LI-METAL CORP.

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2024 AND 2023

(EXPRESSED IN CANADIAN DOLLARS)

Independent Auditor's Report

To the Shareholders of Li-Metal Corp.:

Opinion

We have audited the consolidated financial statements of Li-Metal Corp. and its subsidiaries (the "Company"), which comprise the consolidated statement of financial position as at March 31, 2024, and the consolidated statements of loss and other comprehensive loss, changes in equity, and cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at March 31, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the consolidated financial statements, which indicates that the Company is in the early stages of operation and at present, its operations do not generate cashflows from operations. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the Material Uncertainty Related to Going Concern section, we have determined that there are no key audit matters to communicate in our report.

Other Matter

The consolidated financial statements as at and for the year ended March 31, 2023 were audited by another auditor who expressed unmodified opinion on those statements on July 31, 2023.

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Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Andrew Kevin Spidle.

MNP LLP

Mississauga, Ontario — Chartered Professional Accountants

August 1, 2024 — Licensed Public Accountants

Management's Responsibility for Financial Statements

The accompanying consolidated financial statements of Li-Metal Corp. (the "Corporation" or the "Company") are the responsibility of management and the Board of Directors.

The consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the consolidated financial statements have been prepared within acceptable limits of materiality and are in compliance with all applicable International Financial Reporting Standards.

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

The Board of Directors is responsible for reviewing and approving the consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company’s affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

(signed) "Keshav Kochhar" | (signed) "Richard Halka"

Chief Executive Officer | Chief Financial Officer

Toronto, Canada
August 1, 2024

Li-Metal Corp.

Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	As at March 31, 2024	As at March 31, 2023
ASSETS		
Current assets		
Cash and cash equivalents	**$ 1,648,430**	$ 10,418,506
Sales tax and other receivables (note 11)	**423,411**	655,946
Prepaid expenses	**114,597**	178,546
Total current assets	**2,186,438**	11,252,998
Non-current assets		
Restricted cash (note 7)	**50,000**	50,000
Property and equipment (note 8)	**4,627,415**	4,580,747
Right-of-use assets (note 9)	**748,878**	1,048,327
Total assets	**$ 7,612,731**	$ 16,932,072
EQUITY AND LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	**$ 561,986**	$ 1,386,135
Lease liability (note 14)	**317,022**	282,403
Government assistance (note 11)	**-**	40,000
Total current liabilities	**879,008**	1,708,538
Long-term liabilities		
Lease liability (note 14)	**548,754**	865,499
Total liabilities	**1,427,762**	2,574,037
Equity		
Share capital (note 15)	**44,063,196**	43,188,196
Warrants (note 16)	**3,983,565**	-
Contributed surplus	**6,743,748**	6,279,026
Accumulated other comprehensive loss	**(192,801)**	(184,062)
Deficit	**(48,412,739)**	(34,925,125)
Total equity	**6,184,969**	14,358,035
Total equity and liabilities	**$ 7,612,731**	$ 16,932,072

Going concern (note 1)
Commitment (note 24)
Subsequent events (note 25)

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Approved on behalf of the Board:

(Signed) "Anthony Tse", Chairman of the Board

(Signed) "John Walsh", Director

Li-Metal Corp.

Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

Years ended March 31,	**2024**	**2023**
Revenue (note 12)	**$ 311,803**	$ -
Operating expenses		
Research and development (note 11)	**1,295,260**	5,058,494
Salaries and wages	**1,310,950**	1,385,783
Share-based compensation (notes 17, 18 and 19)	**464,722**	1,181,408
Professional and consulting fees	**1,949,797**	2,299,946
Investor relations and reporting issuer cost	**794,665**	775,986
Office and general	**2,054,831**	2,105,896
Interest and bank charges	**6,646**	10,912
Foreign exchange (gain) loss	**34,079**	(851,692)
Amortization of property and equipment (note 8)	**953,784**	667,428
Amortization of right-of-use assets (note 9)	**299,515**	298,516
Operating loss before the following items	**(8,852,446)**	(12,932,677)
Interest and other income	**308,584**	495,553
Business development expense (notes 10)	**(4,858,565)**	-
Forgiveness of government assistance (note 11)	**10,000**	-
Accretion of lease liability (note 14)	**(95,187)**	(119,637)
Net loss for the year	**(13,487,614)**	(12,556,761)
Other comprehensive loss:		
Foreign currency translation adjustment	**(8,739)**	(184,062)
Total loss and comprehensive loss for the year	**$ (13,496,353)**	$ (12,740,823)
Basic and diluted loss per share (note 21)	**$ (0.09)**	$ (0.08)
Weighted average number of common shares outstanding	**157,332,585**	154,953,828

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Li-Metal Corp.

Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

Years ended March 31,	2024	2023
Operating activities		
Net loss for the year	**$(13,487,614)**	$ (12,556,761)
Adjustments for:		
Amortization of property and equipment	**953,784**	667,428
Amortization of right-of-use assets (note 9)	**299,515**	298,516
Accretion of lease liability (note 14)	**95,187**	119,637
Share-based compensation (notes 17, 18 and 19)	**464,722**	1,181,408
Shares and warrants issued for business development expense	**4,858,565**	-
Forgiveness of government assistance (note 11)	**(10,000)**	-
Unrealized foreign exchange loss	**136**	(21,953)
Non-cash working capital items:		
Sales tax and other receivables	**232,575**	(138,964)
Prepaid expenses	**63,949**	(2,533)
Accounts payable and accrued liabilities	**(822,044)**	742,188
Restricted cash	**-**	(50,000)
Customer deposits	**-**	(17,652)
Net cash used in operating activities	**(7,351,225)**	(9,778,686)
Investing activities		
Purchase of property and equipment (note 8)	**(1,000,341)**	(2,597,522)
Repayment of lease liability (note 14)	**(377,449)**	(370,242)
Net cash used in investing activities	**(1,377,790)**	(2,967,764)
Financing activities		
Repayment of loan payable (note 11)	**(30,000)**	-
Net cash provided by financing activities	**(30,000)**	-
Effect of foreign currency translation	**(11,061)**	2,503
Net change in cash and cash equivalents	**(8,770,076)**	(12,746,450)
Cash and cash equivalents, beginning of the year	**10,418,506**	23,162,453
Cash and cash equivalents, end of the year	**$ 1,648,430**	$ 10,418,506

Supplemental cash flow information:

Shares and warrants issued in settlement of business development expense	**$ 4,858,565**	$ -
Government assistance recognized but not yet collected (note 11)	**$ 113,253**	$ -

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Li-Metal Corp.
Consolidated Statements of Changes in Equity
(Expressed in Canadian dollars)

	Number of shares	Share capital	Warrant reserve	Contributed surplus	Accumulated other comprehensive loss	Deficit	Total
Balance, March 31, 2022	**154,953,828**	**$ 43,188,196**	**$ -**	**$ 5,097,618**	**$ -**	**$ (22,368,364)**	**$ 25,917,450**
Share-based compensation (notes 17, 18 and 19)	-	-	-	1,181,408	-	-	1,181,408
Net loss and comprehensive loss for the year	-	-	-	-	(184,062)	(12,556,761)	(12,740,823)
Balance, March 31, 2023	**154,953,828**	**$ 43,188,196**	**$ -**	**$ 6,279,026**	**$ (184,062)**	**$ (34,925,125)**	**$ 14,358,035**
Shares and warrants issued for business development expense (notes 10)	4,375,000	875,000	3,983,565	-	-	-	4,858,565
Share-based compensation (notes 17, 18 and 19)	-	-	-	464,722	-	-	464,722
Net loss and comprehensive loss for the year	-	-	-	-	(8,739)	(13,487,614)	(13,496,353)
Balance, March 31, 2024	**159,328,828**	**$ 44,063,196**	**$ 3,983,565**	**$ 6,743,748**	**$ (192,801)**	**$ (48,412,739)**	**$ 6,184,969**

The accompanying notes to the consolidated financial statements are an integral part of these statements.

1. Nature of operations

Nature of operations

2555663 Ontario Limited ("Li-Metal" or the "Company") was incorporated under the Business Corporations Act (Ontario) on January 17, 2017. Li-Metal is a company that leverages its innovative lithium metal and anode technologies to provide low-cost and environmentally-friendly solutions for next generation lithium batteries.

On October 25, 2021, the reverse takeover transaction ("RTO") pursuant to which 2555663 Ontario Limited, acquired Eurotin Inc. was completed under the terms of an amalgamation agreement previously entered into between the Company, Eurotin and 2848302 Ontario Inc., a wholly owned subsidiary of Eurotin (“Subco”). The RTO was completed by way of a three-cornered amalgamation under the laws of the Province of Ontario. Pursuant to the RTO, Subco amalgamated with Li-Metal, with Li-Metal surviving as a wholly owned subsidiary of Eurotin, known as Li-Metal North America Inc. In addition, Eurotin underwent a 124.72 to 1 share consolidation and changed its name to “Li-Metal Corp.”. Immediately following the closing of the RTO, the Resulting Issuer and Li-Metal North America Inc. amalgamated by way of a short-form amalgamation under the laws of the Province of Ontario, with the Resulting Issuer surviving the amalgamation. The Resulting Issuer now holds all of Li-Metal’s assets, conducts the business of Li-Metal under the Li-Metal name and has its shares listed on the Canadian Securities Exchange (the "CSE") under the symbol "LIM". The Company changed its year end from December 31 to March 31 after the RTO. The Company operates from its head office located at 90 Riviera Drive, Markham, Ontario, L3R 5M1 Canada and also through its wholly owned subsidiary: Li-Metal US Inc. incorporated in Albany NY, USA. The address of the registered office is 77 King Street West. TD North Tower Suite 700, Toronto, ON M5K 1G8.

At the completion of the reverse takeover transaction indicated above, 62,097,760 Resulting Issuer Shares were issued to the Li-Metal shareholders at a deemed issue price of $ 0.3134 per Resulting Issuer Share, and 42 million Units were issued to holders of convertible debentures and Sub-receipts at a deemed issue price of $0.308925 per Unit. The 62,097,760 Resulting Issuer Shares issued to Li-Metal shareholders resulted in a share split of on a 4.71-for-1 basis of the original 2555663 Ontario Limited shares. Accordingly, the number of shares, stock options and exercise prices in these consolidated financial statements have been restated to reflect the share split.

On January 3, 2022, the Company announced the implementation of the split of its share capital on a four-for-one basis. Accordingly, the number of shares, stock options and exercise prices in these consolidated financial statements have been restated to reflect the share split.

2. Going concern

The Company is in the early stages of operation and at present, its operations do not generate cash flow from operations. For the year ended March 31, 2024, the Company incurred a net loss of $13,487,614 (2023 - $12,556,761) and had an accumulated deficit of $48,412,739 as at March 31, 2024 (March 31, 2023 - $34,925,125).

The Company’s ability to continue as a going concern is dependent on its capacity to obtain adequate financing on reasonable terms from lenders, shareholders and other investors in order to develop its assets; and to commence profitable operations in the future. Although the Company has been successful in raising funds in the past, there is no assurance that it will be able to successfully complete financings in the future otherwise it may be unable to meet its obligations. These factors indicate the existence of material uncertainty which may cast significant doubt on its ability to continue as a going concern. After reviewing the current cash position and having considered the Company's ability to raise funds in the short term, the directors have adopted the going concern basis in preparing its financial statements.

The accompanying consolidated financial statements do not include any adjustments relating to the recoverability of assets and to the reclassification of asset and liability amounts that might be necessary should the Company be unable to continue its operations. Such adjustments could be material.

3. Basis of presentation and statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the international Accounting Standards Board ("IASB").

The preparation of these consolidated financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates and any adjustments that may be necessary would be reflected in the results of the year in which actual amounts are known.

These consolidated financial statements were authorized for issuance by the Board of Directors of the Company on August 1, 2024.

4. Summary of significant accounting policies

Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial assets and financial liabilities to fair value.

Basis of consolidation

The consolidated financial statements include the accounts of the Company and the Company's wholly-owned subsidiary and Li-Metal US Inc. All inter-company transactions and balances have been eliminated.

Foreign currency translation

These consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the Company. The functional currency of Li-Metal is Canadian dollars and the functional currency of Li-Metal US Inc. is the US dollars.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items using year-end exchange rate are recognized in the income statement. Non-monetary items, if any, measured at historical cost are translated using the exchange rates at the date of the transaction. Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

The results and financial position of Li-Metal US Inc. that has a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at the reporting date: and
- income and expenses are translated at the average exchange rates for the period.

Exchange differences are transferred directly to other comprehensive (income) loss and are included in a separate component of equity titled "Accumulated other comprehensive income or loss". These differences are recognized in profit or loss in the period in which the operation is disposed of. Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future, and which is considered to form part of the net investment in the foreign operation, are recognized in the accumulated other comprehensive income.

4. Summary of significant accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, demand deposits with financial institutions and other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value.

Property and equipment

Property and equipment are initially recorded at cost. Property and equipment are amortized on a declining basis with the following rates per annum:

Furniture and fixtures	20%
Equipment	20%
Computer hardware	30%
Leasehold improvement	Over lease term

Property and equipment acquired during the period are amortized at 50% of the annual rate. Gains and losses on disposals of property and equipment are included as part of other income on the statement of loss and comprehensive loss.

Repairs and maintenance costs are expensed as incurred. However, expenditures on major maintenance rebuilds or overhauls are capitalized when it is probable that the expenditures will extend the productive capacity or useful life of an asset. Any remaining costs of previous overhauls relating to the same asset are derecognized. All other expenditures are expensed as incurred.

Impairment of long-lived assets

Long-lived assets, which comprise furniture and fixtures, equipment and computer hardware, are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is measured as the amount by which the carrying value of the long-lived asset exceeds its fair value. Fair value is determined as the higher of fair value less costs to sell and value in use for each item of property and equipment.

Financial instruments

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Company's designation of such instruments. The following summarizes the Company's classifications and measurements of financial instruments:

Measurement	Classification
Financial assets	
Cash and cash equivalents	Assets at amortized cost
Other receivables	Assets at amortized cost
Restricted cash	Assets at amortized cost
Financial liabilities	
Accounts payable	Liabilities at amortized cost
Government assistance - CEBA	Liabilities at amortized cost

4. Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets at amortized cost
A financial asset is measured at amortized cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and is not designated as Fair Value Through Profit and Loss ("FVTPL"). Financial assets classified as amortized cost are measured subsequent to initial recognition at amortized cost using the effective interest method. Cash and certain other assets are classified as and measured at amortized cost.

Financial liabilities
Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in net earnings when the liabilities are derecognized as well as through the amortization process. Borrowing liabilities are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date. Accounts payable and accrued liabilities are classified as and measured at amortized cost either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Fair value measurement
The determination of fair value of financial instruments requires judgment and is based on market information where available and appropriate. At the end of each financial reporting period, the Company's management estimates the fair value of financial instruments at FVTPL based on the criteria below and reflects such changes in valuations in the consolidated statements of loss and comprehensive loss. The Company is also required to present its financial assets and liabilities reported at fair value into three hierarchy levels (Level 1, 2, or 3) based on the transparency of inputs used in measuring the fair value. The three levels are defined as follows:

Level 1 – financial instruments with quoted market price;
Level 2 – financial instruments which valuation technique is based on observable market inputs; and
Level 3 – financial instruments which valuation technique is based on non-observable market inputs.

Impairment of financial assets
A loss allowance for expected credit losses is recognized in profit or loss for financial assets measured at amortized cost. At each balance sheet date, on a forward-looking basis, the Company assesses the expected credit losses associated with its financial assets carried at amortized cost and Fair Value Through Other Comprehensive Income ("FVOCI"). The impairment methodology applied depends on whether there has been a significant increase in credit risk. The impairment model does not apply to investments in equity instruments.

The expected credit losses are required to be measured through a loss allowance at an amount equal to the 12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date) or full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument). A loss allowance for full lifetime expected credit losses is required for a financial instrument if the credit risk of that financial instrument has increased significantly since initial recognition.

4. Summary of significant accounting policies (continued)

Financial instruments (continued)

Derecognition of financial assets and liabilities
A financial asset is derecognized when either the rights to receive cash flows from the asset have expired or the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party. If neither the rights to receive cash flows from the asset have expired nor the Company has transferred its rights to receive cash flows from the asset, the Company will assess whether it has relinquished control of the asset or not. If the Company does not control the asset then derecognition is appropriate.

A financial liability is derecognized when the associated obligation is discharged or canceled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in net earnings.

Research and Development expenditures

Costs directly related to research and development expenditures are expensed as incurred. These direct expenditures include such costs as material used. Once the technical feasibility and commercial viability is determined, the project under development is to be capitalized in the Statement of Financial Position. Government assistance grants are netted against total research and development expense.

Income taxes

The Company does not have taxable profits and no current income tax is due.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit, and are accounted for using the liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of the related asset or liability in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date and increased or reduced to the extent that it is probable, or no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are measured at tax rates that are expected to apply in the period in which the liability is settled or the asset realized based on tax rates that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognized as an expense or income in the consolidated statements of loss and comprehensive loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognized directly in equity, or where they arise from the initial accounting in a business combination.

4. Summary of significant accounting policies (continued)

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Share-based payments

Share-based payments are equity settled awards that are measured at fair value at the date of grant and recognized, over the vesting period based on the Company's estimate of awards that are expected to vest, along with a corresponding increase in equity. Compensation costs are presented separately in the statement of loss and comprehensive loss. The Company has a share option plan.

Stock options are equity-settled share-based compensation awards. The fair value of stock options at the grant date is estimated using the Black-Scholes option pricing model. Compensation expense is recognized over the stock option vesting period based on the number of units estimated to vest. Vesting periods range from immediate to five years. This expense is recognized as share-based compensation expense with a corresponding increase in contributed surplus. When options are exercised, the proceeds received by the Company, together with the amount in contributed surplus, are credited to common shares.

The restricted shares units ("RSU") are awarded to executives and are measured at fair value at the date of the grant determined using the Black-Scholes option pricing model. The fair value of the estimated number of RSUs awarded, that are expected to vest is recognized as share-based compensation expense over the vesting period of the RSUs with a corresponding amount recorded in contributed surplus until the respective shares are issued in settlement of the RSUs. The total amount is recognized as an expense. The corresponding credit for these costs is recognized in contributed surplus.

Interest in joint arrangement

The Company determines whether the joint arrangement entered into by the Company is a joint operation or a joint venture based upon the rights and obligations of the parties to the arrangement. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Where the Company determines the joint arrangement represents a joint operation, the Company accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

The Company enters into joint operations from time to time and accounts for its proportion of the expenditures and government assistance (note 10).

4. Summary of significant accounting policies (continued)

Government assistance

Repayable government assistance arrangements are recognized as a financial liability. The obligation to repay amounts under these agreements is recorded when the contribution is receivable and is estimated based on future projections. The initial measurement of the obligation to repay the government assistance is discounted using the prevailing market rates of interest at the time, for a similar instrument (similar as to currency, term, type of interest, guarantees or other factors) with a similar credit rating. The difference between government contributions and the discounted value of repayable government assistance is recognized as a reduction of expenses or as a reduction of capitalized expenditures. Subsequent re-measurement of these obligations is recognized in financial expenses (income) for the change in interest rate and as an additional loan if the terms are changed such that they are favourable to the Company.

Where the government debt arrangements are at a low or zero interest, the difference between the fair value of the loan on initial recognition measured using a market rate of interest and the proceeds is recognized as a government grant. The government grant is recognized into income or assets as the related expenditures are recognized.

Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. Contracts that convey the right to control the use of an identified asset for a period of time in exchange for consideration are accounted for as leases giving rise to right-of-use assets.

At the commencement date, a right-of-use asset is measured at cost, where cost comprises: (a) the amount of the initial measurement of the lease liability; (b) any lease payments made at or before the commencement date, less any lease incentives received; (c) any initial direct costs incurred by the Company; and (d) an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

A lease liability is initially measured at the present value of the unpaid lease payments discounted using the interest rate implicit in the lease or if that rate cannot be reliably determined, the Company's incremental borrowing rate which is 10%. Subsequently, the Company measures a lease liability at amortized cost using the effective interest method. It is then remeasured to reflect revised in-substance fixed lease payments. Except where the costs are included in the carrying amount of another asset, the Company recognizes in profit or loss (a) the interest on a lease liability and (b) variable lease payments not included in the measurement of a lease liability in the period in which the event or condition that triggers those payments occurs. The Company subsequently measures a right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses; and adjusted for any re-measurement of the lease liability. Right-of-use assets are depreciated over the shorter of the asset’s useful life and the lease term.

4. Summary of significant accounting policies (continued)

Revenue recognition

The core principle of IFRS 15 Revenue from Contracts with Customers ("IFRS 15") is that an entity should recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard establishes a comprehensive five-step framework for the timing and measurement of revenue recognition. (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when (or as) the entity satisfies a performance obligation. The Company's revenue of sample products is recognized upon transfer of control of promised goods to the customers in an amount that reflects the consideration the Company expects to receive in exchange for those goods.

Interest income

Interest income is earned from bank deposits and recorded on an accrual basis.

Loss per share

Loss per share is based on the weighted average number of common shares of the Company outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and warrants, in the weighted average number of common shares outstanding during the period, if dilutive. In the Company's case, diluted loss per share is the same as basic loss per share during the years ended March 31, 2024 and 2023 as the Company recorded a net loss for both periods, and the exercise of any potentially dilutive instruments would be anti-dilutive.

Comparative amounts

Certain comparative amounts in the consolidated statements of loss and comprehensive loss for the year ended March 31, 2023 was reclassified to conform to the current year presentation.

5. Significant judgements and sources of estimation uncertainty

The preparation of the Company's consolidated 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 consolidated 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 capitalization where applicable which may be based on assumptions about future events and circumstances. Estimates and assumptions made may change if new information becomes available.

5. Significant judgements and sources of estimation uncertainty (continued)

Key Sources of Estimation Uncertainty

1. Stock-based compensation
   The determination of the fair value of stock-based compensation is derived based on assumptions input into the Black-Scholes 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.

2. 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.

3. 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. Management have also determined that funds loaned from Li-Metal Corp. to Li-Metal US Inc. form part of the Company's net investment in a foreign operation.

4. 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, 2024.

5. 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, 2024 that Li-Metal Corp. is in the research stage and expenditures are expensed.

6. Initial adoption and upcoming changes in accounting standards

Adoption of new accounting standards

IAS 12 Income Taxes
In May 2021, the IASB issued amendments to IAS 12, Income Taxes. The amendments to IAS 12 narrow the scope of the initial recognition exemption so that it no longer applies to transactions which give rise to equal amounts of taxable and deductible temporary differences. The Company is to recognize a deferred tax asset and deferred tax liability for temporary differences arising on initial recognition for certain transactions, including leases and reclamation provisions. The Company adopted this amendments on April 1, 2023 and the adoption of this amendment had no significant impact on the Company's consolidated financial statements.

Amendments to IAS 8 - Definition of Accounting Estimates
These amendments clarify how companies distinguish changes in accounting policies from changes in accounting estimates, with a primary focus on the definition of and clarifications on accounting estimates. The distinction between the two is important because changes in accounting policies are applied retrospectively, whereas changes in accounting estimates are applied prospectively. Further, the amendments clarify that accounting estimates are monetary amounts in the financial statements subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The Company adopted this amendment on April 1, 2023 and the adoption of this amendment had no significant impact on the Company's consolidated financial statements.

Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies
These amendments continue the IASB's clarifications on applying the concept of materiality. These amendments help companies provide useful accounting policy disclosures, and they include: requiring companies to disclose their material accounting policies instead of their significant accounting policies; clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and do not need to be disclosed; and clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material. The IASB also amended IFRS Practice Statement 2 to include guidance and examples on applying materiality to accounting policy disclosures. These amendments are effective for reporting periods beginning on or after January 1, 2023. The Company adopted this amendment on April 1, 2023 and the adoption of this amendment had no significant impact on the Company's consolidated financial statements.

New standards and interpretations not yet adopted

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

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

This amendment is effective for annual periods beginning on or after January 1, 2024, with earlier application permitted. The adoption of this amendment is not expected to have a material impact on the Company's financial statements.

(Expressed in Canadian dollars)

7. Restricted cash

The Company has a corporate credit card with a major financial institution with an average credit limit of $50,000. As at March 31, 2024, the financial institution holds $50,000 in a Guaranteed Investment Certificate (March 31, 2023 - $50,000) as collateral on the credit card amount as long as the credit card is alive. The restricted cash amount would change if there was any change in the credit limit on the card.

8. Property and equipment

Cost	Computer hardware	Equipment	Furniture & fixtures	Leasehold improvement	Asset under construction (note 10)	Total
Balance, March 31, 2022	$ 9,307	$ 3,022,793	$ 20,686	$ 19,801	$ -	$ 3,072,587
Reclassification	-	(113,598)	-	113,598	-	-
Additions	6,698	2,524,034	11,641	65,800	-	2,608,173
Foreign exchange	-	15,743	-	11,070	-	26,813
Balance, March 31, 2023	16,005	5,448,972	32,327	210,269	-	5,707,573
Additions	-	309,663	-	5,967	684,711	1,000,341
Foreign exchange	-	422	-	181	-	603
Balance, March 31, 2024	$ 16,005	$ 5,759,057	$ 32,327	$ 216,417	$ 684,711	$ 6,708,517

Accumulated depreciation	Computer hardware	Equipment	Furniture & fixtures	Leasehold improvement	Asset under construction (note 10)	Total
Balance, March 31, 2022	$ (4,062)	$ (443,148)	$ (5,255)	$ (2,073)	$ -	$ (454,538)
Amortization	(1,825)	(618,683)	(3,377)	(43,543)	-	(667,428)
Foreign exchange	-	(3,889)	-	(971)	-	(4,860)
Balance, March 31, 2023	(5,887)	(1,065,720)	(8,632)	(46,587)	-	(1,126,826)
Amortization	(3,036)	(907,386)	(4,739)	(38,622)	-	(953,783)
Foreign exchange	-	(339)	-	(154)	-	(493)
Balance, March 31, 2024	$ (8,923)	$(1,973,445)	$ (13,371)	$ (85,363)	$ -	$(2,081,102)

Net book value	Computer hardware	Equipment	Furniture & fixtures	Leasehold improvement	Asset under construction (note 10)	Total
Balance, March 31, 2023	$ 10,118	$ 4,383,252	$ 23,695	$ 163,682	$ -	$ 4,580,747
Balance, March 31, 2024	$ 7,082	$ 3,785,612	$ 18,956	$ 131,054	$ 684,711	$ 4,627,415

(Expressed in Canadian dollars)

9. Right-of-use assets

Balance, March 31, 2022	**$**	**1,229,701**
Modification		95,487
Amortization		(298,516)
Impact of foreign exchange		21,655
Balance, March 31, 2023	**$**	**1,048,327**
Amortization		(299,515)
Impact of foreign exchange		66
Balance, March 31, 204	**$**	**748,878**

10. Joint arrangements

Agreement with Blue Solutions

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 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 terminates at the earlier of August 16, 2023 or the date on which at least one lithium batteries anode product is first available for commercial exploitation. The development phase agreement has been terminated on August 16, 2023 and has not been extended. Each Party bears the costs of its activities including labor and materials.

Agreements with Mustang Vacuum Systems Inc. ("MVS")

On September 14, 2023, the Company signed a contract production agreement and a strategic collaboration agreement with MVS.

According to the contract production agreement, MVS uses its resources to create a physical vapour deposition machine (the "PVD Machine") and set up a contract manufacturing facility for the manufacture of anodes at MVS facility in Sarasota, Florida. The Company agreed to pay USD $2 million toward the machine which would be owned equally between the two parties. An initial payment of USD $500,000 ($684,711) was made by the Company in October 2023, with the remaining payments due on a progress percentage of completion basis at 33%, 66% and 100%. In addition, according to the contract production agreement, MVS manufactures and sells anodes exclusively to the Company for further sale to the Company's customers. During the year ended March 31, 2024, the Company recorded the USD $500,000 ($684,711) payment as asset under construction under property and equipment (note 8).

According to the strategic collaboration agreement, MVS may not sell PVD machines for the battery market other than to the Company and the Company may not purchase PVD machines from any entities other than MVS. As consideration for the exclusivity, on September 14, 2023, the Company issued 4,375,000 common shares of the Company to MVS at a value of $0.20 per share for a total of $875,000 (note 15). The Company also issued to MVS 21,000,000 warrants with each warrant exercisable at a price of CDN $0.627 until September 19, 2028 recorded at a value of $3,983,565 (note 16). In addition, MVS has the right to participate in any future equity issues of the Company and has a right to a seat in the board of directors of the Company if MVS accumulates 10 million shares of the Company. During the year ended March 31, 2024, the Company recorded the fair value of the shares ($875,000) and warrants ($3,983,565) issued as business development expense for a total of $4,858,5657.

(Expressed in Canadian dollars)

10. Joint arrangements (continued)

Agreements with Mustang Vacuum Systems Inc. ("MVS") (continued)

The Company has determined that the joint arrangements with Blue Solutions and MVS are both joint operations as they were not structured through a separate vehicle.

11. Government assistance

The government assistance for the periods is as follows:

Years ended March 31,	**2024**	**2023**
NGEN refunds	**$ 626,819**	$ 1,212,847
Government of Ontario grants	**1,027,901**	-
	$ 1,654,720	$ 1,212,847

Government assistance in each year is aggregated with research and development expense for the period.

Forgiveness of government assistance:		
Forgiveness of CEBA loan	**$ 10,000**	$ -

CEBA

On April 16, 2020, the Company received the Canadian Emergency Business Account (CEBA) in the amount of $40,000. CEBA is a government program providing interest-free loans to small businesses. No principal repayments will be required before December 31, 2023. If the loan remains outstanding after December 31, 2020, only interest payments will be required until full principal is due on December 31, 2025. If the outstanding principal, other than the amount of potential debt forgiveness at 25% of the principal balance of the loan, is repaid by December 31, 2023, the remaining principal will be forgiven. The eligibility of the program may be subject to audit and verification at which time the balance may become repayable. During the year ended March 31, 2024, the Company repaid $30,000 of the CEBA loan and the remaining $10,000 was recorded as forgiveness of government assistance during the year ended March 31, 2024.

NGEN refunds

On March 1, 2022, Li-Metal was granted up to approximately $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.

NGEN grant was provided to assist Li-Metal in developing and advancing its scrap lithium foil reprocessing operation and anode production process. The funds from the grant assisted Li-Metal in further developing its PVD technology to make ultra thin anodes at higher deposition rates and also allowed Li-Metal to enhance its internal battery & surface characterization capabilities. The grant covered part of the costs for technical/operations personnel, contractors, and consumables involved in the project.

During the year ended March 31, 2024, the Company received refunds from NGEN $626,819 (2023 - $1,212,847) which was recognized as a reduction of research and development expense. There are no unfilled conditions nor other contingencies related to the government assistance received. In total, the Company received $1,839,666 under the NGEN grant and no additional funding is expected.

(Expressed in Canadian dollars)

11. Government assistance (continued)

Government of Ontario grants

On June 6, 2023, the Company was awarded up to $1,430,826 from the Government of Ontario to develop and commercialise its lithium metal production technology. The funding awarded to Li-Metal consists of a $930,826 grant from the R&D Partnership Fund – Electric Vehicle, administered by the Ontario Vehicle Innovation Network (OVIN) and a $500,000 grant from the Critical Minerals Innovation Fund (CMIF), funded by the Ontario Ministry of Mines. There are no unfilled conditions nor other contingencies related to the government assistance received.

During the year, the Company recognized $542,837 (2023 - $nil) of government assistance related to the OVIN grant based on the proportion of expenses incurred by Company March 31, 2024 and the amount of funding expected to be funded under the Grant. As at March 31, 2024, $113,253 (2023 - $nil) of the government assistance was accrued in sales tax and other receivables.

During the year ended March 31, 2024, the Company earned and received $485,064 (2023 - $nil) of government assistance related to the CMIF grant. No additional funding is expected.

12. Revenue

During the year ended March 31, 2024, the Company recognized revenue of $311,803 (2023 - $nil) representing sales of samples to customers.

13. Related party balances and 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.

Related party transactions conducted in the normal course of operations are measured at the exchange value (the amount established and agreed to by the related parties) and approved by the Board of Directors in strict adherence to conflict of interest laws and regulations.

Years ended March 31,	**2024**	**2023**
Director fees	**$ 238,042**	$ 259,000
Salaries and short-term employment	**1,359,230**	854,830
Consulting fees	**-**	61,000
Share-based compensation	**233,332**	66,560
Total	**$ 1,830,604**	$ 1,241,390

(Expressed in Canadian dollars)

14. Lease liability

Balance, March 31, 2022	**$**	**1,280,808**
Modification		95,487
Accretion		119,637
Lease payments		(370,242)
Impact of foreign exchange		22,212
Balance, March 31, 2023	**$**	**1,147,902**
Accretion		95,187
Lease payments		(377,449)
Impact of foreign exchange		136
Balance, March 31, 2024	**$**	**865,776**

Allocated as:		
Current	$	317,022
Long-term		548,754
	$	**865,776**

The maturity analysis of the undiscounted contractual balances of the lease liabilities is as follows:

Maturity analysis		**March 31, 2024**
Less than one year	$	383,296
One to three years		517,447
Four to five years		48,342
Total undiscounted lease liabilities		949,085
Amount representing implicit interest		(83,309)
Lease liabilities	$	865,776

(Expressed in Canadian dollars)

15. Share capital

a) Authorized share capital

The authorized share capital consisted of an unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.

b) Common shares issued

At March 31, 2024, the issued share capital amounted to $44,063,196. The changes in issued share capital for the periods were as follows:

	Number of common shares	Amount
Balance, March 31, 2022 and 2023	154,953,828	$ 43,188,196
Shares issued for business development expense (note 10)	4,375,000	875,000
Balance, March 31, 2024	159,328,828	$ 44,063,196

As at March 31, 2024, nil (March 31, 2023 - 7,786,737) common shares of the Company were in escrow.

16. Warrants

	Number of warrants	Weighted average exercise price
Balance, March 31, 2022 and 2023	-	$ -
Issued (note 10)	21,000,000	0.627
Balance, March 31, 2024	21,000,000	$ 0.627

As at March 31, 2024, the warrants outstanding are as follows:

Remaining Contractual Life (years)	Number of Warrants	Exercise Price ($)	Expiry Date
4.48	21,000,000	0.627	September 19, 2028

The fair value of the warrants issued to MVS (note 10) was estimated to be $3,983,565 using the Black Scholes valuation model on the following assumptions: volatility of 121% based on the Company's historical volatility, risk-free rate of 3.96%, share price of $0.25 on the valuation date of September 19, 2023.

(Expressed in Canadian dollars)

17. Stock options

The Company's stock option plan is available to its directors, officers, employees and service providers. All issuances, including the vesting and exercise periods, are approved by the Board.

	Number of options	Weighted average exercise price
Balance, March 31, 2022	10,321,589	$ 0.29
Granted	4,900,529	0.53
Forfeited	(762,596)	1.05
Balance, March 31, 2023	14,459,522	$ 0.33
Forfeited	(1,565,993)	0.46
Balance, March 31, 2024	12,893,529	$ 0.31

As at March 31, 2024, the stock options outstanding are as follows:

Remaining Contractual Life (years)	Exercisable Options	Number of Options	Exercise Price ($)	Expiry Date
1.54	1,345,780	1,345,780	0.08	October 15, 2025
1.72	2,343,658	2,343,658	0.23	December 17, 2025
2.00	546,360	546,360	0.23	April 1, 2026
2.50	5,670,000	5,670,000	0.31	October 1, 2026
2.68	14,000	14,000	2.69	December 6, 2026
2.88	24,000	24,000	2.04	February 14, 2027
2.92	3,300	3,300	1.60	February 28, 2027
2.93	11,765	11,765	1.60	March 7, 2027
2.97	66,667	100,000	1.43	March 21, 2027
3.09	200,000	400,000	1.00	May 2, 2027
3.25	1,500	4,500	0.62	June 30, 2027
3.29	2,666	5,333	0.72	July 14, 2027
3.36	200,000	400,000	0.72	August 10, 2027
3.37	22,500	22,500	0.60	August 12, 2027
3.43	833	833	0.73	September 3, 2027
3.46	1,500	1,500	0.65	September 15, 2027
3.69	2,000,000	2,000,000	0.28	December 9, 2027
2.48	12,454,529	12,893,529	0.31	

(Expressed in Canadian dollars)

17. Stock options (continued)

During the year ended March 31, 2024, the Company recognized a total share-based payments expense of $320,879 (2023 – $1,059,119).

The Company amortizes the estimated grant date fair value of stock options to expense over the vesting period (generally three years). The grant date fair value of outstanding stock options was determined using the Black-Scholes option pricing model and the following assumptions in the year of the grant: risk-free interest rate (based on Canadian government bond yields), expected volatility of the market price of the Company's shares (estimated based on industry average), and the expected option life (in years) (based on historical option holder behavior).

The following tables summarizes the assumptions used with the Black-Scholes valuation model for the determination of the stock-based compensation costs for the stock options granted during the year ended March 31, 2024 and 2023:

Year ended March 31, 2024,	2024	2023
Share price	N/A	$0.28 - $1.31
Exercise price	N/A	$0.28 - $1.31
Risk free rate	N/A	2.46% - 3.43%
Expected option life	N/A	5 years
Volatility	N/A	100%
Forfeiture rate	N/A	0%

18. Restricted share units

On October 31, 2022, the Company granted to an officer 1,383,029 RSUs, 345,757 RSUs will vest in 12, 24, 36 and 48 months starting from the date of the grant.

On April 17, 2023, the Company granted to five officers an aggregate of 2,830,000 RSUs, 707,500 RSUs 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 aggregate of 602,981 RSUs, 200,994 RSUs will vest in 12, 24 and 36 months starting from the date of the grant.

Balance, March 31, 2022	-
Granted	1,383,029
Balance, March 31, 2023	1,383,029
Granted	3,432,981
Forfeited	(3,383,346)
Balance, March 31, 2024	1,432,664

During the year ended March 31, 2024, the Company recognized as share-based payments expense of $143,843 (2023 – $122,289). The fair value of the RSUs was determined based on share price of the Company of $0.4 per share on the date of grant on October 31, 2022 and $0.38 on the date of grant of April 17, 2023.

During the year ended March 31, 2024, 3,383,346 of RSUs were forfeited.

(Expressed in Canadian dollars)

19. Share-based compensation

The share-based compensation is as follows:

Years ended March 31,	2024	2023
Stock options	**$ 320,879**	$ 1,059,119
RSUs	**143,843**	122,289
	$ 464,722	$ 1,181,408

20. Financial instruments

Fair Value
The fair value of cash and cash equivalents, receivables and payables approximate their carrying amounts due to their short-term nature.

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 has historically generated cash flow from its financing activities. The Company manages liquidity risk through the management of its capital structure and financial leverage. As at March 31, 2024, the Company's current liabilities comprise accounts payable, accrued liabilities and the current portion of lease liability. The Company will require additional funding to maintain corporate and administrative functions and to fund its continuing development and commercialization activities and commitments.

The following table shows the maturity date of the Company's financial liabilities as at March 31, 2024:

	Total	Less than 1 year	1 to 2 years	Beyond 2 years
Accounts payable and accrued liabilities	$ 561,986	$ 561,986	$ -	$ -

Please refer to note 14 for lease liability.

(Expressed in Canadian dollars)

20. Financial instruments (continued)

Market Risk

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

Price risk

Price risk is the risk that the fair value of future cash flows of the Company's financial instruments will fluctuate because of changes in market prices. The Company is not exposed to price risks.

Interest rate risk
Interest rate risk is the risk that the fair values and future cash flows of the Company will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk to the extent that the cash and cash equivalents and term deposits, if any, maintained at financial institutions is subject to a floating rate of interest. The interest rate risk on cash is not considered significant.

Currency risk
Currency risk is the risk that the fair values or future cash flows of the Company's financial instruments will fluctuate because of changes in foreign currency exchange rates. The Company is exposed to currency risk through financial assets and liabilities denominated in currencies other than the Canadian dollar, the Company's presentation currency. The Company's financial instruments denominated in currencies that are not the Canadian dollar as at March 31, 2024 are as follows:

	US dollar	C$Equivalent
Cash and cash equivalents	$ 221,255	$ 347,536
Other receivables	8,676	11,756
Accounts payable and accrued liabilities	(66,192)	(89,690)

The Company's sensitivity analysis suggests that a 10% depreciation or appreciation of the foreign currencies against the Canadian dollar would have resulted in an approximate $16,000 decrease or increase in the Company's total comprehensive income or loss.

As at March 31, 2024, US dollar amounts have been translated at a rate of C$1.355 per US dollar.

21. Net loss per common share

The calculation of basic and diluted loss per share for the year ended March 31, 2024 was based on the loss attributable to common shares of $13,487,614 (2022 - $12,556,761) and the weighted average number of common shares outstanding of 157,332,585 (2022 - 154,953,828).

(Expressed in Canadian dollars)

22. Segmented information

Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision maker. The chief operating decision maker is responsible for allocating resources and assessing performance of the operating segments and has been identified as the Company's CEO. During the year ended March 31, 2024, the Company has one (2023 - one) business operating segment and two (2023 – two) geographical operating segments.

The Company's reportable segments are based on the geographic region for the Company's operations and include Canada and US.

As at March 31, 2024	US	Canada	Total
Current assets	$ 182,203	$ 2,004,235	$ 2,186,438
Restricted cash	-	50,000	50,000
Property and equipment	289,021	4,338,394	4,627,415
Right-of-use assets	-	748,878	748,878
Total assets	$ 471,224	$ 7,141,507	$ 7,612,731
Total liabilities	$ 44,122	$ 1,383,640	$ 1,427,762

As at March 31, 2023	US	Canada	Total
Current assets	$ 107,729	$ 11,145,269	$ 11,252,998
Restricted cash	-	50,000	50,000
Property and equipment	362,775	4,217,972	4,580,747
Right-of-use assets	-	1,048,327	1,048,327
Total assets	$ 470,504	$ 16,461,568	$ 16,932,072
Total liabilities	$ 44,911	$ 2,529,126	$ 2,574,037

Year ended March 31, 2024			
Total loss	$ 1,969,732	$ 11,517,882	$ 13,487,614

Year ended March 31, 2023			
Total loss	$ 1,683,212	$ 10,873,549	$ 12,556,761

23. Capital risk management

The Company manages its capital with the following objectives:

- to ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions; and
- to maximize shareholder return through enhancing the share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by management and the Board of Directors on an ongoing basis.

The Company considers its capital to be equity, which comprises share capital, warrants, contributed surplus, accumulated other comprehensive loss and deficit, which at March 31, 2024, totaled $6,184,969 (March 31, 2023 - $14,358,035).

The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. The forecast is updated based on activities related to its operations and research and development activities. Selected information is provided to the Board of Directors of the Company. The Company’s capital management objectives, policies and processes have remained unchanged during the year ended March 31, 2024.

24. Commitment

As per the contract production agreement with MVS (note 10), the Company agreed to pay USD $2 million toward the machine which would be owned equally between the two parties. An initial payment of USD $500,000 was made by the Company in October 2023, with the remaining payments due on a progress percentage of completion basis at 33%, 66% and 100%.

25. Subsequent events

Blue Horizon Financing and Advisory Agreement

On April 19, 2024, the Company announced that it had (i) received a commitment for a US$750,000 (CDN $1,032,300) subscription for 5,164,500 units of the Company from Blue Horizon Advisors LLC ("Blue Horizon"); and (ii) entered into an advisory agreement (the "Advisory Agreement") with Blue Horizon pursuant to which Blue Horizon will provide strategic consulting services to Li-Metal on elements of its business including, without limiting, corporate strategy and development, commercial activity and direct client engagement, partnership, management and rationalization of Li-Metal's capital structure. The subscription was completed on May 1, 2024. Each unit issued pursuant to the financing consisted of one common share and one warrant, with each warrant exercisable at a price of $0.63 for one additional common share for a period of three years from closing.

The Advisory Agreement subsequently terminated on June 30, 2024.

(Expressed in Canadian dollars)

25. Subsequent events (continued)

Private Placement Financing

On June 12, 2024 the Company announced the initiation of a non-brokered private placement to raise gross proceeds of up to $2,000,000, comprising 20,000,000 units (each a "Unit"), at $0.10 per Unit (the "Offering"). Each Unit will consist of one common share of the Company and one-half common share purchase warrant, and each whole warrant (a "Warrant") will entitle the holder to purchase one common share of the Company at a price of $0.20 per share for a period of 24 months following the date of issuance. Additionally, the Warrants will be callable during the 24-month period, at the option of the Company, in the event that the 20-day volume-weighted average price of the Company's common shares meets or exceeds $0.40 for 10 consecutive trading days based on trades on a recognized Canadian stock exchange (which includes the Canadian Securities Exchange). Subscribers will be notified of the call provision being triggered and will have a 30-day period to exercise the Warrants.

The Offering has not yet been completed.

LOI for Strategic Sale of Lithium Metal Business

On June 28, 2024 the Company announced that it had entered into a non-binding letter of intent (the "LOI") dated June 27, 2024, with an arm's length purchaser (the "Purchaser"), detailing a proposed acquisition (the "Sale Transaction") of the Company's lithium metal business for an indicative purchase price of US$11,000,000 (~C$15,000,000). The LOI grants the Purchaser an exclusivity period of no less than 30 days for the parties to negotiate the potential transaction.

26. Income taxes

The Company's' provision for income tax differs from the amount computed by applying the combined Canadian federal and provincial income tax rates of 26.5% (2023 - 26.5%) to loss before income taxes as a result of the following:

Years ended March 31,	2024	2023
Loss before income taxes	$ (13,487,614)	$ (12,556,761)
	26.5%	26.5%
Expected income tax recovery at statutory rate:	(3,574,218)	(3,327,542)
Non-deductible expenses	3,100	2,120
Stock-based compensation	123,151	313,073
Benefit of deferred tax assets not recognized	3,447,967	3,012,349
Provision for income taxes	$ -	$ -

(Expressed in Canadian dollars)

26. Income taxes (continued)

The following table summarizes the Company's deferred tax assets and liabilities at March 31, 2024 and 2023:

	March 31, 2024	March 31, 2023
Deferred tax assets:		
Lease liability	$ 198,450	$ -
Deferred tax liability:		
Right of use assets	(198,450)	-
	$ -	$ -

The following temporary differences are not recognized in the consolidated financial statements:

	March 31, 2024	March 31, 2023
Deferred tax asset arising from loss carryforwards Canada	$ 37,849,090	$ 27,999,111
Deferred tax asset arising from loss carryforwards US	3,778,083	1,806,153
Deferred tax asset (liability) arising from property, plant and equipment	1,653,100	934,924
Lease liability	116,898	-
Total	$ 43,397,171	$ 30,740,188

As at March 31, 2024, the Company has non-capital losses in Canada of $37,849,090 (March 31, 2023 - $27,999,111), the benefit of which has not been fully recognized. Non-capital losses may be carried forward and applied against taxable income of future years. Losses begin to expire in 2028. As at March 31, 2024, the Company has non-capital losses in the United States of $3,778,083 (March 31, 2023 - $1,806,153), the benefit of which has not been fully recognized. Non-capital losses can be carried forward indefinitely.