

Management's Discussion and Analysis ("MD&A") is intended to help the reader understand the Liberty One Lithium Corp. ("Liberty One" or the "Company") consolidated financial statements. The information provided herein should be read in conjunction with the Company's audited consolidated financial statements for the year-ended December 31, 2019 and 2018 and related notes attached thereto, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Except as otherwise disclosed, all dollar figures in this report are stated in Canadian dollars ("CAD"). The effective date of this report is June 11, 2020.

Management is responsible for the preparation and integrity of the consolidated financial statements, including the maintenance of appropriate information systems, procedures and internal controls and to ensure that information used internally or disclosed externally, including the consolidated financial statements and MD&A, is complete and reliable. The Company's board of directors follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The board's audit committee reviews with management on a quarterly basis the consolidated financial statements including the MD&A as well as other financial, operating and internal control matters.

Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward-looking statements. See "Forward-Looking Statements" that are subject to risk factors set out in a cautionary note contained herein.

The reader is encouraged to review Company statutory filings on [www.sedar.com](http://www.sedar.com).

## **DESCRIPTION OF BUSINESS AND OVERVIEW**

Liberty One is a development stage company, focused on the acquisition and development of high-grade lithium brine deposits. On May 2, 2017, the Company received approval for the reactivation and graduation for trading on the TSX Venture Exchange ("TSX-V") under the symbol "LBY."

### Outlook

With the continued, and now extended, depression in the lithium market, the Company has sought opportunities in several other industries, but has remained biased towards the resource extraction industry. Given the Company's proven ability to raise equity quickly and efficiently, combined with significant cash reserves, the Company is a sought-after joint venture partner. With the onset of COVID19, some of these opportunities have vanished; however, others have recently come to our attention. The Company is focusing all attention on the opportunities in hand, and to source new ones, and fully expects to capitalize on one of these opportunities in the calendar 2020 year.

**OPERATING AND FINANCIAL SUMMARY****For the year-ended December 31, 2019:**

- Incurred a loss of \$1.5 million compared to \$4.3 million in the previous year
- Closed a non-brokered equity financing for gross proceeds of \$1.0 million in June 2019
- Cash used in operations decreased to \$1.3 million from \$2.2 million in the previous year

**For the three-months ended December 31, 2019:**

- Incurred a loss of \$0.3 million as compared to \$0.4 million in the previous quarter and \$0.6 million in the comparable quarter in 2018
- Cash used in operating activities was \$0.3 million compared to \$0.3 million in the previous quarter and \$0.6 million in the comparable quarter in 2018

**SUMMARY OF QUARTERLY AND YEAR-TO-DATE RESULTS**

|                                              | Three-months ended<br>December 31, |           | Year-ended<br>December 31, |           |
|----------------------------------------------|------------------------------------|-----------|----------------------------|-----------|
|                                              | 2019                               | 2018      | 2019                       | 2018      |
| Total expenses                               | 387,321                            | 438,859   | 1,608,532                  | 3,920,135 |
| Loss and comprehensive loss                  | 349,723                            | 1,099,395 | 1,503,236                  | 4,327,647 |
| Per share – basic and diluted                | 0.00                               | 0.02      | 0.02                       | 0.06      |
| Cash used in operating activities            | 308,608                            | 561,592   | 1,348,512                  | 2,231,377 |
| Per share – basic and diluted <sup>(1)</sup> | 0.00                               | 0.01      | 0.02                       | 0.03      |
| Investing expenditures                       | -                                  | 15,045    | 13,062                     | 16,622    |
| Working capital                              |                                    |           | 7,149,349                  | 7,676,664 |
| Shareholders' equity                         |                                    |           | 7,323,286                  | 7,845,520 |
| Total assets                                 |                                    |           | 7,713,294                  | 8,29,652  |

<sup>(1)</sup> Based on the same weighted average number of common shares outstanding used to calculate loss and comprehensive loss per share.

**EXPENSES**

Excluding stock-based compensation and depreciation expenses for the three-month periods and years-ended December 31 2019 and 2018 are as follows:

|                                                                    | Three-months ended<br>December 31, |          | Year-ended<br>December 31, |             |
|--------------------------------------------------------------------|------------------------------------|----------|----------------------------|-------------|
|                                                                    | 2019                               | 2018     | 2019                       | 2018        |
| Total expenses                                                     | 387,321                            | 438,859  | 1,608,532                  | 3,920,135   |
| Less non-cash expenses (depreciation and stock-based compensation) | (23,807)                           | (28,675) | (94,820)                   | (2,103,106) |
| Total cash expenses                                                | 363,514                            | 410,184  | 1,513,712                  | 1,817,029   |

For the three-month period ended December 31, 2019 as compared to the same period in 2018, total cash expenses decreased primarily due to lower professional fees in the current quarter.

For the year-ended December 31, 2019 as compared to the prior year, total cash expenses decreased primarily due to decreased professional fees and marketing activities in the current year.

The Company expects cash expenses to remain consistent with the current quarter in the near term, however if exploration or development activity increase, cash expenses may also increase if the Company determines it would be beneficial.

Stock-based compensation

During the three-months ended December 31, 2019, the Company incurred \$Nil (Three-months ended December 31, 2018 - \$17,692) of non-cash stock-based compensation relating the stock options granted. The decrease is due to no options vesting in the current period.

During the year-ended December 31, 2019, the Company incurred \$Nil of non-cash stock-based compensation relating the stock options granted as compared to \$2,080,282 for the prior year. The decrease is due to no options vesting in the current year.

**LOSS AND COMPREHENSIVE LOSS**

Loss and comprehensive loss for the three-month periods and years-ended December 31, 2019 and 2018 are as follows:

|                                                           | Three-months ended<br>December 31, |           | Year-ended<br>December 31, |           |
|-----------------------------------------------------------|------------------------------------|-----------|----------------------------|-----------|
|                                                           | 2019                               | 2018      | 2019                       | 2018      |
| Loss and comprehensive income loss                        | 349,723                            | 1,099,395 | 1,503,236                  | 4,327,647 |
| Loss and comprehensive loss per share - basic and diluted | 0.00                               | 0.02      | 0.02                       | 0.06      |

For the three-months ended December 31, 2019, the Company incurred a loss and comprehensive loss of \$349,723 (\$0.00 per share) compared to a loss and comprehensive loss of \$1,099,395 (\$0.02 per share) for the same period in 2018. The main reason for the decreased loss in the current quarter is that there was a significant non-cash derecognition expense of \$0.7 million recorded in the previous comparable quarter.

For the year-ended December 31, 2019, the Company incurred a loss and comprehensive loss of \$1,503,26 (\$0.02 per share) compared to a loss and comprehensive loss of \$4,327,647 (\$0.06 per share) for the year-ended December 31, 2018. The main reasons for the decreased loss in the current year are; decreased marketing activities (2019 - \$76k versus 2018 - 205k), no stock-based compensation expense (2018 - \$2,080k), and no derecognition of exploration and evaluation asset expenses in the current year (2018 - \$692k).

The Company expects to incur losses in the near term as it is still in the exploration phase of its development.

**CASH USED IN OPERATING ACTIVITIES**

Cash used in operating activities for the three-month periods and years-ended December 31, 2019 and 2018 are as follows:

|                                                                 | Three-months ended<br>December 31, |         | Year-ended<br>December 31, |           |
|-----------------------------------------------------------------|------------------------------------|---------|----------------------------|-----------|
|                                                                 | 2019                               | 2018    | 2019                       | 2018      |
| Cash used in operating activities                               | 308,608                            | 561,592 | 1,348,512                  | 2,231,377 |
| Cash used in operating activities per share - basic and diluted | 0.00                               | 0.01    | 0.02                       | 0.03      |

For the three-months ended December 31, 2019 cash used in operating activities was \$0.3 million (\$0.01 per share) as compared to \$0.6 million (\$0.01 per share) in the comparable prior quarter. The reduction is a result of less cash expenses as noted above, and lower accounts payable payments in the current period.

For the year-ended December 31, 2019 cash used in operating activities was \$1.3 million (\$0.02 per share) as compared to \$2.2 million (\$0.03 per share) in the prior year. The reduction is a result of less cash expenses as noted above, and lower accounts payable payments in the current year.

**INVESTING EXPENDITURES**

The following table summarizes capital expenditures for the years-ended December 31, 2019 and December 31, 2018:

|                                   | Year-ended<br>December 31, 2019 | Year-ended<br>December 31, 2018 |
|-----------------------------------|---------------------------------|---------------------------------|
| Computer equipment                | 13,062                          | 15,947                          |
| Furniture and fixtures            | -                               | 60,628                          |
| Leasehold improvements            | -                               | 102,802                         |
| Exploration and evaluation assets | -                               | (162,755)                       |
| Total capital expenditures        | 13,062                          | 16,622                          |

During 2019, the Company focused its efforts on analyzing additional properties, acquisition targets and other corporate deals, however nothing was completed during the year, and therefore investing expenditures were minimal in the current year. In early 2018, pursuant to a review of the 2017 costs in connection with the Company's former Argentina project, the Company recovered \$162,755 from the project's operator.

**SUMMARY OF SELECTED QUARTERLY RESULTS**

The following table sets forth certain quarterly financial information of the Company's previous quarters:

| \$000s                                      | Q4 2019 | Q3 2019 | Q2 2019 | Q1 2019 | Q4 2018 | Q3 2018 | Q2 2018 | Q1 2018 |
|---------------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|
| Loss and comprehensive loss                 | (350)   | (369)   | (416)   | (368)   | (1,099) | (634)   | (455)   | (2,140) |
| Per share – basic and diluted               | (0.00)  | (0.01)  | (0.01)  | (0.02)  | (0.01)  | (0.01)  | (0.03)  | (0.01)  |
| Cash used in operating activities           | (309)   | (313)   | (413)   | (313)   | (562)   | (353)   | (253)   | (1,063) |
| Per share – basic and diluted               | (0.00)  | (0.01)  | (0.00)  | (0.01)  | (0.01)  | (0.00)  | (0.02)  | (0.01)  |
| Investing expenditures                      | -       | 13      | -       | -       | 15      | 158     | (162)   | 6       |
| Working capital                             | 7,149   | 7,492   | 7,859   | 7,283   | 7,677   | 8,070   | 8,632   | 9,073   |
| Total assets                                | 7,713   | 8,036   | 8,442   | 7,883   | 8,030   | 9,301   | 9,634   | 10,008  |
| Weighted average shares - basic and diluted | 77,743  | 77,743  | 69,804  | 66,628  | 66,628  | 66,628  | 66,628  | 66,628  |

In 2018, the Company derecognized its remaining lithium property, and has been actively pursuing new opportunities in 2019, but has not completed any new deals to date. The above results reflect an overall reduction in corporate activity.

**SELECTED ANNUAL INFORMATION**

The following table sets forth selected annual information of the Company for the three most recently completed years-ending December 31:

| <i>\$000s</i>                                 | Year-ended<br>December 31, 2019 | Year-ended<br>December 31, 2018 | Year-ended<br>December 31, 2017 |
|-----------------------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Income (loss) and comprehensive income (loss) | (1,503)                         | (4,328)                         | (6,866)                         |
| Per share – basic and diluted                 | (0.02)                          | (0.20)                          | 0.00                            |
| Cash used in operating activities             | (1,349)                         | (2,231)                         | (3,477)                         |
| Per share – basic and diluted                 | (0.02)                          | (0.10)                          | (0.00)                          |
| Investing expenditures                        | 13                              | 17                              | 1,736                           |
| Working capital                               | 7,149                           | 7,677                           | 9,387                           |
| Total assets                                  | 7,713                           | 8,030                           | 10,907                          |
| Weighted average shares - basic and diluted   | 73,023                          | 66,628                          | 34,106                          |

The Company actively conducted unsuccessful lithium exploration work during 2017, and then derecognized all its remaining lithium properties in 2018. During 2019, the Company has been actively pursuing new opportunities, but has not completed any new deals to date. The above results reflect this history.

**LIQUIDITY AND CAPITAL RESOURCES**

The consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Management uses judgment to assess the Company's ability to continue as a going concern and the conditions that cast doubt upon the use of the going concern assumption. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future.

At December 31, 2019, the Company had working capital of \$7,149,349 (December 31, 2018 - \$7,676,644) and has an accumulated deficit of \$22,148,908 since inception. The Company has not yet reached a profitable level of production from its exploration activities. While the Company has been successful in obtaining financing in the past, there is no assurance that it will be able to do so in the future. Additional financing will be required by the Company to explore and develop its mineral properties and to carry out the business development required to achieve a self-sustaining level of revenue.

The Company does not have self-sustaining revenues at this time and must rely on equity financing to fund working capital and to carry out its business goals.

The primary capital management objective of the Company is to ensure adequate working capital is available to fund both its lithium exploration and development projects and its working capital requirements, while also seeking to minimize the risk-adjusted cost of capital.

Capital is raised and retained for the purposes and to the extent necessary to fund exploration and corporate overhead costs, subject to the availability of financing on acceptable terms. Given its objectives, the Company determines the amount of capital to be raised and retained based on the scope of its planned exploration activities and management's assessment of the expected availability of acceptably priced capital in future periods.

The Company defines capital as share capital. The Company's targeted capital structure at December 31, 2019 is 100% shareholders' equity. Management believes that such a capital structure is the most suitable for a pre-production exploration company.

The chief source of working capital is equity financing obtained through the sale of common shares and any related warrants. The Company from time to time may receive loans from related parties and trade credit, but such financial instruments are typically only supplementary to equity financings. In any case, the Company does not consider debt to

be a sustainable source of capital, as in the absence of positive cash flows from operations; any debt obtained must be retired with funds raised through equity financing.

A significant measure used in assessing capital adequacy is the expected number of days of operations that can be funded from current working capital. Capital levels are deemed sufficient if they can fund the balance of the annual exploration and development goals and fund corporate overhead expenses in the near term. Management believes there is insufficient capital to carry out its planned activities over the next twelve months and thus, additional capital will need to be raised.

Equity financings will generally be limited to the extent that capital is available on acceptable terms. The acceptability of financing terms is generally determined by reference to the prevailing market price of the Company's shares. The terms on which the Company obtains financings are furthermore subject to the guidelines of the TSX-V.

There were no changes in the Company's approach to capital management during the year-ended December 31, 2019.

## **RELATED PARTY TRANSACTIONS**

The Company had the following transactions with related parties:

- i. For the year-ended December 31, 2019, the Company incurred \$120,000 of chief executive officer consulting fees (2018 - \$160,000) from a private company in which a director and officer is the private company's principle shareholder. These fees are included in consulting and management fees in the consolidated statement of loss. As at December 31, 2019, \$10,500 is included in prepaids with respect to these fees.
- ii. For the year-ended December 31, 2019, the Company incurred \$Nil of management consulting fees (2018 - \$130,000) from a private company in which a former director and officer is the private company's principle shareholder. This director and officer resigned from the Company during 2018. These fees are included in consulting and management fees in the consolidated statement of loss.
- iii. For the year-ended December 31, 2019, the Company incurred \$144,000 of chief financial officer consulting fees (2018 - \$70,000) from an officer of the Company. These fees are included in consulting and management fees in the consolidated statement of loss. As at December 31, 2019, \$12,600 is included in prepaids with respect to these fees.
- iv. For the year-ended December 31, 2019, the Company incurred \$144,000 of corporate development consulting fees (2018 - \$144,000) from a private company in which a director is the private company's principle shareholder. These fees are included in consulting and management fees in the consolidated statement of loss.
- v. For the year-ended December 31, 2019, the Company paid \$13,642 (2018 - \$5,484) on behalf of a private company that shares certain directors and officers of the Company. The amounts paid result from office space expenses that the two companies share. At December 31, 2018, \$19,126 is included in due from related parties with respect to the amounts paid.
- vi. For the year-ended December 31, 2018, the Company recovered \$162,755 in exploration and evaluation costs from a company that shares a certain director
- vii. During the year-ended December 31, 2018, the Company repaid \$200,478 of amounts due to related parties that were outstanding at December 31, 2017.

## **SHARE CAPITAL**

Refer to note 10 of the consolidated financial statements for the year-ended December 31, 2019 for more details of equity and changes during the years-ended December 31, 2019 and 2018.

As at December 31, 2019 the Company had 77,742,909 common shares, 1,500,000 stock options, and 11,114,576 warrants outstanding. As at June 11, 2020 the Company had 77,742,909 common shares, 1,500,000 stock options, and 11,114,576 warrants outstanding.

## FINANCIAL RISK MANAGEMENT

The Company's activities expose it to certain financial risks, including credit risk, liquidity risk, and market risk. This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for managing risk.

### a. Credit risk

Credit risk is the risk that a counterparty will fail to discharge an obligation and cause the Company to incur a financial loss. The Company's primary exposure to credit risk relates to its cash and cash equivalents held with a major financial institution and its accounts receivable which primarily consist of amounts to be received from the government.

Cash and cash equivalents consist of cash bank balances and term deposits. In order to manage credit risk, the Company holds cash balances and term deposits only with financial institutions with high credit ratings.

The Company's receivables are aged as follows:

| Aging                        | December 31,<br>2019 | December 31,<br>2018 |
|------------------------------|----------------------|----------------------|
| Current (less than 90 days)  | \$ 83,096            | \$ 65,622            |
| Past due (more than 90 days) | 10,000               | 100,605              |
|                              | \$ 93,096            | \$ 166,227           |

Since the Company's receivables primarily consist of amount due from the government, the Company does not have an allowance for doubtful accounts as at December 31, 2019 or 2018, and believes all amounts will be collected in the near term. The Company's historical expected credit loss is Nil. At December 31, 2019, the amount subject to credit risk relating to amounts receivable equates to their carrying value.

### b. Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

The following is an analysis of the contractual maturities of the Company's financial liabilities as at December 31, 2019:

|                  | Within one<br>year | Between one<br>and<br>five<br>years | Total      |
|------------------|--------------------|-------------------------------------|------------|
| Trade payables   | \$ 198,988         | \$ -                                | \$ 198,988 |
| Lease obligation | \$ 48,618          | \$ 142,402                          | \$ 191,020 |

### c. Market risk

#### i. Foreign currency risk and sensitivity analysis

The Company is minimally exposed to foreign currency risk on fluctuations related to cash and trade payables and accrued liabilities that are denominated in USD. As at December 31, 2019, net financial

assets totaling \$6,000 (December 31, 2018- \$26,318) were held in USD. The Company has not entered into any derivatives or contracts to hedge or otherwise mitigate this minimal exposure.

Based on the above net exposure as at December 31, 2019 and assuming all other variables remain constant, a 2% depreciation or appreciation of the USD against the Canadian dollar would result in an increase or decrease of approximately \$115 (December 31, 2018 - \$526) in the Company's loss and comprehensive loss.

ii. Commodity price risk

The nature of the Company's operations may expose the Company to commodity price risks when the Company begins production.

As at December 31, 2019, the Company has no derivative financial instruments. It may in the future enter into derivative financial instruments and in order to manage price risk, it will only enter into derivative financial instruments with highly rated investment grade counterparties.

iii. Interest rate risk

Interest rate risk is the risk the future cash flows will fluctuate as a result of changes in market interest rate. The Company is not exposed to interest rate risk as the Company had no interest-bearing debt as December 31, 2019.

## **CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of consolidated financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgment in applying the Company's consolidated financial statements is the determination of discount rates, and terms related to the Company's lease obligations.

## **OFF-BALANCE SHEET ARRANGEMENTS**

As of the date of this filing, the Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company, including, and without limitation, such considerations as liquidity and capital resources.

## **RISKS AND UNCERTAINTIES**

The Company's principal activity is the acquisition and development of high grade lithium brine deposits. Companies in this industry are subject to many and varied kinds of risks, including but not limited to; environmental, fluctuating lithium prices, social, political, financial and economics. Additionally, few exploration projects successfully achieve development due to factors that cannot be predicted or foreseen. While risk management cannot eliminate the impact of all potential risks, the Company strives to manage such risks to the extent possible and practicable.

The risks and uncertainties are considered by management to be the most important in the context of the Company's business. The risks and uncertainties are not limited to but include risks associated with the Company's dependence on the exploration and evaluation assets in the United States are: geological exploration and development; changes in law; continued negative operating cash flow and the availability of additional funding as and when required; infrastructure; inflation; governmental regulation; environmental; hazards, insurance; uninsured risks; competition; currency fluctuations; labour and employment; joint ventures; contract repudiation; dependence on key management personnel and executives; and litigation risks.

**FORWARD-LOOKING STATEMENTS**

Statements herein that are not historical facts are forward-looking statements that are subject to risks and uncertainties. Words such as “expects”, “intends”, “may”, “could”, “should”, “anticipates”, “likely”, “believes” and words of similar import also identify forward-looking statements. Forward-looking statements are based on current facts and analyses and other information that are based on forecasts of future results, estimates of amounts not yet determined and assumptions of management, including, but not limited to, the Company’s ability to raise additional debt and/or equity financing to fund operations and working capital requirements. Actual results may differ materially from those currently anticipated due to a number of factors including, but not limited to, general economic conditions, the geology of lithium properties, lithium industry conditions, the Company’s ability to generate sufficient cash flows from operations and financing to support general operating activities and capital expansion plans, and laws and regulations and changes thereto that may affect operations, and other factors beyond the reasonable control of the Company.

Management periodically reviews information reflected in forward-looking statements. The Company has and continues to disclose in its Management Discussion and Analysis and other publicly filed documents, changes to material factors or assumptions underlying the forward-looking statements and to the validity of the statements themselves, in the period the changes occur.

Historical results of operations and trends that may be inferred from the above discussions and analysis may not necessarily indicate future results from operations.

**OTHER INFORMATION**

Additional information on factors that may affect the business and financial results of the Company can be found on [www.sedar.com](http://www.sedar.com).