

FULL CIRCLE LITHIUM CORP.
(formerly ESG Capital 1 Inc.)

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED JANUARY 31, 2024
(EXPRESSED IN UNITED STATES DOLLARS)**

March 27, 2024

INTRODUCTION

The following management's discussion and analysis ("MD&A") of the consolidated financial position and results of the operations of Full Circle Lithium Corp. ("FCL", "Full Circle" or the "Company") has been prepared to provide material updates to the business operations, liquidity and capital resources of the Company for the three months ended January 31, 2024. This MD&A has been prepared in compliance with the requirements of Form 51-102F1, in accordance with National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the unaudited condensed interim consolidated financial statements for the three months ended January 31, 2024 and 2023 and the audited consolidated financial statements for the year ended October 31, 2023 and for the period from May 24, 2022 (date of incorporation) to October 31, 2022 and the related notes thereto. Results are reported in United States dollars, unless otherwise noted.

The unaudited condensed interim consolidated financial statements (the "financial statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). The condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for annual financial statements required by IFRS. Information contained herein is presented as of March 27, 2024, unless otherwise indicated.

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors, considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of FCL common shares; or (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board of Directors, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity. Additional information related to the Company is available for view on SEDAR+ at www.sedarplus.ca.

The Company's reporting currency is the United States ("US") dollar and all amounts in this MD&A are expressed in US dollars unless otherwise stated.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

Certain statements contained in this document constitute forward-looking statements. When used in this document, the words "may", "would", "could", "will", "intend", "plan", "propose", "anticipate", and "believe", used by any of the Company's management, are intended to identify forward-looking statements. Such statements reflect the Company's forecasts, estimates and expectations, as they relate to the Company's views with respect to future events and are subject to certain risks, uncertainties, and assumptions. Many factors could cause the Company's performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. The Company does not intend and does not assume any obligation, to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future results, events, or developments.

Inherent in forward-looking statements are risks, uncertainties and other factors beyond the Company's ability to predict or control. Please also make reference to those risk factors referenced in the "Risks and Uncertainties" section below. Readers are cautioned that the Risk and Uncertainties does not contain an exhaustive list of the factors or assumptions that may affect the forward-looking statements, and that the assumptions underlying such statements may prove to be incorrect. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

NATURE OF BUSINESS

The Company

Full Circle Lithium Corp. (formerly ESG Capital 1 Inc.) ("FCL", "Full Circle", or the "Company") was incorporated in the Province of Ontario, Canada on March 8, 2021 pursuant to the Business Corporation Act (Ontario) (the "OBCA"). The Company's registered office is located at Suite 902, 18 King Street East, Toronto, ON, M5C 1C4. The principal business of the Company is lithium and battery material reintegration.

Reverse Take-Over Transaction

On April 21, 2023, the Company completed a qualifying transaction (the "Qualifying Transaction") with Full Circle Lithium Inc. ("FCLI") by way of a "three-cornered amalgamation", resulting in the reverse take-over of the Company by FCLI's former shareholders.

The Qualifying Transaction was completed in accordance with the terms of the definitive agreement (the "Definitive Agreement") entered on January 17, 2023, between the Company, FCLI and 1000412731 Ontario Inc. ("the Company Subco"), a wholly-owned subsidiary of the Company.

On closing of the Qualifying Transaction, the Company consolidated all of its issued and outstanding common shares on a 1.17:1 basis, and FCLI amalgamated with the Company Subco to form a new corporation, which became a wholly-owned subsidiary of the Company continuing under the name "Full Circle Canada Inc." and which in turn owns all of the shares of Full Circle Lithium (US) Inc., the Company's wholly owned subsidiary, which holds all of the Company's assets and conducts the business of the Company. In consideration for the Qualifying Transaction, the Company issued a total of 50,854,000 common shares of the Company to shareholders of FCLI. The former shareholders of the Company retained 3,500,000 common shares after the completion of the combined entity. Each share retained by the former shareholders of the Company was valued at \$0.45 (CAD\$0.60) per share, for consideration of \$1,559,377. This valuation was based on the value of the subscription receipts issued for concurrent financing as part of the Qualifying Transaction, where each subscription receipt was issued at CAD\$0.70 and is exercisable into one common share of the Company and one-half common share purchase warrant.

Immediately after the completion of the transaction, the former holders of FCLI's shares owned 94% of the shares of the combined entity, and the existing shareholders of the Company owned 6% of the total combined entity shares. As a result of the Qualifying Transaction, the former shareholders of FCLI acquired control of the Company, thereby constituting a reverse take-over of the Company. The reverse take-over is considered a purchase of the Company's net assets by the shareholders of FCLI.

The Company did not meet the definition of a business due to a lack of substantive processes. Therefore, the Qualifying Transaction was outside the scope of IFRS 3 – Business Combinations. Instead, the Qualifying Transaction was accounted for under IFRS 2 – Share-Based Payment. The Qualifying Transaction was accounted for as a reverse takeover transaction, with FCLI identified as the accounting acquirer, and the Company identified as the accounting acquiree. These condensed interim consolidated financial statements are issued under the legal parent, the Company, but are considered to be a continuation of the financial results of FCLI. Following the reverse take-over, on May 1, 2023, the Company commenced trading on the TSX-V under the trading symbol FCLI.

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Immediately prior to the Qualifying Transaction taking effect, the Company changed its name to "Full Circle Lithium Corp.". Upon the completion of the Qualifying Transaction, the former directors and officers of the Company resigned from all offices with the Company and new directors and officers were appointed.

A summary of the costs in regard to the Qualifying Transaction are listed below:

Net assets of FCL	
Cash and restricted cash	\$ 1,126,269
Accounts payable	(71,392)
Subscription receipts payable	(931,461)
	\$ 123,416
Consideration	
3,500,000 shares of FCL at a value of \$0.45 (CAD\$0.60) per share	\$ 1,559,377
Listing expense	\$ 1,435,961

Description of the Business

With a fully permitted and operational plant in Georgia, USA, Full Circle is a specialty chemical recycling and processing company focused on lithium and battery materials reintegration to meet expected demand growth for battery-grade raw materials in the United States. The primary focus of Full Circle is on recycling and processing high purity battery materials including lithium, copper, aluminum, nickel, cobalt, manganese, iron phosphate and graphite.

Full Circle is pursuing the following three business divisions to source and recover lithium and other battery metals, as applicable:

- **battery recycling** - from end-of-life and off-spec lithium-ion batteries (LIBs);
- **feedstock recycling** - from third-party industrial and chemical feedstock; and
- **lithium refinery** - from upstream lithium miners (ex. petro-brine miners and lithium brine) feedstock.

Full Circle's engineers have leading technical expertise with over 70 years of combined experience in lithium extraction and processing and its management has proven capital markets experience within the lithium industry at Neo Lithium Inc. and Lithium Americas Corp. (subsequently split into Lithium Americas Corp. and Lithium Americas Argentina Corp.), two successful lithium brine mining projects.

Principal Products and Services

Until November 21, 2023, Full Circle leased a scalable, fully permitted, and operational lithium processing plant in Georgia, USA (the "**Georgia Facility**"). On November 21, 2023, Full Circle obtained 100% ownership of the plant through the exercise of a purchase option. The Georgia Facility has the capacity to produce up to 2,000 tonnes per year of battery-grade lithium carbonate ("**LC**"). Full Circle has the technology and know-how to recover and process lithium from lithium-ion batteries, as well as 3rd party industrial and upstream (i.e. mining) feedstock. In addition to lithium processing, which is Full Circle's current main focus, the future intention is for the Georgia Facility to also recover and process other battery materials, and provide a solution to address the increasing number of difficult to extinguish and hazardous lithium based fires.

Technology & Product Development

Full Circle's process system implemented at the Georgia Facility has the capacity to take different lithium bearing feedstock and produce battery-grade LC. Full Circle has fully retrofitted and expanded an up to ~2,000 tonne per year lithium carbonate processing facility at the Georgia Facility. In addition, the Company's innovative recycling approach also lends itself to modular expansion within the Georgia Facility as well as modular lithium processing plants set up at other 3rd party facilities for feedstock recycling and/or lithium refinery purposes. Following on the Company's mantra of "the home of lithium science", FCL has also developed and filed a patent application for an innovative battery fire extinguishing agent.

Battery Recycling and Fire Extinguishing Agent

Lithium-ion batteries ("LIB") are widely used in a variety of devices and are becoming increasingly important for the storage of renewable energy. However, as the number of LIB in use grows, so does the need for efficient and environmentally responsible recycling processes. Overall, LIB recycling is an important aspect of responsible battery usage and is crucial for reducing the environmental impact of this rapidly growing industry.

The market size of LIB recycling is expected to grow significantly in the coming years. The increasing demand for electric vehicles and renewable energy storage systems is driving the growth of the LIB market, and as a result, the demand for recycling services is also expected to increase. Following initial successful lab scale dismantling of LIBs and production of battery grade lithium therefrom, FCL is working on large scale pilot LIB dismantling and processing at the plant to develop what the Company calls a commercial battery processing unit (a "BPU"). The Company is concurrently working on securing additional future supply agreements for LIBs for the Georgia Facility.

A number of proprietary processes and products have been or are being developed in relation to this technical work, which are in the process of being assessed for patent protection. Generally speaking, Full Circle's process is focused on minimizing raw materials and waste (high recovery) with the lowest carbon intensity possible. Its technical processes are focused on mitigating the three process safety risks of LIB recycling: (i) discharge of batteries, (ii) hydrogen generation, and (iii) fluoride process/recovery.

During the development work for the dismantling of LIBs FCL through its technical processes has now also developed a proprietary, innovative and patented lithium-ion battery fire extinguishing agent (FCL Agent) which serves to address two major issues with electric batteries: 1) the three process safety risks mentioned above and 2) the increasing number of difficult to extinguish and hazardous lithium-based fires.

Uncontrollable lithium-ion battery fires are proving to be a growing critical risk and challenge worldwide given the continued growth of electric lithium-ion battery-powered devices as well as for e-mobility and energy storage systems. An independent US-based accredited third-party laboratory conducted a series of tests utilizing different size lithium-ion batteries, and the third-party laboratory reported on the first two test results and will report on the most recent electric vehicle (EV) size battery test after all internal analysis and comparisons are completed. The purpose of the third-party testing was to compare and understand the effects of different extinguishing agents on secondary lithium-ion batteries undergoing thermal runaway. The testing protocol was developed to replicate current industry standards for lithium-ion propagation testing as well as fire suppression certification testing outlined in UL 9540A 4th edition and UL 711 8th edition. Based on initial results, the FCL Agent was orders of magnitude faster to extinguish the fires and produced considerably less volume of smoke (which contain hazardous chemicals). This highlights FCL Agent's potential for rapid and effective lithium-ion battery fire control in real-world settings.

FCL expects to continue its development and testing for its FCL Agent over the next year, with a focus on having the FCL Agent rated for both retail and commercial use over the upcoming months as well as having broader discussions with third parties on potential market avenues.

Feedstock Recycling and Primary Refinery

After considerable technical work over the past year, Full Circle has: (i) completed all proto-type/beta scale work to the satisfaction of a third-party multinational chemical company for the recycling of this third party's lithium-rich effluent stream, which includes having extracted and purified lithium that meets all the specs required by this third-party for its chemical process, (ii) signed a detailed term sheet with binding exclusivity that permits Full Circle to install its modular demonstration plant at the chemical company's chemical facility, and (iii) completed the construction, shipped and is installing a large-scale modular demonstration plant to be operated at the chemical company's site, which commenced demonstration operations and is in the process of ramping up during Q2 2024. Upon Full Circle's modular demonstration plant performing as expected and the parties signing a definitive agreement, Full Circle will install a commercial scale plant at the client's chemical plant and expects to begin generating revenues from recycling the lithium from the client's effluent stream and reselling the purified lithium to the client at a discount to market price, targeted in Q2 2024.

Certain key aspects of the Company's technical know-how related to this line of business are in the process of being assessed for patent protection.

Full Circle is also working on a similar opportunity with another large US-based specialty chemical company and an additional potential for expansion in Europe, and is testing its extraction and processing technology on lithium-rich brine from a US petro-brine exploration company as well as other refining, processing and lithium carbonate manufacturing opportunities for other third parties.

CORPORATE HIGHLIGHTS

The Company has a fully permitted lithium processing plant in Georgia, USA with a seasoned group of lithium experts. FCL is a lithium processor focused on lithium and battery materials reintegration to meet the demand for crucial battery-grade raw materials, utilizing proprietary technology and know-how. The Company is focused on three complementary battery material processing divisions: battery recycling from end-of-life lithium-ion batteries, lithium mid-stream recycling from industrial and chemical feedstock, and lithium refinery from upstream feedstock.

Currently, the Company continues to focus on its modular demonstration plant ramp-up, the continued and rapid progress of its recently announced specialty lithium fire suppressant solution as well as its lithium carbonate plant and facilities in Georgia, USA.

During the first quarter of fiscal 2024, the Company announced the following strategic and financial accomplishments:

November – Obtained positive initial test results of its specialty lithium battery FCL Agent in a third-party lab; and acquired its lithium processing facility in Georgia that was previously under lease;

January – Met client's lithium product specifications for its LEP demonstration plant; the LEP demonstration plant is under refurbishment and expansion for redeployment at client's site as a commercial-scale plant.

Modular Demonstration Plant Ramp-Up

The Company's specialized modular demonstration lithium extraction and processing plant utilizing its proprietary extraction and processing technology (or "LEP" technology), has been installed at the client's US chemical facility. This type of plant is designed to sit at clients' sites and extract and purify lithium from clients' lost lithium-rich effluents. Initial extraction and purification of lithium at the demo plant has been positive, and has verified that FCL's LEP is able to reduce impurities to the client's specifications and recover high levels of lithium.

FCL is now in the process of ramping up the demo plant to full capacity. Upon successful ramp-up and verification by client that the product meets its specifications, and subject to definitive agreement with the client, FCL will enlarge and upgrade the demo plant to a commercial scale plant with an annual capacity of 500 tonnes of lithium per year.

Progress with Specialty Lithium Fire Extinguishing Agent

The Company is testing its specialty FCL Agent with a US based third-party testing facility to verify the internal positive results of its FCL Agent in fighting lithium battery fires. An independent US-based accredited third-party laboratory conducted a series of tests utilizing different size lithium-ion batteries including a collection of 19 NMC 2800 mAh (milliampere-hour) battery cells, a 960 Wh (watt-hour) electric bike battery (made up of 48x18650 NMC cells), and, most recently an electric vehicle ("EV") size 57 kW (kilowatt-hour) battery. The third-party laboratory reported on the first two test results and will report on the EV size battery test after all internal analysis and comparisons are completed.

The FCL Agent was initially developed by the Company, using its extensive lithium experience, to safely recycle batteries. Additional live testing of the FCL Agent is being discussed with a US port authority and several auto manufacturers as well as other industry participants. Additional details to follow once the proposed live testing is confirmed. The Company continues its patent protection work concerning its FCL Agent invention.

Lithium Carbonate Plant & Facilities

FCL's Georgia Facility has been fully refurbished, including employee offices and other operating facilities. The Company is awaiting long lead time equipment to finalize its on-site laboratory for product testing and R&D work. The Georgia Facility has been qualified for stated capacity of up to ~2,000 tonnes per year of LC and is currently being retrofitted with an enhanced dryer system to improve heat and drying efficiency. FCL's battery recycling unit has now safely processed over 500 large format battery cells and is working to retrofit the current plant infrastructure to create a more robust battery processing system and producing battery grade Lithium Carbonate before year-end.

TRENDS AND ECONOMIC CONDITIONS

The Company continues to monitor its spending and will amend its plans based on business opportunities that may arise in the future. Management regularly monitors economic conditions and estimates their impact on the Company's operations and incorporates these estimates in both short-term operating and longer term strategic decisions.

Even though the worldwide COVID-19 pandemic has subsided, there continues to be material uncertainties that may arise which could influence management's going concern assumption. Management cannot accurately predict the future impact COVID-19 or other macro-economic events may have on:

- Global commodity prices, more specifically on lithium compounds and feedstock;
- Demand for lithium and other battery metals and the ability to explore for such materials;
- The severity and the length of potential economic measures taken by governments, and their effect on feedstock availability or other service or equipment uncertainties;
- Purchasing power of the Canadian dollar;
- Ability to obtain funding.

OVERALL PERFORMANCE

Net loss increased for the three months ended January 31, 2024 compared to the three months ended January 31, 2023 primarily because the Company was in its initial start-up phase during the comparative period and the level of expenses was comparatively lower as operations had not fully ramped up.

The Company's cash flow for the three months ended January 31, 2024 yielded a net decrease of cash for \$2,360,955, primarily due to significant spending on property, plant and equipment expenditures, as well as operating expenditures in maintaining its growing staff and various recurring expenses as the Company ramps up its operations. During the three months ended January 31, 2023, the Company's cash decreased by \$1,193,977 which is a result of significant spending on property, plant and equipment expenditures during the period.

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The Company's property, plant and equipment increased as a result of the significant investment into operations during the three months ended January 31, 2024 which includes the acquisition of the plant in Georgia that was previously leased from a related party.

RESULTS OF OPERATIONS

For the three months ended January 31, 2024 compared to the three months ended January 31, 2023:

	Three months ended January 31, 2024 (\$)	Three months ended January 31, 2023 (\$)	Change (\$)
Operating expenses			
General and administrative	291,381	43,787	247,594
Share-based compensation	273,103	43,862	229,241
Salaries and wages	272,633	57,486	215,147
Professional fees	116,987	173,951	(56,964)
Investor relations	35,458	20,765	14,693
Battery development	34,027	28,770	5,257
Depreciation	29,315	-	29,315
Travel & accommodation	23,961	13,912	10,049
Transfer agent and filing fees	14,512	-	14,512
Total operating expenses	(1,091,377)	(382,533)	(708,844)
Other items			
Interest income	15,538	5,350	10,188
Interest expense	(7)	-	(7)
Accretion expense	(1,953)	(8,930)	6,977
Foreign exchange gain (loss)	(16,424)	1,648	(18,072)
Net loss	(1,094,223)	(384,465)	(709,758)

For the three months ended January 31, 2024, net loss increased by \$709,758 from the three months ended January 31, 2023, which is primarily due to the following reasons:

General and administrative increased by \$247,594 as the Company has increased its scale of operations relative to the comparative quarter. This included an \$87,825 increase in expenses for short-term rent and equipment rentals, \$78,873 increase in administrative expenses, including certain closing costs for its purchase of property, and \$61,627 increase in insurance expenses.

Share-based compensation increased by \$229,241 due to the granting of 1,327,500 stock options in the quarter. A total of 331,875 stock options were vested during the quarter. During the comparative quarter there were no options granted and the share-based compensation related to the vesting of a portion of 1,500,000 stock options granted in a prior period.

Salaries and wages increased by \$215,147 as the Company hired staff to work at its plant located in Nahunta, Georgia in an effort to ramp up operations.

Professional fees decreased by \$56,964 as a significant portion of the professional fees incurred during the current quarter have been capitalized to property, plant and equipment.

SUMMARY OF QUARTERLY RESULTS

The following financial data, which has been prepared in accordance with International Financial Reporting Standards, is derived from the condensed interim consolidated financial statements for the quarters that were prepared. The Company was not publicly traded prior to the RTO transaction and, in accordance with National Instrument 51-102, only that information that has been previously prepared is included.

Three months ended,	January 31, 2024	October 31, 2023	July 31, 2023	April 30, 2023
	(\$)	(\$)	(\$)	(\$)
Total revenue	-	-	-	-
Net loss	(1,094,223)	(593,022)	(1,432,990)	(2,441,784)
Basic and diluted loss per share	(0.02)	(0.01)	(0.02)	(0.04)

Three months ended,	January 31, 2023
	(\$)
Total revenue	-
Net loss	(384,465)
Basic and diluted loss per share	(0.01)

During the quarter ended January 31, 2024, net loss increased by \$501,201 compared to the prior quarter, which was mainly due to an increase in battery development expenses by \$259,695, which is related to the prior quarter's reclassification of amounts from battery development expenses to property, plant and equipment, an increase in share-based compensation by \$122,780, an increase in foreign exchange loss by \$85,746, an increase in professional fees by \$83,540, an increase in transfer agent and filing fees by \$63,892 and an increase in general and administrative expenses by \$49,916. This is partially offset by a decrease in travel and accommodation expenses by \$47,623 and a decrease in listing expenses by \$46,128, which is driven by slightly increased capitalization into property, plant and equipment in the quarter.

During the quarter ended October 31, 2023, net loss decreased by \$839,968 compared to the prior quarter, which was mainly due to a decrease in professional fees by \$327,383, a decrease in battery development expenses by \$233,194, which is related to the reclassification of amounts from development expenses to property, plant and equipment, a decrease in building and equipment development of \$192,129 due to the reclassification from building and equipment development to property, plant and equipment, and an increase in foreign exchange gain by \$133,579 driven by the weakening of the Canadian dollar against the United States dollar. This is partially offset by an increase in investor relations expense by \$45,994 and \$44,867 increase in general and administrative expenses, incurred as a result of increased operations.

During the quarter ended July 31, 2023, net loss decreased by \$1,008,794 compared to the prior quarter, which was mainly due to the listing expense of \$1,389,833 incurred during the prior quarter in relation to the RTO, which occurred during the prior quarter in April 2023. This is partially offset by an increase in professional fees of \$188,461 and an increase in salaries and wages of \$165,596 incurred as a result of increased operations.

During the quarter ended April 30, 2023, net loss increased by \$2,057,319 compared to the prior quarter, which was mainly due to the listing expense of \$1,389,833 incurred during the current quarter in relation to the RTO, which occurred during the current quarter in April 2023. Furthermore, the Company ramped up operations, resulting in an increase in building and equipment development of \$230,032, general and administrative expenses of \$127,410, salaries and wages of \$103,306 and share-based compensation of \$141,992 as a result of 2 million stock options being granted during the quarter.

LIQUIDITY AND CAPITAL RESOURCES

The Company is an early-stage company and has not generated revenue to date. As such, it finances all of its operations entirely through the issuance of share capital. Although the Company has to date been successful in its attempts to raise capital, there can be no assurance that its future efforts will likewise be successful. The success of future financing will depend on a variety of factors including a positive investment climate encompassing strong metal prices, solid stock market conditions, and a "risk-on" appetite among investors; and the Company's track record and management's ability and experience. If such financing is unavailable, the Company may be unable to execute its business plans. As at January 31, 2024, the Company has not earned any revenue and has an accumulated deficit of \$6,244,415.

The Company's cash balance as at January 31, 2024 was \$1,373,309. As at January 31, 2024, the Company had current assets of \$1,508,965, current liabilities of \$220,535, and a working capital of \$1,288,430.

Going Concern

These condensed interim consolidated financial statements have been prepared on a going concern basis, which assumes that assets will be realized, and liabilities discharged in the normal course of business in the foreseeable future. Accordingly, these condensed interim consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or on the discharge or classification of liabilities, should the Company be unable to continue its business in the normal course. Such adjustments could be material.

The Company is in pre-revenue stage and has incurred losses since its inception. For the three months ended January 31, 2024, the Company has incurred a net loss of \$1,094,223 (three months ended January 31, 2023 - \$384,465). The Company also had operating cash outflows of \$1,237,848 (three months ended January 31, 2023 - \$112,545).

The Company will periodically have to raise funds to continue operations, and, though it has been successful in doing so in the past, there is no assurance it will be able to do so in the future.

Operating Activities

During the three months ended January 31, 2024, the Company's operating activities used cash of \$1,237,848. Cash used in operating activities for the three months ended January 31, 2024 was mainly attributable to net loss for the period of \$1,094,223 along with increases in restricted cash of \$3,541 and decreases in accounts payable and accrued liabilities of \$565,524. This is partially offset by decreases in prepaid expenses and deposit of \$89,682, other receivables of \$33,340 and non-cash items such as share-based compensation of \$273,103 and depreciation of \$29,315.

During the three months ended January 31, 2023, the Company's operating activities used cash of \$112,545. Cash used in operating activities for the three months ended January 31, 2023 was mainly attributable to net loss for the period of \$384,465, along with increases in other receivables of \$21,248, and prepaid expenses and deposits of \$178, and partially offset by increase in accounts payable and accrued liabilities of \$249,484, and non-cash items in share-based compensation of \$43,862.

Investing Activities

During the three months ended January 31, 2024, the Company's investing activities used cash of \$1,205,981, for the purchase of property, plant and equipment.

During the three months ended January 31, 2023, the Company's investing activities used cash of \$1,063,594, for the purchase of property, plant and equipment.

Financing Activities

During the three months ended January 31, 2024, the Company's financing activities used cash of \$11,380, for the principal portion of lease payments.

During the three months ended January 31, 2023, the Company's financing activities used cash of \$47,140. The cash used in financing activities during the three months ended January 31, 2023 is attributable to deferred financing costs paid for the subscription receipts round closed on January 18, 2023. This is partially offset by \$1,430 for the principal portion of lease payments.

OFF BALANCE SHEET ARRANGEMENTS

The Company is not a party to any off-balance sheet arrangements or transactions.

RELATED PARTY TRANSACTIONS

Key management includes directors and other key personnel, including the Chief Executive Officer ("CEO"), Chief Operating Officer ("COO"), Chief Technology Officer ("CTO"), Chief Financial Officer ("CFO"), and former Chief Financial Officer ("former CFO"), who have authority and responsibility for planning, directing, and controlling the activities of the Company.

All related party transactions are in the normal course of operations and are measured at fair value. All amounts either due from or due to related parties other than specifically disclosed are non-interest bearing, unsecured, and have no fixed terms of repayments.

Related party transactions with directors and companies controlled by directors include the following:

	Three months ended January 31, 2024	Three months ended January 31, 2023
Share-based compensation		
Independent directors ⁽¹⁾	\$ 91,993	\$ 12,793
	\$ 91,993	\$ 12,793

(1) Share-based compensation was issued to four independent directors of the Company.

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Related party transactions with other management personnel and former management personnel and companies controlled by those management personnel include the following:

	Three months ended January 31, 2024	Three months ended January 31, 2023
Share-based compensation		
CEO	\$ 83,005	\$ 14,255
COO	28,729	12,793
CTO	11,432	4,021
Professional fees		
CTO	1,000	9,000
Company controlled by CEO ⁽¹⁾	-	29,961
Company controlled by COO ⁽²⁾	-	24,000
Company, which former CFO is a senior employee ⁽³⁾	-	7,086
Salaries and wages		
CEO	56,121	-
CFO ⁽⁴⁾	3,464	-
Professional fees capitalized to property, plant and equipment		
Company controlled by COO ⁽⁵⁾	56,250	-
CTO	22,000	-
Purchase of property, plant and equipment		
Company controlled by COO ⁽⁶⁾	-	11,072
Lease payment		
Company controlled by COO ⁽⁷⁾	13,333	7,500
Purchase of lease assets		
Company controlled by COO ⁽⁷⁾	470,000	-
	\$ 745,334	\$ 119,688

- (1) The CEO is the owner of Vamp Financial Corp ("Vamp"). Consulting fees were paid by the Company for services relating to general corporate management matters rendered by Vamp to the Company.
- (2) Consulting fees were paid to Full Circle Lithium LLC ("FCL LLC"), a company owned by the COO.
- (3) The former CFO is a senior employee of Marrelli Support Services Inc. ("MSSI"). Professional fees were paid by the Company for services relating to general accounting and financial reporting matters rendered by MSSI to the Company. The former CFO of the Company ceased to be CFO effective July 31, 2023.
- (4) The CFO of the Company commenced to be CFO effective August 1, 2023.
- (5) Consulting fees were paid to Full Circle Lithium LLC ("FCL LLC"), a company owned by the COO. The amounts were capitalized into property, plant and equipment during the three months ended January 31, 2024.
- (6) Equipment and leasehold improvements were purchased from Southwest Technologies LLC ("SW LLC"), a company owned by the COO.
- (7) The Company entered into a lease agreement with FCL LLC, a Company owned by the COO for land and building. The Company completed the purchase of the property previously under lease on November 21, 2023.

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Balances due to related parties include the following:

	January 31, 2024	October 31, 2023
Accounts payable and accrued liabilities		
CEO ⁽¹⁾	\$ 447	\$ 50,354
COO ⁽²⁾	-	135,000
CTO ⁽³⁾	6,000	-
Company, which Chairman is a partner ⁽⁴⁾	35,153	36,265
	\$ 41,600	\$ 221,619

- (1) Amounts owing to the CEO relate to expense reimbursements (October 31, 2023: expense reimbursements and accrued bonus), which are unsecured, non-interest bearing and due on demand.
- (2) Amounts were owed as at October 31, 2023 to the COO relate to accrued bonus, which are unsecured, non-interest bearing and due on demand.
- (3) Amounts owing to the CTO relate to consulting fees that were capitalized into property, plant and equipment, which are unsecured, non-interest bearing and due on demand.
- (4) The Chairman of the Company is a partner at Fasken Martineau DuMoulin LLP ("Fasken"). Amounts were owed for services relating to general corporate management matters rendered by Fasken to the Company. Amounts owed are unsecured, non-interest bearing and due on demand.

COMMITMENTS AND CONTINGENCIES

The Company is party to a consulting agreement with the CTO of the Company whereby the CTO is eligible to be compensated of up to \$1,250,000 based on the completion of certain Company operational milestone achievements.

The Company is party to a consulting agreement with a company controlled by the COO of the Company whereby the COO is eligible to be compensated of up to US\$1,375,000 based on the completion of certain Company operational milestone achievements.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the condensed interim consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the condensed interim consolidated financial statements and reported amounts of revenues and expenses during the reporting year. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

The judgments, estimates and assumptions applied in the condensed interim consolidated financial statements, including the key sources of estimation uncertainty, were the same as those applied and set out in Note 6 to the Company's audited consolidated financial statements for the year ended October 31, 2023.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

Accounting standards issued but not yet effective

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

The IASB has published Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) which clarifies the guidance on whether a liability should be classified as either current or non-current. The amendments:

- clarify that the classification of liabilities as current or non-current should only be based on rights that are in place “at the end of the reporting period”;
- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability;
- make clear that settlement includes transfers to the counterparty of cash, equity instruments, other assets or services that result in extinguishments of the liability.

This amendment is effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted. The Company does not expect the impact to be material to the Company's current or future reporting periods.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company's financial instruments are comprised of cash and cash equivalents, restricted cash, other receivables, and accounts payable and accrued liabilities. Fair values of financial instruments are classified in a fair value hierarchy based on the inputs used to determine fair values. The levels of the fair value hierarchy are as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 – Inputs that are not based on observable market data (unobservable inputs).

As at January 31, 2024 the fair value of cash and cash equivalents and restricted cash held by the Company were based on Level 1 of the fair value hierarchy. The fair values of other receivables and accounts payable and accrued liabilities approximate their carrying values due to their short-term maturity.

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

Credit risk

The financial instrument which potentially subjects the Company to concentration of credit risk is cash and cash equivalents. As at January 31, 2024, the balance of cash and cash equivalents held on deposit was \$1,373,309. The Company has not experienced any losses in such amounts and believes it is not exposed to any significant risks on its cash in bank accounts.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company manages its capital in order to meet short term business requirements, after taking into account cash flows from operations, expected capital expenditures and the Company's holdings of cash. In the long term, the Company may have to issue additional shares to ensure there is sufficient capital to meet long term objectives.

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The Company's financial liabilities of accounts payable and accrued liabilities are payable without repayment terms and are to be funded from cash provided by issuance of equity.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and price risk.

(a) Interest rate risk

The Company has cash and cash equivalents balances. The Company's current policy is to invest excess cash in guaranteed investment certificates or interest-bearing accounts of major Canadian chartered banks. The Company regularly monitors compliance to its cash management policy. Management believes interest rate risk to be minimal.

(b) Foreign currency risk

The Company's functional currency is the Canadian dollar and reporting currency is the United States dollar and is exposed to foreign currency risk with respect to its cash and cash equivalents, other receivables, prepaids expenses and deposit, and accounts payable held in a foreign currency.

As at January 31, 2024, the Company's Canadian entities held cash and cash equivalents of \$38,672 denominated in US dollars. As at January 31, 2024, if the value of the Canadian dollar had strengthened or weakened by 5% against the US dollar, with all other variables held constant, net and comprehensive loss would have been \$1,920 lower or higher respectively.

(c) Price risk

The Company is exposed to price risk with respect to equity and commodity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, individual equity movements and the stock market in general to determine the appropriate course of action to be taken by the Company.

OUTSTANDING SHARE DATA AS OF REPORT DATE

As of the date of this MD&A, the Company has the following securities issued and outstanding: 68,328,786 Common Shares, 5,177,500 stock options, 9,171,288 warrants which include 1,314,400 Finders' Warrants.

As of the date of this MD&A, the following stock options were outstanding, entitling the holders thereof the right to purchase one common share for each option held as follows:

Outstanding	Exercise Price	Expiry Date	Vested
1,500,000	0.25 CAD	August 2, 2027	1,200,000
1,975,000	0.70 CAD	April 26, 2028	790,000
375,000	0.70 CAD	September 5, 2028	250,000
1,327,500	0.55 CAD	November 21, 2028	331,875
<u>5,177,500</u>			<u>2,571,875</u>

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As at the date of this MD&A, the following warrants were outstanding, entitling the holders thereof the right to purchase one common share for each warrant held as follows:

Outstanding	Exercise Price	Expiry Date
6,987,393	1.10 CAD	April 21, 2025
869,495	0.70 CAD	April 21, 2025
1,314,400	0.25 CAD	April 21, 2025
<u>9,171,288</u>		

DISCLOSURE CONTROL AND PROCEDURES

Management has established processes to provide it with sufficient knowledge to support representations that it has exercised reasonable diligence to ensure that (i) the condensed interim consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the period presented by the condensed interim consolidated financial statements, and (ii) the condensed interim consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flow of the Company, as of the date of and for the periods presented.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Venture Issuer Basic Certificate filed by the Company does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. In particular, the certifying officers filing such certificate are not making any representations relating to the establishment and maintenance of:

- controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's generally accepted accounting principles (IFRS).

The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in such certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost-effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

RISKS AND UNCERTAINTIES

An investment in the securities of the Company is highly speculative and involves numerous and significant risks. Such investment should be undertaken only by investors whose financial resources are sufficient to enable them to assume these risks and who have no need for immediate liquidity in their investment. Prospective investors should carefully consider the risk factors that have affected, and which in the future are reasonably expected to affect, the Company and its financial position.

Business Risks

Availability of Lithium-Ion Batteries for Recycling

Full Circle is reliant on obtaining lithium-ion batteries for recycling through relationships with third-party suppliers and through its own proposed direct procurement strategy, both of which are in the beginning stage of development. We expect Full Circle's supply pipeline to grow as we expect existing suppliers and other market participants will have growing volumes of batteries available for recycling due to the continuing trend toward electric vehicles, and as Full Circle continues to source additional supplier relationships and implements its direct procurement strategy. However, there can be no assurance that Full Circle will attract new suppliers or expand its supply pipeline, and any decline in supply volume or an inability to source new supply could have a negative impact on Full Circle's operating results.

Availability of Third-Party Feedstock for Recycling and Ability to Commercially Recycle That Feedstock

Third-party lithium feedstock recycling from effluent is a new industry being pioneered by Full Circle and identifying potential clients and, further, extracting and processing the lithium poses a technical and commercial risk to the development of this line of business. While Full Circle has demonstrated its ability to recycle lithium rich effluent for its initial proposed chemical company client, it must demonstrate that it can do so through a larger demonstration plant utilizing its specialty sorbent, to be installed and operated at the proposed client's plant and which Full Circle is currently building. If the demonstration plant is successful in recycling lithium within the specifications required by the proposed client, and, following negotiation of a final binding agreement, a commercial plant will be built and installed and if it operates as intended, Full Circle expects to generate initial revenue therefrom. There is no assurance that Full Circle will be able to successfully operate the demonstration plant, enter into a binding agreement with this potential initial customer, build a functioning commercial plant and reach commercialization and revenues. In addition, different third-party lithium bearing feedstock will have different chemical compositions, not all of which can be successfully economically extracted and processed.

Technological Risks

The LIB recycling industry is dependent on the development and adoption of new technologies. If Full Circle is unable to effectively develop and commercialize its technology, or if its technology is outperformed by competitors, it could negatively impact its financial performance.

Environmental Considerations

LIB recycling is not without its technical and environmental challenges. Some of the materials used in the batteries, such as the electrolyte, can be hazardous and must be handled and disposed of safely. Additionally, some recycling processes can release harmful pollutants into the environment if proper precautions are not taken. While Full Circle is studying the best and safest methods and protocols to recycle LIB, there is always an inherent risk of environmental and other hazards being caused by Full Circle.

Effectively Managing Future Growth

Any failure to effectively manage its current growth strategy effectively could materially and adversely affect Full Circle's business, results of operations or financial condition. Full Circle intends to continue to expand its operations, which will require it to hire and train new employees across all divisions; accurately forecast supply and demand, production and revenue; control expenses and investments in anticipation of expanded operations; establish new or expand current design, production, and sales and service facilities; and implement and enhance administrative infrastructure, systems and processes. Future growth may also be tied to acquisitions, and Full Circle cannot guarantee that it will be able to effectively integrate acquired businesses. Failure to efficiently manage any of the above could have a material adverse effect on Full Circle's business, results of operations or financial condition.

Development of Georgia Facility

Full Circle's current operating facility in Georgia and other future projects are subject to development risks, including with respect to engineering, permitting, procurement, construction, commissioning and ramp-up. Because of the uncertainties inherent in estimating construction and labor costs and the potential for the scope of the project to change, it is relatively difficult to evaluate accurately the total funds that will be required to continue developing the Georgia Facility or other future projects. Further, Full Circle's estimations of the amount of time and funds it will take to complete the development benchmarks disclosed herein, or other future projects, are based on assumptions about the timing of engineering studies, permitting, procurement, construction, commissioning, and ramp-up all of which can vary significantly from the time an estimate is made to the time of completion. Full Circle cannot guarantee that the costs to the Georgia Facility or other future projects will not be higher than estimated nor that it will have sufficient capital to cover the increased costs. Any such costs or delays could negatively affect Full Circle's results of operations and ability to continue to grow. Further, there can be no assurance that the Company's current or planned facilities will perform at the expected production rates or unit costs, or that the end products will meet the intended specifications.

Recycling Capacity and Efficiency

Although Full Circle's existing facility has a total production capacity of 2,000 tonnes of lithium carbonate per year, the future success of Full Circle's business depends in large part on its ability to materially increase sources of feedstock to the plant and thereafter increase recycling capacity and efficiency. The expansion of its current plant and construction of future facilities, if any, will require significant cash investments and management resources and may not meet Full Circle's expectations with respect to increasing capacity, efficiency and satisfying additional demand. Failure to drastically increase sources of feedstock for recycling and processing or otherwise satisfy customers' demands may result in a loss of market share to competitors, damage Full Circle's relationships with its potential customers, a loss of business opportunities or otherwise materially adversely affect its business, results of operations or financial condition.

Dependency on Recycling Facility

Full Circle's future revenues will be dependent on commencing commercial level recycling operations of its Georgia Facility as well as development of its third-party feedstock recycling business, and any potential future facilities. To the extent that Full Circle experiences any operational risk including, among other things, fire and explosions, severe weather and natural disasters (such as floods and hurricanes), failures in water supply, major power failures, equipment failures (including any failure of its information technology, air conditioning, and cooling and compressor systems), failures to comply with applicable regulations and standards, labor force and work stoppages, including those resulting from local or global pandemics or otherwise, or if its current or future facilities become capacity constrained, Full Circle will be required to make capital expenditures even though it may not have available resources at such time. Additionally, there is no guarantee that the proceeds available from Full Circle's insurance policies will be sufficient to cover such capital expenditures. As a result, Full Circle's insurance coverage and available resources may prove to be inadequate for events that may cause significant disruption to its operations. Any disruption in Full Circle's processes could result in delivery delays, scheduling problems, increased costs, or production interruption, which, in turn, may result in its potential customers deciding to send its end of life lithium-ion batteries and battery manufacturing scrap to its competitors. Full Circle is and will be dependent on its current and future facilities which will in the future require a high degree of capital expenditures.

Regulatory Risks

The LIB recycling industry is subject to a number of environmental and safety regulations. If Full Circle is unable to comply with these regulations, it could face significant fines and penalties, as well as damage to its reputation.

Ability to Build Out Additional Facilities

Full Circle is consistently evaluating additional opportunities to scale its operations with a range of potential partners and expansion opportunities that may include acquisitions, joint ventures or other commercial arrangements in North America, Europe, and Asia Pacific. Full Circle's continued growth and results of operations will be negatively impacted if it is unable to continue to scale its operations. International operations are subject to certain risks inherent in doing business abroad, including:

political, civil and economic instability; corruption risks; trade, customs and tax risks; currency exchange rates and currency controls; limitations on the repatriation of funds; insufficient infrastructure; restrictions on exports, imports and foreign investment; increases in working capital requirements related to long supply chains; changes in labor laws and regimes and disagreements with the labor force; difficulty in protecting intellectual property rights; and different and less established legal systems.

Expanding Full Circle's business in international markets may become an important element of the Company's strategy and, as a result, exposure to the risks described above may be greater in the future. The likelihood of such occurrences and their potential effects on Full Circle's business and results of operations will vary from country to country and are unpredictable, but could have an adverse effect on the Company's ability to execute its strategy and accordingly on results of operations.

History of Losses

Full Circle was recently incorporated, and is a start-up company at the development stage with no commercial revenues, and incurred a net and comprehensive loss of \$1,000,183 for the three months ended January 31, 2024. Full Circle has financed its operations primarily through private placements of Full Circle Common Shares. Full Circle expects both its capital and operating expenditures will increase significantly in connection with Full Circle's ongoing activities. Full Circle believes that its performance and future success is dependent on multiple factors that present significant opportunities for Full Circle to increase revenues, but also pose risks and challenges. Full Circle believes it will continue to incur losses in the short term and there is no guarantee it will achieve or sustain profitability in the future.

Reliance on securing feedstock supply commitment, new customers and off-take agreements.

Full Circle must source feedstock supply commitments as well as new customers (including through entry into off-take agreements) for its end-of-life LIB and 3rd party feedstock recycling businesses. Future feedstock suppliers may change or delay supply contracts for any number of reasons, such as force majeure or government approval factors that are unrelated to Full Circle. Proposed customers may fail to perform under their contracts for similar reasons. As a result, in order to maintain and expand its business, Full Circle will have to develop and obtain new feedstock supply and customer contracts on an ongoing basis. However, it is difficult to predict whether and when Full Circle will secure such contracts due to competition for suppliers and customers and the lengthy process of negotiating supplier and customer agreements, which may be affected by factors that Full Circle does not control, such as market and economic conditions, financing arrangements, commodity prices, environmental issues and government approvals.

Adoption rate of Electric Vehicle and Grid Storage

The demand for Full Circle's recycling services and end-products is driven in part by projected increases in the demand for EVs (including automobiles, e-bikes, scooters, buses and trucks) and grid storage batteries. A decline in the adoption rate of EVs and/or grid storage solutions could reduce the demand for Full Circle's recycling services and end products. An inability to source new supplier relationships could also have a negative impact on Full Circle's operating results. In general, the market for LIBs and battery recycling services is highly dependent on economic conditions and consumer demand. A downturn in the economy or a shift in consumer preferences away from electric vehicles and renewable energy storage systems could negatively impact the Company's financial performance.

Benchmark prices for metals

The prices that Full Circle proposes to charge for its products are generally tied to commodity prices for their principal contained metals, such as lithium. Fluctuations in the prices of these commodities will affect Full Circle's expected revenues and therefore declines in the prices of these commodities could have a material adverse impact on Full Circle's future revenues. Any significant decline in Full Circle's future revenues will have a material impact on its results of operations.

Volume and composition of lithium-ion battery feedstock materials

Full Circle's expected revenues depend on processing commercial levels of LIBs at its facility (which has not as yet been determined as Full Circle is assessing various technical and economic elements of this line of business, in an effort to achieve commercial production), and those revenues will be impacted by the chemistry of the types of LIB feedstock sourced for processing, particularly as market chemistries shift. A decline in overall volume of LIB feedstock processed, or a decline in volume of chemistries with higher priced content relative to other chemistries could result in a significant decline in Full Circle's revenues, which in turn will have a material impact on its results of operations.

Chemical make-up of lithium-ion batteries or battery alternatives

Current and next generation high energy density lithium-ion batteries for use in products such as EVs use nickel and cobalt as significant inputs. Cobalt and nickel tend to be in lower supply and therefore command higher prices than certain other battery raw materials. Alternative chemical makeups for lithium-ion batteries or battery alternatives are gaining significant market share that are less reliant on cobalt and nickel or use other lower-priced raw materials such as lithium-iron phosphate ("LFP") chemistries, which contain neither cobalt nor nickel. Although Full Circle's business thesis is that it should be able to more easily source commercial amounts of LFP batteries at lower prices than that nickel and cobalt based batteries that its competitors are competing for, Full Circle's initial business plan of recycling these types of batteries could have a negative impact on the value of the end products produced by Full Circle in comparison to its competitors, lowering its revenues and negatively impacting its results of operations. In addition, significant competition for LFP batteries may arise, which would also negatively impact any revenues and results of operations.

Competitiveness of Emerging Industry

The lithium-ion recycling market is competitive. As the industry evolves and the demand increases, Full Circle anticipates that competition will increase. Full Circle currently faces competition primarily from companies that focus on one type of lithium-ion material recycling, some of which have more expertise in the recycling of that material than Full Circle. Full Circle also competes against companies that have a substantial competitive advantage because of longer operating histories and larger budgets, as well as greater financial and other resources. National or global competitors could enter the market with more substantial financial and workforce resources, existing customer relationships, and greater name recognition or could choose to target medium to small companies in Full Circle's target markets. Competitors could focus their substantial resources on developing a more efficient recovery solution than Full Circle's solutions. Competition also places downward pressure on feedstock contract prices in general and therefore on profit margins, which may present Full Circle with significant challenges in its proposed ability to deliver strong growth rates and acceptable profit margins in the future. If Full Circle is unable to meet these competitive challenges, it may not be able to secure market share and experience an adverse impact to its proposed results of operations.

Retention and Acquisition of Skilled Personnel

There is no assurance that Full Circle will be able to retain its senior personnel or attract new ones. The loss of any member of Full Circle's management or technical team could significantly disrupt its ongoing operations and new senior personnel would be required to spend a significant amount of time learning the business and systems in addition to performing their regular duties. Appropriately qualified personnel can be difficult to recruit and retain. The inability to hire or the increased costs of hiring new personnel, including members of executive management and specialized technical personnel, could have a material adverse effect on Full Circle's business and operating results.

The expansion of marketing and sales of its products and services will require Full Circle to find, hire and retain additional capable senior employees who can understand, explain, market and sell its products and services and attend to the technical requirements of those services. There is intense competition for capable personnel in all of these areas and Full Circle may not be successful in attracting, training, integrating, motivating or retaining new personnel, vendors or subcontractors for these required functions. New employees and consultants often require significant training, and in many cases take a significant amount of time before they achieve full productivity. As a result, Full Circle may incur significant costs to attract and retain employees and consultants, including significant expenditures related to salaries and benefits and compensation expenses issued in connection to equity awards, and may lose new employees or consultants to its competitors or other companies before it realizes the benefit of its investment in recruiting and training them. In addition, as Full Circle develops its LIB recycling and 3rd party feedstock recycling lines of business, or moves into new jurisdictions, it will need to attract and recruit skilled employees and consultants in those new areas.

Managing Growth

Full Circle is expecting high growth over the next twelve to twenty-four months as it develops its lines of business. As a result, there will be additional demands on Full Circle's financial, technical, operational and management resources. In order to manage growth and changes in strategy effectively, Full Circle must: (a) maintain adequate systems to meet potential customer demand; (b) develop and expand sales and marketing, distribution capabilities and administrative functions; (c) expand the skills and capabilities of its current management and technical teams; and (d) attract and retain qualified employees and consultants. While it intends to focus on managing its costs and expenses over the long term, Full Circle expects to invest its earnings and capital to support its growth, but may incur additional unexpected costs. If Full Circle incurs unexpected costs it may not be able to expand quickly enough to capitalize on potential market opportunities.

Adding New Customers

Full Circle needs to secure LIB suppliers and lithium feedstock recycling clients to source feedstock for its lines of business, including feeding its plant. If Full Circle is unable to secure such suppliers and clients, or they do not perceive Full Circle's services to be of sufficiently high value, quality or its team not to be of sufficient technical ability, Full Circle may not be able to attract such suppliers and clients. Assuming Full Circle secures such suppliers and clients, they will have no obligation to renew their contracts after the expiration of their initial commitment, and these agreements may not be renewed at the same or higher level of service, if at all. Accordingly, there can be no assurances that these potential suppliers and customers will continue to purchase products/services from Full Circle. There could be material adverse effects on the financial results or businesses of Full Circle if Full Circle is unable to secure such suppliers and customers or if a future material supplier or customer ceases to do business with Full Circle. There can be no assurance that Full Circle will be able to attract new suppliers and customers or thereafter retain them.

The competitive landscape in the market means that Full Circle cannot accurately predict future supplier and client retention and renewal rates or usage rates. Such retention and renewal rates may decline or fluctuate as a result of a number of factors, including:

their satisfaction or dissatisfaction with Full Circle's services; the prices of Full Circle's services; the prices of services offered by Full Circle's competitors; mergers and acquisitions affecting Full Circle's client base; and reduction in clients' advertising spending levels.

If future suppliers and clients do not renew their service agreements or if they renew on less favorable terms, Full Circle's revenue may decline and Full Circle's business will suffer.

Long Sales Cycles

Full Circle expects that its sales cycle, from initial contact to contract execution and implementation, may take significant time. As part of the expected sales cycle, Full Circle may incur significant expenses before generating any revenue from a prospective customer. There are no assurances that the substantial time and money spent on the sales and related technical efforts (including, but not limited to, demonstrating its technology, which may include the testing of third-party lithium feedstock and setting up demonstration and commercial plants) will generate significant revenue. It is possible that Full Circle may incur significant costs in making proposals, including demonstrating its technology, to prospective clients who do not ultimately become customers of Full Circle. If conditions in the marketplace, generally or with a specific prospective customer, change negatively, it is possible that Full Circle will be unable to recover any of these expenses.

Sales efforts involve educating customers about the use, technical capabilities and benefits of Full Circle's service offering. It is difficult to predict when Full Circle will obtain new customers and begin generating revenue from new customers. Even if the sales efforts result in obtaining a new customer, the customer controls when and to what extent it uses Full Circle's service offering and therefore the amount of revenue generated, and it may not sufficiently justify the expenses incurred to acquire the customer and any related training support. New projects by new customers, as well as existing customers, may be canceled or delayed, which can adversely impact Full Circle's anticipated revenue and profitability. Project delays or cancellations may occur and could be more frequent during times of meaningful economic downturn. Cancellations, reductions or delays by a significant customer, or by a group of customers, could seriously harm Full Circle's operating results and negatively affect Full Circle's working capital levels. As a result, Full Circle may not be able to add customers, or generate revenue, as quickly as expected, which could harm growth prospects.

Risks Associated with Contracts with Buyers and Sellers

Generally, buyers may conduct business with Full Circle's competitors as well as with Full Circle, and are not obligated to provide Full Circle with any minimum volumes of business. Accordingly, Full Circle's business may be vulnerable to changes in the macro environment and development of new or more compelling offerings by its competitors, which could reduce business generally or motivate buyers to migrate to competitors' offerings. Further, if Full Circle's relationship with a buyer becomes strained due to service failures or other reasons, that buyer may reduce or terminate its business with Full Circle. Full Circle's future revenue may be difficult to predict and there is no assurance that potential buyers will use Full Circle's services or that it will be able to replace lost buyers with new ones. If a buyer or group of buyers representing a significant portion of Full Circle's business decides to materially reduce use of its services, it could cause an immediate and significant decline in the revenue and gross profit of Full Circle's business.

Litigation Risks

Full Circle's business may become susceptible from time to time to various legal claims, including class action claims, in the course of its operations. Any future claims or litigation could have a material adverse effect on Full Circle's business and its profitability. Full Circle's potential customers may assert claims against Full Circle or its directors and officers alleging that they suffered damages due to a defect, error or other failure of Full Circle's services. Insurance may not cover such claims, may not provide sufficient payments to cover all the costs to resolve one or more such claims and may not continue to be available on terms acceptable to Full Circle. A claim brought against Full Circle that is uninsured or underinsured could result in unanticipated costs, thereby reducing Full Circle's operating results and leading analysts or potential investors to reduce their expectations of Full Circle's performance, which could reduce the trading price of its shares.

COVID-19 Pandemic or Other Similar Outbreaks

Any outbreaks of contagious diseases, including the recent outbreak of the COVID-19 pandemic, could have an adverse impact on public health developments in jurisdictions where Full Circle operates. Full Circle has personnel and operations in the United States and Canada, both of which have been affected by the pandemic and has taken measures to try to contain it. These measures have impacted and may further impact Full Circle's workforce and operations, and the operations of Full Circle's sellers and buyers.

The effects of a pandemic could also include disruptions or closures of Full Circle's potential clients' businesses, leading them to stop their spend. In addition, the COVID-19 pandemic has become a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could affect Full Circle's ability to obtain financing for its business and operations. In addition, the economic health of Full Circle's prospective buyers impacts the collectability of Full Circle's accounts receivable. Additionally, any prolonged downturn in economic conditions in the future may severely impact Full Circle's liquidity as it may need additional time to collect from potential buyers, which may impact Full Circle's ability to pay sellers. The extent to which the COVID-19 pandemic will impact Full Circle's business and financial results will depend on future developments, which are highly uncertain and cannot be predicted.

Financial and Accounting Risks

Access to Capital

Full Circle makes, and will continue to make, substantial investments and other expenditures related to acquisitions, research and development and marketing initiatives. Full Circle will have further capital requirements and other expenditures as it proceeds to expand its business or take advantage of opportunities for acquisitions or other business opportunities that may be presented to it. Full Circle may incur major unanticipated liabilities or expenses. Full Circle can provide no assurance that it will be able to obtain financing to meet the growth needs of its operations. Full Circle's management will have broad discretion to use the net proceeds it receives from an offering, and investors will be relying on its judgment regarding the application of those proceeds. Full Circle expects to use the net proceeds from an offering for general corporate purposes, which may include working capital, capital expenditures, other corporate expenses and potential acquisitions of complementary products, technologies or businesses. Management may not apply the net proceeds of an offering in ways that increase the value of investor's investments.

Risks Related to Revenues and Operating Results

Full Circle's operating results may fluctuate, causing the value of Full Circle Common Shares to decline substantially. Fluctuations may be due to a variety of factors, many of which are outside of Full Circle's control. As a result, comparing Full Circle's future operating results on a period-to-period basis might not be meaningful. Those results and annual growth (if any) should not be viewed as an indication of future performance. In addition, Full Circle's share price might be based on expectations of future performance that it may not meet and, if its revenue (if and when achieved) or operating results fall below the expectations of investors or securities analysts, the price of Full Circle Common Shares could decline substantially. In addition to other risk factors listed in this section, additional factors that may cause fluctuations in Full Circle's operating results include: (a) the extent to which its products and services achieve or maintain market acceptance; (b) its ability to introduce new products and services and enhance existing products and services on a timely basis; (c) the financial condition of its potential customers; (d) changes in potential customer budgets and demand; (e) the amount and timing of Full Circle's investment in research and development activities; (f) technical difficulties with Full Circle's products or interruptions in its services; (g) unforeseen legal expenses, including litigation and settlement costs; (h) regulatory compliance costs; (i) the timing, size and integration success of potential future acquisitions; (j) Full Circle's failure to attract new customers; (k) revenue recognition policies related to the timing of contract renewals, delivery of products and duration of contracts and the corresponding timing of revenue recognition; and (l) the amount and timing of capital expenditures and operating costs related to the maintenance and expansion of its operations. A shortfall in demand for Full Circle's services or a decline in new contracts (or renewals thereof) in any one quarter might not significantly reduce revenue for that quarter, but could negatively affect Full Circle's revenue in future quarters.

Foreign Sales

Full Circle's functional currency is denominated in U.S. dollars, while its fund raising is done in Canadian dollars. Full Circle currently expects that any sales will be denominated in U.S. dollars and may, in the future, have sales denominated in the currencies of additional countries in which it establishes operations or distribution. In addition, Full Circle incurs the majority of its operating expenses in U.S. dollars. In the future, the proportion of Full Circle's sales that are international may increase. Such sales may be subject to unexpected regulatory requirements and other barriers. Any fluctuation in the exchange rates of foreign currencies may negatively impact Full Circle's business, financial condition and results of operations. Full Circle has not previously engaged in foreign currency hedging. If Full Circle decides to hedge its foreign currency exposure, it may not be able to hedge effectively due to lack of experience, unreasonable costs or illiquid markets. In addition, those activities may be limited in the protection they provide Full Circle from foreign currency fluctuations and can themselves result in losses.

Estimates or Judgments Relating to Critical Accounting Policies

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Full Circle bases its estimates on historical experience and on various other assumptions that it believes to be reasonable under the circumstances, as provided in the notes to the Full Circle Financial Statements, the results of which form the basis for making judgments about the carrying values of assets, liabilities, equity, revenue and expenses that are not readily apparent from other sources. Full Circle's operating results may be adversely affected if the assumptions change or if actual circumstances differ from those in the assumptions, which could cause Full Circle's operating results to fall below the expectations of securities analysts and investors, resulting in a decline in the share price of Full Circle. Significant assumptions and estimates used in preparing the financial statements include those related to business combinations, control, fair value of consideration in reverse takeover transaction, term and incremental borrowing rate of lease, estimation of decommissioning and restoration costs and the timing of expenditures, and share-based payments.