LITHIUM SOUTH DEVELOPMENT CORPORATION
(FORMERLY NRG METALS INC.)
FORM 51-102F1
MANAGEMENT DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022

This Management Discussion and Analysis ("MD&A") of Lithium South Development Corporation (formerly NRG Metals Inc.) ("LIS" or the "Company") provides analysis of the Company's financial results for the period ended September 30, 2022 should be read in conjunction with the interim condensed consolidated financial statements for the nine months ended September 30, 20222 as well as the audited consolidated financial statements for the year ended December 31, 2021 and the related notes thereto, prepared in accordance with International Financial Reporting Standards ("IFRS'). All amounts are expressed in Canadian dollars, unless otherwise stated. All documents previously mentioned are available on SEDAR at www.sedar.com. This discussion is based on information available as at November 10, 2022.

Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures and internal controls. Management is also responsible for ensuring that information disclosed externally, including the financial statements and MD&A, is complete and reliable.

Certain statements made may constitute forward-looking statements. Such statements involve a number of known and unknown risks, uncertainties and other factors. Actual results, performance and achievements may be materially different from those expressed or implied by these forward-looking statements. Additional information about the Company is available at www.sedar.com.

Description of Business

The Company was incorporated in the Province of Ontario on June 20, 1995. Effective January 15, 2007, the Company was granted a Certificate of Continuation under the Business Corporation Act from the jurisdiction of Ontario into British Columbia. The Company is an exploration stage junior mining company engaged in the identification, acquisition and exploration of mineral properties. The common shares of the Company are listed on the TSX Venture Exchange ("TSX-V") and trade under the symbol NGZ and during year ended December 31, 2020, the Company changed its name from NRG Metals Inc. to Lithium South Development Corporation and trade under the symbol LIS. To date, the Company has not generated significant revenues from its operations which are considered to be in the exploration stage.

During March 2020, the World Health Organization declared COVID-19 a global pandemic. The contagious disease outbreak and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, leading to an economic downturn. The impact on the Company is not currently determinable, but management continues to monitor the situation.

Hombre Muerto North Lithium Project ("HMN Project")

The Company owns the project which was acquired through a purchase option agreement from a private borate producer from Salta, Argentina. At June 30, 2022, the Company had capitalized a total of $12,085,974 (December 31, 2021 - $8,194,374) related to the HMN acquisition. Terms of the acquisition are as follows:

1. US $50,000 (paid) on signing for a 90-day due diligence period and for the completion of a NI 43-101 Technical Report on the project.
2. Upon acceptance of the NI 43-101 report by the TSX, the Company will pay US $100,000 and issue 1,000,000 common shares of the Company common stock (issued at a fair value of $350,000 in fiscal 2017).
3. At March 17, 2018, US $250,000 (paid) and 41,667 common shares of the Company (issued at a fair value of $250,000).
4. At September 17, 2018, US $250,000 (paid) and 41,667 common shares of the Company (issued at a fair value of $200,000).
5. At March 17, 2019, US $1,000,000 subsequently amended to be US$500,000 (paid) due in March 2019 and US$500,000 due June 24, 2019 (paid) and 166,667 common shares of the Company. (issued)
6. At March 22, 2020, US $1,000,000 (paid) and 2,250,000 (issued at a fair value of $528,750) common shares of the Company.
7. At March 17, 2021, US $1,000,000 (paid) and 2,250,000 (issued at a fair value of $1,822,500) common shares of the Company.
8. At March 17, 2022, US $2,000,000 (paid) and 2,250,000 (issued at a fair value of $1,315,000) common shares of the Company.
9. The project will be subject to a 3% Net Production Royalty, of which 50% may be purchased for US$3,000,000 within 36 months of Item 2.

Exploration

The Company incurred exploration costs as follows:

	Six months ended June 30, 2022	Six months ended June 30, 2021
Consultants and geologists	$ 551,668	$ 183,396
Drilling, drilling prep, stagging and road costs	1,314,516	-
Equipment	319,348	-
Field supplies, camp costs, cannon payments and other	1,327,522	166,360
Total	$ 3,513,054	$ 349,756

Current year highlights of exploration are as follows:

In March 2022, the Company completed road access and the drill pads at the Alba Sabrina claim block. The Company has also completed the Environmental Baseline Study as per the General Environmental Law of the Mining Code 24.585. The completed study is a milestone for the completion of a future Feasibility Study.

On April 26, 2022, the Company announced has retained Servicios Geologicos of Salta, Argentina, to conduct a 2,000-metre core hole drill program on the Alba Sabrina claim block. At 2,089 hectares, the Alba Sabrina claim block is the largest of the nine-block, 5,687-hectare project. A recent TEM (transmission electron microscopy) study has identified a surficial halite aquifer of approximately 75 metres of depth, with a clastic brine aquifer immediately below. The TEM study was limited to approximately 350 metres of depth, with the basement rock not confirmed. The drill program will attempt to drill to basement, limited to approximately 700 metres by the depth potential of the drill rig.

On June 22, 2022, the Company announced that drilling has commenced at the Hombre Muerto North lithium project (HMN Li project), Salta Province, Argentina. Servicios Gelogicos of Salta, Argentina, began to turn the first hole on June 12th. The drilling method is diamond drill hole with double packer sampling at select intervals. The 2,000-metre drill program is expected to continue for the next several months, with results reported as obtained. The program is being supervised by Dr. Mark King, a qualified person under National Instrument 43-101, and principal hydrogeologist and president of Groundwater Insight Inc., Dr. King, who has an extensive background in lithium brine resource and reserve estimation.

The objective of the program is to potentially expand the current lithium carbonate resource which is defined as 756 parts per million lithium within 571,000 tonnes in the measured and indicated categories with a low magnesium to lithium ration of 2.6 to one (see news release Dec. 4, 2018, and NI 43-101-compliant technical report titled "Initial Measured and Indicated Lithium and Potassium Resource Estimate, Hombre Muerto North Project, Salta and Catamarca Provinces, Argentina," prepared by independent consultants Montgomery and Associates of Santiago, Chile). The resource is contained solely on the Tramo claim block, which is 383 hectares in size, and is one of five salar-located, non-contiguous claim blocks that comprise the total project area of 3,287 hectares. The drill program will focus exploration on the Alba Sabrina claim block which is 2,089 hectares in size.

A recent TEM study at the Alba Sabrina claim block (see Oct. 4, 2021, press release) provides potential indication of a surficial halite aquifer of approximately 75 m of depth, with potential indication of clastic brine aquifer immediately below. The TEM study was limited to a depth of approximately 350 m, with the basement rock not confirmed. The drill program will attempt to drill to basement, limited to approximately 700 m by the depth potential of the drill rig.

On July 7, 2022 the Company provided an update on process test work currently under way at the Hombre Muerto North lithium project, located in Salta, Argentina. The purpose of the test work is to validate evaporation as a viable concentration method in preparation for a potential on-site pilot plant and subsequent feasibility study. The work is being performed by Eon Minerals, a Delaware-based company with laboratory facilities in Salta, Argentina. The work was supervised by Alex Mezei, PEng, a qualified person under National Instrument 43-101.

On August 25, 2022 the Company provided an update on the drilling campaign currently under way at the Hombre Muerto North lithium project (HMN Li project) in Salta province, Argentina. The first hole AS01 has now been completed to a depth of 270 metres. As the first hole has progressed, drilling has become very difficult due to geological instability. The decision was made to conclude the hole at this depth, though geological basement was not reached. Double-packer sampling is now under way and will continue for the coming few days. Samples will be obtained from borehole intervals deemed to be of interest. Alex Stewart Laboratories, an ISO-certified laboratory located in Mendoza, Argentina, is conducting the assay test work. Dr. Mark King, a qualified person (QP) under National Instrument 43-101, is supervising the program.

A second drill rig operated by Andagala Perferaciones SA is now on site. The unit will locate to the middle of the Alba Sabrina claim block and initiate hole AS03.

Company director and chief operating officer Fernando Villarroel states: "We are very pleased to have completed our first hole at the Alba Sabrina claim block. Our second drill rig is now on site, and we look forward to moving the program ahead quickly."

The objective of the program is to potentially expand the current lithium carbonate resource which is defined with an average grade of 756 milligrams per litre lithium within 571,000 tons in the measured and indicated categories (see news release Dec. 4, 2018, and NI 43-101-compliant technical report titled "Initial Measured and Indicated Lithium and Potassium Resource Estimate, Hombre Muerto North Project, Salta and Catamarca Provinces, Argentina," prepared by independent consultants Montgomery and Associates of Santiago, Chile).

The current resource is contained solely on the Tramo claim block, which is 383 hectares in size. Tramo is one of five salar-located, non-contiguous claim blocks that comprise the total project area of 3,287 hectares. The current drill program is focused on exploration of the Alba Sabrina claim block, which is 2,089 hectares in size.

On November 1, 2022, the Company provided results from the continuing drill campaign at the Hombre Muerto North lithium project (HMN Li project) in Salta province, Argentina. The company is releasing results from two completed wells. Two rigs are operating on site, and the program has been expanded to include an additional hole for a total of four core wells.

The current exploration is located within the Alba Sabrina claim block. The claim block comprises 2,089 hectares and is the largest of the 3,287-hectare salar-located claim package. The newly revised drill plan has four holes located north to south, identified as AS01 (completed), AS02 (completed), AS03 (completed) and AS04 (now drilling), along a six-kilometre section.

Results have now been received from Alex Stewart Laboratories of Mendoza, Argentina, an ISO certified laboratory. Hole AS01 was completed to 299 metres depth. Seven double-packer samples were acquired from AS01 using industry best practices and under the supervision of Dr. Mark King, a qualified person under National Instrument 43-101. Lithium results range from 693 milligrams/litre to 744 mg/L, for a hole average of 722 mg/L lithium. The zone of interest from the interpreted lithology is determined to exceed 240 m.

South of hole AS01, hole AS03 has been completed to a depth of 216 m. Five double-packer samples were acquired from AS03. Thus far, the company has received two results of the five samples acquired. One returned 749 mg/L Li and one returned 752 mg/L Li. Three assays are pending. The zone of interest from the interpreted lithology is determined to exceed 140 m.

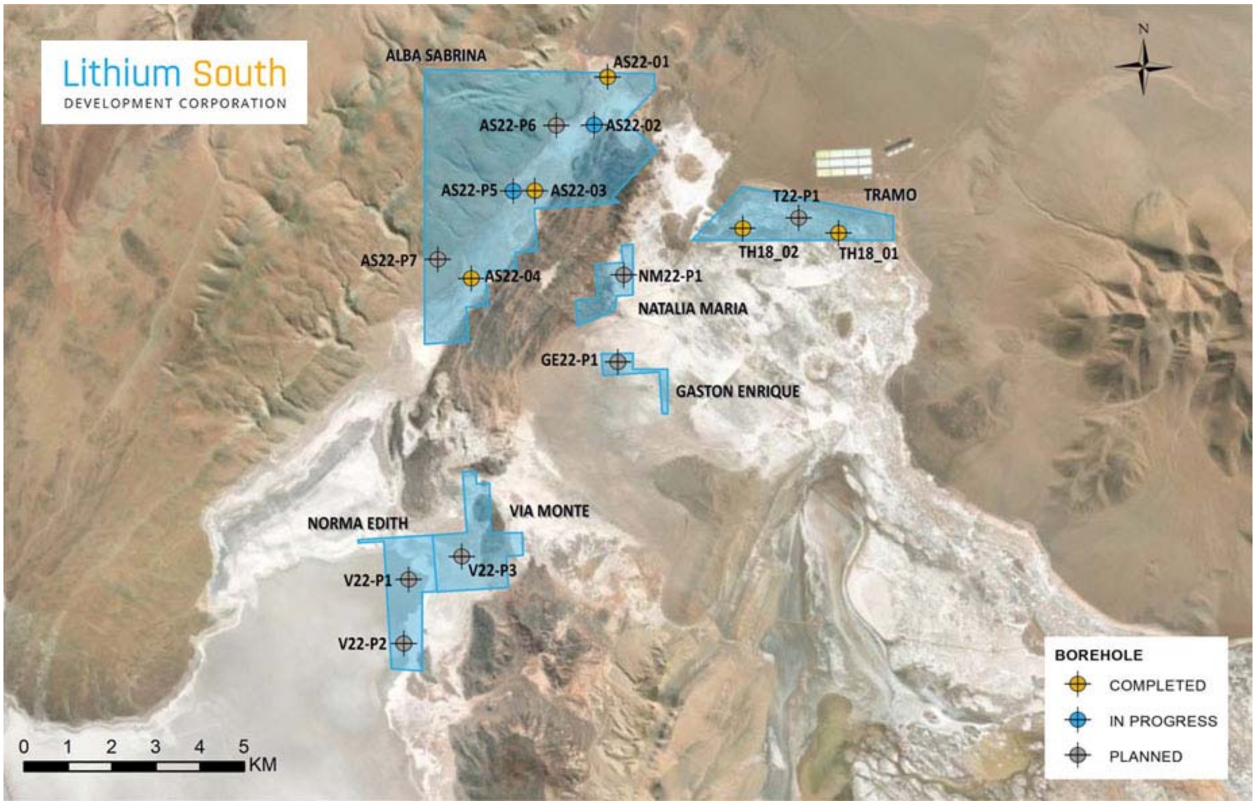
All completed holes have encountered zones of potentially significant porosity that include fine- to medium-grained sands and porous breccia. Porosity testing will be completed at the Daniel B. Stevens Laboratory located in Albuquerque, N.M., United States.

Hole AS04 was the first hole completed with results announced on Aug. 10, 2022. The overall average of the three wells sampled to date is 734 mg/L Li.

Site preparation work is under way to locate four control wells to the west of the current drilling to define the west boundary of the salar. In addition, hole AS02 will be located between AS01 and AS03, for infilling in the high-grade zone.

On November 10, 2022, the Company provided an update for the ongoing drill campaign at the Hombre Muerto North Lithium Project (HMN Li Project) in Salta Province, Argentina. The current resource expansion program is located within the Alba Sabrina claim block. The claim block is comprised of 2,089 hectares and is the largest of the 3,287-hectare salar located claim package.

The newly revised drill plan (see map below) has four holes located north to south, identified as AS01 (completed), AS03 (completed), AS04 (completed) and AS02 (now drilling), along a six-kilometer section.



Lithium South Drill Map – revised drill targets for resource expansion.

Hole AS03 was recently completed to 260 meters depth. After the conclusion of the well, it showed flowing artesian conditions, which indicates excellent pumpability. Double packer samples have been taken up the string and will be analyzed at Alex Stewart Laboratories, an ISO Certified laboratory located in Mendoza, Argentina.

Hole AS02 is currently at 125 meters depth. Lithology for the hole is mainly medium to coarse sand, with significant brine present. Five double packer samples will be taken for analysis. The hole will continue until low permeability basement rock is encountered. Then it will be double packer sampled up the drill string.

Three control holes have been located to the west of the core hole program. Hole AS05, located 1000 meters west of AS03 has been started and is at 72 meters depth. A breccia zone has been encountered at the bottom of the hole, with brine present. Three brine samples from Hole AS05 have been acquired for analysis, and field parameters show the following:

1. Sample 35 m to 41 by simple packer/Conductivity: 188.3, density: 1.15, temperature: 9.2 °C, pH: 7.22, / flow: 27 l/min.
2. Sample 52 m to 53 m by double packer/Conductivity: 205.1, density: 1.195, temperature: 9.4 °C, pH: 6.83 / flow: 27.3 l/min.

3. Sample between 66 m to 69 m: by simple packer/Conductivity: 213.1, density: 1.210, temperature: 10.1 °C, pH: 6.31, /flow: 28.5 l/min.

Holes AS05, AS06 and AS07 are expected to be relatively shallow, although they will be deepened to the extent that significant porosity and lithium grades are indicated. They are intended to provide material width to the resource that will potentially be estimated at Alba Sabrina. They are also intended to inform the western boundary conditions of a dynamic flow model to be developed for the Project

Results of Operations

The Company incurred a loss of $6,820,084 during the period ended September 30, 2022 ("current period"), compared to a loss of $5,801,874 for the period ended September 30, 2021 ("comparative period"). Some of the significant changes for the current period compared to the comparative period are as follows:

Exploration costs of $3,513,054 (2021 - $349,756) were incurred as the Company was actively exploring properties in Argentina and commenced its drill program as discussed above.

Marketing fees of $1,648,395 (2021 - $1,135,009) were incurred as the Company the Company engaged various consultants to provide services such as website landing page design, content development and digital marketing primarily through Google ads, digital media, corporate advisory, branding and strategic business services to the Company.

Share-based payments of $2,265,942 (2021 - $2,727,754), a non-cash expense was incurred during the period on the granting of 3,625,000 (2021 – 5,550,000) incentive stock options to directors, officers and consultants of the Company.

Summary of Quarterly Results

	Three Months Ended Sept. 30, 2022	Three Months Ended June 30, 2022	Three Months Ended Mar. 31, 2022	Three Months Ended Dec. 31, 2021
Total assets	$23,549,108	$24,395,293	$26,262,383	$25,571,716
Evaluation and exploration assets	12,085,974	12,085,974	12,085,974	8,194,374
Working capital	11,140,303	12,186,064	14,067,220	17,314,360
Shareholders' equity	23,226,277	24,272,038	26,153,194	25,508,734
Loss for the period	(1,485,431)	(1,956,590)	(3,378,063)	(2,261,238)
Loss per share	(0.02)	(0.02)	(0.04)	(0.04)

	Three Months Ended Sept. 30, 2021	Three Months Ended June 30, 2021	Three Months Ended Mar. 31, 2021	Three Months Ended Dec. 31, 2020
Total assets	$13,108,086	$13,682,141	$13,514,288	$ 5,220,954
Evaluation and exploration assets	8,194,374	8,194,374	8,194,374	5,123,839
Working capital (deficiency)	4,867,155	5,487,767	4,899,361	(1,336,416)
Shareholders' equity	13,061,533	13,632,311	13,093,935	3,787,423
Loss for the period	(1,339,908)	(846,387)	(3,596,514)	(1,871,146)
Loss per share	(0.02)	(0.01)	(0.09)	(0.07)

Liquidity and Going Concern

The Company has financed its operations to date primarily through the issuance of common shares, proceeds from related-party loans and the exercise of stock options and share purchase warrants. The Company continues to seek capital through various means including the issuance of equity and/or debt.

The Company's unaudited interim condensed consolidated financial statements for the period ended September 30, 2022 have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. As at September 30, 2022, the Company had working capital of $11,140,303 (December 31, 2021 working capital of $17,314,360) and an accumulated deficit of $60,673,789 (December 31, 2021 - $53,853,705). In addition, the Company has not generated enough revenues to meet its operating and administrative expenses or its other obligations. These circumstances cast significant doubt on the validity of the going concern assumption.

In order to continue as a going concern and to meet its corporate objectives, which primarily consist of exploration work on its Guyana mineral property, the Company will require additional financing through debt or equity issuances or other available means. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. Factors that could affect the availability of financing include the progress and exploration results of the mineral property, the state of international debt, equity and metals markets, and investor perceptions and expectations.

Contingencies

The Company has no contingencies at the date of this MD&A.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements at the date of this MD&A.

Investor Relations

The Company has no investor relations agreements as at the date of this MD&A.

Related Party Transactions

The Company incurred the following expenses charged by key management personnel and companies controlled by key management personnel, such personnel include the Company's Directors, Chief Executive Officer, Chief Financial Officer and Corporate Secretary:

		2022		2021
Management, exploration and professional fees charged by officers and directors and corporations under their control	$	207,765	$	203,598
Directors' fees	$	-	$	27,986
Share-based payments	$	1,039,530	$	1,393,282

Key management personnel were not paid any post-employment benefits, termination benefits, or other long-term benefits during the respective periods.

Financial and Capital Risk Management

The Company's financial instruments consist of cash, receivables, short-term investments and accounts payable and accrued liabilities. Cash has been designated as fair value through profit and loss, receivables as loans and receivables, and accounts payable and accrued liabilities and related party loans payable are designated as other financial liabilities. The fair value of these financial instruments approximates their carrying value due to the short-term nature of these instruments, except for cash which is valued at a level 1 fair value measurement. All the Company's financial liabilities have contractual maturities less than 30 days and are subject to normal trade terms.

The Company is exposed to a variety of financial risks by virtue of its activities including currency, credit, interest rate, liquidity and other price risk. There has been no change in the way management managed these risks for the period.

Currency risk

While the Company's parent is Canadian and its capital is raised in Canadian dollars, the Company was conducting business in Guyana, whose currency is the Guyanese dollar. As such, it was subject to risk due to fluctuations in the exchange rates for the United States, Canadian and Guyanese dollars. The Company does not manage currency risk through hedging or other currency management tools.

As at September 30, 2022, the Company has accounts payable denominated in US dollars of US $Nil (December 31, 2021 – US$ NIL) and cash of US$15,907 (December 31, 2021 - US$3,527). Based on a hypothetical change in the foreign exchange rate between the Canadian and the US dollars of 5% (2020 - 5%), the effect on net and comprehensive loss would be $795 (2021 - $176).

As at September 30, 2022, the Company has cash denominated in Argentine Peso of $558,882 (December 31, 2021 – $40,847). Based on a hypothetical change in the foreign exchange rate between the Canadian dollar and Argentine Peso (2020 - Argentine Peso) of 7.5% (December 31, 2021 – 7.5%), the effect on net comprehensive loss would be $41,916 (December 31, 2021 - $3,064).

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The cash is held in a large Canadian financial institution, which has a strong credit rating from a primary credit rating institution. There is no risk associated with receivables as this is Goods and Services Tax ("GST") due from the Canadian Government.
Interest rate risk

Interest rate risk consists of two components:

(a) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.

(b) To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

Due to the short-term nature of the Company's financial instruments fluctuations in market rates do not have a significant impact on estimated fair values as of June 30, 2022. Future cash flows from interest income on cash will be affected by interest rate fluctuations. The Company manages interest rate risk by maintaining an investment policy that focuses primarily on the preservation of capital and liquidity.

Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they come due. The Company's ability to continue as a going concern is dependent on management's ability to raise the required capital through future equity issuances. The Company manages its liquidity risk by forecasting cash flows required by operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning, and approval of significant expenditures and commitments. All the Company's financial liabilities have contractual maturities less than 30 days and are subject to normal trade terms.

Price risk

The Company is exposed to price risk with respect to commodity and equity 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. Commodity 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 of gold and other precious and base metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. Fluctuations in pricing may be significant

The Company's financial instruments consist of cash, receivables and accounts payable and accrued liabilities. Cash has been designated as fair value through profit and loss, receivables as loans and receivables, and accounts payable and accrued liabilities and related party loans payable are designated as other financial liabilities. The fair value of these financial instruments approximates their carrying value due to the short-term nature of these instruments, except for cash which is valued at a level 1 fair value measurement. All the Company's financial liabilities have contractual maturities less than 30 days and are subject to normal trade terms.

Capital management

The capital structure of the Company consists of equity attributable to common shareholders, comprising of issued capital, contributed surplus and deficit.

The Company's objectives when managing capital are to: (i) preserve capital, (ii) obtain the best available net return, and (iii) maintain liquidity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and investments.

The Company's policy is to invest its excess cash in highly liquid, fully guaranteed, bank-sponsored instruments payable on demand. This strategy is unchanged from the prior year.

The Company is not subject to externally imposed capital restrictions.

Current Share Data

As at the date of this MD&A, the common shares outstanding are as follows:

	Number of Shares
Balance, November 10, 2022	96,500,147

As at the date of this MD&A, the Company has 58,799,582 share purchase warrants exercisable between $0.35 and $0.96 per share to February 26, 2026 and 8,945,000 stock option exercisable between $0.20 and $0.80.

Disclaimer

The information provided in this document is not intended to be a comprehensive review of all matters concerning the Company. It should be read in conjunction with all other disclosure documents provided by the Company, which can be accessed at www.sedar.com. No securities commission or regulatory authority has reviewed the accuracy or adequacy of the information presented herein.

Cautionary Statement on Forward Looking Information

Certain statements contained in this document constitute "forward-looking statements". Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance, or achievements expressly stated or implied by such forward-looking statements. Such factors include, among others, the following: evaluation and exploration asset costs and results, fluctuation in the prices of commodities for which the Company is exploring, foreign operations and foreign government regulations, competition, uninsured risks, recoverability of resources discovered, capitalization requirements, commercial viability, environmental risks and obligations, and the requirement for obtaining permits and licenses for the Company’s operations in the jurisdictions in which it operates.