



Battery Mineral Resources Corp.

**MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE AND
NINE MONTHS ENDED SEPTEMBER 30, 2022**

BATTERY MINERAL RESOURCES CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022

Introduction

This Management's Discussion and Analysis of Operations and Financial Condition (“**MD&A**”) of Battery Mineral Resources Corp. (“**BMR**” or the “**Company**”) should be read in conjunction with the Company’s unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2022, including the notes thereon (the “**Financial Statements**”), as well as the Company’s audited consolidated financial statements for the year ended December 31, 2021, including the notes thereon and the Company’s MD&A for the year ended December 31, 2021.

The Company’s Financial Statements have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) as issued by the International Accounting Standards Board (“**IASB**”). Unless otherwise stated, all amounts discussed herein are denominated in Canadian dollars. This MD&A was prepared as of November 28, 2022, and all information is current as of such date. Readers are encouraged to read the Company’s public information filings on SEDAR at www.sedar.com.

This discussion provides management's analysis of the Company’s historical operating and financial results and provides estimates of future operating and financial performance based on information currently available. Actual results may vary from estimates and the variances may be significant. Readers should be aware that historical results are not necessarily indicative of future performance. Cautionary statements regarding forward-looking information and mineral reserves and mineral resources can be found in the section “*Cautionary Statements on Forward-Looking Statements*”.

Corporate profile

The Company is a public mineral exploration company incorporated under the laws of British Columbia on November 26, 2019, to acquire the assets of Battery Minerals Resources Limited (“**Old Battery**”), an Australian corporation. Its head office is located at 744 West Hastings St., Suite 400, Vancouver, BC V6C 1A5, and its registered office is located at 550 Burrard St., Suite 2900, Vancouver, BC V6C 0A3.

The Company is a battery metal, multi-commodity explorer and developer of properties for minerals required to meet the anticipated growth in the demand for the raw materials used in the lithium-ion battery and energy storage sectors. The Company is currently developing the previously producing Punitaqui Mining Complex (“**Punitaqui**”) located in the Coquimbo region of Chile and pursuing the potential near term resumption of operations at Punitaqui. The Company’s additional business activity since incorporation has been the acquisition, consolidation and exploration of the Cobalt District Exploration Project in Ontario and Quebec, Canada, comprised of mineral claims and leases prospective for cobalt and silver covering an aggregate of 83,587 hectares in Ontario and 1,813 hectares in Quebec.

The Company also controls assets prospective for cobalt and lithium in the United States, and graphite properties in South Korea, one of which, Geuman, is a former supplier of graphite to the South Korean battery market. The Geuman prospect was an operating graphite mine between 1986 and 1993. The Company also owns the Taehwa flake graphite prospect in South Korea. The Company’s United States cobalt assets include 434 mineral claims covering fourteen cobalt occurrences. The Bonanza and East Fork properties are located in the historic Blackbird Mining District ~30 km west and north of the town of Salmon, Idaho. The Company has one lithium exploration asset in the United States, the Amargosa prospect in Nye County, Nevada. The Amargosa tenements cover approximately 5 km².

The Company also holds a 100% ownership interest in ESI Energy Services Inc. (“**ESI**”, dba “**Ozzies Pipeline Padder**” or “**Ozzies**”), a company in the business of renting and selling backfill separation machines (“**Padding Machines**”) to wind and solar and other utility construction contractors, mainline pipeline contractors as well as

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oilfield pipeline and construction contractors. ESI's financial position, results of operations and cash flows are consolidated in the Financial Statements of the Company, and ESI's results are discussed in the MD&A.

For a discussion as to the business of the Company, see sections "*Results of Operations for the Company*", "*Risk Factors related to the Company's Mineral Properties*" and "*Risk Factors related to ESI*".

Adjustment of accounting treatment of ESI acquisition and resulting re-statement of financial statements for the three and six months ended June 30, 2021

On the acquisition of ESI by the Company, the net assets of ESI were recorded at fair market value ("FMV") less costs to sell, as ESI was at that time considered by the Company to be an asset held for sale. The costs to sell ESI incorporated contingent consideration in relation to the acquisition. In conjunction with the preparation of the Company's 2021 annual financial statements, upon further review of the applicable IFRS accounting standards pursuant to which the Company prepared such financial statements, it was determined the net assets of ESI should have been recorded at historical book values, rather than FMV. The Company and the auditors of the Company's audited consolidated financial statements for the year ended December 31, 2021, agreed that the acquisition should have been accounted for at historical book values. The change in accounting treatment for the acquisition of ESI by the Company did not result in any change in results from continuing operations for the period. The change resulted in the removal of the entire remeasurement loss on disposal group held for sale after common control adjustment account. Furthermore, the change resulted in the recording of a loss, rather than a gain, in the Cumulative translation adjustment on disposal group account. In addition, upon consolidation of ESI the proceeds from ESI dividend amount has been eliminated, without effect on the Company's net cash position. As a result of the various changes described herein, the Company has filed on SEDAR *Amended and Restated Financial Statements for the three and nine months ended September 30, 2021*.

Project Development

Punitaqui

During the third quarter of 2022, the Company continued to advance the Punitaqui project, its flagship mineral asset. Key accomplishments during the quarter included the following:

- **NI 43-101-Compliant Resource Estimate:** The completion of a NI 43-101 compliant mineral resource estimate for Punitaqui, as summarized in the *Recent Events* section of this MD&A. The mineral resource estimate marks a critical milestone in the Company's continued advancement of Punitaqui towards the intended re-start of copper-silver production at the project;
- **Mill Maintenance Audit:** As part of the planned restart of production, the Company engaged a third-party firm to conduct a full maintenance audit of the Punitaqui mill to assess its readiness to recommence processing ore and producing copper concentrate. The audit scope included all mechanical, electrical and instrumentation items. This included inspection of all pumps, motors, conveyor belts, primary, secondary, and tertiary crushers, ball mills, liners, flotation cells, concentrate filters, tailings thickeners, cranes and hoists, electrical supply and water supply. The results of the audit confirmed that the budgeted cost estimate, which was based on operating and maintenance records, was accurate and no new major repairs or replacements are required. Finally, the audit confirmed that the Punitaqui mill is in good working condition to restart production after the planned maintenance program concludes;
- **Approval of Environmental Permit for Mining at Cinabrio and San Andres:** BMR received public approval by the Chilean Environment Assessment Service ("SEA") for the Environmental Impact Declaration ("DIA") pertaining to mining at its Cinabrio and San Andres deposits at Punitaqui. The DIA is an environmental permit

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which grants the permission to mine at a rate of up to 100,000 tonnes per month (~ 3,333 tonnes per day) at the Cinabrio/San Andres area at the Punitaqui mining complex. The DIA permit covers aspects not only related to environmental considerations, but also social, health, flora, fauna, paleontology, amongst other items. With the DIA approval in hand the next step is to obtain the exploitation permit, which has been submitted for approval to the National Geology and Mining Service (SERNAGIOMIN);

- **Secured Additional Water Supply:** BMR secured additional water supply for the resumption of operations at Punitaqui. The Company is currently able to source water from Company owned wells on its property and added an additional supply of water for Punitaqui. The Company has secured procurement for a minimum of 400,000, and a maximum of 600,000 cubic meters of water per year through an agreement with local Chilean water supply company, SAGA. Between the water BMR is able to pump from its own wells and this new supply agreement with SAGA, BMR is confident it has a sufficient supply of water to resume full operations at Punitaqui;
- **Appointment of a Mine General Manager:** The Company hired Mr. Giglio Barlaro Anes as the Punitaqui Mine General Manager. Mr. Barlaro, a native of Chile, is a mining engineer and holds a Master's degree in Business Administration with more than 25 years of experience in the areas of operations, technical services and projects in open pit and underground mining. Most recently, Mr. Barlaro was Mine Operations Manager, from 2020 to 2022, at Newmont Mining's Cerro Negro underground gold mine in Argentina, one of the largest underground gold mines in Latin America. Prior to that, Mr. Barlaro was Mine Operations Manager at Lundin Mining's Candelaria mining complex in Chile that includes three underground copper mines and a large open pit operation, from 2015 to 2020. Mr. Barlaro has also held senior operational roles with Codelco, Sociedad Química y Minera (SQM), Anglo American and SCM at mines in Chile as well as at Homestake Mining (a division of Barrick Gold) in Argentina;
- **Continuing to Strengthen the Board of Directors:** During the quarter, the Company announced the additions of Derek White and Julia B. Aspillaga Rodriguez to the Board of Directors.
 - Derek White has over 30 years of experience in the mining and metals industry. He holds an undergraduate degree in Geological Engineering from the University of British Columbia and is also a Chartered Accountant. Prior to joining Ascot Resources, Mr. White, was the Principal of Traxys Capital Partners LLP, a private equity firm specializing in the mining and minerals sectors. Mr. White was President and CEO of KGHM International Ltd. from 2012 to 2015, and held the positions of Executive Vice President, Business Development and Chief Financial Officer of Quadra FNX Mining Ltd. from 2004 to 2012. Mr. White has held executive positions with International Vision Direct Ltd., BHP-Billiton Plc, Billiton International Metals BV and Impala Platinum Ltd., in Vancouver, Toronto, London, The Hague, and Johannesburg. Mr. White is also an ICSA Accredited Director.
 - Julia Aspillaga is a mining executive and partner of several mining exploration companies having worked in Chile and in several other Latin American countries since the 1980's. At present, Miss Aspillaga is Managing Partner of Andeak Global Management, a firm providing mining exploration services to several international companies, including Lowell Mineral Exploration, Orestone Resources (Canada), and Emerita Resources which has exploration projects in Spain. Miss Aspillaga studied at the Pontifical Catholic University of Chile, graduating as an English teacher in 1977, then completed studies and graduated in Business Administration in 1979. Miss Aspillaga has participated in the discovery and development of several mining projects, including as a partner of Dr. David Lowell in the San Cristobal gold project, in Region II, Chile at the end of the 1980's. In the 1990's she was manager of Bema Gold in Chile, a company that developed the Refugio gold deposit in Region III, Atacama-Chile, that was previously exploited by Kinross Gold Corp. (Canada). From the year 2000 to date, Miss Aspillaga has participated as manager and/or management advisor for various international companies including Mineral Resource Development (Great Britain), Yorkton

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Securities (Canada), Endeavour Financial (Canada), Galileo Minerals (Canada), and Global Hunter Corp (Canada); and

- **Local Community Engagement:** Earlier in 2022, BMR engaged the services of consulting firm Integratio Mediação Social e Sustentabilidade (“Integratio”). Integratio is a socio-environmental management, strategic relationship, and stakeholder engagement consultant group operating for over 17 years and based in Belo Horizonte, Brazil. Integratio delivered a report to BMR with community assessment and stakeholder mapping that also highlights the main issues to be focused on in our community relations and social license program and provides the framework for a holistic and proactive approach to social engagement. BMR initiated a social management and engagement plan that considers the entire relationship and communication of the Company within the area, including the establishment of a social investment program, which will allow direct communication with the entities and population in the area of influence of our Punitaqui project.

Recent events

Filing of an NI 43-101-Compliant Mineral Resource Estimate for Punitaqui

On October 3, 2022, the Company filed on SEDAR the previously announced NI 43-101-compliant resource estimate for Punitaqui (the “**Mineral Resource Estimate**”). The Mineral Resource Estimate was prepared for the Company by independent consultants JDS Energy & Mining Inc. (“**JDS**”). The Mineral Resource Estimate is based on the Company’s Phase 1 exploration program of 32,526 meters of resource delineation and exploration drilling at Cinabrio mine, San Andres zone, Dalmacia zone and Cinabrio Norte zone, along with the drilling and mining data from the Cinabrio mine completed by prior operators Tamaya Resources, Glencore PLC and Xiana Mining Inc. The Phase 1 drill exploration program commenced in August 2021 and was completed in June 2022.

The Mineral Resource Estimate is separated into four underground zones: Cinabrio, San Andres, Dalmacia and Cinabrio Norte. Highlights of the Mineral Resource Estimate include:

- Total sulphide indicated resources are 6.2M tonnes grading 1.14% Cu and 2.47 g/t Ag;
- Total sulphide inferred resources are 3.1M tonnes grading 0.93% Cu and 2.64 g/t Ag; and
- At the Cinabrio Mine, the remanent pillars contain sulphide indicated resources of 1.0M tonnes at 1.51% Cu which could be mined in conjunction with the use of mine backfill.

In addition to the sulphide resources, an oxide near surface resource was calculated at Dalmacia, which includes:

- Total indicated oxides of 0.9M tonnes grading 0.62% CuS and 1.15 g/t Ag; and
- Total inferred oxides of 1.3M tonnes grading 0.50% CuS and 1.11 g/t Ag;

At present, the Company is not planning to proceed with mining oxides at Dalmacia but may study the possibility of this in the future.

The Mineral Resource Estimate has an effective date of August 16, 2022 and was prepared in accordance with NI 43-101 by Garth Kirkham, P.Geo., an Independent Qualified Person in accordance with NI 43-101. Mr. Kirkham is an employee of Kirkham Geosystems Ltd., and is an independent Qualified Person as defined by National Instrument 43-101. The scientific information in the press release announcing the Mineral Resource Estimate was reviewed by Peter Doyle, P.Geo., Vice President Exploration for the Company.

Grant of RSUs and Stock Options

During the three months ended September 30, 2022, the Company granted an aggregate of 425,000 restricted share units (the “**RSUs**”) and nil stock options to its Directors, Officers, employees, and Consultants, pursuant to the

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Company's RSU and option plan. During the nine months ended September 30, 2022, the Company granted an aggregate of 2,280,832 RSUs and 3,120,832 stock options to its Directors, Officers, employees, and Consultants, pursuant to the Company's RSU and option plan.

Management's Outlook for the Remainder of 2022 and Early-2023

The Company is continuing to optimize its plans for the re-start of copper-silver production from the Punitaqui mining complex. As of the date of this MD&A, the Company expects to complete the optimization process during Q4 2022.

As noted in the Company's press releases, BMR continues to engage in discussions with various parties who have expressed an interest in providing a significant portion of the additional financing required by the Company to re-start production activities at Punitaqui. The financing structures being discussed are expected to be non-dilutive to the Company's shareholders.

Management is planning a number of activities for the remainder of 2022 and early-2023, including but are not limited to:

- Completion of the mine plan optimization process;
- Continued pre-operational activities at Punitaqui, including but not limited to ongoing site maintenance, advancing engineering activities, concluding metallurgical test work, purchasing supplies, advancing various permits, and engaging with local communities;
- Advancing discussions with the aforementioned capital providers, with a view to selecting the lead project financier by early-Q1 2023;
- Continued deployment of an ERP (Enterprise Resource Planning) system on-site at Punitaqui, which will enable the Company to efficiently plan, manage and execute all of its operational and financial activities in Chile; and
- Continued progress towards its inaugural ESG (Environmental, Social and Governance) report, which the Company expects to publish in the first quarter of 2023.

Management looks forward to keeping all of the Company's stakeholders apprised of BMR's progress towards the re-start of production from the Punitaqui mining complex in the near future.

Summary of historical results

The following table is a summary of the Company's financial results and position for the eight most recently completed quarters.

Selected Financial Information	2022	2022	2022	Restated	Restated	Restated	Restated	Restated	
				Q3	Q2	Q1	2021	2021	2021
				Q4	Q3	Q2	Q1	Q4	
Total gain (loss) for the year attributable to common shareholders	C\$	(85,065)	1,056,251	\$ (1,694,476)	\$ (6,437,547)	\$ 231,783	\$ (2,099,205)	\$ (5,023,605)	\$ (951,499)
Gain (loss) and comprehensive gain (loss) for the year attributable to common shareholders	C\$	2,547,112	(3,107,823)	372,751	\$ (7,784,734)	\$ (1,193,587)	\$ (1,979,827)	\$ (5,293,172)	\$ (951,499)
Gain (loss) per share from continuing operations, attributable to owners of the Company (basic)	C\$	(0.00)	0.01	\$ (0.01)	\$ (0.04)	0.00	\$ (0.01)	\$ (0.04)	\$ (0.01)
Gain (loss) per share attributable to owners of the Company (basic and diluted)	C\$	0.01	(0.02)	0.00	(0.05)	(0.01)	(0.01)	(0.04)	(0.01)
Basic weighted average number of ordinary shares outstanding		171,705,612	171,705,612	171,696,353	158,099,142	170,075,730	156,147,100	134,773,154	105,566,748
Diluted weighted average number of ordinary shares outstanding		178,582,278	178,157,278	171,696,353	158,099,142	170,075,730	156,147,100	134,773,154	105,566,748

Generally, the Company has historically experienced a net loss attributable to owners of the Company. The year-over-year period variations in the net gain (loss) attributable to owners of the Company have been primarily a result of:

- Changes in the revenue attributable to ESI; revenue attributable to ESI is, in part, dependent on the general level of activity in the wind and solar and other utility construction sectors, as well as oilfield pipeline and construction sectors;
- Changes in operating and maintenance expenses attributable to ESI, which are primarily fixed, and have a small variable component;

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- Changes in the level of general and administrative expenses of the Company, including increases/decreases in such expenses during periods of increased/decreased activity at the Company's various mineral properties;
- The Company adopting a restricted stock unit plan subsequent to September 30, 2021 and an increase in the number of Directors and employees participating in the Company's stock option plan; and
- Changes in foreign exchange gains and losses.

Results of operations and financial position

The following table provides a summary of the financial results of the Company for the three and nine months ended September 30, 2022, and for the three and nine months ended September 30, 2021. Tabular amounts are in Canadian dollars.

	For the three months ended September 30, 2022	Restated - For the three months ended September 30, 2021	For the nine months ended September 30, 2022	Restated - For the nine months ended September 30, 2021
<i>Summary of Financial Results</i>				
Revenue	\$ 2,991,966	4,427,550	9,093,752	8,947,303
Costs and Expenses	\$ 5,546,722	4,305,886	15,527,685	13,456,704
Income (Loss) from Operations	\$ (2,554,756)	121,664	(6,433,933)	(4,509,401)

The following table provides a summary of the financial position of the Company as of September 30, 2022, and as of December 31, 2021. Tabular amounts are in Canadian dollars.

	As of June 30, 2022	As of December 31, 2021
<i>Summary of Financial Position</i>		
Cash and cash equivalents	\$ 1,380,423	2,629,995
Total assets	\$ 89,612,714	81,147,245
Current liabilities	\$ 10,857,824	12,091,621

Results of operations

Revenues

All the Company's revenues for the three months ended September 30, 2022, being \$2,991,966, were generated by ESI (three months ended September 30, 2021: \$4,427,550).

For the three months ended September 30, 2022, almost all of ESI's rental revenue in the U.S market was generated from rentals into renewables (primarily wind and solar) construction. Almost all revenue generated in Canada, ESI's other operating market, was generated from pipeline construction. Approximately 64% of the revenue generated during the three months ended September 30, 2022 came from rentals, 28% percent of which was from large Padding Machines and 56% from small Padding Machines. The remainder of the revenue was generated from padding bucket rentals. Revenue from small Padding Machines was generated from renewables construction. Approximately 6% of large Padding Machine revenue was from renewables, almost exclusively coming from OPP-200 Padding Machines. OPP-200 Padding Machines are used for both pipeline and renewables construction, whereas OPP-300 Padding Machines, being ESI's other type of rental machine, are used almost exclusively for large diameter mainline pipeline construction. The OPP-200 Padding Machine is designed to backfill large diameter mainline pipelines ranging from 10 to 24 inches in diameter. The OPP-300 Padding Machine is designed to backfill large diameter mainline pipelines ranging from 24 to over 60 inches in diameter.

The decrease in revenue for the three months ended September 30, 2022, when compared to the three months ended September 30, 2021, was attributable to a decrease in customer activity resulting in a decreased demand for large Padding Machine rentals.

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Revenue by Geography	Three months ended September 30, 2022	Three months ended September 30, 2021
United States	\$2,631,883	\$3,482,146
Canada	\$360,083	\$945,404
Total Revenue	\$2,991,966	\$4,427,550

All the Company's revenues for the nine months ended September 30, 2022, being \$9,093,752, were generated by ESI, and were consistent with revenues for the nine months ended September 30, 2021 of \$8,947,303, with a 3% decline in the United States more than offset by a 30% increase in Canada.

Revenue by Geography	Nine months ended September 30, 2022	Nine months ended September 30, 2021
United States	\$7,441,104	\$7,680,842
Canada	\$1,652,648	\$1,266,461
Total Revenue	\$9,093,752	\$8,947,303

Expenses

Total expenses for the three months ended September 30, 2022 were \$5,546,722 (three months ended September 30, 2021: \$4,305,886). Expenses include cost of sales of \$354,093 (three months ended September 30, 2021: \$252,073), consulting fees of \$51,499 (three months ended September 30, 2021: \$45,243), depreciation of equipment of \$756,079 (three months ended September 30, 2021: \$862,713), director fees of \$103,347 (three months ended September 30, 2021: \$24,059), management fees of \$220,630 (three months ended September 30, 2021: \$252,314), property examination costs of \$nil (three months ended September 30, 2021: \$1,460), foreign exchange loss of \$1,056,772 (three months ended September 30, 2021: \$129,697), selling, general and administration of \$757,111 (three months ended September 30, 2021: \$571,317), professional fees of \$245,378 (three months ended September 30, 2021: \$108,663) relating to legal and accounting services received, restricted stock unit expense of \$425,636 (three months ended September 30, 2021: \$nil), stock-based compensation of \$337,470 (three months ended September 30, 2021: \$249,436), operating and maintenance of \$1,076,619 (three months ended September 30, 2021: \$1,493,711), investor relations costs of \$152,172 (three months ended September 30, 2021: \$309,875), and impairment of exploration and evaluation assets of \$9,916 (three months ended September 30, 2021: \$5,325).

Total expenses for the nine months ended September 30, 2022 were \$15,527,685 (nine months ended September 30, 2021: \$13,456,704). Expenses include cost of sales of \$958,676 (nine months ended September 30, 2021: \$428,800), consulting fees of \$191,234 (nine months ended September 30, 2021: \$228,188), depreciation of equipment of \$2,216,544 (nine months ended September 30, 2021: \$2,766,234), director fees of \$250,642 (nine months ended September 30, 2021: \$70,899), management fees of \$765,755 (nine months ended September 30, 2021: \$564,572), property examination costs of \$nil (nine months ended September 30, 2021: \$32,882), foreign exchange loss of \$810,338 (nine months ended September 30, 2021: \$519,068), selling, general and administration of \$2,617,094 (nine months ended September 30, 2021: \$3,388,208), professional fees of \$994,692 (nine months ended September 30, 2021: \$632,970) relating to legal and accounting services received, restricted stock unit expense of \$1,763,975 (nine months ended September 30, 2021: \$nil), stock-based compensation of \$1,184,949 (nine months ended September 30, 2021: \$452,757), operating and maintenance of \$3,094,800 (nine months ended September 30, 2021: \$3,903,605), investor relations costs of \$635,979 (nine months ended September 30, 2021: \$309,875), and impairment of exploration and evaluation assets of \$43,007 (nine months ended September 30, 2021: \$158,646).

Discussion of Significant Changes in Expenses

The increase in cost of sales for the three months ended September 30, 2022, when compared to the three months ended September 30, 2021, is primarily attributable to an increase in ESI's machine sales and related cost; the increase in director fees for the three months ended September 30, 2022, when compared to the three months ended September 30, 2021, is primarily attributable to an increase in the number of Directors of the Company; the increase in

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professional fees for the three months ended September 30, 2022, when compared to the three months ended September 30, 2021, is primarily attributable to greater use of external professional advisors by the Company; the increase in restricted stock unit expense for the three months ended September 30, 2022, when compared to the three months ended September 30, 2021, is attributable to the Company adopting a restricted stock unit plan subsequent to September 30, 2021; the increase in stock-based compensation for the three months ended September 30, 2022, when compared to the three months ended September 30, 2021, is primarily attributable to an increase in the number of Directors and employees participating in the Company's stock option plan; the decrease in investor relations costs for the three months ended September 30, 2022, when compared to the three months ended September 30, 2021, is primarily attributable to an decrease in the Company's investor communication and marketing expenses; the increase in selling, general and administrative costs for the three months ended September 30, 2022, when compared to the three months ended September 30, 2021, is primarily attributable to higher staffing costs as a result of additional personnel at Punitaqui; and the decrease in operating and maintenance expense for the three months ended September 30, 2022, when compared to the three months ended September 30, 2021, is primarily attributable to a decrease in ESI's operating and maintenance costs of equipment.

The increase in cost of sales for the nine months ended September 30, 2022, when compared to the nine months ended September 30, 2021, is primarily attributable to an increase in ESI's machines sales and relayed cost; the increase in director fees for the nine months ended September 30, 2022, when compared to the nine months ended September 30, 2021, is primarily attributable to an increase in the number of Directors of the Company; the increase in management fees for the nine months ended September 30, 2022, when compared to the nine months ended September 30, 2021, is primarily attributable to an increase in management personnel and severance payments; the increase in professional fees for the nine months ended September 30, 2022, when compared to the nine months ended September 30, 2021, is primarily attributable to greater use of external professional advisors by the Company; the increase in restricted stock unit expense for the nine months ended September 30, 2022, when compared to the nine months ended September 30, 2021, is attributable to the Company adopting a restricted stock unit plan subsequent to September 30, 2021; the increase in stock-based compensation for the nine months ended September 30, 2022, when compared to the nine months ended September 30, 2021, is primarily attributable to an increase in the number of Directors and employees participating in the Company's stock option plan; the increase in investor relations costs for the nine months ended September 30, 2022, when compared to the nine months ended September 30, 2021, is primarily attributable to an increase in the Company's investor communication, outreach and marketing efforts; the decrease in selling, general and administrative costs for the nine months ended September 30, 2022, when compared to the nine months ended September 30, 2021, is primarily attributable to a reduction in the Company's overheads related to ESI; and the decrease in operating and maintenance expense for the nine months ended September 30, 2022, when compared to the nine months ended September 30, 2021, is primarily attributable to a decrease in ESI's operating and maintenance costs of equipment.

Gross Profit and Gross Margins

For the three month period ended September 30, 2022, the Company realized a gross profit of \$805,175, representing a gross profit margin of approximately 27%, compared to a gross profit of \$1,819,053 and a gross profit margin of approximately 41% for the three month period ended September 30, 2021. The gross profit for the three month periods ended September 30, 2022 and September 30, 2021 were attributable to the operations of ESI.

For the nine month period ended September 30, 2022, the Company realized a gross profit of \$2,823,732, representing a gross profit margin of approximately 31%, compared to a gross profit of \$1,848,664 and a gross profit margin of approximately 21% for the nine month period ended September 30, 2021. The gross profit for the nine month periods ended September 30, 2022 and September 30, 2021 were attributable to the operations of ESI.

The Company has included certain non-IFRS measures including "Gross profit" and "Gross margin" to supplement its financial statements, which are presented in accordance with International Financial Reporting Standards ("IFRS"). Gross profit is equal to revenue less the cost of sales, less operating and maintenance expense, less depreciation. Gross profit margin is equal to gross profit divided by revenue. The Company believes that these measures provide investors with an alternative view to evaluate the performance of the Company. Non-IFRS measures do not have any standardized meaning prescribed under IFRS. Therefore, they may not be comparable to similar measures employed

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by other companies. The data is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

Loss and comprehensive loss for the period attributable to shareholders

For the three months ended September 30, 2022 the Company's gain and comprehensive gain attributable to shareholders was \$2,547,112, compared to a loss and comprehensive loss attributable to shareholders of \$(1,193,587) for the three months ended September 30, 2021. For the three months ended September 30, 2022 gain and comprehensive gain per ordinary share attributable to common shareholders was \$0.01, compared to a loss and comprehensive loss per ordinary share attributable to common shareholders of \$(0.01) for the three months ended September 30, 2021. The gain and comprehensive gain attributable to common shareholders for the three months ended September 30, 2022 was primarily due to a \$2,772,082 income tax recovery and significant currency translation gains attributable to the Company's operations in Chile and to ESI, while the loss and comprehensive loss attributable to common shareholders for the three months ended September 30, 2021 was mainly due to a currency translation loss attributable to the Company's operations in Chile, partially offset by a currency translation gain attributable to ESI.

For the nine months ended September 30, 2022 and the nine months ended September 30, 2021, the Company's loss and comprehensive loss attributable to shareholders was \$(187,960) and \$(8,466,585), respectively. For the nine months ended September 30, 2022 and the nine months ended September 30, 2021, loss and comprehensive loss per ordinary share attributable to shareholders was \$(0.00) and \$(0.06), respectively. The decrease in loss and comprehensive loss attributable to common shareholders for the nine months ended September 30, 2022, when compared to the nine months ended September 30, 2021, was primarily attributable to a \$5,072,111 gain on disposal of property and equipment, coupled with a significant increase in currency translation gains attributable to ESI, both partially offset by increases in restricted stock units expense and stock based compensation.

Exploration and Evaluation Expenditures

Mining claims and deferred exploration costs represent costs pertaining to the Company's various cobalt, lithium, graphite and copper projects.

Cobalt

Up to and including September 30, 2022, the ending balance in the exploration and evaluation account (including cumulative additions and impairments) was \$24,491,506 (December 31, 2021: \$23,461,117).

During the nine months ended September 30, 2022, the Company incurred \$1,073,396 in exploration and evaluation expenditures on its cobalt projects (nine months ended September 30, 2021: \$4,030,278). During the nine months ended September 30, 2022, the Company incurred an impairment cost of \$(43,007) on its cobalt projects (nine months ended September 30, 2021: \$(158,646)).

Lithium

Up to and including September 30, 2022, the ending balance in the exploration and evaluation account (including cumulative additions and impairments) was \$388,202 (December 31, 2021: \$382,870).

During the nine months ended September 30, 2022, the Company incurred \$5,332 in exploration and evaluation expenditures on its lithium projects (nine months ended September 30, 2021: \$4,152).

Graphite

Up to and including September 30, 2022, the ending balance in the exploration and evaluation account (including cumulative additions and impairments) was \$1,998,236 (December 31, 2021: \$1,933,932).

During the nine months ended September 30, 2022, the Company incurred \$64,304 in exploration and evaluation expenditures on its graphite projects (nine months ended September 30, 2021: \$192,731).

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MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022

Copper

Up to and including September 30, 2022, the ending balance in the exploration and evaluation account (including cumulative additions and impairments) was \$18,822,990 (December 31, 2021: \$5,323,560).

During the nine months ended September 30, 2022, the Company incurred \$14,206,798 in exploration and evaluation expenditures on its copper projects (nine months ended September 30, 2021: \$21,369,992). During the nine months ended September 30, 2022, the Company incurred \$(707,368) in a currency translation adjustment related to its copper projects (nine months ended September 30, 2021: \$nil).

Financial position

Assets

Cash and cash equivalents

At September 30, 2022, cash and cash equivalents totaled \$1,380,423 (December 31, 2021: \$2,629,995). Cash and cash equivalents decreased by \$(1,249,572) during the nine months ended September 30, 2022 (nine months ended September 30, 2021: \$(9,999,594)). The Company's cash flows during the nine months ended September 30, 2022 consisted of net cash provided by financing activities of \$4,542,342 (nine months ended September 30, 2021: \$10,507,684); net cash used in investing activities of \$(6,719,561) (nine months ended September 30, 2021: \$(18,640,629)); and net cash used in operating activities of \$(157,818) (nine months ended September 30, 2021: \$(1,078,959)).

Receivables

Accounts receivable at September 30, 2022 totaled \$2,776,150 (December 31, 2021: \$3,746,001). Accounts receivable included receivables from customers of \$1,994,367 (December 31, 2021: \$1,623,632), finance lease receivable of \$147,758 (December 31, 2021: \$329,543), as well as tax receivables of \$634,025 (December 31, 2021: \$1,792,826).

Prepaid expenses

As of September 30, 2022, prepaid expenses totaled \$378,739 (December 31, 2021: \$231,061).

Exploration advances

As of September 30, 2022, exploration advances totaled \$100,000 (December 31, 2021: \$404,000).

Liabilities

Accounts payable and accrued liabilities

As of September 30, 2022, accounts payable and accrued liabilities totaled \$10,377,854 (December 31, 2021: \$10,764,495). The balance was comprised of \$2,840,785 of trade payables (December 31, 2021: \$2,368,299), \$1,588,214 in accrued liabilities (December 31, 2021: \$1,398,696), short term contingent payments on acquisition of \$2,070,200 (December 31, 2021: \$1,918,190), and long term contingent payments on acquisition of \$3,878,655 (December 31, 2021: \$5,079,310).

Income taxes payable

As of September 30, 2022, income taxes payable were \$276,368 (December 31, 2021: \$1,729,027).

Convertible unsecured debentures

The Company has \$10,375,459 in principal amount of convertible unsecured debentures outstanding as of September 30, 2022. Additional details concerning the convertible unsecured debentures are disclosed in the notes to the Financial Statements.

BATTERY MINERAL RESOURCES CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022

Additional Information

Working Capital

Working capital as of September 30, 2022 was \$(4,033,280) (December 31, 2021: \$(3,195,332)). The increase in the working capital deficit was primarily due to a decrease in cash, as a result of the Company's investments in its exploration and evaluation assets and the acquisition of property, plant and equipment, which have been financed by proceeds from the convertible debentures and the disposal of property and equipment.

To address the working capital deficit, the Company entered into a loan agreement to borrow up to US\$4,000,000 from Weston Energy LLC (a related party) on October 20, 2022 and announced the sale of ESI's real estate property located in Leduc, AB for net proceeds of approximately \$2,000,000 on November 7, 2022 (see sections "*Liquidity and capital resources*" and "*Subsequent events*").

Liquidity and capital resources

As at September 30, 2022, the Company had cash and cash equivalents of \$1,380,423 (December 31, 2021: \$2,629,995) and no cash held in escrow. Cash and cash equivalents are primarily comprised of cash held with reputable financial institutions and are invested in highly liquid short-term investments with maturities of six months or less. See section "*Liquidity and capital resources*".

Equity

As of September 30, 2022, the Company has 171,705,612 shares outstanding. As of September 30, 2022, 9,383,332 options remain outstanding, of which 9,370,832 were issued to Officers, Directors and Consultants of the Company and 12,500 relating to the Fusion amalgamation. As of September 30, 2022, 7,697,499 restricted share units ("**RSU's**") were issued to Officers, Directors, and Consultants of the Company. See section "*Disclosure of data for outstanding common shares and stock options*".

Corporate activities

Corporate Activities

On February 12, 2021, the Company completed a reverse takeover transaction ("**RTO**"), with Fusion Gold Ltd. ("**Fusion**"), a TSX Venture Exchange listed company.

By way of additional information on the RTO, on December 23, 2019, Fusion entered into a definitive amalgamation agreement with the Company, 1234525 B.C. Ltd., a newly incorporated wholly owned subsidiary of Fusion, and Weston Energy LLC ("**Weston**"). This agreement was amended on March 25, 2020, May 14, 2020, August 31, 2020, December 29, 2020, and January 31, 2021; together the definitive amalgamation agreement and the amendments are referred to hereinafter as the "**New Definitive Agreement**".

The New Definitive Agreement (i) extended the time for completion of the Transaction from August 31, 2020, to March 1, 2021, and (ii) increased the expense reimbursement fee from \$250,000 to \$350,000 (payable by the Company to Fusion in the event the Transaction was not completed by December 31, 2020 for any reason other than as a result of the failure of Fusion to fulfil a material condition or obligation under the Definitive Agreement).

Pursuant to the New Definitive Agreement, Fusion acquired all of the issued and outstanding securities of the Company, by way a three cornered amalgamation under the British Columbia Business Corporations Act pursuant to which the Company and Fusion Subco amalgamated, shareholders of the Company exchanged their shares of the Company for shares of Fusion on a one-for-one basis on a post-consolidation basis (as defined below) and the Company became a wholly-owned subsidiary of Fusion (together with the related transactions and corporate procedures set out in the New Definitive Agreement, the "**Transaction**").

In connection with the Transaction, Fusion consolidated its common shares on a 2:1 basis (the "**Consolidation**"). In addition, upon closing of the Transaction, Fusion changed its name to "Battery Mineral Resources Corp.". On closing the Transaction, the Resulting Issuer met the TSXV's initial listing requirements for a Tier 1 or Tier 2 mining issuer.

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MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022

In connection with the Transaction, the Company completed a private placement of: (i) flow-through common shares of the Company at a price of \$0.68 per share; and (ii) common shares of the Company at a price of \$0.65 per share, to raise aggregate gross proceeds of \$1,750,000. Shares issued under the private placement were immediately exchanged for one post-consolidation common share of Fusion upon closing of the Transaction (together, the "**Concurrent Financing**").

As mentioned, on February 12, 2021, the Company completed the RTO with Fusion. The transaction was intended to constitute Fusion's "qualifying transaction" and was structured as a three-cornered amalgamation pursuant to which the Company amalgamated with 1234525 B.C. Ltd. The amalgamated entity became a wholly owned subsidiary of Fusion and the security holders of the Company exchanged securities of the Company for securities of Fusion on a one-for-one basis (after a consolidation of Fusion's common shares on a 2:1 basis). As a result, the shareholders of the Company owned more shares in the combined entity, the Company is deemed to control the new entity and the continuing financial statements will be those of the Company.

Trading of the Company's common shares commenced on February 22, 2021.

During the year ended December 31, 2021, the Company:

- i. Received \$1,750,000 of subscription receipts consisting of flow-through and non flow-through shares as follows: 735,294 flow-through shares to be issued at an issuance price of \$0.68 per flow-through share for proceeds of \$500,000 and 1,923,077 non flow-through shares in the Company at an issuance price of \$0.65 per share for proceeds of \$1,250,000.
- ii. issued 200,000 shares related to the settlement of the claim dispute in Idaho.
- iii. issued 900,000 shares related to historic property obligations.
- iv. cancelled 425,885 common shares in relation to the Transaction.
- v. exercised 62,000 options at \$0.20 related to the Fusion amalgamation.
- vi. issued 3,100,000 shares related to the share exchange that would result in the Company's shareholders taking over Fusion.
- vii. issued 21,156,074 shares for a cash consideration of \$12,822,485 and non-cash consideration of \$662,866 related to the Punitaqui acquisition. The non-cash consideration of 1,069,138 shares were issued to Weston in exchange for the debtor in possession loan used to secure the rights to acquire Punitaqui.
- viii. issued 10,000,000 shares related to Bluequest for \$6,200,000 (US\$5,000,000) pursuant to a loan purchase agreement with Bluequest.
- ix. 1,538,462 common shares for additional proceeds of \$1,001,120 (US\$800,000), relating to the second and final tranche of the Punitaqui acquisition. The shares were issued to Weston.
- x. issued 1,388,888 flow-through shares ("Flow-Through Shares") at a price of \$0.72 per Flow-Through Share for total gross proceeds of \$999,999.

The subscription agreement for the Flow-Through Shares requires North American Cobalt Inc. to incur \$999,999 of qualifying Canadian Exploration Expenses ("CEE") and renounce the CEE to the Flow-Through Shares shareholders with an effective date of December 31, 2021. The Company attributed a flow-through premium liability of \$97,222 and reduced share capital by the same amount. Transaction costs relating to the Offering amounted to \$60,000.

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xi. issued 1,675,384 Flow-Through Shares at a price of \$0.78 per Flow-Through Share for total gross proceeds of \$1,306,800.

The subscription agreement for the Flow-Through Shares requires North American Cobalt Inc. to incur \$1,306,800 of qualifying CEE and renounce the CEE to the Flow-Through Shares shareholders with an effective date of December 31, 2021. The Company attributed a flow-through premium liability of \$311,770 and reduced share capital by the same amount. Transaction costs relating to the Offering amounted to \$75,600.

Punitaqui Acquisition

On May 28, 2021, the Company entered into a number of agreements with Minera Altos de Punitaqui Limited ("MAP"), their parent company Xiana Mining Inc. ("Xiana") and their creditors, Bluequest Resources AG ("Bluequest"), to acquire the rights to certain properties, plant and equipment related to Punitaqui.

Consideration included:

- i. The issuance of 10,000,000 Common Shares to Bluequest equal to \$6,200,000 (US\$5,000,000);
- ii. Contingent consideration of up to US\$5,000,000 of additional payments subject to achieving certain production milestones at Punitaqui, with each milestone payment to be satisfied, at the election of Bluequest, by the payment of cash, the issuance of Common Shares at prevailing market prices (subject to a minimum issue price of C\$0.41), or a combination of both. The milestone payments include: (i) an amount equal to US\$2,000,000, payable 60 days following the date on which commercial restart is achieved, (ii) an amount equal to US\$1,000,000, payable 60 days following the date on which the first production milestone is achieved, (iii) an amount equal to US\$1,000,000, payable 60 days following the date on which the second production milestone is achieved, and (iv) an amount equal to US\$1,000,000, payable 60 days following the date on which the third production milestone is achieved. The production milestones include the achievement of aggregate production equal to or greater than 291,600 tonnes for the commercial restart milestone, aggregate production of 583,200 tonnes for the first production milestone, aggregate production of 874,800 tonnes for the second production milestone, and aggregate production of 1,166,400 tonnes for the third production milestone. The Company has estimated the probability of achieving the milestones as at September 30, 2022 to be nil;
- iii. Cash consideration of \$180,000 (US\$149,217) to Bluequest;
- iv. An upfront payment to MAP to satisfy certain creditors debts amounting to \$4,510,000 (US\$3,736,175);
- v. Future payments to MAP to satisfy certain creditors debts amounting to \$8,080,000 (US\$6,379,416) over 23 quarterly installments beginning on June 30, 2021;
- vi. \$5,343,000 (US\$4,426,193) in future cash consideration related to an option agreement to obtain ownership over all land and equipment;
- vii. The issuance of 1,069,138 shares to Weston in exchange for the debtor in possession ("DIP") secured loan. These were exchanged at the market rate of the trading shares in a non-arm's length transaction.

There were transaction costs of \$559,000 which were capitalized to the assets. The assets acquired did not have processes capable of generating outputs, therefore did not meet the definition of a business in accordance with IFRS 3 Business Combinations and were accounted for as an asset acquisition. The value of consideration paid after allocation to the other net assets acquired, was allocated to the property, plant and equipment based on their relative fair values on May 28, 2021.

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MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022

The arrangement included a 99-year lease agreement, which exceeds the life of the assets, to access and utilize MAP's mining concessions, mineral properties, equipment, and water rights. This structure allows the Company to complete a pre-economic analysis and apply for the proper permits with the Chilean mining authorities, without assuming any potential unknown liabilities within MAP. MAP has granted a four-year call option to sell the entirety of the mining properties to the Company, and the Company entered into a promissory purchase agreement for the equity of MAP for US\$100 on the 10-year anniversary of the closing of the transaction.

Significant Projects

The Company considers Punitaqui to be its most significant project. Punitaqui is a former producing copper mine and ore processing plant which has been idle since April, 2020. For 2022, the Company's plans for Punitaqui primarily include:

- The completion of 32,526 meters of in-fill and exploration drilling, which commenced in 2021, the results of which were included in the Mineral Resource Estimate, as described herein;
- The execution of a community consultation plan in the areas immediately surrounding Punitaqui, as well as consultation with any other communities that may be impacted by potential production and related activities at the mine;
- The execution of a detailed engineering & planning program, as well as a metallurgical testing program, the objectives of which will be to provide additional information to the Company in connection with a potential re-start of mining activities at Punitaqui;
- If a decision to re-start mining activities at Punitaqui is made by the Company, securing additional funding towards the mine development, the acquisition of certain capital items, and for the working capital required for such re-start;
- If a decision to re-start mining activities at Punitaqui is made by the Company, engaging in pre-production stage mine development, the acquisition of certain capital items, as well as the refurbishment of the ore processing plant; and
- If a decision to re-start mining activities at Punitaqui is made by the Company, the potential commencement of mineral processing and copper production activities in the second quarter of 2023.

As of the date of this MD&A, management estimates that the Punitaqui project is on-track to meet the objectives set out by management. As of the date of this MD&A, the Company has completed the in-fill and exploration drilling, and remains on-track to complete the next phase of its plans as outlined herein. The Company does not anticipate any material delays to take the project through the next phase. The Company anticipates making additional expenditures on the Project. Numerous factors outside of the Company's control, including but not limited to commodity prices, political, or environmental issues may have an effect on the value of the project (Also, see section "*Risk Factors related to the Company's Mineral Properties*").

Liquidity and capital resources

As at September 30, 2022, the Company had cash and cash equivalents of \$1,380,423 (December 31, 2021: \$2,629,995) and no cash held in escrow (as further described below). Cash and cash equivalents are primarily comprised of cash held with reputable financial institutions and are invested in highly liquid short-term investments with maturities of six months or less.

As of the date of this MD&A, the Company does not have any firm commitments to incur material capital expenditures. The Company expects that it will have to incur certain expenditures in the future, in order to fund its development activities. These expenditures are expected to include, but not be limited to: the development of the ore bodies currently existing at the Company's Punitaqui project; the acquisition of certain mining equipment and consumables, in order to commence and operate the Punitaqui project; operating and general & administrative costs associated with operating the Punitaqui project; the costs of maintaining its mineral project licenses and mineral

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claims; permitting costs; and general corporate expenses. Those aforementioned expenditures relating to Punitaqui will, in large part, depend on whether or not the Company decides to proceed with mining activities at the project. As of the date of this MD&A, the Company cannot accurately estimate the total of the aforementioned expenditures.

The Company currently has cash flow from ESI, though the sources of operating cash flow are not sufficient to fund the Company's continued exploration and development efforts and the Company's primary sources of capital resources are comprised of cash and cash equivalents. The Company will continuously monitor its capital structure and based on changes in operations and economic conditions, may adjust the structure by issuing new shares or new debt, as necessary. The ability of the Company to continue as a going concern is dependent on its ability to obtain additional sources of financing to successfully explore and evaluate its mineral properties and, ultimately, to achieve profitable operations. While the Company has been successful in securing financing to date, there are no guarantees that it will be able to secure such financing in the future on terms acceptable to the Company, if at all. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration of the Company's properties and the possible loss of title to such properties. Significant reliance is placed on Weston, the Company's controlling shareholder, for providing ongoing financing to the Company. Failure of Weston to provide or participate in financing, or the inability of Weston to provide or participate in financing, would likely result in difficulty for the Company to attract separate third-party investment. If the Company is able to continue to advance its Punitaqui project, management expects that it may be able to access additional sources of capital, in addition to those described herein, to fund the development of the Punitaqui project. Such sources of capital may include, among others, a concentrate offtake prepayment financing, a private debt financing, or a financing by way of a sale of a royalty interest over the potential future production from Punitaqui project. Should any such sources of capital be obtained by the Company, the Company's capital structure, credit risk profile, cash flow profile, as well as the average cost of capital for the Company may change materially.

On October 20, 2022, the Company entered into a loan agreement to borrow up to US\$4,000,000 from Weston. The loan proceeds will be received by the Company in one or more advances. The loan will mature on February 17, 2023 (see section "*Subsequent events*").

ESI owned a real estate property located in Leduc, AB (the "**Leduc Property**"), which had a mortgage loan outstanding. The mortgage on the Leduc Property contained a debt covenant stipulating a minimum debt service coverage ratio ("**DSCR**") of 1.25:1. As of September 30, 2022, the DSCR was estimated by ESI to be approximately (0.31):1. As such, ESI believed that as of the aforementioned date, it was in breach of the debt covenant in relation to the mortgage loan secured by the Leduc Property. However, ESI did not receive any notice from the mortgage lender notifying ESI that it had breached the debt covenant. On November 7, 2022, the Company announced it closed the sale of the Leduc Property and raised net proceeds of approximately \$2,000,000, after the repayment of all indebtedness on this property and the payment of transaction costs.

The net proceeds from the sale of the Leduc Property provided the Company with additional capital resources, which the Company is expected to apply towards advancing the development of Punitaqui, and for additional working capital.

The above factors, together with the Company's working capital deficiency and the potential for additional unforeseen issues and delays give rise to material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern.

Transactions with related parties

Related parties of the Company include directors, officers, Weston and ESI.

On May 26, 2021, the Company completed the acquisition of ESI concurrent with the completion of the ESI going private transaction. The result is the Company now owns 100% of the ESI common shares.

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On May 28, 2021, the Company issued 1,069,138 shares to Weston, valued at \$662,866 (US\$555,952) in exchange for the DIP loan used to secure the rights to acquire Punitaqui.

On July 5, 2021, the Company issued 1,538,462 common shares to Western for additional proceeds of \$1,001,120 (US\$800,000), relating to the second and final tranche of the Punitaqui acquisition.

On October 20, 2022, the Company entered into a loan agreement to borrow up to US\$4,000,000 from Weston. The loan proceeds will be received by the Company in one or more advances. The loan will mature on February 17, 2023 (see section "*Subsequent events*").

For the three months ended September 30, 2022, the Company paid or accrued management fees of \$220,630 (three months ended September 30, 2021: \$252,314). For the nine months ended September 30, 2022, the Company paid or accrued management fees of \$765,755 (nine months ended September 30, 2021: \$564,572).

Disclosure of data for outstanding common shares and stock options

Common Shares

During the year ended December 31, 2021, the Company:

- i. Received \$1,750,000 of subscription receipts consisting of flow-through and non flow-through shares as follows: 735,294 flow-through shares to be issued at an issuance price of \$0.68 per flow-through share for proceeds of \$500,000 and 1,923,077 non flow-through shares in the Company at an issuance price of \$0.65 per share for proceeds of \$1,250,000.
- ii. issued 200,000 shares related to the settlement of the claim dispute in Idaho.
- iii. issued 900,000 shares related to the historic property obligations.
- iv. cancelled 425,885 common shares in relation to the Transaction.
- v. exercised 62,500 options at \$0.20 related to the Fusion amalgamation.
- vi. issued 3,100,000 shares related to the share exchange that would result in the Company's shareholders taking over Fusion.
- vii. issued 21,156,074 shares for a cash consideration of \$12,822,485 and non-cash consideration of \$662,866 related to the Punitaqui acquisition. The non-cash consideration of 1,069,138 shares were issued to Weston in exchange for the DIP loan used to secure the rights to acquire Punitaqui.
- viii. issued 10,000,000 shares related to Bluequest for \$6,200,000 (US\$5,000,000) pursuant to a loan purchase agreement with Bluequest
- ix. 1,538,462 common shares for additional proceeds of \$1,001,120 (US\$800,000), relating to the second and final tranche of the Punitaqui acquisition. The shares were issued to Weston.
- x. issued 1,388,888 flow-through shares ("Flow-Through Shares") at a price of \$0.72 per Flow-Through Share for total gross proceeds of \$999,999.

The subscription agreement for the Flow-Through Shares requires North American Cobalt Inc. to incur \$999,999 of qualifying CEE and renounce the CEE to the Flow-Through Shares shareholders with an effective date of December 31, 2021. The Company attributed a flow-through premium liability of \$97,222 and reduced share capital by the same amount. Transaction costs relating to the Offering amounted to \$60,000.

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MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022

xi. issued 1,675,384 Flow-Through Shares at a price of \$0.78 per Flow-Through Share for total gross proceeds of \$1,306,800.

The subscription agreement for the Flow-Through Shares requires North American Cobalt Inc. to incur \$1,306,800 of qualifying CEE and renounce the CEE to the Flow-Through Shares shareholders with an effective date of December 31, 2021. The Company attributed a flow-through premium liability of \$311,770 and reduced share capital by the same amount. Transaction costs relating to the Offering amounted to \$75,600.

During the nine months ended September 30, 2022, 833,333 common shares were issued as a result of the exercise of the same amount of restricted share units.

Stock options

As of September 30, 2022, 9,383,332 stock options remain outstanding, of which 9,370,832 were issued to Officers, Directors and Consultants of the Company and 12,500 relating to the Fusion amalgamation. Total stock-based compensation expense for the three months ended September 30, 2022, was \$337,470 (for the three months ended September 30, 2021: \$249,436). Total stock-based compensation expense for the nine months ended September 30, 2022, was \$1,184,949 (nine months ended September 30, 2021: \$452,757).

The Company's stock option plan provides for the issuance of stock options to its Officers, Directors, employees and Consultants. Stock options are non-transferable and the aggregate number of shares that may be reserved for issuance pursuant to stock options may not exceed 10% of the issued shares of the Company at the time of granting. The exercise price and vesting terms of stock options is determined by the Board of Directors of the Company at the time of grant.

Restricted share units

As of September 30, 2022, 7,697,499 RSU's were issued to Officers, Directors, and Consultants of the Company. The total RSU expense for the three months ended September 30, 2022 was \$425,636 (September 30, 2021: \$nil). The total RSU expense for the nine months ended September 30, 2022 was \$1,763,975 (nine months ended September 30, 2021: \$nil).

Outstanding Share Data

As of September 30, 2022, the Company has 171,705,612 shares outstanding.

Off-balance sheet transactions

The Company did not have any off-balance sheet arrangements as of September 30, 2022, December 31, 2021, or as of the date of this report.

Significant judgements and estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Management believes the estimates and assumptions used in these Financial Statements are reasonable; however, actual results could differ from those estimates and could impact future results of operations and cash flows.

The Company's significant accounting judgments and estimates which have been applied in the Financial Statements for the three and nine months ended September 30, 2022 are as follows:

Judgments

The measurement of deferred income tax assets and liabilities.

The evaluation of the Company's ability to continue as a going concern.

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MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022

Estimations

The fair value of share-based compensation.

The estimated attribution of value to the equity and debt components of the convertible unsecured debentures issued by the Company.

The estimated value of ESI's lease liability in relation to the sale-lease back transaction on the Phoenix Property.

Financial instruments and capital management

As at September 30, 2022, the Company's financial assets consist of cash and accounts receivable, while its financial liabilities consist of accounts payable, income taxes payable, the convertible unsecured debentures, accrued liabilities. The Company classifies cash and receivables as financial assets measured at amortized cost. The Company classifies accounts payable and accrued liabilities as financial liabilities held at amortized cost.

The fair value of these financial instruments is equal to their carrying value unless otherwise noted.

The risk exposure arising from these financial instruments is summarized as follows:

(a) Credit risk

As at September 30, 2022, the majority of the Company's financial assets are cash. The Company holds all cash balances with a highly rated Canadian financial institution, therefore minimizing the Company's credit risk. Similarly, ESI holds all cash balances with a highly rated U.S. financial institution, therefore minimizing its credit risk.

(b) Liquidity risk

The Company's approach to managing liquidity risk is to ensure that they will have sufficient liquidity to meet liabilities when due. The Company maintains projections of its liquidity requirements to assist in managing this risk.

The Company believes it will have sufficient funds on hand to meet administrative and legal costs, but should it not, it will be dependent on future support of shareholders through public equity offerings, and cash transfers or dividends from ESI. At September 30, 2022, the Company had no contractual obligations which result in a financial liability beyond accounts payable, income taxes payable, and accrued liabilities. Also, see section "*Liquidity and capital resources*".

(c) Market risk

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

The Company's activities, including those of its subsidiaries with the exception of ESI (described separately below), have been transacted in Canadian dollars, United States dollars and Chilean Pesos; the Company carries no debt beyond accounts payable, income taxes payable, the convertible unsecured debentures, and accrued liabilities. As such, the Company has market risks facing it at present.

ESI's activities are predominantly transacted in United States dollars, and to a lesser extent in Canadian dollars; in addition, ESI carries debt beyond accounts payable, accrued liabilities, including equipment loans and mortgages related to certain of its properties. As such, ESI has market risks facing it at present.

(c) Commodity price risk

The demand, pricing and terms for ESI's services depend significantly upon the level of expenditures made by pipeline companies and others. Generally, when commodity prices and demand are predicted to be, or are relatively high, demand for ESI's services is high. The converse is also true. The prices for crude oil and gas have fluctuated widely

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during recent years and may continue to be volatile in the future. As such, ESI has commodity price risk facing it at the present.

Capital management

The Company manages its capital structure and adjusts it based on the funds available to the Company, in order to continue as a going concern. The Company considers capital to be all accounts in equity. The Board of Directors of the Company does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. Additional funds may be required to finance the Company.

Subsequent events

Subsequent to September 30, 2022, the Company:

- On October 21, 2022, the Company announced it has entered into a loan agreement (the "**Loan Agreement**") dated October 20, 2022 (the "**Closing Date**") to borrow up to USD\$4,000,000 (the "**Loan**") from Weston. The Loan proceeds will be received by the Company in one or more advances (each, an "**Advance**"). The Loan will mature on February 17, 2023 (the "**Maturity Date**").
The outstanding principal balance of each Advance shall bear interest from the date of such Advance at the rate of (i) six percent (6%) per annum for the first ninety (90) days following the Closing Date, and (ii) eight percent (8%) per annum at all times thereafter until the earlier of (i) the Maturity Date and (ii) the repayment in full of all amounts payable under the Loan Agreement. The Company may prepay all or any part of the outstanding principal amount of the Loan at any time without notice or penalty provided that such prepayment is accompanied by all accrued and unpaid interest on the principal amount prepaid.
- On November 7, 2022, the Company announced it closed the sale of the Leduc Property and raised net proceeds of approximately \$2,000,000, after the repayment of all indebtedness on this property and the payment of transaction costs.
- The Company has granted an aggregate of 350,000 stock options to an employee of the Company. The options will vest over the next 3 years.
- The Company has granted an aggregate of 100,000 RSUs to an employee of the Company. The RSUs will vest over the next 3 years.

Other risks and uncertainties

The Company is engaged in mineral exploration and development activities which, by nature, are speculative. Through ESI, the Company is also engaged in the rental of Padding Machines.

Due to the high-risk nature of the Company's mineral exploration and development business division, and the present stage of the Company's various projects, an investment in the Company's common shares should be considered a highly speculative investment that involves significant financial risks, and prospective investors should carefully consider all of the information disclosed in this MD&A under the section "*Risk Factors*". Additional risks not currently known to the Company, or that the Company currently considers immaterial, may also adversely affect the Company's business, result of operations, financial results, prospects, and price of common shares.

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Risk Factors related to the Company's Mineral Properties

COVID-19 and Other Global Pandemics

Though work at the Company's properties is continuing with no significant interruptions to date, the Company may nonetheless be impacted at any time by the current global coronavirus outbreak and associated COVID-19 global pandemic, as well as related governmental regulations, restrictions and other measures and business disruptions due to the impact of same on the Company's activities or on third parties with whom the Company is associated or does business. The Company is currently complying with all federal, provincial or state, and local governmental regulations concerning COVID-19. While the majority of our employees and contractors are currently operating following the contagion prevention measures that have been put in place, the ever-changing nature of the situation may have a material adverse impact on the Company as it could result in delays and increased costs. In addition, governmental authorities could impose additional restrictions or requirements resulting in further limitations or complete suspension of the Company's activities.

Additionally, in the event of an outbreak of COVID-19 at any of the Company's projects, governmental authorities, or the Company could determine that a full suspension of all of its operations is necessary for the safety and protection of the workers. A complete suspension of operations could result in delays and increased costs, which may have a material adverse effect on the financial position of the Company. Moreover, the actual and threatened further spread of COVID-19 globally could continue to negatively impact stock markets, including the trading price of the Company's Common Shares, adversely impact the Company's ability to raise capital, and cause continued interest rate volatility and movements that could make obtaining financing more challenging or more expensive. Any of these developments could have a material adverse effect on the Company's business and operations.

Fluctuating Commodity Prices

The price of copper, gold, silver and other metals have historically fluctuated widely and are affected by numerous external factors beyond the Company's control, including industrial demand, production and cost levels in major producing regions, short-term changes in supply and demand, speculative activities, confidence in the global monetary system, the strength of the US dollar (the currency in which the price of copper is generally quoted), interest rates, terrorism and war, and other global and regional political and economic events. The exact effect of these factors cannot be accurately predicted, but any one of, or any combination of, these factors may result in not receiving an adequate return on invested capital and a loss of all or part of an investment in securities of the Company.

No Assurance of Title

The acquisition of title to mineral projects is a detailed and time-consuming process. Although the Company has taken precautions to ensure that legal title to its property interests is properly recorded in its name where possible, there can be no assurance that such title will ultimately be secured. Furthermore, there is no assurance that the interests of the Company in any of its properties will not be challenged or impugned. Title insurance is generally not available for mineral properties and the Company has a limited ability to ensure that it has obtained secure ownership to individual mineral properties. While the Company has taken all reasonable steps to maintain title to its mineral properties, there can be no assurance that the Company will be successful in extending or renewing mineral rights on or prior to expiration of their term or that the title to any such properties will not be affected by an unknown title defect. Should the Company be unsuccessful in extending or renewing its mineral rights, or if the title to any such properties is affected by an unknown title defect, the Company may not have the ability to explore on any such properties, and their value may be impaired.

Construction and Start-up of Mines

The success of construction projects and the start-up of mines by the Company is subject to a number of factors including the availability and performance of engineering and construction contractors, mining contractors, suppliers and consultants, the receipt of required governmental approvals and permits in connection with the construction of

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mining facilities and the conduct of mining operations (including environmental permits), and the successful completion and operation of ore passes, recovery plants and conveyors to move ore, among other operational elements. Any delay in the performance of any one or more of the contractors, suppliers, consultants or other persons on which the Company is dependent, a delay in or failure to receive the required governmental approvals and permits in a timely manner or on reasonable terms, or a delay in or failure of the operational elements in connection with any mines could delay or prevent the construction and start-up of the mines. There can be no assurance that current or future construction and start up plans implemented by the Company will be successful, that the Company will be able to obtain sufficient funds to finance construction and start up activities, that personnel and equipment will be available in a timely manner or on reasonable terms, that the Company will be able to obtain all necessary governmental approvals and permits or that the completion of the construction, the start-up costs and the ongoing operating costs of mines will not be significantly higher than anticipated by the Company. Any of the foregoing factors could adversely impact the operations and financial condition of the Company.

Permits and Licenses

The operations of the Company require licenses and permits from various governmental authorities. The Company believes that it presently holds all necessary licenses and permits required to carry on with activities which it is currently conducting under applicable laws and regulations, and believes it is presently complying in all material respects with the terms of such licenses and permits. However, such licenses and permits are subject to change, and obtaining necessary licenses and permits can be a complex and time-consuming process. The costs and delays associated with obtaining necessary licenses and permits could stop or materially delay or restrict the Company from proceeding with the development of an exploration project. There can be no assurance that the Company will be able to obtain all necessary licenses and permits required to carry out exploration, development, and mining operations at its mineral projects or that the Company will be able to comply with the conditions of all such necessary licenses and permits in an economically viable manner.

Environmental Regulations and Potential Liabilities

The operations of the Company are subject to environmental regulations promulgated by government agencies from time to time. Environmental laws and regulations have restrictions and prohibitions on spills, and releases or emissions of various substances produced in association with mining operations, such as seepage from tailings disposal areas. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental hazards may exist on the properties on which the Company holds interests which are unknown at present, and which have been caused by previous or existing owners or operators of the properties. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed or corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Such failure to comply may also result in civil or criminal fines, penalties, or judgements. Environmental laws and regulations are becoming increasingly stricter in terms of standards, increased fines and penalties for non-compliance, requiring more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors, and employees. Amendments to current laws, regulations and permits governing mining operations and activities, or more stringent enforcement thereof, could have a material adverse impact on the Company and cause increases in exploration expenses, capital expenditures or production costs, reduction in levels of production at producing properties, or abandonment or delays in development of new mining properties. The potential financial consequences of the foregoing may be significant.

Infrastructure

Mining, processing, development, and exploration activities are dependent on adequate infrastructure. Reliable roads, railways, power sources and water supply are important determinants affecting capital and operating costs. If the Company does not have timely access to adequate infrastructure, there is no assurance that it will be able to start or continue exploiting and developing projects, that the ultimate operations will achieve the anticipated production

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volume, or that construction costs and operating costs will not be higher than estimates calculated. Therefore, interference with such infrastructure, including by unusual or infrequent weather phenomena, sabotage, or governmental interference, could adversely affect the Company's operations, financial condition, and results of operations.

Availability and Costs of Energy and Other Commodities

Reliable access to energy and power sources and water supply are important factors that affect capital and operating costs. The profitability of the Company's business is also affected by the market prices and availability of commodities and resources such as diesel fuel, electricity, finished steel, tires, steel, chemicals, and reagents which are consumed or otherwise used in connection with the Company's operations and development projects. Prices of such commodities and resources are also subject to volatile price movements, which can be material and can occur over short periods of time due to factors beyond the Company's control.

If there is a significant and sustained increase in the cost of certain commodities, the Company may decide that it is not economically feasible to engage in production and development activities and this could have an adverse effect on profitability. An increase in worldwide demand for critical resources like input commodities, drilling equipment, mobile mining equipment, tires and skilled labor could affect the Company's ability to acquire them and lead to delays in delivery and unanticipated cost increases, which could have an effect on the Company's operating costs, capital expenditures and production schedules. Further, the Company relies on certain key third party suppliers and contractors for services, equipment, raw materials, and the provision of services, which are necessary for the development, construction, and continuing operation of its assets. As a result, the Company's activities are subject to a number of risks which are outside its control, including negotiating agreements with suppliers and contractors on acceptable terms, potential interruptions or increased costs in the event that a contractor is unable or unwilling to perform under its contract with the Company, and difficulties in replacing suppliers and contractors. The occurrences of one or more of these events could have a material effect on the business, results of operations and financial condition of the Company.

Uncertainty of Production Estimates

Future estimates of production for the Company's mining operations are derived from a mining plan and these estimates are subject to change. There is no assurance the production estimates will be achieved and failure to achieve production estimates could have a materially adverse effect on the Company's future cash flow, results of operations and financial condition. These plans are based on, among other things, mining experience, reserve estimates, assumptions regarding ground conditions and physical characteristics of ores and estimated rates and costs of production. Actual ore production may vary from estimates for a variety of reasons, including risks and hazards of the types discussed above. Such occurrences could result in damage to mineral properties, interruptions in production, money losses and legal liabilities and could cause a mineral property that has been mined profitably in the past to become unprofitable. Any decrease in production or change to the timing of production or the prices realized for copper and precious metal sales, will directly affect the amount and timing of the cash flow from operations and the Company's ability to use the cash to fund capital expenditures.

Financing Risk

The ability of the Company to arrange financing in the future will depend on, among other things, the prevailing debt and equity market conditions, the prices of copper, gold and silver, the performance of the Company and other factors outlined herein. There can be no assurance that financing will be available to the Company on acceptable terms. Further, if the Company raises additional funds through the sale of equity securities or securities convertible into equity securities, shareholders may have their equity interest in the Company diluted. In addition, failure to comply with covenants under the Company's current or future debt agreements or to make scheduled debt payments would result in an event of default under its debt agreements and would allow the lenders thereunder to accelerate the debt under these agreements, which may affect the Company's financial condition.

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Dependence on Key Personnel

The Company's success is dependent on a relatively small number of key employees. The loss of one or more of these key employees, if not replaced, could have a material adverse effect on the Company's business, results of operations and financial condition.

Dependence on Third Parties

The Company relies significantly on strategic relationships with other entities and on good relationships with regulatory and governmental departments. There can be no assurance that existing relationships will continue to be maintained or that new ones will be successfully formed. The Company could be adversely affected by changes to such relationships or difficulties in establishing new relationships, including the termination or non-renewal of key contracts and strategic ventures with these entities.

Uninsured Loss or Liability

While the Company may obtain insurance against certain risks described herein in such amounts as it considers adequate, the nature of these risks are such that liabilities could exceed policy limits or could be excluded from coverage. There are also risks against which the Company cannot insure or against which it may elect not to insure. The potential costs which could be associated with any liabilities not covered by insurance or in excess of insurance coverage or compliance with applicable laws and regulations may cause substantial delays and require significant capital outlays, adversely affecting the future earnings and competitive position of the Company and, potentially, its financial position.

Governmental Regulation

The exploration, development and mining of minerals is subject to extensive federal, state or provincial, and local laws and regulations governing acquisition of the mining interests, prospecting, development, mining, production, exports, taxes, labor standards, occupational health, waste disposal, toxic substances, water use, land use, land claims that may be brought by third parties, environmental protection and remediation, endangered and protected species, mine safety and other matters. No assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied or amended in a manner that could have a material adverse effect on the business, financial condition, and results of operations of the Company. The costs and delays associated with obtaining and complying with necessary licenses and permits could stop or materially delay or restrict the Company from proceeding with the development of a project. Any failure to comply with applicable laws and regulations or licenses and permits could result in interruption or closure of exploration, development or mining operations or material fines, penalties, or other liabilities. The Company may also be required to compensate those suffering loss or damage by reason of its mining operations and may have civil or criminal fines or penalties imposed for violations of such laws, regulations, licenses or permits.

Health and Safety

Personnel involved in the Company's operations are subject to many inherent risks, including but not limited to, rock bursts, cave-ins, flooding, fall of ground, electricity, slips and falls and moving equipment that could result in occupational illness, health issues and personal injuries. The Company has implemented various health and safety measures designed to mitigate such risks. Such precautions, however, may not be sufficient to eliminate health and safety risks and employees, contractors and others may not adhere to the occupational health and safety programs that are in place. Any such occupational health and personal safety issues may adversely affect the business of the Company and its future operations.

Tax Matters

The Company's taxes are affected by a number of factors, some of which are outside of its control, including the application and interpretation of tax laws and treaties. If the Company's filing position, application of tax incentives or similar 'holidays' or benefits were to be challenged for whatever reason, this could have a material adverse effect

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on the Company's business, results of operations and financial condition. The Company may also be subject to routine tax audits by various tax authorities. Tax audits may result in additional tax, interest payments and penalties which would negatively impact the Company's financial condition and operating results. New laws and regulations or changes in tax rules and regulations or the interpretation of tax laws by the courts or the tax authorities may also have a substantial negative impact on the Company's business. There is no assurance that the Company's current financial condition will not be materially adversely affected in the future due to such changes.

Information Technology

A failure or breach of the Company's network systems could corrupt the Company's financial or operational data and may have a material adverse impact on the Company's reputation and results of operations. Major equipment failures, natural disasters, severe weather, terrorist acts, acts of war, cyber-attacks or other breaches of network systems or security that affect computer systems within the Company's network could disrupt the Company's business functions, including the Company's exploration and development activities. The mining industry has become increasingly dependent on digital technologies. Mines and mills are automated and networked, and the Company relies on digital technologies to conduct certain exploration, development, production, processing and other activities. A corruption of the Company's financial or operational data or an operational disruption of the Company's infrastructure could, among other potential impacts, result in: accidental discharge; expensive remediation efforts; distraction of management; damage to the Company's reputation or its relationship with customers, vendors and employees; or events of noncompliance, which events could lead to regulatory fines or penalties. Any of the foregoing could have a material adverse impact on the Company's reputation, profitability, future cash flows, earnings, results of operations and financial condition.

Labor Difficulties

Factors such as work slowdowns or stoppages caused by the attempted unionization of operations and difficulties in recruiting qualified miners and hiring and training new miners could materially adversely affect the Company's business. This would have a negative effect on the Company's business and results of operations.

Nature of Mineral Exploration and Mining

The economics of exploring and developing mineral properties are affected by many factors including capital and operating costs, variations of the grades and tonnages of ore mined, fluctuating mineral market prices, costs of mining and processing equipment and other factors such as government regulations, allowable production, importing and exporting of minerals and environmental laws and regulations. The effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital. The operations of the Company are also subject to all of the hazards and risks normally incidental to exploration and development of mineral properties, any of which could result in damage to life or property, environmental damage and possible legal liability for any or all damage. The activities of the Company may be subject to prolonged disruptions due to inclement or hazardous weather conditions depending on the location of operations in which the Company has interests. Hazards, such as unusual or unexpected geological formations, rock bursts, formation pressures, cave-ins, flooding, or other conditions may be encountered in the drilling and removal of material. Other risks include, but are not limited to, mechanical equipment performance problems, industrial accidents, labor disputes, drill rig shortages, the unavailability of materials and equipment, power failures, hydrological conditions, earthquakes, fires, landslides, and other Acts of God.

Estimates of Mineral Resources and Mineral Reserves

Mineral reserves and mineral resources are estimates only, and no assurance can be given that the anticipated tonnages and grades will be achieved, that the indicated level of recovery will be realized or that mineral reserves can be mined or processed profitably. Mineral reserve and mineral resource estimates may be materially affected by environmental, permitting, legal, title, taxation, sociopolitical, marketing and other relevant issues. There are numerous uncertainties inherent in estimating mineral reserves and mineral resources, including many factors beyond the Company's control.

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Such estimation is a subjective process, and the accuracy of any mineral reserve or mineral resource estimate is a function of the quantity and quality of available data, the nature of the ore body and of the assumptions made and judgments used in engineering and geological interpretation. These estimates may require adjustments or downward revisions based upon further exploration or development work or actual production experience. Fluctuations in commodity prices, results of drilling, metallurgical testing and production, the evaluation of mine plans after the date of any estimate, permitting requirements or unforeseen technical or operational difficulties, may require revision of mineral reserve and mineral resource estimates. Prolonged declines in the market price of copper (or applicable by-product metal prices) may render mineral reserves containing relatively lower grades of mineralization uneconomical to recover and could materially reduce the Company's mineral reserves. Should reductions in mineral resources or mineral reserves occur, the Company may be required to take a material write-down of its investment in mining properties, reduce the carrying value of one or more of its assets or delay or discontinue production or the development of new projects, resulting in increased net losses and reduced cash flow. Mineral resources and mineral reserves should not be interpreted as assurances of mine life or of the profitability of current or future operations. There is a degree of uncertainty attributable to the calculation and estimation of mineral resources and mineral reserves and corresponding grades being mined and, as a result, the volume and grade of mineral reserves mined and processed, and recovery rates may not be the same as currently anticipated. Any material reductions in estimates of mineral reserves and mineral resources, or of the Company's ability to extract these mineral reserves, could have a material adverse effect on the Company's results of operations and financial condition. Mineral resources are not mineral reserves and have a greater degree of uncertainty as to their existence and feasibility. There is no assurance that mineral resources will be upgraded to proven or probable mineral reserves.

Competition

There is significant competition in the base and precious metals mining industries for mineral rich properties that can be developed and produced economically, the technical expertise to find, develop, and operate such properties, the labor to operate the properties and the capital for the purpose of funding such properties. Many competitors not only explore for and mine metals but conduct refining and marketing operations on a global basis. As a result of this competition, the Company may be unable to acquire desired properties, to recruit or retain qualified employees or to acquire the capital necessary to fund its operations and develop its projects. Increased competition can result in increased costs and lower prices for metal and minerals produced. Consequently, the revenues of the Company, its operations and financial condition could be materially adversely affected.

Conflicts of Interest

The directors and officers of the Company may serve as directors or officers of other public resource companies or have significant shareholdings in other public resource companies. Situations may arise in connection with potential acquisitions and investments where the other interests of these directors and officers may conflict with the interests of the Company. In the event that such a conflict of interest arises at a meeting of the directors of the Company, a director is required by the *Business Corporations Act* (British Columbia) to disclose the conflict of interest and to abstain from voting on the matter.

Failure to further develop Punitaqui

The capital expenditures and time period required to further develop Punitaqui are considerable and changes in costs and market conditions or unplanned delays can affect project economics. The Company's ability to maintain licenses to operate Punitaqui is also important to the success of this project. Actual costs and economic returns may differ materially from estimates prepared by the Company, or the Company could fail or be delayed in obtaining all approvals necessary for execution of the project, in which case, the project may not proceed either on its original timing or at all. In addition, Punitaqui may not demonstrate attractive economic feasibility at low commodity prices. The capital costs for Punitaqui may outweigh the Company's capital, financial and staffing capacity and may adversely affect the development of Punitaqui. The inability to further develop Punitaqui could have a material adverse effect on the Company's business, financial condition, results of operations, cash flows or prospects.

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Projects also require the successful completion of feasibility studies, the resolution of various fiscal, tax and royalty matters, the issuance of, and compliance with, necessary governmental permits and the acquisition of satisfactory surface or other land rights. It may also be necessary for the Company to, among other things, find or generate suitable sources of water and power for the project, ensure that appropriate community infrastructure is developed by third parties to support the project and to secure appropriate financing to fund these expenditures. The failure by the Company of any of the foregoing may affect the Company's ability to economically develop Punitaqui. It is also not unusual in the mining industry for mining operations to experience unexpected problems during the start-up phase, resulting in delays and requiring the investment of more capital than anticipated.

Additional Financing for Punitaqui,

The Company will have various exploration and development expenditures as it proceeds to expand exploration and development activities at its mineral properties, develop any such properties or take advantage of opportunities for acquisitions, joint ventures or other business opportunities that may be presented to it. The continued exploration and future development of the Company's exploration and development-stage properties will therefore depend on the Company's ability to obtain the required financing. The Company can provide no assurance that it will be able to obtain financing on favorable terms or at all. In addition, the Company may incur substantial costs in pursuing future capital requirements, including investment banking fees, legal fees, accounting fees, securities law compliance fees, printing and distribution expenses and other costs. The ability to obtain needed financing may be impaired by such factors as the capital markets (both generally and in the metals & mining industry in particular), the price of copper on the commodities markets (which will impact the amount of asset-based financing available) and/or the loss of key management personnel. If the Company is unable to obtain additional financing as needed, it may not be able to move forward with its planned exploration and development activities for Punitaqui. Any of the foregoing could have a material adverse effect on the Company's business, financial condition, results of operations, cash flows or prospects.

International Conflict

International conflict and other geopolitical tensions and events, including war, military action, terrorism, trade disputes and international responses thereto may cause uncertainty or volatility in global commodity and financial markets and supply chains. Russia's recent invasion of Ukraine has led to sanctions being levied against Russia by the international community and may result in additional sanctions or other international action, any of which may have a destabilizing effect on commodity prices, supply chains and global economies more broadly. Volatility in commodity prices and supply chain disruptions may adversely affect the Company's business, financial condition and results of operations. The extent and duration of the current Russia-Ukraine conflict and related international action cannot be accurately predicted at this time and the effects of such conflict may magnify the impact of the other risks identified in this MD&A. The situation is rapidly changing and unforeseeable impacts, including on our shareholders and counterparties on which we rely and transact with, may materialize and may have an adverse effect on the Company's business, results of operation and financial condition.

Although the Company has attempted to identify important factors that could cause actual results or events to differ materially from those described in the forward-looking statements, you are cautioned that this list is not exhaustive and there may be other factors that the Company has not identified. Furthermore, the Company undertakes no obligation to update or revise any forward-looking statements included in, or incorporated by reference in, this MD&A if these beliefs, estimates and opinions or other circumstances should change, except as otherwise required by applicable law.

Risk Factors related to ESI

Reliance on Key Personnel

The success of ESI is dependent upon its key personnel. Any loss of the services of such persons could have a material adverse effect on the business and operations of ESI. ESI's ability to provide dependable and quality equipment is dependent on its ability to hire and retain a dedicated and qualified pool of employees. ESI strives to retain employees

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by providing a safe working environment, competitive wages and benefits, and an atmosphere in which all employees are treated equally regarding opportunities for advancement. The unexpected loss of key personnel or the inability to retain or recruit skilled personnel could have a material adverse effect on ESI's business, financial condition, results of operations and cash flows.

Excess Equipment Levels in the Industry

Due to the long-life nature of service equipment and the long delivery time for equipment being manufactured, the quality of equipment available does not always correspond with the demand for its use. Periods of high demand often lead to increases in capital expenditures, which in turn lead to increased supply and decreased demand. Such increases in supply often lead to downward pricing pressures across the industry which could materially impact the ESI's profitability. Additionally, ESI could fail to secure sufficient work in which to employ its equipment, which could have a material adverse effect on its business, results of operations, financial conditions, and cash flows.

Competition

The industry in which ESI operates is competitive and ESI competes with a substantial number of companies which may have more equipment and personnel as well as greater financial resources. ESI's ability to generate revenue and earnings depends primarily upon its ability to secure new and repeat business. There can be no assurance that such competitors will not substantially increase the resources devoted to the development and marketing of products and services that compete with those of ESI or that new or existing competitors will not enter the various markets in which ESI is active. In certain aspects of its business, ESI also competes with several small and medium-sized companies, which, like ESI, have certain competitive advantages such as low overhead costs and specialized strengths. In addition, reduced levels of activity in the oil and natural gas industry can intensify competition and may result in lower revenue for ESI.

Sources, Pricing and Availability of Equipment and Equipment Parts

ESI sources its equipment and equipment parts from a variety of suppliers. Failure of suppliers to deliver supplies and materials in a timely and efficient manner would be detrimental to ESI's ability to maintain levels of service to its customers. ESI attempts to mitigate this risk by maintaining good relations with key suppliers. However, if the current suppliers are unable to provide the supplies and materials, or otherwise fail to deliver products in the quantities required, any resulting delays in the provision of equipment to ESI's clients could have a material adverse effect on its results of operations and financial condition.

Liquidity Risk

Liquidity risk is the risk that ESI will not be able to meet its financial obligations as they become due. ESI's approach to managing liquidity is to continually monitor its financial resources to provide sufficient liquidity to meet its liabilities when due. ESI's processes for managing liquidity risk include preparing and monitoring capital and operating budgets, coordinating, and authorizing project expenditures, and authorization of contractual agreements. ESI seeks to manage its financing based on the results of these processes.

Third Party Credit Risk

ESI assesses the creditworthiness of its customers on an ongoing basis and monitors the amount and age of balances outstanding. During times of weak economic conditions, the risk of increased payment delays and default increases due to reductions in customers' cash flows. Failure to collect accounts receivable from customers could have a material adverse effect on ESI's business, financial condition, results of operations and cash flows. ESI generally grants unsecured credit to its customers; however, it evaluates all new customers, as appropriate, and analyzes and reviews the financial health of its current customers. Management has assessed the customers as creditworthy and ESI has had no history of collection issues with its customers, however, the inability for ESI's customers to meet their financial obligation to ESI could have a material adverse effect on its business, financial condition, results of operations and cash flows.

Seasonality

In North America, the level of activity in the energy industry is influenced by seasonal weather patterns. The demand for equipment rentals may be affected by the severity of winters. In addition, during excessively rainy periods,

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equipment moves may be delayed, thereby adversely affecting revenues. The volatility in the weather and temperature can therefore create unpredictability in activity and utilization rates, which could have a material adverse effect on ESI's business, financial condition, results of operations and cash flows.

Income Tax Risk

Potential changes to income tax laws may result in unanticipated taxes, expenses or other liabilities to ESI. ESI must file tax returns in the jurisdictions in which it operates. The tax laws and the prevailing assessment practices are subject to interpretation and the authorities may disagree with the filing positions adopted by ESI. The impact of any challenges cannot be reliably estimated and may be significant to the financial position or overall operations of ESI.

Disclosure controls and procedures

In connection with National Instrument 52-109 (Certificate of Disclosure in Issuer's Annual and Interim Filings) ("NI 52-109"), the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2022 and this accompanying MD&A.

In contrast to the full certificate under NI 52-109, the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109.

Forward looking statements

All statements, other than statements of historical fact, made by the Company that address activities, events or developments that the Company expects or anticipates will or may occur in the future are forward-looking statements, including, but not limited to, the impact of COVID-19 on the future of the Company, statements preceded by, followed by or that include words such as "may", "will", "would", "could", "should", "believes", "estimates", "projects", "potential", "expects", "plans", "intends", "anticipates", "targeted", "continues", "forecasts", "designed", "goal", or the negative of those words or other similar or comparable words. Readers are cautioned that these statements which describe the Company's plans, objectives, and budgets may differ materially from actual results and as such should not be unduly relied upon by investors. Forward-looking statements contained in this MD&A speak only as to the date of this MD&A, or such other date as may be specified herein, and are expressly qualified in their entirety by this cautionary statement. See additional discussion under "*Other risks and uncertainties*" section.