

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED OCTOBER 31, 2023  
(EXPRESSED IN UNITED STATES DOLLARS)**

**February 21, 2024**

## **INTRODUCTION**

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

The consolidated financial statements (the "financial statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). Information contained herein is presented as of February 21, 2024, unless otherwise indicated.

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

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

## **CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION**

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

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

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

## **NATURE OF BUSINESS**

### **The Company**

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

### **Reverse Take-Over Transaction**

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

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

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

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

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

**FULL CIRCLE LITHIUM CORP. (formerly ESG Capital 1 Inc.)**  
**Management's Discussion and Analysis**  
**Year Ended October 31, 2023**  
**Dated - February 21, 2024**

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

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

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

### **Description of the Business**

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

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

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

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

### **Principal Products and Services**

Throughout the year ended October 31, 2023, Full Circle leased a scalable, fully permitted, and operational lithium processing plant in Georgia, USA (the "**Georgia Facility**"). Subsequent to the year end, on November 21, 2023, Full Circle obtained 100% ownership of the plant through the exercise of a purchase option. The Georgia Facility has the capacity to produce up to 2,000 tonnes per year of battery-grade lithium carbonate ("**LC**"). Full Circle has the technology and know-how to recover and process lithium from lithium-ion batteries, as well as 3<sup>rd</sup> party industrial and upstream (i.e. mining) feedstock. In addition to lithium processing, which is Full Circle's current main focus, the future intention is for the Georgia Facility to also recover and process other battery materials, such as high purity copper, aluminum, nickel, cobalt, manganese, iron phosphate and graphite.

### ***Technology & Product Development***

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

#### Battery Recycling

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

The market size of LIB recycling is expected to grow significantly in the coming years. The increasing demand for electric vehicles and renewable energy storage systems is driving the growth of the LIB market, and as a result, the demand for recycling services is also expected to increase. According to market research firm Markets and Markets, the global LIB recycling market size was valued at \$1.06 billion in 2020 and is projected to grow at a compound annual growth rate ("CAGR") of 22.4% from 2021 to 2028, reaching a market size of \$4.72 billion by 2028. However, it is worth noting that the market size of LIB recycling is highly dependent on several factors, including the growth of the lithium-ion battery market, the development of new recycling technologies, and the implementation of recycling policies and regulations. Nevertheless, the growing need for environmentally responsible and economically viable solutions for the recycling of lithium-ion batteries is expected to drive continued growth in this market.

Following initial successful lab scale dismantling of LIBs and production of battery grade lithium therefrom, FCL is working on large scale pilot LIB dismantling and processing at the plant to develop what the Company calls a commercial battery processing unit (a "BPU"). For this purpose, 50,000 lbs of LIBs have been secured and the Company is currently processing them to determine the safest and most economical methods (including automation of parts of the process) for the dismantling and processing of lithium and other battery materials contained therein at a commercial scale. The Company is concurrently working on securing additional future supply agreements for LIBs for the Georgia Facility.

A number of proprietary processes and products have been or are being developed in relation to this technical work, which are in the process of being assessed for patent protection.

Generally speaking, Full Circle's process is focused on minimizing raw materials and waste (high recovery) with the lowest carbon intensity possible. Its technical processes are focused on mitigating the three process safety risks of LIB recycling: (i) discharge of batteries, (ii) hydrogen generation, and (iii) fluoride process/recovery.

During the development work for the dismantling of LIBs FCL through its technical processes has now also developed an innovative and patented Fire Suppressant Solution (FSS) which serves to address two major issues with electric batteries: 1) the three process safety risks mentioned above and 2) the increasing number of difficult to extinguish and hazardous lithium-based fires. FCL expects to continue its development and testing for its FSS over the next year.

### Feedstock Recycling and Primary Refinery

After considerable technical work over the past year, Full Circle has: (i) completed all proto-type/beta scale work to the satisfaction of a third-party multinational chemical company for the recycling of this third party's lithium-rich effluent stream, which includes having extracted and purified lithium that meets all the specs required by this third-party for its chemical process, (ii) signed a detailed term sheet with binding exclusivity that permits Full Circle to install its modular demonstration plant at the chemical company's chemical facility, and (iii) completed the construction, shipped and is installing a large-scale modular demonstration plant to be operated at the chemical company's site, which commenced demonstration operations and is in the process of ramping up during Q1 2024. Upon Full Circle's modular demonstration plant performing as expected and the parties signing a definitive agreement, Full Circle will install a commercial scale plant at the client's chemical plant and expects to begin generating revenues from recycling the lithium from the client's effluent stream and reselling the purified lithium to the client at a discount to market price, targeted in Q2 2024.

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

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

## **CORPORATE HIGHLIGHTS**

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

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

During fiscal 2023, the Company announced the following strategic and financial accomplishments:

April – Completed its go-public transaction, received proceeds of C\$9.8M financing, and commenced trading on the TSX Venture Exchange under the ticker "FCLI";

May – Installed its first lithium recycling demo processing plant at multinational chemical company's site;

June – Provided an update on the lithium recycling demo plant buildout and related LEP technology;

July – Developed a fire suppressant solution for fighting lithium-based fires;

September – Installed and commenced demonstration of LEP technology at client's US chemical facility; and commenced trading on OTCQB Venture Market under the trading symbol "FCLIF";

October – Achieved 99%+ lithium recovery at the LEP demonstration plant.

### ***Modular Demonstration Plant Ramp-Up***

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

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

### ***Progress with Specialty Lithium Fire Suppressant Solution***

The Company is testing its specialty lithium-ion battery fire suppressant solution ("FSS") with a US based third-party testing facility to verify the internal positive results of its FSS in fighting lithium battery fires. The FSS was initially developed by the Company, using its extensive lithium experience, to safely recycle batteries. Additional live testing of the FSS is being discussed with a US port authority and several auto manufacturers. Additional details to follow once the proposed live testing is confirmed. The Company continues its patent protection work concerning its FSS invention.

### ***Lithium Carbonate Plant & Facilities***

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

## **TRENDS AND ECONOMIC CONDITIONS**

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

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

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

## **OVERALL PERFORMANCE**

The Company focused its efforts for the year ended October 31, 2023 on the completion of the qualifying transaction resulting in the reverse take-over ("RTO") which completed on April 21, 2023. In connection with the RTO, the Company raised gross proceeds of approximately \$6.3 million which is being used on the Company's business divisions.

Net loss increased for the year ended October 31, 2023 compared to the period from May 24, 2022 (date of incorporation) to October 31, 2022 primarily because the comparative period is truncated and the initial few months after incorporation did not see any significant expenses as operations had not began.

**FULL CIRCLE LITHIUM CORP. (formerly ESG Capital 1 Inc.)**  
**Management's Discussion and Analysis**  
**Year Ended October 31, 2023**  
**Dated - February 21, 2024**

The Company's cash flow for the year ended October 31, 2023 yielded a net increase of cash for \$1,350,258, primarily due to private placements completed as part of the qualifying transaction. This was partially offset by significant spending on property and equipment expenditures. During the period from May 24, 2022 (date of incorporation) to October 31, 2022, the Company's cash flow increased by \$2,384,006 which is a result of the completion of private placements during the period.

The Company's property and equipment increased as a result of the significant investment into operations during the year ended October 31, 2023 where the Company installed its first lithium recycling demo processing plant.

## **RESULTS OF OPERATIONS**

For the three months ended October 31, 2023 compared to the three months ended October 31, 2022:

	Three months ended October 31, 2023 (\$)	Three months ended October 31, 2022 (\$)	Change (\$)
<b>Operating expenses</b>			
Salaries and wages	303,778	-	303,778
General and administrative	241,464	41,019	200,445
Share-based compensation	150,323	86,098	64,225
Travel & accommodation	71,584	29,568	42,016
Depreciation	61,212	-	61,212
Investor relations	50,566	-	50,566
Professional fees	33,447	140,737	(107,290)
Transfer agent and filing fees	(49,380)	-	(49,380)
Battery development	(225,668)	-	(225,668)
<b>Total operating expenses</b>	<b>(637,326)</b>	<b>(297,422)</b>	<b>(339,904)</b>
<b>Other items</b>			
Foreign exchange gain	69,322	16,760	52,562
Interest expense	24,056	-	24,056
Interest income	5,189	-	5,189
Accretion expense	(8,135)	(14,735)	6,600
Listing expense	(46,128)	-	(46,128)
<b>Net loss</b>	<b>(593,022)</b>	<b>(295,397)</b>	<b>(297,625)</b>

For the three months ended October 31, 2023, net loss increased by \$297,625 from the three months ended October 31, 2022, which is primarily due to the following reasons:

Salaries and wages increased by \$303,778 as the Company hired staff to work at its plant located in Nahunta, Georgia in an effort to commence operations.

General and administrative increased by \$200,445 as the Company commenced operations.

Share-based compensation increased by \$64,225 due to the granting of 2,375,000 stock options in the year, of which 375,000 was granted during the quarter. A total of 815,000 stock options were vested during the quarter. The number of stock options granted and vested in the comparative quarter was 1,500,000 and 300,000, respectively.

Professional fees decreased by \$107,290 as fewer legal and other professional fees were incurred during the quarter.

**FULL CIRCLE LITHIUM CORP. (formerly ESG Capital 1 Inc.)**  
**Management's Discussion and Analysis**  
**Year Ended October 31, 2023**  
**Dated - February 21, 2024**

Battery development decreased by \$225,668 as certain outlays to upgrade the plant to be fully operational were reclassified from expenses to property and equipment on the consolidated statement of financial position. As the items reclassified, amounting to \$432,364, encompassed outlays throughout fiscal 2023, the resulting amount of battery development for the three months ended October 31, 2023 was a negative amount.

For the year ended October 31, 2023 compared to the period from May 24, 2022 (date of incorporation) to October 31, 2022:

	Year ended October 31, 2023 (\$)	Period from May 24, 2022 (date of incorporation) to October 31, 2022 (\$)	Change (\$)
<b>Operating expenses</b>			
Salaries and wages	848,444	-	848,444
Professional fees	748,324	140,893	607,431
General and administrative	667,497	41,049	626,448
Share-based compensation	563,171	86,098	477,073
Battery development	253,138	-	253,138
Travel & accommodation	185,779	29,568	156,211
Investor relations	84,596	-	84,596
Depreciation	61,887	-	61,887
Transfer agent and filing fees	44,083	-	44,083
<b>Total operating expenses</b>	<b>(3,456,919)</b>	<b>(297,608)</b>	<b>(3,159,311)</b>
<b>Other items</b>			
Interest income	80,904	-	80,904
Foreign exchange gain (loss)	(490)	14,412	(14,902)
Interest expense	(4,230)	-	(4,230)
Accretion expense	(35,565)	(14,735)	(20,830)
Listing expense	(1,435,961)	-	(1,435,961)
<b>Net loss</b>	<b>(4,852,261)</b>	<b>(297,931)</b>	<b>(4,554,330)</b>

For the year ended October 31, 2023, net loss increased by \$4,554,330 from the period from May 24, 2022 (date of incorporation) to October 31, 2022, which is primarily due to the following reasons:

Listing fees related to the RTO increased by \$1,435,961 as the Company completed its RTO in April 2023.

Salaries and wages increased by \$848,444 as the Company hired staff to work at its plant located in Nahunta, Georgia in an effort to commence operations.

Professional fees related to legal, consulting and accounting fees increased by \$607,431 as the Company began ramping up operations leading up to and following its RTO.

General and administrative increased by \$626,448 as the Company commenced operations.

Share-based compensation increased by \$477,073 due to the granting of 2,375,000 stock options, and the vesting of 1,515,000 stock options. The number of stock options granted and vested in the comparative period was 1,500,000 and 300,000, respectively.

Battery development increased by \$253,138 in an effort to upgrade the plant and procedures to be fully operational.

## **SUMMARY OF QUARTERLY RESULTS**

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

<b>Three months ended,</b>	<b>October 31, 2023</b>	<b>July 31, 2023</b>	<b>April 30, 2023</b>	<b>January 31, 2023</b>
	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>
Total revenue	-	-	-	-
Net loss	(593,022)	(1,432,990)	(2,441,784)	(384,465)
Basic and diluted loss per share	(0.01)	(0.02)	(0.04)	(0.01)

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

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

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

## **LIQUIDITY AND CAPITAL RESOURCES**

The Company is an early-stage company and has not generated revenue to date. As such, it finances all of its operations entirely through the issuance of share capital. Although the Company has to date been successful in its attempts to raise capital, there can be no assurance that its future efforts will likewise be successful. The success of future financing will depend on a variety of factors including a positive investment climate encompassing strong metal prices, solid stock market conditions, and a "risk-on" appetite among investors; and the Company's track record and management's ability and experience. If such financing is unavailable, the Company may be unable to execute its business plans. As at October 31, 2023, the Company has not earned any revenue and has an accumulated deficit of \$5,150,192.

The Company's cash balance as at October 31, 2023 was \$3,734,264. As at October 31, 2023, the Company had current assets of \$3,990,853, current liabilities of \$1,198,162, and a working capital of \$2,792,691.

## **Going Concern**

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

The Company is in pre-revenue stage and has incurred losses since its inception. For the year ended October 31, 2023, the Company has incurred a net loss of \$4,852,261 (period from May 24, 2022 (date of incorporation) to October 31, 2022 - \$297,931). The Company also had operating cash outflows of \$2,913,067 (period from May 24, 2022 (date of incorporation) to October 31, 2022 - \$75,319).

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

## **Operating Activities**

During the year ended October 31, 2023, the Company's operating activities used cash of \$2,913,067. Cash used in operating activities for the year ended October 31, 2023 was mainly attributable to net loss for the period of \$4,852,261 along with increases in restricted cash of \$294,816, prepaid expenses and deposit of \$202,874, other receivables of \$41,615 and partially offset by non-cash items such as the listing expenses of \$1,435,961, share-based compensation of \$563,171 and depreciation of \$61,887.

During the period from May 24, 2022 (date of incorporation) to October 31, 2022, the Company's operating activities used cash of \$75,319. Cash used by operating activities for the period from May 24, 2022 (date of incorporation) to October 31, 2022 was attributable to net loss for the period of \$297,931, along with an increase in prepaid expenses and deposit by \$7,916, offset by an increase in accounts payable and accrued liabilities of \$144,430 and share-based compensation of \$86,098.

## **Investing Activities**

During the year ended October 31, 2023, the Company's investing activities used cash of \$1,367,639. Cash used in investing activities for the year ended October 31, 2023 is attributable to the purchase of property and equipment of \$2,493,908 offset by \$1,126,269 in cash obtained upon completion of the RTO.

During the period from May 24, 2022 (date of incorporation) to October 31, 2022, the Company used cash in investing activities of \$1,117,201, for the purchase of property and equipment.

## **Financing Activities**

During the year ended October 31, 2023, the Company's financing activities generated cash of \$5,727,311. The cash generated from financing activities is attributable to the issuance of 13,974,786 shares, resulting in proceeds, net of issuance costs, of \$5,751,746. This is partially offset by \$24,435 incurred for the principal portion of lease payments made during the year.

During the period from May 24, 2022 (date of incorporation) to October 31, 2022, the Company generated cash of \$3,720,125. The cash generated from financing activities was mainly attributable to the issuance of 50,854,000 shares, resulting in proceeds, net of issuance costs, of \$3,710,390, and \$9,735 for the principal portion of lease payments made during the period.

## **OFF BALANCE SHEET ARRANGEMENTS**

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

## **RELATED PARTY TRANSACTIONS**

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

All related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. All amounts either due from or due to related parties other than specifically disclosed are non-interest bearing, unsecured, and have no fixed terms of repayments.

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

	<b>Year ended October 31, 2023</b>	<b>Period from incorporation on May 24, 2022 to October 31, 2022</b>
<b>Share-based compensation</b>		
Independent directors <sup>(1)</sup>	\$ 195,396	\$ 25,112
<b>Professional fees</b>		
Company, which Chairman is a partner <sup>(2)</sup>	99,077	-
	<b>\$ 294,473</b>	<b>\$ 25,112</b>

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

(2) The Chairman of the Company is a partner at Fasken Martineau DuMoulin LLP (“Fasken”). Professional fees were paid by the Company for services relating to general corporate management matters rendered by Fasken to the Company.

**FULL CIRCLE LITHIUM CORP. (formerly ESG Capital 1 Inc.)**  
**Management's Discussion and Analysis**  
**Year Ended October 31, 2023**  
**Dated - February 21, 2024**

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

	Year ended October 31, 2023	Period from incorporation on May 24, 2022 to October 31, 2022
<b>Share-based compensation</b>		
CEO	\$ 110,974	\$ 27,982
COO	105,579	25,112
CTO	34,294	7,892
Former CFO <sup>(1)</sup>	1,625	-
<b>Professional fees</b>		
Company controlled by CEO <sup>(2)</sup>	60,209	33,904
COO <sup>(3)</sup>	163,000	16,000
CTO <sup>(3)</sup>	46,000	6,000
Company, which former CFO is a senior employee <sup>(4)</sup>	72,069	8,244
<b>Salaries and wages</b>		
CEO	162,434	-
COO	135,000	-
CFO <sup>(5)</sup>	3,470	-
<b>Purchase of property and equipment</b>		
Company controlled by COO <sup>(6)</sup>	33,148	598,075
Company controlled by COO <sup>(7)</sup>	1,400	-
CTO	2,000	-
<b>Lease payment</b>		
Company controlled by COO <sup>(8)</sup>	60,000	5,000
	<b>\$ 991,202</b>	<b>\$ 728,229</b>

(1) The former CFO of the Company ceased to be CFO effective July 31, 2023.

(2) The CEO is the owner of Vamp Financial Corp ("Vamp"). Consulting fees were paid by the Company for services relating to general corporate management matters rendered by Vamp to the Company.

(3) The COO and CTO's fees were capitalized to property and equipment during the year ended October 31, 2023.

(4) The former CFO is a senior employee of Marrelli Support Services Inc. ("MSSI"). Professional fees were paid by the Company for services relating to general accounting and financial reporting matters rendered by MSSI to the Company.

(5) The CFO of the Company commenced to be CFO effective August 1, 2023.

(6) Equipment and leasehold improvements were purchased from Southwest Technologies LLC ("SW LLC"), a company owned by the COO.

(7) Equipment and leasehold improvements were purchased from Full Circle Lithium, LLC ("FCL LLC"), a company owned by the COO.

(8) The Company entered into a lease agreement with FCL LLC, a Company owned by the COO for land and building.

**FULL CIRCLE LITHIUM CORP. (formerly ESG Capital 1 Inc.)**  
**Management's Discussion and Analysis**  
**Year Ended October 31, 2023**  
**Dated - February 21, 2024**

Balances due to related parties include the following:

	October 31, 2023	October 31, 2022
<b>Accounts payable and accrued liabilities</b>		
CEO <sup>(1)</sup>	\$ 50,354	\$ 5,327
COO <sup>(2)</sup>	135,000	-
Company, which Chairman is a partner <sup>(3)</sup>	36,265	-
Company controlled by CEO <sup>(4)</sup>	-	11,342
Company controlled by COO <sup>(5)</sup>	-	5,650
	<b>\$ 221,619</b>	<b>\$ 22,319</b>

(1) Amounts owing to the CEO relate to expense reimbursements and accrued bonus, which are unsecured, non-interest bearing and due on demand.

(2) Amounts owing to the COO relate to accrued bonus, which are unsecured, non-interest bearing and due on demand.

(3) The Chairman of the Company is a partner at Fasken Martineau DuMoulin LLP ("Fasken"). Amounts were owed at October 31, 2023 for services relating to general corporate management matters rendered by Fasken to the Company. Amounts owed are unsecured, non-interest bearing and due on demand.

(4) The CEO is the owner of Vamp Financial Corp ("Vamp"). Amounts were owed at October 31, 2022 for services relating to general corporate management matters rendered by Vamp to the Company. Amounts owed were unsecured, non-interest bearing and due on demand.

(5) The COO is the owner of Southwest Technologies LLC ("SW LLC"). Amounts were owed at October 31, 2022 for equipment and leasehold improvements purchased from SW LLC. Amounts owed were unsecured, non-interest bearing and due on demand.

## COMMITMENTS AND CONTINGENCIES

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

## CRITICAL ACCOUNTING ESTIMATES

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

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statements are discussed below:

### Business combinations

At the time of acquisition, the Company considers whether each acquisition represents the acquisition of a business or the acquisition of an asset. The Company accounts for an acquisition as a business combination where an integrated set of activities and assets, is acquired. More specifically, consideration is given to the extent to which significant processes are acquired.

When the acquisition of subsidiaries does not represent a business combination, it is accounted for as an asset acquisition. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their fair values, and no goodwill or deferred tax is recognized.

### Control

At the time of acquisition, the Company assesses whether it has control over the acquiree. Control exists when the Company has power over an entity, when the Company is exposed, or has rights, to variable returns from the entity and when the Company has the ability to affect those returns through its power over the entity. Where control exists, the Company consolidates the results of the acquired entity.

In the acquisition of FCLI, it was determined that control resides with FCLI as the former shareholders of FCLI became the majority shareholders of the combined entity. As a result, the transaction was accounted for as a reverse takeover.

### Fair value of consideration in reverse takeover transaction

The fair value of consideration to acquire the Company in the reverse take-over transaction comprised of common shares, for which the fair value at the date of issuance is a significant estimate. In determining the estimate, management considered recent financings. The Company applied IFRS 2 Share-based Payment in accounting for the acquisition.

### Term and incremental borrowing rate of lease

In determining lease terms, the Company used its judgment to determine if the extension and purchase options would be exercised. Furthermore, the Company does not believe the interest rate implicit in its leases can be readily determined. It therefore used its judgment to determine the incremental borrowing rate and used it as the discount rate to establish its lease liability. For every lease, management makes a judgment to determine the appropriate lease term. Management considers all relevant facts and circumstances that create an economic incentive for the Company to exercise a renewal option or not to exercise a termination option, including, for example, investments in extensive leasehold improvements. The periods covered by the renewal options are included in the lease term only if management is reasonably certain it will renew the lease. Management considers reasonable certainty to be a high threshold. Changes in the economic environment can have an impact on management's lease term assessments, and any changes in the estimates that management makes for lease terms could have a significant impact on the Company's consolidated statement of financial position and consolidated statement of net loss and comprehensive loss. Management considers the best economic information available to split the fair value of the lease between building and land.

### Estimation of decommissioning and restoration costs and the timing of expenditure

Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the plant. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

### Share-based payments

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based non-vested share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviours and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

## CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

### Accounting standards issued but not yet effective

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

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

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

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

## FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

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

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

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

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

As at October 31, 2023 the fair value of cash and cash equivalents and restricted cash held by the Company were based on Level 1 of the fair value hierarchy. The fair values of other receivables and accounts payable and accrued liabilities approximate their carrying values due to their short-term maturity.

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

#### *Credit risk*

The financial instrument which potentially subjects the Company to concentration of credit risk is cash and cash equivalents. As at October 31, 2023, the balance of cash and cash equivalents held on deposit was \$3,734,264. The Company has not experienced any losses in such amounts and believes it is not exposed to any significant risks on its cash in bank accounts.

#### *Liquidity risk*

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

**FULL CIRCLE LITHIUM CORP. (formerly ESG Capital 1 Inc.)**  
**Management's Discussion and Analysis**  
**Year Ended October 31, 2023**  
**Dated - February 21, 2024**

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

*Market risk*

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

(a) Interest rate risk

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

(b) Foreign currency risk

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

As at October 31, 2023, the Company's Canadian entities held cash and cash equivalents of \$124,610 and accounts payable and accrued liabilities of \$115,933 denominated in US dollars. As at October 31, 2023, if the value of the Canadian dollar had strengthened or weakened by 5% against the US dollar, with all other variables held constant, net and comprehensive loss would have been \$232 lower or higher respectively.

(c) Price risk

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

**OUTSTANDING SHARE DATA AS OF REPORT DATE**

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

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

<u>Outstanding</u>	<u>Exercise Price</u>	<u>Expiry Date</u>	<u>Vested</u>
1,500,000	0.25 CAD	August 2, 2027	900,000
1,975,000	0.70 CAD	April 26, 2028	790,000
375,000	0.70 CAD	September 5, 2028	125,000
1,327,500	0.55 CAD	November 21, 2028	331,875
<u>5,177,500</u>			<u>2,146,875</u>

**FULL CIRCLE LITHIUM CORP. (formerly ESG Capital 1 Inc.)**  
**Management's Discussion and Analysis**  
**Year Ended October 31, 2023**  
**Dated - February 21, 2024**

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

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

## **EVENTS AFTER THE REPORTING PERIOD**

### *Completion of the purchase of property under lease*

On November 9, 2023, the Company entered into an agreement for the purchase of an additional 39 acres of land owned by the Brantley Country Development Authority, which is adjacent to the property previously under lease. The transaction cost of the purchase is \$43,780, and was settled in full as of the date of these consolidated financial statements.

On November 21, 2023, the Company completed the transaction to purchase the property under lease in accordance with the agreement entered into with the landlord on September 24, 2023. The Company has received the title to the land and building at the site, while the lien on the property remains, for which the seller is obligated to effect the extinguishment of.

### *Grant of annual incentive stock options*

On November 21, 2023, the Company granted annual incentive stock options to directors, officers, senior employees, and consultants of the Company to acquire an aggregate of 1,327,500 common shares at \$0.55 per share, for a period of 5 years. Of these options, 25% vest immediately and 25% vest every six months from grant date, for a period of 18 months.

## **DISCLOSURE CONTROL AND PROCEDURES**

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

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

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

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

## **RISKS AND UNCERTAINTIES**

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

### **Business Risks**

#### *Availability of Lithium-Ion Batteries for Recycling*

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

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

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

#### *Technological Risks*

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

#### *Environmental Considerations*

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

### *Effectively Managing Future Growth*

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

### *Development of Georgia Facility*

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

### *Recycling Capacity and Efficiency*

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

### *Dependency on Recycling Facility*

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

### *Regulatory Risks*

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

### *Ability to Build Out Additional Facilities*

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

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

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

### *History of Losses*

Full Circle was recently incorporated, and is a start-up company at the development stage with no commercial revenues, and incurred a net and comprehensive loss of \$4,948,347 for the year ended October 31, 2023. Full Circle has financed its operations primarily through private placements of Full Circle Common Shares. Full Circle expects both its capital and operating expenditures will increase significantly in connection with Full Circle's ongoing activities. Full Circle believes that its performance and future success is dependent on multiple factors that present significant opportunities for Full Circle to increase revenues, but also pose risks and challenges. Full Circle believes it will continue to incur losses in the short term and there is no guarantee it will achieve or sustain profitability in the future.

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

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

#### *Adoption rate of Electric Vehicle and Grid Storage*

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

#### *Benchmark prices for metals*

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

#### *Volume and composition of lithium-ion battery feedstock materials*

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

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

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

#### *Competitiveness of Emerging Industry*

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

### *Retention and Acquisition of Skilled Personnel*

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

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

### *Managing Growth*

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

### *Adding New Customers*

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

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

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

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

#### *Long Sales Cycles*

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

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

#### *Risks Associated with Contracts with Buyers and Sellers*

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

#### *Litigation Risks*

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

### *COVID-19 Pandemic or Other Similar Outbreaks*

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

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

### **Financial and Accounting Risks**

#### *Access to Capital*

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

#### *Risks Related to Revenues and Operating Results*

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

### *Foreign Sales*

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

### *Estimates or Judgments Relating to Critical Accounting Policies*

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