Scalable Technologies for Next-generation Batteries

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the Year Ended March 31, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

1. Introduction

This Management's Discussion and Analysis of Operations and Financial Condition ("MD&A") of Li-Metal Corp. ("Li-Metal", "We", Us", "Our" or the "Company") includes its wholly owned subsidiaries and includes the operating and financial results for the year ending March 31, 2023 and the Fifteen Months ended March 31, 2022 and should be read in conjunction with the Company's audited annual consolidated financial statements for the year ended March 31, 2023, including the notes thereon (the "Consolidated Financial Statements").

The Company's Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Unless otherwise stated, all amounts discussed herein are denominated in Canadian dollars. This MD&A was prepared as of July 31, 2023, and all information is current as of such date. Readers are encouraged to read the Company's public information filings on SEDAR at www.sedar.com. The Company's Financial Statements are available on Li-Metal's website at www.li-metal.com

This discussion provides management's analysis of the Company's historical operating and financial results and provides estimates of future operating and financial performance based on information currently available. Actual results may vary from estimates and the variances may be significant. Readers should be aware that historical results are not necessarily indicative of future performance. Cautionary statements regarding forward-looking information and mineral reserves and mineral resources can be found in Section 14 titled "Forward-Looking Statements".

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 Li-Metal's 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.

Management's Discussion and Analysis for Li-Metal is the responsibility of management, and the Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the MD&A.

2. Overview of the Company

2.1 Our History

Li-Metal is a Canadian based technology company, specializing in the development of technologies for the next generation battery supply chain, focused on metallic lithium metal and lithium anode materials and their production.

The head office of the Company is located at 90 Riviera Drive, Markham, Ontario, L3R 5M1. The registered office of Li-Metal is located at 77 King Street West, TD North Tower, Suite 700, Toronto, Ontario, M5K 1G8.

In October 2021, the Company, which at the time was named Eurotin Inc. ("Eurotin"), completed the acquisition of 255663 Ontario Limited (DBA as Li-Metal) through a share exchange transaction (RTO Transaction). Following completion of the RTO Transaction, the Company amalgamated with 2555663

Ontario Limited and changed its name to Li-Metal Corp.; the Company also changed its fiscal year from December 31 to March 31. Since the Company holds all 2555663 Ontario Limited assets and liabilities and will continue with its operations the historical figures presented herein for the three and twelve months ended December 31, 2020 represent those of 2555663 Ontario Limited. 2555663 Ontario Limited was incorporated under the OBCA on January 11, 2017. On May 7, 2019, 2555663 Ontario Limited filed articles of amendment under the OBCA to change the classes and maximum number of shares that Ontario Limited is authorized to issue.

On March 31, 2021, the Company incorporated in Albany, NY USA its wholly owned subsidiary Li-Metal US Inc.

On October 25,2021, the Company changed its name to Li-Metal Corp. concurrent with the appointment of the new board of directors ("Board") and management team and the expansion of the corporate growth strategy.

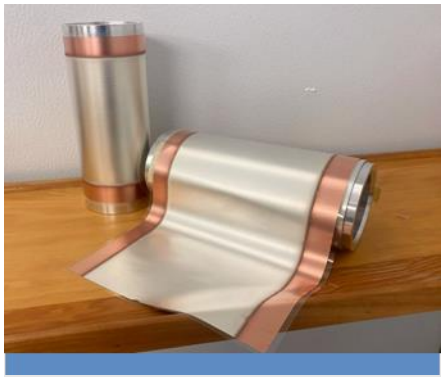
On November 3, 2021, the common shares of the Company began trading on the Canadian Securities Exchange (the "CSE") under the ticker "LIM".

2.2 Our Products

Li-Metal Corp is developing two complementary technologies intended to function together in a vertically integrated battery materials production process that will accept lithium carbonate salt as the lithium source, and produce metallic lithium or lithiated anode materials (battery components) for next-generation batteries. The Company plans to build commercial facilities to manufacture lithium metal and lithium anodes once the technologies are ready for commercialization. The overall process comprises two principal technologies:

> ***LiM Metal Production Process (LMPP)*** – This patent-pending process uses molten-salt electrolysis to convert lithium carbonate to a lithium metal product which can potentially be sold either to the existing lithium metal market or be used as the input for Li-Metal's anode production process. The principal advantage of the LMPP is that it allows lithium carbonate, the most widely-available lithium salt, to be used directly in the process, while eliminating the significant chlorine gas generation associated with conventional lithium metal production processes.

LiM PVD Anodes (LAP) – This technology comprises proprietary processes and products which use physical vapour deposition (PVD) to form ultra-thin lithium metal anode materials on a variety of metallic and polymer substrates. PVD offers the potential for low-cost production of these materials at scale, and at thickness that have not been commercially achievable by conventional foil rolling. Additionally, the flexibility of the production process allows alterations to material composition and structure to be made that improve the electrochemical performance of the materials relative to conventional foil anodes at modest incremental cost.



3. Overview of Our Strategy

3.1 Product Strategy

Li-Metal is developing innovative lithium battery technologies for the next generation batteries expected to power electric vehicles, electric aircraft, handheld devices, and many other applications starting in the mid-2020s. More specifically, Li-Metal is developing and scaling up innovative, patent-pending technology that will enable the Company to **produce metallic lithium battery anodes and lithium metal, refining lithium metal, and reprocessing of scrap lithium materials**. The products and processes are engineered to provide a low-cost, technically superior, and environmentally friendly solution to one of the key hurdles facing next generation lithium batteries, including solid state batteries, advanced liquid electrolyte lithium-ion batteries, and lithium sulfur batteries. The Company is currently in the research phase of its research and development (R&D) activities and accordingly has not capitalized costs associated with its R&D activities.

Next generation batteries promise improved energy storage and safety characteristics allowing for longer range electric vehicles, practical electric flight, extended run times on portable devices, and new applications which are not possible with today's bulky and heavy batteries. To facilitate commercialization of next generation batteries, improved technology is needed to provide thinner, lower cost lithium metal anodes and the ability to produce lithium metal in an economic, safe, and environmentally friendly manner. The present industry is structured to supply materials for the current generation of lithium-ion batteries, including graphite, lithium carbonate and lithium hydroxide, and various cathode metal oxides. The next generation of lithium batteries requires, a dramatic reshaping of the anode supply chain, including several-

fold expansion of **lithium metal supply** and the build-out of **lithium metal-based anode** production capacity. It is expected that this will take place alongside the 8-10-fold expansion of overall battery production capacity predicted to happen throughout the 2020s. Additionally, as production of conventional lithium foils continues to increase; the amount of scrap generated from process has been on an upward trend as well. Li-Metal is developing a process to allow reprocessing of scrap lithium foil to reintroduce it back in the battery supply chain.

This is supported by data obtained from Benchmark Mineral Intelligence Q3 2022 Solid-state and Lithium Metal Batteries Executive Summary report. (see figure 1 below)

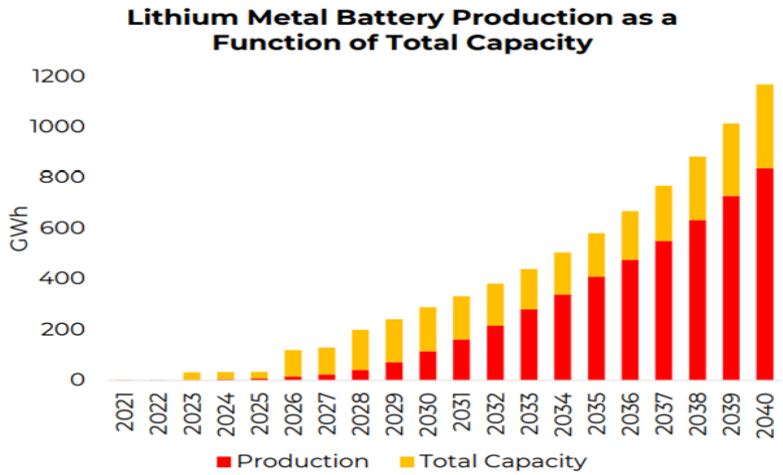


Figure 1: Expected lithium metal battery Production (Source: Benchmark Mineral Intelligence Q3 2022 Solid-state and Lithium Metal Batteries Executive Summary report)

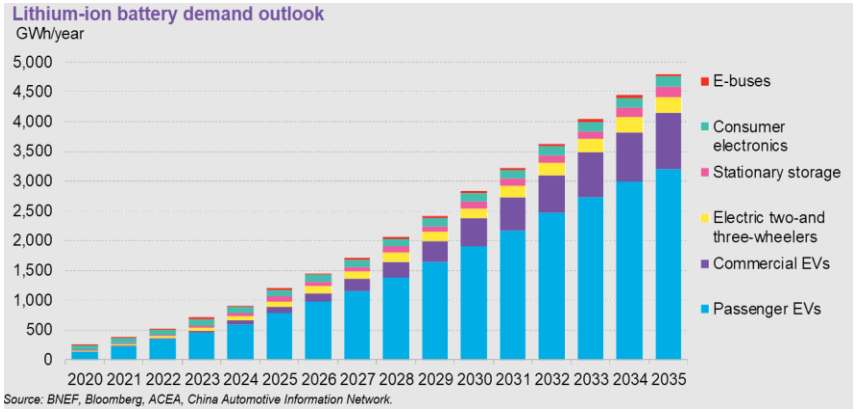


Figure 2: Expected lithium-ion battery demand outlook

3.2 Update on Strategy & Progress to Date

To position the Company for long-term growth, we will focus on executing a three-fold strategy:

1. **Position Li-Metal as the preferred anode partner to next-gen battery developers and OEMs**
    - Advance our Anode Business in line with Customer Growth: The Li-Metal team continues to progress our ultra-thin metal anodes business, further strengthening our technological advantage with our roll-to-roll physical vapor deposition (PVD) process. Our efforts to accelerate customer engagement have resulted in increased requests for samples and we are strategically expanding our workforce at our Rochester anode facility to meet this demand.
    - Secure Commercial Partnerships with Key Players in the Next Generation Battery Industry: Li-Metal continues to build relationships with leading battery developers and automakers. Over the last quarter of this fiscal year, the business development team has accelerated these conversations, with the aim of converting these conversations into strategic agreements to secure a robust customer pipeline for our anode materials. In addition, LIM is also engaged in conversations with customers for sale of PVD equipment for in-house production of anodes by our customers. As we work towards commercial-scale PVD capabilities, which we expect we will achieve in 2024, we hope to conclude these conversations and convert them into a healthy order book and start to monetize our PVD process and technology.
2. **Scale-up our modular metal production and scrap reprocessing process**
    - Demonstrate Modular Lithium Metal Production: As we continue to engage with our customers, it has become evident that a sustainable and modular process for producing lithium metal is crucial. The projected demand for lithium metal is expected to increase by 10-12 times the current capacity by 2030 to 40,000 tonnes[1] per annum. Our team has diligently been working to advance our modular lithium metal production technology which allows metal production capacity to be deployed incrementally to match market demand; an important milestone in this endeavor is the ongoing engineering study, which we are conducting in collaboration with our global engineering partner and expect to finalize this year.
    - Establish a Pilot to Demonstrate Lithium Anode Scrap Reprocessing: As we continue to supply customers with sample metal anode material, a need to reprocess scrap anodes has evolved and we believe this presents an accretive opportunity for Li-Metal. To our knowledge, there are currently no reprocessing facilities in North America and customers are actively looking for solutions for their scrap lithium foil. The Company is currently installing and commissioning a pilot scale lithium metal anode scrap reprocessing and casting facility and aims to demonstrate the process at pilot scale. The process will allow scrap lithium to be reintroduced in the batter supply chain industry and minimize lithium waste.
3. **Strategic partnerships and new customer agreements**
    - Develop Partnership with Key Equipment Supplier: A key development for the commercial team was the entering of a non-binding agreement with Mustang Vacuum Systems ("MVS"), a seasoned PVD machine builder and technological leader, for the exclusive supply of high-performance PVD

[1] https://www.mckinsey.com/industries/metals-and-mining/our-insights/australias-potential-in-the-lithium-market

machines to produce battery materials for next-generation batteries. The partnership supports Li-Metal's growth strategy for its anode business by securing an experienced machine building partner, thus improving ability to serve its growing customer base.

- Secure Long-Term Contracts with Customers: The Li-Metal commercial team also secured its first major recurring commercial order for anode materials with a battery developer. This key commercial agreement generates future revenues while providing an additional opportunity to further validate the performance of our anode materials. Furthermore, we continue to expand upon the discussions we are having with battery developers and automotive OEMs.
- Advance Plans for Commercial Metal Plant; The Li-Metal commercial team has continued to receive inquiries from stakeholders throughout the lithium value chain who are interested in learning about our lithium metal production technology and forming a partnership for metal production. The team is currently exploring different business models with the goal of establishing a commercial lithium metal facility, either through a suitable strategic partner or independently.

Key Milestones Achieved:

- The Li-Metal team has continued to make significant progress and achieved the following milestones: **Successful Pilot Production of Metal Directly from Lithium Carbonate:** In May 2023, the team accomplished a major milestone for our lithium metal business as we successfully produced lithium metal directly from lithium carbonate. This helps further demonstrate Li-Metal's patented lithium metal technology can produce this strategic next-generation battery material sustainably. Li-Metal's lithium metal business is positioned for long-term success as we advance our technology and aim to scale up production to full-scale capacity at our pilot plant. The full-scale pilot production of lithium metal will help prove the economics of the process and bring the technology one step closer to commercialization.
- **Anode Production in Rochester:** The Company continues to demonstrate its ability to produce high performance anode materials for production qualification using our roll-to-roll PVD technology, equipment and process. To-date in 2023, the team produced more than 5,787 metres of sample lithium metal anode material for its customers and internal R&D. Li-Metal continues to achieve high efficiency and process intensity metrics, which are important targets for PVD processes.
- **Non-Dilutive Grant Funding:** In June 2023, Li-Metal was awarded non-dilutive funding of more than CAD$1.4 million in grants, from various programs sponsored by the Government of Ontario, to develop and commercialize our lithium metal production technology. The funding from the Ontario Vehicle Innovation Network ($930,826) and the Critical Minerals Innovation Fund ($500,000) further supports our efforts to advance our growth strategy for our lithium metal business. We believe receiving these grants also further validates our technology and endorses the role that Li-Metal plays in building a next-generation battery supply chain.
- **Protecting our Technology and IP Portfolio:** In support of our ongoing product development roadmap, Li-Metal continues to expand its intellectual property portfolio with a total of 33 patents and patents pending.

4. Recent Developments

4.1 Highlights FY 2023

- On April 4,2022, the Company announced that it has been approved to trade in the United States on the OTC Pink Market (the "**OTC Pink**"), a U.S. trading platform that is operated by the OTC Markets Group in NY. The Company trades on the OTC Pink under the symbol "LIMFF".
- On April 12, 2022, the Company provided a corporate and operational update, indicating that the major equipment installation at Li-Metal's lithium metal pilot facility, located in Markham, Ontario, had been completed and the plant achieved initial operating capability at pilot scale at the end of April 2022.
- On April 12, 2022, the Company announced that, having received independent legal advice, the marketing and investor relations contract with First Marketing GmbH ("**First Marketing**") concerning the provision of investor relations and marketing services in the German-speaking region (Germany, Austria and Switzerland) is terminated as of April 11, 2022. As a result, the final payment of €500,000 that was to be paid on April 1, 2022 was not paid.
- On April 12, 2022, the Company announced that it had signed a marketing agreement on April 11, 2022, retaining Hybrid Financial Ltd. ("**Hybrid**") to provide investor relations services to the Company. Hybrid has been engaged to heighten market and brand awareness for the Company and to broaden the Company's reach within the investment community both in Canada and the United States.
- On April 29,2022, the Company announced that it had been granted $1.9 million, as part of a $5.1 million joint project with Blue Solutions, awarded by Next Generation Manufacturing Canada (NGen), an industry-led organization supporting advanced manufacturing in Canada, to develop the Company's lithium metal anode technologies. The proceeds of the grant will support the commercialization of technologies for reprocessing lithium metal and the production of ultra-thin high-performance low-cost lithium metal anodes. The project commenced on December 1, 2021 and is expected to be completed by the end of Q1 2024.
- On August 24, 2022, the Company announced that it has commenced trading on the OTCQB® Venture Market under the symbol "LIMFF." Li-Metal's common shares will continue to trade on the Canadian Securities Exchange under the symbol "LIM" and the Frankfurt Stock Exchange under the ticker symbol "5ZO."
- On September 6, 2022, the Company announced that it has engaged Hatch Ltd. ("Hatch"), a leading global engineering, project management and professional services firm, to undertake a Concept Study ("Study") for Li-Metal's commercial scale metallic lithium production facility. Hatch's Study will focus on developing the Company's full-scale commercial lithium metal production facility.
- On October 11, 2022, the Company provided an operational update for its roll-to-roll anode pilot plant in Rochester, New York ("**the Facility**"). Since its commissioning earlier this year, the Facility

has been steadily ramping up production of its high-performance, low-cost lithium metal anode sample materials using Li-Metal's roll-to-roll physical vapor deposition ("**PVD**") process. Li-Metal has recently completed an engineering scoping study for the development and build-out of a small commercial-scale anode production facility ("**Anode Demo Plant**"). The envisioned plant will demonstrate a PVD lithium anode production line at full-scale, while supplying up to a million metres per year (approximately 200-250 MWh) of large-format anodes for advanced product qualification and early-stage production to battery makers on a commercial basis - a key step on Li-Metal's roadmap to anode product commercialization.

- On October 17, 2022, the Company appointed Kunal Phalpher to the newly created role of President. Mr. Phalpher is a seasoned C-suite executive with proven public company experience, bringing nearly two decades of global experience in the clean technology, battery materials and electric vehicle ("**EV**") sectors to the role. Recently recognized by Business Insider as a Power Player in the EV industry, Mr. Phalpher has overseen and implemented global business development strategies, establishing a proven track record of driving rapid growth for multinational organizations
- On October 31, 2022, the Company granted to an officer 1,383,029 Restricted Share Units ("**RSU**"), 345,757 RSU will vest in 12, 24, 36 and 48 months starting from the date of the grant.
- During the year, the Company granted 2,100,529 stock options to employees and 2,800,000 stock options to consultants. The options have varying vesting conditions namely service and milestone indicators.

4.2 Highlights Subsequent to Year-end March 31, 2023

- On April 4, 2023, the Company and Mustang Vacuum Systems Inc. announced their strategic partnership for the production of next-generation battery anodes.
- On April 17, 2023, the Company granted to five officers an aggregated of 2,830,000 Restricted Share Units ("**RSU**"), 707,500 RSU will vest in 12, 24, 36 and 48 months starting from the date of the grant.
- On April 17, 2023, the Company granted to twenty-two employees an aggregated of 602,981 Restricted Share Units ("**RSU**"), 200,994 RSU will vest in 12, 24 and 36 months starting from the date of the grant.
- On May 3, 2023, the Company announced the appointment of Dr. Srini Godavarthy as Chief Executive Officer (CEO) effective May 15, 2023 and the appointment of Co-founder Maciej Jastrzebski as the newly formed role of Chief Technology Officer (CTO).
- On May 23, 2023, the Company announced that it became the first company to produce lithium metal from patented lithium carbonate process.
- On June 6, 2023, the Company announced that it was awarded $1.4 million in grant funding from the Government of Ontario.

4.3 Outlook

The Company's progress against our plan is summarized below:

LMPP – The Company is developing the LMPP technology by progressive scale-up, equipment optimization, and process development and optimization. The Company is focused on ensuring technology is economically sustainable and environmentally friendly production of lithium metal with lithium carbonate as main its feedstock.

As Li-Metal reaches technical milestones, it is in parallel carrying out engineering studies on a commercial-scale process plant to both provide useful feedback into the development process, and to shorten the timeframe between completion of technology development and the build-out of a commercial plant. Over the last quarter, the Company has focused on process equipment improvements to increase reliability and service life to allow piloting activities to be undertaken. The technical team designed pilot scale in-house molten salt equipment, heating/cooling systems and salt/metal separation system capable of withstanding and maintaining the process conditions necessary to support piloting activities. The team is now focused on conducting testing for various stage of the lithium metal production process and preparing to run pilot scale continuous metal production campaigns.

It is estimated it will cost $2-2.5M to complete the piloting phase for lithium metal production process.

Expenditures for the LMPP project are expensed as research and development and totaled $2.39M for the year ended March, 31 2023 this figure is included with the total research and development expense of $5.06 million for year ended March 31, 2023. It is anticipated that the project will require $3.5M expenditures over the next 2 years to progress to complete the piloting phase and pre feasibility studies. As with R&D projects of this nature, the time and cost to complete this stage are uncertain and subject to revision as further information is received such as the results of testing.

Management is pursuing the development of a lithium metal production technology that will have favorable CAPEX and OPEX characteristics under forecasted lithium unit / lithium metal price spread conditions. Li-Metal is working with a well reputed engineering firm to estimate the costs.

Based on performance parameters estimated from bench-scale test results, and cost estimates based in part on construction costs for the pilot plant, management believes that an economically attractive lithium metal production process is possible on the basis of its technology. This is to be confirmed by piloting and a third-party engineering study which is in progress.

The technology is environmentally friendly as it is based on the substitution of lithium chloride by lithium carbonate. This substitution eliminates chlorine gas as a waste product in the off-gas stream, which eliminates fugitive emissions of chlorine (a highly toxic respiratory irritant and oxidant) and the production of chlorine bleach as a waste product of chlorine scrubbing.

LAP – The Company was focussed on producing lithium anode test samples for various customers. The technical team was also focussed on improving the anode production rate by adjusting process parameters and making equipment design changes. The team was successfully able to achieve process throughput at 140% of equipment nameplate capacity and 80% of commercial-scale, production intensity targets. The Company also completed the proof-of-concept testing of silicon anode pre-lithiation. This development

potentially opens opportunities for the Company in the silicon anode battery market, s and could significantly broaden its customer base and expand its addressable market across the spectrum of new anode materials. The Company also significantly expanded its inhouse battery testing and analyzing capabilities by purchasing new surface characterization tools, cyclers and battery assembly tools. Li-Metal expects to spend ~ $3M over the next 12 months to produce anode at commercially viable rates and carry on development of its advanced anode work.

Expenditures for the LAP project are expensed as research and development and totaled $2.67M for the year ended March 31, 2023 this figure is included with the total research and development expense of $5.06M for the year ended March 31, 2023. It is anticipated that the project will require $10M expenditures over the next 2 years to progress to build and operate a commercial demonstration plant. As with R&D projects of this nature, the time and cost to complete this stage are uncertain and subject to revision as further information is received such as the results of testing.

Management is pursuing development of a physical vapour deposition (PVD) based process for producing metallic lithium anode materials which will result in low-cost production. The material costs are based on estimates of CAPEX and OPEX costs developed based on engineering concept studies carried out by third parties, estimated full-scale equipment costs, and operating costs assuming similar process intensity to that achieved in the issuer's pilot plant.

Management judges' performance of its materials across many dimensions, including unit volume and weight for a given area of anode, cycling performance, and rate capacity. Across many of these metrics, the issuer's products under development show comparable or better performance to commercially available lithium foils – the closest comparable product, which suffers from high costs.

The anode products and production technologies should be considered a technology platform capable of satisfying the needs of several different next generation battery technologies. While the underlying technology is at a high level of maturity, investment is required to complete development and demonstration of full-scale production equipment. The Company is currently evaluating several options for implementing a full-scale anode production demonstration facility while it pursues anode piloting and sample production at its Rochester, NY pilot production plant, and metal production piloting at its Markham, ON facility. The Company has completed the concept study for its demonstration scale commercial anode plant and is working on a concept study for a commercial scale lithium metal production plant. Li-Metal realizes the importance of enabling a local supply chain for lithium metal, it continues to advance its lithium metal production piloting activities and move closer to commercialization. The Company continues to make significant progress in developing and commercializing the lithium metal and anode production technologies. The Company is working with various next generation battery developers to integrate its lithium metal anodes into their battery technology.

Li-Metal expects to make further expenditures of $11.5M-$13M over the next 12 months to develop further internal capabilities and advance its lithium metal and anode production technologies. These expenses include capital equipment purchase, expansion of the technical & operations team, increased raw material purchase to support larger scale operations, corporate and overhead expenses.

5. Selected Annual and Quarterly Financial Information

5.1 Selected Annual Information

The current financial statements reflect operating costs resulting from in-house and third-party research and development activities. Developing production processes and advanced products is inherently expensive and raising sufficient capital to continue research and development is a major focus for the management team.

The following table sets out selected historical financial information of Li-Metal Corp. Such information is derived from the audited financial statements.

	For the Year Ended March 31, 2023	Fifteen Months Ended March 31, 2022
Revenues	**$ -**	$ -
Net (Loss) for the period	**$ (12,556,761)**	**$ (18,734,825)**
Diluted (Loss) per share	**$ (0.08)**	**$ (0.12)**
Current Assets	**$ 11,252,998**	**$ 23,855,772**
Total Assets	**$ 16,932,072**	**$ 27,703,322**
Current Liabilities	**$ 1,708,538**	**$ 865,385**
Cash And Cash Equivalents	**$ 10,418,506**	**$ 23,162,453**
Property and Equipment	**$ 4,580,747**	**$ 2,618,269**
Total Equity	**$ 14,358,035**	**$ 25,917,450**

The Company intends to generate revenue based on the sale of products currently under development. The Company is therefore focused on completing product development, process development, IP protection and commercialization. As with any product in development phases, value will be created by (a) proving acceptable performance with battery developers/other end users of lithium metal; (b) ensuring commercial viability of such products in specific markets through development of manufacturing capability that can give appropriate gross and net margins; and (c) securing reliable supply of key input materials; (d) protect all IP generated by/within the Company.

The Company currently has sufficient expertise to manage the research and development process for each of the products. The value ascribed to each product will increase as it moves through the development phase and is expected to reach maximum value at the point where it has completed product qualification trials with major battery developers/other customers and is being used in mass produced next generation batteries or other markets. Management currently anticipates LMPP and LAP products to obtain this status within approximately 3 and 2 years respectively.

The Company has incurred a net loss over the last two years in part due to the growth of the Company's operations, personnel, and overall business activity to support its research and development activities. Total assets have decreased due to the use of cash resources to fund ongoing operations offset by additions to property, plant and equipment during 2023. Current liabilities have increased due to trade and other payables and are routine in nature and grew due to the increase in operating activities.

5.2 Financial Instruments and Other Instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

IFRS 9 requires financial assets to be classified into three measurement categories on initial recognition: those measured at fair value through profit and loss, those measured at fair value through other comprehensive loss and those measured at amortized cost. Measurement and classification of financial assets is dependent on the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

Financial Assets

Financial assets not measured at fair value through profit or loss or fair value through other comprehensive income are measured at amortized cost using the effective interest method, less any impairment losses, with interest expense recognized on an effective yield basis. Assets in this category include cash and cash equivalents and amounts receivable and other assets. As of March 31, 2023, the Company's financial assets were $10,418,506 compared with $23,162,453 as of March 31, 2022.

Other Financial Liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis. Any gains or losses arising from the realization of other financial liabilities are included in the statement of loss and comprehensive loss. Liabilities in this category include amounts payable and other liabilities. As of March 31, 2023, the Company's financial liabilities were $1,426,135 compared with $487,412 as of March 31, 2022.

We do not have any material obligations under forward foreign exchange contracts, guarantee contracts, retained or contingent interests in transferred assets, outstanding derivative instruments or non-consolidated variable interests.

5.3 Discussion of Operations Fiscal Year and Fourth Quarter

The Company reports operating results in a single operating segment being the development and scale-up of a patented process for the production of metallic lithium metal and lithium anode lithium-ion battery applications in electric vehicles, energy storage systems, and consumer electronics.

The following tables provide a summary of the operating results for the three months and year ended March 31, 2023 and for the three months and fifteen months ended March 31, 2022:

	For the Year Ended March 31, 2023	Fifteen Months Ended March 31, 2022
Revenues	$ -	$ -
Research and Development	$ 5,058,494	$ 2,151,425
Salaries and Wages	$ 1,385,783	$ 1,295,621
Professional Fees	$ 2,299,946	$ 3,845,440
Share Based Compensation	$ 1,181,408	$ 4,654,322
Investor relations & reporting issuer costs	$ 775,986	$ 1,884,626
General and Administration	$ 2,105,896	$ 1,022,103
Interest & bank charges	$ 10,912	$ 185,640
Amortization	$ 965,944	$ 611,296
Foreign Exchange Loss (Gain)	$ (851,692)	$ (64,634)
Operating Loss Before Following items	$ (12,932,677)	$ (15,585,839)
Interest and Other Income	$ 495,553	$ 40,707
Change in Fair Vale of Convertible Debentures	$ -	$ (833,689)
RTO Transaction Costs	$ -	$ (2,267,108)
Accretion of Lease Liability	$ (119,637)	$ (88,896)
Net Loss	$ (12,556,761)	$ (18,734,825)

	For the Quarter Ended March 31, 2023	For the Quarter Ended March 31, 2022
Revenues	$ -	$ -
Research and Development	$ 713,228	$ 740,561
Salaries and Wages	$ 589,675	$ 557,865
Professional Fees	$ 780,917	$ 588,540
Share Based Compensation	$ 179,122	$ 3,399,555
Investor relations & reporting issuer costs	$ 188,702	$ 1,801,498
General and Administration	$ 810,176	$ 110,782
Interest & bank charges	$ 10,912	$ 3,082
Amortization	$ 928,742	$ 311,302
Foreign Exchange Loss (Gain)	$ (1,647,711)	$ 62,217
Operating Loss Before Following items	$ (2,553,763)	$ (7,575,402)
Interest and Other Income	$ 168,609	$ 33,356
Change in Fair Vale of Convertible Debentures	$ -	$ (551,172)
Gain on conversion of convertible debentures	$ -	$ (191,180)
RTO Transaction Costs	$ -	$ 225,798
Accretion of Lease Liability	$ (34,492)	$ (88,896)
Net Loss	$ (2,419,646)	$ (8,147,496)

Revenues

The Company's activities consist of research & development and technology commercialization in the area of lithium metal production and metallic lithium anode production. The Company currently produces various volumes of sample anode products for distribution to battery developers for research and development purposes. It consequently has no revenue and does not foresee substantial revenue in the near term.

Research and Development

Research and Development expenditure for fourth quarter and year ending March 31, 2023 was $713,228 and $5,058,494 respectively, as compared to $740,561 for Q4 2022 and $2,151,425 for FY 2022. The increase for the year represents expansion of the scale of operations for Li-Metal as it expanded the scope of its efforts from bench to pilot scale for lithium metal and anode production technology. Additionally, the R&D costs increased as the quantity of raw materials required increased to support the larger scale research efforts. Li-Metal's internal R&D team has grown significantly to support its increasing scope and scale of technology development compared to full fiscal year 2022. Additionally, the team designed a new process to reprocess and cast scrap lithium metal into acceptable formats and reintroduce it back in the battery supply chain. Li-Metal is currently conducting testing for its pilot scale reprocessing operation and aim to commercialize the technology within the next 2 years.

R&D Cost Breakdown	For the Year Ended March 31, 2023	Fifteen Months Ended March 31, 2022
Consumables	**$ 2,951,726**	$ 1,587,481.00
Professional Fees	**$ 944,261**	$ 564,012.00
Salary & Wages (1)	**$ 1,162,507**	

(1) Effective April 1, 2022, and along FY 2023 the Company implementing a new system to properly identify, account for, and allocate salary and wages for R&D, during FY 2023 the salary costs were accounted for and reported as Operating Expenses.

Consumables

Li-Metal has various raw materials/consumables used for lithium metal and anode production testing.

Professional Fees

Professional, legal and consulting fees expenditures for fourth quarter and year ending March 31, 2023 were $780,917 and $2,299,946, respectively, as compared to $588,540 for Q4 2022 and $3,845,440 for FY 2022. Li-Metal continues to work with various consultants and contractors to advance its technologies. Professional services include technical/operational experts, skilled trades – electrician, specialized fabricators etc. , laboratory testing services for purity analysis and surface characterization and engineering Consulting firms to conduct scoping level studies for a demonstration/commercial lithium metal and anode production facilities.

There was an increase of $192,377 for Q4 2023 as from compared to Q4 2022 and a decrease of $1,545,494 for FY 2023 from FY 2022. The decrease was mainly due to the reduction in legal fees expenses after the

completion of the RTO. The Company retained its key technical, IP and operations consultants to advance its lithium metal and anode technologies, and protect all the IP generated by/within the company.

Salaries and Wages

Salaries and wages expenditures for fourth quarter and year ending March 31, 2023 were $589,675 and $1,385,789, respectively, as compared to $557,865 for Q4 2022 and $1,295,621 for FY 2022. The R&D team consists of engineers, scientists and technicians from various technical backgrounds engaged in progressing the development of lithium metal and anode production technologies to the next stage. The increase reflects the growth in the operational team and the subsequent expansion of Li-Metal's operations. The operations team ensures the Company has the required resources and internal capability to support Li-Metal carrying out its process/equipment development and testing activities.

Share Based Compensation

Share-based compensation expense for fourth quarter and year ending March 31, 2023 was $179,122 and $1,181,408 respectively, as compared to $3,399,555 for Q4 2022 and $4,654,322 for FY 2022. The decrease is in connection with the quarter and annual Stock Options granted to Officers, Employees and Consultants reflects the decrease is in connection with the 3,931,029 Stock Options granted to Officers, Employees and Consultants of 4,900,529 options granted in FY 2023 as compared with 6,163,195 options granted during FY 2022 as well as a decrease in the valuation of options under the Black-Scholes model from FY 2023 from FY 2022.

Investor Relations & Reporting Issuer Costs

Investor relations & reporting issuer costs for fourth quarter and year ending March 31, 2023 were $188,702 and $775,986 respectively, as compared to $1,801,498 for Q4 2022 and $1,884,626 for FY 2022. The decrease reflects the reduction in costs that were associated with the initial listing of the company in November 2021.

General and Administrative

General and administrative expenditures for fourth quarter and year ending March 31, 2023 were $810,176 and $2,105,896 respectively, as compared to $110,782 for Q4 2022 and $1,022,103 for FY 2022. The increase reflects the growth in the operational activity and expansion of Li-Metal's operations.

Interest & Bank Charges

Interest & bank charges for fourth quarter and year ending March 31, 2023 were $10,912, as compared to $3,082 for Q4 2022 and $185,640 for FY 2022. The decrease reflects the reduction in debt due to settlement of the convertible debentures completed in FY 2022.

Amortization

Amortization for fourth quarter and year ending March 31, 2023 were $928,742 and $965,944, as compared to $311,302 for Q4 2022 and $611,296 for FY 2022. The increase in amortization reflects the $2,686,931 of additions in property plant in fiscal 2023.

Foreign Exchange Loss (Gain)

Foreign Exchange Loss (Gain) for fourth quarter was a gain of $1,647,711 and for the fiscal year 2023 a gain of $851,830, as compared to a loss of $62,217 for Q4 2022 and a gain of $64,634 for fiscal year 2022. The movement reflects the gains in the Company's US dollar balances coming for a favourable exchange rate movements and increased transactions in US dollars.

5.4 Summary of Quarterly and Annual Results

The following table shows the results for the last eight fiscal quarters as prepared in accordance with IFRS and presented in Canadian dollars, the Company's functional currency:

Period Ending	Total Loss and Comprehensive Loss for the Quarter	Basic and Fully Diluted Gain (Loss) per share	Notes
March 31, 2023	$ (2,419,646)		
December 31, 2022	$ (4,106,438)	$ (0.03)	
September 30, 2022	$ (3,241,205)	$ (0.02)	
June 30, 2022	$ (2,789,472)	$ (0.02)	
March 31, 2022	$ (8,147,496)	$ (0.05)	1
December 31, 2021	$ (7,015,262)	$ (0.05)	2
September 30, 2021	$ (1,621,031)	$ (0.03)	
June 30, 2021	$ (2,818,845)	$ (0.02)	3

There are no significant seasonal variations in quarterly results as the Company is not subject to significant seasonality in its research and corporate activities. The Company is exposed to currency risk as it incurs certain transactions in United States dollar, and occasional transactions in the Euro, and the British Pound. However, the Company has assessed that the impact of a 10% fluctuation in foreign exchange rates relative to the Canadian dollar would have impacted the Company's results of operations by approximately $250,000. Variations in loss and comprehensive loss for certain of the above periods were affected primarily by the following factors:

Note 1. For the quarter ended March 31 2022 the drivers for the loss of $8,147,496 during the three months ended March 31, 2022 were:

- Share-based compensation - $3,399,555; in connection with the expense revaluation arising from the modification of the legacy 255663 Ontario Limited options granted before the RTO and for the stock options granted to directors, officers, employees and consultants before and after the RTO.

- Consulting and professional fees - $2,350,335; consultants, including senior officers were retained for the RTO completion and to help the Company getting to the next step of development; and the increase in legal fees is in connection with the warrant's acceleration.

• Change in the fair value of convertible debentures - $782,264; was due to the loss in the revaluation of the debenture after the valuation of the Li-Metal Share price using the first day of trading.

• Research and Development $ 742,995; reflects Li-Metal successfully expanded activities for lithium metal production and refining, sample anode production.

• Salaries and wages $557,865; the increase was due to the team expansion to support Li-Metal's growth and achieve the targets set for 2023-2025.

Note 2. For the quarter ended December 31 2021 the drivers for the loss of $7,015,262 during the three months ended December 31, 2021 were:

- Share-based compensation - $ 1,254,767; for the stock options granted to directors, officers, employees and consultants before and after the RTO.
- Consulting and professional fees - $1,983,335; consultants, including senior officers were retained for the RTO completion and to help the Company getting to the next step of development; and to cover legal closing costs, engagement of IR & PR firms and internal staffing to support IR and marketing costs.
- RTO transaction costs - $2,492,906; was due to the completion of the RTO transaction.
- Research and Development $ 327,251; the increase in cost reflects Li-Metal successfully expanded activities for lithium metal production and refining, sample anode production.
- Salaries and wages $231,621; was due to the team expansion to support Li-Metal's growth and achieve the targets set for 2023-2025.
- Office and General $328,929; are also associated with Li-Metal closing its RTO transaction to be listed on Canadian Securities Exchange (CSE) and Li-Metal's anode development facility in Markham became operational in November, 2021 and its anode pilot facility in Rochester, NY finished construction in December, 2021 (commissioned in Jan, 2022).

Note 3. The period ended June 30, 2022 covers a six-month period.

Use of Proceeds from Financings

The Company currently is not generating revenue or positive cashflow. Essentially funds are raised to fund Research and Development, operating expenses and purchases of property plant and equipment. On November 2, 2021 the Company filed a CSE Listing Statement for the Reverse Take Over (RTO) of Eurotin Inc. the proposed transaction raised $11,725,000. Subsequent to the RTO and up to March 31, 2023 the Company has raised further funds of approximately $32 million to funds its research and development activities and operating expenses. Further funding has and will be required to support ongoing operations.

Please find below a table of the planned and actual use of proceeds and the variance from the CSE Listing Statement.

All figures CDN $1,000	Previously Disclosed in CSE Listing Statement - FORM 2A - November 2, 2021	Expenditures for the Fifteen Months ended March 31, 2022	Expenditures for the Year ended March 31, 2023	Variance	Notes
Research & Development Activities	$ 5,505	$ 2,151	$ 5,058	$ (1,704)	**1**
Operating Expenses	$ 5,220	$ 8,233	$ 6,579	$ (9,591)	**2**
RTO Closing Costs	$ 1,000	$ -	$ -	$ 1,000	**3**
	$ 11,725	**$ 10,384**	**$ 11,637**	**$ (10,296)**	
salary & wages		$ 1,296	$ 1,386		
professional fees		$ 5,611	$ 3,076		
Office & Admin.		$ 1,326	$ 2,117		
		$ 8,233	**$ 6,579**		

Note 1. The R&D expense varies with the rate of expenditure on the projects. The negative variance of $1.7 million is primarily due to accelerated ramping up of R&D activities to progress its lithium metal/anode technologies.

Note 2. The operating expense negative variance of $9.6 million is primarily due to professional fees of $5.6 million associated with the Company's closing of the RTO transaction to be listed on Canadian Securities Exchange (CSE). The increased expenditure covered legal closing costs, accounting/audit costs, engagement of Investor Relations ("IR") firms to support IR and marketing costs and engagement of consultants to assist with process development.

Note 3. The RTO closing costs were paid in shares as opposed to cash as anticipated in the Form 2A filing.

6. Liquidity and Capital Resources

6.1 Overview of cash and cash equivalents used

Operating Activities

Net cash used in operating activities for the year ending on March 31, 2023 totalled $9,778,686 respectively, as compared to the fifteen month period ended on March 31, 2022 of $9,718,774. The cash used reflects a continuing investment in research and development activities as Li-Metal scaled up its technology, expanded its R&D program and designed a new lithium scrap reprocessing and casting process.

Investment Activities

Li-Metal transitioned to a new location (Markham, ON) during the quarter ended December 31, 2021 to expand its internal R&D capability and run a larger pilot scale operation for lithium metal production. The new facility in Markham supports the development efforts and bench scale production of lithium metal anodes as well.

The Company also expanded its anode production capability by building a pilot scale lithium anode production facility in Rochester, NY in December 2021. Various equipment was purchased/manufactured inhouse to further the Company's efforts in proving the technology out on a pilot scale and to develop internal analysis capabilities. The equipment included process vessels, heating equipment, equipment to maintain controlled environments, surface analysis equipment, battery performance testing tools, control systems and various coating equipment. In April 2022, The Company announced it had finished installation and commissioned its pilot metal production facility in Markham, ON. The Company purchased various ancillary equipment, cell assembly, testing and analysis testing tools in Q1 -Q3 2023 to expand its inhouse analytical/technical capabilities. In Q3- Q4 2023, The Company purchased surface characterization tools such as digital optical microscope and advanced scanning electron microscope to further expand its internal material characterization capability as well. In Q4 2023, the Company further enhanced its internal capability by commencing development of a cell testing laboratory in its Rochester facility. As a result, the property and equipment increased to $4,580,747 as of March 31, 2023 from $2,618,049 as of March 31, 2022.

The Company has not committed to any capital expenditures as at July 31, 2023.

The Company incurred capital costs for year ending on March 31, 2023 $2,967,764, as compared to the fifteen month period ended on March 31, 2022, of $2,973,867. The Increase is mainly due to the acquisition of additional equipment to assist with Li-Metal's R&D efforts and expand its capability to run more sophisticated in-house analysis on its products.

Financing Activities

During the year ended March 31, 2023 the Company received $ Nil as a Net Cash proceeds from financing activities, as compared received during the fifteen month period ended March 31, 2022 of $32,807,116. This was due mainly to the proceeds from convertible debentures, private placements and warrant exercises.

6.2 Liquidity

As of March 31, 2023, the Company had a net working capital of $9,544,460 which decreased as compared to a net working capital of $22,990,227 as of March 31, 2022. As of March 31, 2023, Li-Metal had $10,418,506 in cash and cash equivalents as compared to March 31, 2022 of $23,162,453. The Company has no operating revenues and therefore must utilize its funds obtained from the equity financing and other financing transactions to maintain its capacity to continue its research and development efforts.

The rate of capital spend will continue as Li-Metal continues to grow and scale up its technologies. The Company will be required to raise additional capital through equity or debt financing and government assistance to continue development and commercialization activities, including the build out and commissioning of its commercial scale facilities.

The Company's audited consolidated financial statements for the year ended March 31, 2023 have been presented on the basis that the Company will continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of the business.

As of March 31, 2023, the Company's credit and interest rate risk remains minimal. Accounts payable and accrued liabilities are short-term and non-interest bearing.

The Company's current and future uses of cash are principally in two areas; namely, funding of its research and development activities and funding its business/corporate development expenditures. The research and development activities will mainly be focussed on a) Continuation of piloting activities for lithium metal and lithium metal anode production b) Development of Li-Metal's advanced anode products c) Development of lithium anode scrap reprocessing operation. Management assesses its planned expenditures based on the Company's working capital resources, and the overall condition of the financial markets.

7. Outstanding Share Data

The authorized and issued capital stock of the Company consists of an unlimited authorized number of common shares as follows:

Shares	Period ended March 31, 2023	Quarter ended December 31, 2022	Quarter ended September 30, 2022	Quarter ended June 30, 2022	Period ended March 31, 2022
Open	154,953,828	154,953,828	154,953,828	154,953,828	154,760,616
Issued	-	-	-	-	193,212
Close	**154,953,828**	**154,953,828**	**154,953,828**	**154,953,828**	**154,953,828**

Restricted Share Units ("RSU")	Period ended March 31, 2023	Quarter ended December 31, 2022	Quarter ended September 30, 2022	Quarter ended June 30, 2022	Period ended March 31, 2022
Open	1,383,029	-	-	-	-
Issued	-	1,383,029	-	-	-
	1,383,029	**1,383,029**	**-**	**-**	**-**

Options	Period ended March 31, 2023	Quarter ended December 31, 2022	Quarter ended September 30, 2022	Quarter ended June 30, 2022	Period ended March 31, 2022
Open	15,079,521	11,771,087	11,266,087	10,321,587	10,305,604
Issued	-	3,391,029	505,000	1,004,500	209,195
Exercised	-	-	-	-	193,212
Forfeited	420,000	82,595	-	60,000	-
Close	**14,659,521**	**15,079,521**	**11,771,087**	**11,266,087**	**10,321,587**
Fully Diluted	**170,996,378**	**171,416,378**	**166,724,915**	**166,219,915**	**165,275,415**

As of the date of this MD&A Li-Metal has:

- 154,953,828 issued and outstanding shares.

- 14,459,523 stock options outstanding, 10,184,697 of which are exercisable at a weighted average price of $0.29.
- 4,816,010 unvested Restricted Shares Units.

8. Off Balance Sheet Arrangements

On February 16, 2022, the Company signed a Joint Development and Commercialization Agreement ("**JD/CA**") with Blue Solutions, the largest producer of solid-state lithium metal batteries. The JD/CA will help significantly advance the development of Li-Metal's high-performance low-cost lithium metal anode technologies and Blue Solutions' solid-state batteries to be used in passenger electric vehicles (EVs).

The JD/CA has two phases: Joint Development and Commercialization. The joint development phase has not been completed yet and the agreement will terminate at the of earlier of August 16, 2023 or the date on which at least one lithium batteries anode product is first available for commercial exploitation. Each Party bears the costs of its activities including labor and materials.

9. Related Party Transactions

Related parties include the Board of Directors, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

Key management of the Company are its Board of Directors and the Senior Officers: The President, The Chief Executive Officer ("CEO") and The Chief Financial Officer ("CFO"). Key management personnel remuneration includes the following payments:

Related Party	Twelve Months Ended March 31 2023	Fifteen Months Ended March 31 2022
Director Fees	$259,000	$130,630
Officers Compensation (1)	854,830	337,500
Consulting and Professional fees (2) (3)	61,000	305,863
Share-based compensation	66,560	157,865
Share capital issued	-	825,153

(1) The Officers Compensation are related to Maciej Jastrzebski CEO from April 1,2019 to March 31 2023, Carlos Pinglo, CFO from November 1,2022 to March 31,2023 and Kunal Phalpher, President from October 17, 2022 to March 31,2023.
(2) During the twelve month ended March 31 2023 the Company paid to ZCR Corp. $61,000 in Consulting fees, ZCR Corp is controlled by Mark Wellings Chairman and Director of the Company (fifteen months ended March 31,2022 Nil)
(3) The Company is related to Li-Cycle Corp. through some shareholders having common ownership. During the year ended March 31, 2023, the two companies have no shared services or personnel costs (fifteen months ended March 31, 2022 - Nil).

10. Critical Accounting Estimates

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continually 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. Actual results could differ from these estimates.

Critical Judgement in Applying Accounting Policies

Judgement is required in determining whether the respective costs are eligible for 1,3ization where applicable which may be based on assumptions about future events and circumstances. Estimates and assumptions made may change if new information becomes available.

Key Sources of Estimation Uncertainty

1) Share Price

The measurement of entity share price is used in the measurement of convertible debenture , estimate of fair value in the RTO transaction and share based payments. The Company incorporates various estimates in the calculation of the fair value of the convertible debentures using a valuation model where the inputs include the equity value of the Company, market rate of interest, terms of instrument and volatility. The estimates are based on the Company's own experience was well as similar companies operating in the same or similar industry. Judgement is involved in determining the equity value of the Company's shares as the Company was privately held. Management has estimated the Company's share price by reference to recent share transactions.

2) Stock-based compensation

The determination of the fair value of stock-based compensation is not based on historical cost but is derived based on subjective assumptions input into an option pricing model. The model requires that management make forecasts as to future events, including estimates of the average future hold period of issued stock options before exercise, expiry or cancellation; future volatility of the Company's share price in the expected hold period (using historical volatility as a reference); and the appropriate risk-free rate of interest. Stock-based compensation incorporates an expected forfeiture rate and is estimated based on historical forfeitures and expectations of future forfeitures and is adjusted if the actual forfeiture rate differs from the expected rate.

The resulting value calculated is not necessarily the value that the holder of the option could receive in an arm's length transaction, given that there is no market for the options, and they are not transferable. It is management's view that the value derived is highly subjective and dependent entirely upon the input assumptions made.

3) Income taxes and deferred taxes

The Company is subject to income tax laws in various jurisdictions. Tax laws are complex and potentially subject to different interpretations by the taxpayer and the relevant tax authority. The provision for income taxes and deferred tax represents management's interpretation of the relevant tax laws and its estimate of current and future income tax implications of the transactions and events during the period. The Company may be required to change its provision for income taxes or deferred tax balances when the ultimate deductibility of certain items is successfully challenged by taxing authorities or if estimates used in determining the amount of deferred tax asset to be recognized changes significantly, or when receipt of new information indicates the need for adjustment in the amount of deferred tax to be recognized. Additionally, future events, such as changes in tax laws, tax regulations, or interpretations of such laws or regulations, could have an impact on the provision for income tax, deferred tax balances and the effective tax rate. Any such changes could materially affect the amounts reported in the financial statements in the year these changes occur.

Judgement is required to continually assess changing tax interpretations, regulations and legislation, to ensure liabilities are complete and to ensure assets are realizable. The impact of different interpretations and applications could be material.

4) Provisions and contingent liabilities

Judgements are made as to whether a past event has led to a liability that should be recognized in the financial statements or disclosed as a contingent liability. Quantifying any such liability often involves judgements and estimations. These judgements are based on a number of factors including the nature of the claims or dispute, the legal process and potential amount payable, legal advice received, past experience and the probability of a loss being realized. Several of these factors are sources of estimation uncertainty.

5) Functional currency

In accordance with IAS 21 "*The Effects of Changes in Foreign Exchange Rates*", management determined that the functional currency of Li-Metal US Inc is the United States Dollar.

6) Going concern risk assessment

The assessment of the Company's ability to continue as a going concern involves significant judgment. Refer to our discussion in Note 2 of the consolidated financial statements for the year ended March 31, 2023.

7) Intangible Capitalization

IAS 38 Intangible assets gives guidance on the accounting treatment for intangible assets that are not dealt with specifically in another standard. It requires an entity to recognize an intangible asset upon fulfillment of certain recognition criteria. It also specifies how to measure the carrying amount of intangible assets and requires certain disclosures regarding intangible assets. Based in the above criteria it is the Management assessment as of March 31,2023 that Li-Metal Corp. is in the research stage and expenditures are expensed.

11. Qualitative and Quantitative Disclosures about Risks and Uncertainties

The Company's Research and Development activities and related results are subject to a number of different risks at any given time. These factors, include but are not limited to disclosure regarding uncertainty due to COVID-19, the war in Ukraine, receiving required permits in Canada and the USA, process/product test results, additional financing, project delay, market fluctuations and share price volatility, inflation, supply chain problems, operating hazards, insurable risks and limitations of insurance, management, foreign country and regulatory requirements, currency fluctuations and environmental regulations risks.

The cost of conducting programs may be substantial and the likelihood of success is difficult to assess.

The following are additional risk factors which the Company's management believes are most important in the context of the Company's business. It should be noted that this list is not exhaustive and that other risk factors may apply.

Metals (lithium/copper) and commodities (energy) price volatility may affect the future production, profitability, and financial condition of the Company. Metal prices are subject to significant fluctuation and are affected by several factors which are beyond the control of the Company. Such factors include, but are not limited to, interest rates, exchange rates, inflation or deflation, global supply and demand, and political economic conditions of major metal consuming countries throughout the world.

Li-Metal Corp may need substantial additional financing in the future and cannot assure that such financing will be available.

To meet its operating costs and to finance its respective research & development program, operating activities and pilot and demonstration plant construction; the Company will require financing from external sources, including from the sale of equity and debt securities, getting funds from Government grants or subsidies, entering into joint ventures or seeking other means to meet its financing requirements. There can be no assurance that additional funding will be available to the Company or, if available, that such funding will be offered on terms acceptable to the Company. If additional financing is raised through the issuance of equity or convertible debt securities, control of the Company may change and the interests of shareholders in the net assets of the respective Company may be diluted.

If unable to secure financing on acceptable terms, the Company may have to cancel or postpone some of its planned research and development, testing activities, pilot and demonstration plant construction and may not be able to take advantage of new opportunities.

The volatility of the capital markets may affect the Company's access to and cost of capital.

Securities markets throughout the world are cyclical and, over time, tend to undergo high levels of price and volume volatility, and the market price of securities of many companies, can experience wide fluctuations which are not necessarily related to the operating performance, underlying asset values or prospects of such companies. Increased levels of volatility and resulting market turmoil may adversely impact on the Company and its share price.

If the Company is required to access credit markets to carry out their respective development objectives, the state of domestic and international credit markets and other financial systems could affect their respective access to, and cost of, capital. If these credit markets were significantly disrupted, as they were in 2007 and 2008, such disruptions could make it more difficult for the Company to obtain or increase its cost of obtaining capital and financing for its operations. Such capital may not be available on terms acceptable to the Company or at all, which may have a material adverse impact on its business, financial condition and results of operations.

Early stage of development

There is limited financial, operational and other information available with which to evaluate the prospects of the Company. There can be no assurance that the Company's operations will be profitable in the future or will generate sufficient cash flow to satisfy its working capital requirements.

The Company's prospects depend on its ability to attract and retain qualified personnel.

Recruiting and retaining qualified personnel will be critical to the Company's success. The Company believes that it has the necessary personnel to meet its corporate objectives but, as its business activities grow, it will require additional key financial, administrative, technological and public relations personnel as well as additional staff on the operations side. Although the Company believes that it will be successful in attracting and retaining qualified personnel, there can be no assurance of such success.

The costs of complying with applicable laws and governmental regulations may have an adverse impact on the Company's business.

The Company's operations activities will be subject to laws and regulations governing various matters. These include without limitation laws and regulations relating to transfer pricing, intercompany loans, presumed interest, repatriation of capital and exchange controls, taxation, labor standards and occupational health and safety.

Amendments to current laws, could have a material adverse effect on the Company's business, financial condition, results of operations by increasing operation expenses, future capital expenditures or future production costs or by reducing the future level of production, or cause the abandonment of or delays in the development of the Plants.

Competition may adversely affect the Company.

The industry is intensely competitive. The Company will compete with other companies in the lithium metal production and electrification industry.

The Company's insurance coverage may not cover all of its potential losses, liabilities and damages related to its business and certain risks are uninsured or uninsurable.

The Company's business will be subject to a number of risks and hazards (as further described herein). Although the Company will maintain insurance to protect against certain risks in such amounts as it considers to be reasonable, such insurance will likely not cover all the potential risks associated with its activities. The Company may also be unable to maintain insurance to cover its risks at economically feasible premiums, or at all. Insurance coverage may not continue to be available or may not be adequate to cover

any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of the new technologies may not be available to the Company on acceptable or any terms. Losses from these events may cause the Company to incur significant costs which could have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

Research and development of new technologies is inherently dangerous and subject to factors or events beyond the Company's control.

The Company's business will involve various types of risks and hazards typical of companies engaged in Research and Development of new Technologies.

Such risks include but are not limited to industrial accidents; environmental hazards; failure of processing and mechanical equipment and other performance problems; labor disputes or slowdowns; and force majeure events, or other unfavorable operating conditions.

These risks, conditions and events could result in damage to, or destruction of, the value of, the Company's facilities; personal injury or death; environmental damage to the properties of others; delays or prohibitions to operate; monetary losses; and potential legal liability. Any of the foregoing could have a material adverse effect the Company's business, financial condition, results of operation or prospects.

Directors and officers may be subject to conflicts of interest.

Certain directors and officers of the Company are or may become associated with other research and development companies which may give rise to conflicts of interest. Directors who have a material interest in any person who is a party to a material contract or a proposed material contract with the company with which they serve are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve such a contract. In addition, directors and officers are required to act honestly and in good faith with a view to the best interests of their respective company. Some of the directors and officers have either other full-time employment or other business or time restrictions placed on them and accordingly, the Company will not be the only business enterprise of these directors and officers. Further, any failure of the directors or officers of the Company to address these conflicts in an appropriate manner, or to allocate opportunities that they become aware of to the Company, could have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

Global pandemic outbreak

Despite not being adversely affected by Covid-19 and prior to being a public company, the Company was eligible to receive government assistance for the CEBA loans in the amount of $40,000.

Russia's military action against Ukraine

The Company's business financial condition and results of operations may be further negatively affected by economic and other consequences from Russia's military action against Ukraine and the sanctions imposed in response to that action in late February 2022. While the Company expects any direct impacts, of the pandemic and the war in the Ukraine, to the business to be limited, the indirect impacts on the economy and on the industries in general could negatively affect the business and may make it more difficult for it to raise equity or debt financing. There can be no assurance that the Company will not be impacted by adverse

consequences that may be brought about on its business, results of operations, financial position and cash flows in the future.

Credit Risk

Credit risk is the risk of a financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligation. The Company estimates its maximum exposure to be the carrying value of cash and cash equivalents and receivables.

The Company manages credit risk by maintaining bank accounts with Schedule 1 Canadian banks and investing only in Guaranteed Investment certificates. The Company's cash is not subject to any external limitations.

Liquidity risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. The Company's liquidity and operating results may be adversely affected if its access to capital markets is hindered, whether as a result of a downturn in stock market conditions generally or matters specific to the Company. The Company manages liquidity risk through the management of its capital structure and financial leverage. As of March 31, 2023, the Company's current liabilities comprised accounts payable and accrued liabilities. The Company will require additional funding to maintain corporate and administrative functions and to fund its continuing activities and commitments.

12. Forward Looking Statements

Certain of the statements made and information contained herein constitute "forward-looking information" and "forward looking statements". These statements relate to future events or the Company's future performance. All statements, other than statements of historical fact, may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "propose", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements.

The Company believes that the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon by investors as actual results may vary. These statements speak only as of the date of this MD&A and are expressly qualified, in their entirety, by this cautionary statement.

In particular, this MD&A contains forward-looking statements and the Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth above and elsewhere in this MD&A including, pertaining to the following:

- Next generation batteries and the timeline for development;
- Being able to reach commercial-scale physical vapor deposition (PVD) capabilities and secure customers in 2024;
- That the value ascribed to each product will increase as it moves through the development phase;

- That the maximum value will be reached at the point where it has completed product qualification trials with major battery developers/other customers and is being used in mass produced next generation batteries or other markets;
- Management currently anticipates the first products to obtain commercial status within approximately 2 years;
- That the Company will be successful in achieving commercialization; including that the anticipated timeline and cost to achieve commercialization for anode production and ithium metal production will be achieved;
- The market size and future growth of the market;
- Capital expenditure programs and development of resources, including our estimate of costs and timelines;
- Anticipated results of research and development and our plans regarding future R&D including our estimate of costs and timelines;
- Treatment under governmental and taxation regimes; and
- Expectations regarding the Company's ability to raise capital;

With respect to forward-looking statements listed above and contained in the MD&A, the Company has made assumptions regarding, among other things:

- The Company's ability to meet the needs of next generation batteries;
- The ability to reach commercial-scale PVD capabilities and secure customers in2024;
- That the Company will move through the development phase and the value of both anode and lithium metal will increase;
- That the maximum value will be achieved where it has completed product qualification trials with major battery developers/other customers and that such trials will be successful and that the Company products will be used in mass production of next generation batteries or other markets;
- That the Company's products will obtain commercial status and that it can be obtained within 2 years;
- That the Company will be successful in achieving commercialization;
- That the testing and qualification of the anode will proceed on the anticipated timeline and cost to achieve commercialization for anode production will be achieved;
- That the testing and qualification of the lithium metal will proceed on the anticipated timeline and cost to achieve commercialization for lithium metal production will be achieved;
- That the Company will be able to complete development of its standard anode and lithium metal product s in time for qualification to be completed;
- That prospective customers the Company is working with will be able to secure positive feedback and regarding the qualification program for their batteries with their customers;
- That the eventual specification for anode products will fall within the process capabilities of the issuer's process;
- That further scale-up and deployment of capacity needed to produce larger quantities of samples can be funded on the basis of initial acceptance, whether through partnerships or by raising capital in the markets;
- The impact of currency fluctuations in the United States of America;
- Anticipated results customer testing of samples;
- Research and development costs and timelines;
- Estimates of market size and future growth of the market;

- Anticipated capital expenditure programs, our estimate of costs and timelines;
- Further development of resources, our estimate of costs and timelines;
- Anticipated results of research and development and our plans regarding future R&D including our estimate of costs and timelines;
- Availability of additional financing or joint-venture partners;
- Anticipated results of research and development ;
- Anticipated timeline and cost to achieve commercialization for anode production;
- Anticipated timeline and cost to achieve commercialization lithium metal production; and,
- The Company's ability to obtain additional financing on satisfactory terms.

Information about risks that could cause actual results to differ materially from expectations and about material factors or assumptions applied in making forward-looking statements may be found herein under the heading "Qualitative and Quantitative Disclosures About Risks and Uncertainties"

Investors should not place undue reliance on forward-looking statements as the plans, intentions or expectations upon which they are based might not occur. Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement. The Company does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by law.