining concessions incorporating Phases 2 and 3 will allow the Company to increase Phase 1 production to name plate capacity of 13,000 tpy from 5,000 tpy.

The Company submitted the consolidated Phases 1, 2 & 3 environmental reports and documentation in April 2023 with the objective of obtaining both the mining and environmental permits and licenses required for Phases 2 & 3. In February 2024, the Company received its environmental permits for Phases 2 & 3 for 8 of its mining claims, including all the main claims currently planned for near-term production. The Phases 2 and 3 environmental permits were approved with conditions generally in line with the Phase 1 permit and are consistent with the current environmental and community engagement programs already underway.

Over the course of its life of mine, the Company will have to obtain additional environmental permits and mining licenses to expand operations. The Company will have to apply for water rights relative to its land access. Environmental and mineral resource legislation are evolving in a manner that may, in the future, require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees.

Production

There would be significant risks associated with the commencement of mining operations at the Company's Santa Cruz Graphite Project. The Company does not have a history of producing graphite from the Santa Cruz Graphite Project and there is no guarantee that the Company will be able to develop a profitable mining operation on the Santa Cruz Graphite Project. Advancing the Santa Cruz Graphite Project to the production stage will involve additional capital and time. The Company is subject to risks associated with developing and establishing a mining operation on the Santa Cruz Graphite Project, including:

- the availability and cost of mining and processing equipment and other supplies;
- the timing and cost of the construction of mining and processing facilities;
- the availability and cost of hiring management and administrative personnel and skilled labour required to run a mining operation on the Santa Cruz Graphite Project;
- increases in projected costs due to differences in grade of mineralized material, metallurgical performance, revisions to mine plans or results from reprocessing heap material;
- increases in the costs of labour, fuel, electricity, and other materials and supplies;
- the availability of funds to finance construction and development activities;
- the ability to extract sufficient graphite from resources to support a profitable mining operation on the Santa Cruz Graphite Project;
- potential opposition from non-governmental organizations, local groups or local inhabitants that may delay or prevent development activities; and
- compliance with environmental and other governmental approval and permit requirements for the Santa Cruz Graphite Project.

It is common for mine development programs to experience unexpected problems and delays prior to commencement of commercial operations. In addition, the Company's management and workforce will need to be expanded, and support systems for the Company's workforce will have to be established. This could result in delays in the commencement of mineral production and increased costs of production. As a result, the Company may not be successful in establishing a mining operation or profitably producing graphite from the Santa Cruz Graphite Project.

Technical Estimates

Mineral resource and reserve estimates and the economic analysis contained in the Santa Cruz Graphite Report are based on interpretation and assumptions. Unless otherwise indicated, mineral resource and reserve estimates and economic analysis presented are based upon estimates made by independent consulting geologists.

Estimates can be imprecise and depend upon geological interpretation and statistical inferences drawn from drilling and sampling, which may prove to be unreliable. We cannot assure you that the estimates are accurate or that mineralized materials from the Santa Cruz Graphite or BamaStar Projects can be mined or processed profitably.

Any material changes in mineral resource and reserve estimates and grades may affect the economic viability of placing the Santa Cruz Graphite Project into production and the Santa Cruz Graphite Property's return on capital.

As the Company has not commenced actual production from the Santa Cruz Graphite Project, mineral resources may require adjustments or revisions. In addition, the grade of mineralized material ultimately mined, if any, may differ from that indicated by our Santa Cruz Graphite Project. Graphite recovered in small scale tests may not be duplicated on a production scale.

The mineral resource and reserve estimates the Santa Cruz Graphite Project have been determined and valued based on assumed future prices for graphite, cut-off grades and operating costs that may prove to be inaccurate. Extended declines in prices for graphite may render our estimates uneconomic and result in reduced reported mineralization or adversely affect our determinations of commercial viability. Any material reductions in estimates of mineralization, or of our ability to profitably extract graphite from our resources, could have a material adverse effect on our share price and the value of the Santa Cruz Graphite Project.

Title to Assets

Although the Company has or will receive title for any concessions in which it has or will acquire a material interest, there is no guarantee that title to such concessions will be not challenged. The Company can never be certain that it or its option partners will have valid title to its mineral properties. Mineral properties sometimes contain claims or transfer histories that examiners cannot verify, and transfers under foreign law are often complex. The Company may or may not carry title insurance on its properties. In some countries, the system for recording title to the rights to explore, develop and mine natural resources is such that a title provides only minimal comfort that the holder has title. Also, in many countries, claims have been made and new claims are being made by aboriginal peoples that call into question the rights granted by the governments of those countries. A successful claim that the Company does not have title to a property could cause the Company to lose its right to that property, perhaps without compensation for its prior expenditures relating to the property.

Surface Rights and Access

Although the Company acquires the rights to some or all of the minerals in the ground subject to the mineral tenures that it acquires, or has a right to acquire, in most cases it does not thereby acquire any rights to, or ownership of, the surface to the areas covered by its mineral tenures. In such cases, applicable mining laws usually provide for rights of access to the surface for the purpose of carrying on mining activities, however, the enforcement of such rights through the courts can be costly and time consuming. It is necessary to negotiate surface access or to purchase the surface rights if long- term access is required. There can be no guarantee that, despite having the right at law to access the surface and carry on mining activities, the Company will be able to negotiate satisfactory agreements with any such existing landowners/occupiers for such access or purchase of such surface rights, and therefore it may be unable to carry out planned mining activities. In addition, in circumstances where such access is denied, or no agreement can be reached, the Company may need to rely on the assistance of local officials or the courts in such jurisdiction the outcomes of which cannot be predicted with any certainty. The inability of the Company to secure surface access or purchase required surface rights could materially and adversely affect the timing, cost or overall ability of the Company to develop the Santa Cruz Graphite Project.

In February 2022, the Company negotiated the land package acquisition on the Santa Cruz Graphite Project required for the Phase 1 operations. The acquisition agreement calls for a series of payments to be made over a period of 2 to 3 years. Title to the land package will transfer upon completion of the required payments, but the Company has access and complete use of the property for operations and exploration. The Company will engage in additional negotiations over the life of mine of the Santa Cruz Graphite Project which may or may not be successful.

Requirement for New Capital

The Company will raise, by way of debt or equity financing or other means, considerable funds to meet its capital needs in the future to expand production. There is no assurance that sufficient funding will be available to the Company for further exploration and development of the Santa Cruz Graphite Project or the Company's other property interests or to fulfill the Company's obligations under applicable agreements. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favorable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of the Santa Cruz Graphite Project and the Company's other projects. It is possible such additional capital will be raised through the issuance of additional equity which will result in dilution to the Company's shareholders.

As noted above under the heading "*Negative Operating Cash Flow*", funding has been arranged through the Streaming Agreement to fund mine construction on the Santa Cruz Graphite Project, but there is no guarantee that conditions applicable to delivery of proceeds under the Streaming Agreement will be met or that the Company will receive the proceeds from SRSR. There is no guarantee that alternative funding sources for mine construction will be available if the Company does not receive the proceeds under the Streaming Agreement.

Dilution

The Company will require additional financing in the future. The Company may issue securities on less than favourable terms to raise sufficient capital to fund its business plan. Any transaction involving the issuance of equity securities or securities convertible into Common Shares would result in dilution, possibly substantial, to present and prospective holders of Common Shares.

Operating Hazards and Risks

Exploration for natural resources involves many risks which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of resources, any of which could result in work stoppages, damage to persons or property and possible environmental damage. Although the Company has or may obtain liability insurance in an amount which it considers adequate, the nature of these risks is such that liabilities might exceed policy limits, the liabilities and hazards might not be insurable against, or the Company might not elect to insure itself against such liabilities due to high premium costs or other reasons, in which event the Company could incur significant costs that could have a material adverse effect upon its financial condition.

Fluctuating Commodity Prices

The Company's future revenues, if any, are expected to be in large part derived from the extraction and sale of graphite and other metals or interests related thereto. The price of those commodities has fluctuated widely, particularly in recent years, and is affected by numerous factors beyond the Company's control including international, economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates, global or regional consumptive patterns, speculative activities and increased production due to new extraction developments and improved extraction and production methods. Current and future price declines could cause commercial production to be impracticable. The Company's revenues and earnings could also be affected by the prices of other commodities. The effect of these factors on the price of graphite, and therefore the economic viability of any of the Company's exploration projects, cannot accurately be predicted.

Development of Mineral Projects into Commercially Viable Mines

Development projects require significant expenditures during the development phase before production is possible. Development projects are subject to the completion of successful feasibility studies and environmental assessments, issuance of necessary governmental permits and availability of adequate financing. The economic feasibility of development projects is based on many factors such as: estimation of Mineral Reserves, anticipated metallurgical recoveries, environmental considerations and permitting, future mineral prices, and anticipated capital and operating costs of these projects. The Santa Cruz Graphite Project has no operating history upon which to base estimates of future production and cash operating costs. Particularly for development projects, estimates of proven and probable mineral reserves and cash operating costs are, to a large extent, based upon the interpretation of geologic data obtained from drill holes and other sampling techniques, and economic studies that derive estimates of cash operating costs based upon anticipated tonnage and grades of ore to be mined and processed, the configuration of the ore body, expected recovery rates from the ore, estimated operating costs, anticipated climatic conditions and other factors. As a result, it is possible that actual capital and operating costs and economic returns will differ significantly from those currently estimated for a project prior to production.

Taxation

The Company has operations and conducts business in multiple jurisdictions and it is subject to the taxation laws of each such jurisdiction. These taxation laws are complicated and subject to change. The Company may also be subject to review, audit and assessment in the ordinary course. Any such changes in taxation law or reviews and assessments could result in higher taxes being payable or require payment of taxes due from previous years, which could adversely affect the Company's profitability. Taxes may also adversely affect the Company's ability to repatriate earnings and otherwise deploy its assets.

Environmental Factors

The Company's operations are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions of spills, release or emission of various substances produced in association with certain mining industry operations, such as seepage from tailing disposal areas, which could result in environmental pollution. Failure to comply with such legislation may result in imposition of fines and penalties. In addition, certain types of operations require submissions to and approval of environmental impact assessments. Environmental legislation is evolving in a manner which means stricter standards and enforcement. These laws and regulations will require the Company to acquire permits and other authorizations for certain activities. There can be no assurance that the Company will be able to acquire such necessary permits or authorizations on a timely basis, if at all. Fines and penalties for non-compliance are also more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. The Company intends to fully comply with all environmental regulations.

Reclamation Costs

Land reclamation requirements are generally imposed on mineral exploration companies (as well as companies with mining operations) in order to minimize long term effects of land disturbance, and the Company is subject to such requirements at its mineral properties. Decommissioning liabilities include requirements to control dispersion of potentially deleterious effluents and reasonably re-establish pre- disturbance land forms and vegetation.

In order to carry out reclamation obligations arising from exploration and potential development activities, the Company may be required to allocate financial resources that might otherwise be spent on further exploration and development programs. Reclamation costs are uncertain and planned expenditures may differ from the actual expenditures required. If the Company is required to carry out unanticipated reclamation work, its financial position could be adversely affected.

Competition

The resource industry is intensely competitive in all its phases, and the Company competes with many other companies possessing greater financial resources and technical facilities than it has. Competition could adversely affect the Company's ability to acquire suitable properties for exploration in the future.

Global Financial Conditions

Market events and conditions, including disruptions in the Canadian, United States and international credit markets and other financial systems, whether due to the COVID 19 pandemic, the current conflict in Ukraine or other factors, and the continued volatility of the Canadian, United States and global economic conditions, could, among other things, impede access to capital or increase the cost of capital, which would have an adverse effect on the Company's ability to fund its working capital and other capital requirements. Notwithstanding various actions by the United States and foreign governments, concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions continue to be volatile and unpredictable. In addition, general economic indicators have deteriorated, including low levels of consumer sentiment and limited economic growth on a global basis. These disruptions in the current credit and financial markets have had, and could continue to have a material adverse impact on a number of financial institutions and have limited access to capital and credit for many companies, particularly junior resource enterprises such as the Company. These disruptions could, among other things, make it more difficult for the Company to obtain, or increase its cost of obtaining, capital and financing for its operations. The Company's access to additional capital may not be available on terms acceptable to the Company or at all.

Political and Economic Instability

The Company may acquire properties located in countries where mineral exploration activities may be affected by varying degrees of political instability and haphazard changes in government regulations such as tax laws, business laws and mining laws. Any changes in regulations or shifts in political conditions would be beyond the control of the Company and may adversely affect its business. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, price control, export controls, income taxes, and expropriation of property, environmental legislation, and mine safety.

The Company may also be affected by possible economic instability. The risks include, but are not limited to, terrorism, military repression, extreme fluctuations in currency exchange rates and high rates of inflation. Changes in resource development or investment policies or shifts in political attitude in certain countries may adversely affect the Company's business. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, expropriation of property, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety. The effect of these factors cannot be accurately predicted.

Anti-Bribery Laws

The Canadian Corruption of Foreign Public Officials Act and the U.S. Foreign Corrupt Practices Act and anti-bribery laws in other jurisdictions, prohibit companies and their intermediaries from making improper payments for the purposes of obtaining or retaining business or other commercial advantage. The Company's policies mandate compliance with these anti-bribery laws, which often carry substantial penalties. The Company operates in jurisdictions that have experienced governmental and private sector corruption to some degree, and, in certain circumstances, strict compliance with anti-bribery laws may conflict with certain local customs and practices. There can be no assurances that the Company's internal control policies and procedures will always protect it from reckless or other inappropriate acts committed by the Company's affiliates, employees or agents. Violations of these laws, or allegations of such violations, could have a material adverse effect on the Company's business, financial position and results of operations.

Foreign Exchange Rate Risk

The Company reports its consolidated financial statements in Canadian dollars but its operations are currently in Brazil and United States. Consequently, the financial results of the Company's operations as reported in Canadian dollars are subject to changes in the value of the Canadian dollar relative to the Brazilian Real and United States Dollar. Exploration activities in Brazil are funded through the Company's Brazilian subsidiary and are recorded in Brazilian Real and translated into Canadian dollars on the consolidated financial statements date. Exploration activities in Alabama are funded through the Company's Alabama subsidiary and are recorded in United States Dollar and translated into Canadian dollars on the consolidated financial statements date. As a result, the Company can be exposed to significant fluctuations in the exchange rate between the Brazilian Real, United States Dollar and the Canadian dollar. The Company does not currently enter into any foreign exchange hedges to limit exposure to exchange rate fluctuations. The Board of Directors continually assesses the Company's strategy toward its foreign exchange rate risk, depending on market conditions.

Litigation Risk

The Company may be subject to claims (including class action claims and claims from government regulatory bodies) based on allegations of negligence, breach of statutory duty, breach of contract, public nuisance or private nuisance or otherwise in connection with its business or operations. Liability resulting from any such claim in the future may have a materially adverse effect on the Company's financial condition or operations.

Government Regulation

Any exploration, development or mining operations carried on by the Company will be subject to government legislation, policies and controls relating to prospecting, development, production, environmental and wildlife protection, mining taxes and labour standards. The Company cannot predict whether or not such legislation, policies or controls, as presently in effect, will remain so, and any changes therein (for example, significant new royalties or taxes), which are completely outside the control of the Company, may materially adversely affect the ability of the Company to continue its planned business within any such jurisdictions.

Management and Dependence on Key Personnel

The Company is dependent upon the personal efforts and commitment of its management, which is responsible for the development of future business. To the extent that management's services would be unavailable for any reason, a disruption to the operations of the Company could result, and other persons would be required to manage and operate the Company. The Company is dependent on a relatively small number of key officers, consultants and employees, the loss of any of whom could have an adverse effect on the Company. Failure to retain key individuals or to attract or retain additional key individuals with necessary skills could have a materially adverse impact upon the Company's success.

Conflicts of Interest

Certain of the directors and officers of the Company may also serve as directors, officers and/or advisors of and to other companies involved in natural resource mining, exploration and development. Consequently, there exists the possibility for such directors and officers to be in a position of conflict. The Company expects that any decision made by any of such directors and officers involving the Company will be made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of the Company and its shareholders, but there can be no assurance in this regard. In addition, each of the directors is required to declare and refrain from voting on any matter in which such directors may have a conflict of interest or which are governed by the procedures set forth in the BCBCA and any other applicable law.

Note Regarding Forward-Looking Statements

Except for historical information, this MD&A may contain forward-looking statements. These statements involve known and unknown risks, uncertainties, and other factors that may cause the Company's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievement expressed or implied by these forward-looking statements.

The factors that could cause actual results to differ materially include, but are not limited to, the following: The Company has no assurance that the licenses will be issued nor if issued, that they will be issued in a timely manner, general economic conditions; changes in financial markets; the impact of exchange rates; political conditions and developments in countries in which the Company operates; changes in the supply, demand and pricing of the metal commodities which the Company hopes to find and successfully mine; changes in regulatory requirements impacting the Company's operations; the sufficiency of current working capital and the estimated cost and availability of funding for the continued exploration and development of the Company's exploration properties.

This list is not exhaustive and these and other factors should be considered carefully, and readers should not place undue reliance on the Company's forward-looking statements. As a result of the foregoing and other factors, no assurance can be given as to any such future results, levels of activity or achievements and neither the Company nor any other person assumes responsibility for the accuracy and completeness of these forward-looking statements.

This MD&A contains certain forward-looking statements inclusive of, but not limited to the production arrangements and the timing of the mine development, mill construction and ore production. Although forward-looking statements and information contained in this MD&A are based on the beliefs of the Company's management, which we consider to be reasonable, as well as assumptions made by and information currently available to the Company's management, there is no assurance that the forward-looking statement or information will prove to be accurate. The assumptions made include assumptions about the Company's ability to move forward with the arrangements as set out in the Agreement. The forward-looking statements and information contained in this MD&A are subject to current risks, uncertainties and assumptions related to certain factors including, without limitations, obtaining all necessary approvals, feasibility of mine and plant development, exploration and development risks, expenditure and financing requirements, title matters, operating hazards, metal prices, political and economic factors, competitive factors, general economic conditions, relationships with vendors and strategic partners, governmental regulation and supervision, seasonality, technological change, industry practices, and one-time events as well as risks, uncertainties and other factors discussed in our quarterly and annual and interim management's discussion and analysis. Should any one or more of these risks or uncertainties materialize or change, or should any underlying assumptions prove incorrect, actual results and forward-looking statements and information may vary materially from those described herein. Accordingly, readers should not place undue reliance on forward-looking statements and information contained in this MD&A. We undertake no obligation to update forward-looking statements or information except as required by law.

South Star Battery Metals Corp.

"Samantha Shorter"

Chief Financial Officer
March 28, 2024