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, 2024

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 years ending March 31, 2024 and March 31, 2023 and should be read in conjunction with the Company's audited annual consolidated financial statements for the year ended March 31, 2024, 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 August 1, 2024, 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 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 the development and production of metallic lithium metal and lithium anode materials.

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 2555663 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 2555663 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 three key technologies:

- **production of lithium metal directly from lithium carbonate;**
- **production of ultra-thin lithium anodes using physical vapor deposition (PVD); and,**
- **the reprocessing of scrap lithium metal from various sources into usable metal ingots.**

The three complementary technologies are intended to function together in a vertically integrated and sustainable battery materials production process that will accept lithium carbonate salt or scrap metal anodes as the lithium source and produce metallic lithium or lithiated anode materials (battery components) for next-generation batteries. The three principal technologies being scaled-up by Li-Metal include:

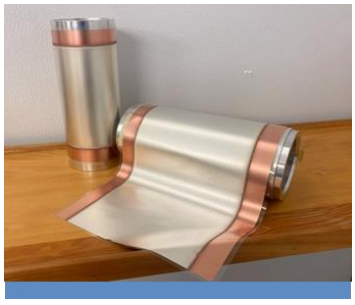
Li-Metal Metal Production Process (LMPP) – This patented process uses molten-salt electrolysis to convert lithium carbonate to a lithium metal product which can potentially be sold either to the

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. Li-Metal's process allows the costly step of converting lithium carbonate to lithium chloride to be eliminated. In May 2023, Li-Metal was granted a patent for production of refined lithium metal and the company likely became the first company in the world to successfully produce lithium metal directly from lithium carbonate at its pilot plant in Markham, Ontario.

Photo 1. **Lithium Metal**

Li-Metal 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.

Photo 2. Ultra-Thin Lithium Metal Anode



Li-Metal Metal Reprocessing (LMRP) – To enhance the sustainability of lithium metal anodes and to overcome the need to incinerate scrap lithium metal, Li-Metal developed it's reprocessing and casting technology. The Company's technology reprocesses the scrap lithium into ingots that may be used for anode production. The lithium metal ingot (seen in the image), a large solid block of metal, was produced using lithium material from production scrap from lithium foil producers. As

Li-Metal continues to progress with its lithium metal reprocessing program and demonstrating the continuous production of lithium metal ingots, the Company is currently evaluating scrap samples from multiple customers to scale capacity and provide lithium metal reprocessing as a service. Li-Metal expects to eventually leverage the pilot facility and know-how generated during the scale up of the reprocessing facility to help its potential partners produce high purity specialty lithium-alloy ingots for advanced battery producers.

An element of this project, funded under the OVIN grant, will see Li-Metal build on its experience in alloying to develop specialized treatment processes and alloying equipment, and casting equipment that will enable the production of custom alloys, with a focus on the specific lithium alloys required by some battery technologies. Li-Metal is establishing the capability to reprocess scrap lithium anode foils, ingot butts etc. and cast the reprocessed material into saleable ingots, crucibles and other formats based on customer requirements. The reprocessing of lithium metal will allow Li-Metal to further support a more sustainable, and circular next-generation battery supply chain.

Photo 3 : Lithium Scrap Metal

Photo 4. Lithium ingot produced from scrap lithium

3. Overview of Our Strategy and Progress

A. Position Li-Metal as the preferred anode partner to next-gen battery developers and OEMs

Through the exclusive partnership with Mustang Vacuum Systems Inc. (MVS), Li-Metal and MVS plan to jointly develop and operate Li-Metal's first commercial-scale PVD machine to produce anode material at MVS's manufacturing facility in Sarasota, Florida. The engineering design of the commercial scale machine has been advanced and a number of long-lead items ordered. The partners are evaluating the appropriate timing for the deployment of the machine based on customer production scale-up, and currently anticipate this no earlier than late 2025.

In November 2023, the Company announced the successful production of its first batch of ultra-thin lithium on metalized polymer anodes, a second-generation lithium metal anode technology at Li-Metal's advanced anode pilot plant in Rochester, New York. The Company has demonstrated its ability to leverage its roll-to-roll physical vapour depiction (PVD) anode technology and PVD equipment to produce its second-generation products at pilot scale.

Li-Metal's ultra-thin lithium on metalized polymer anodes are expected to reduce the need for copper in next-generation batteries anodes, resulting in improved costs by up to 25% and lighter weight batteries, while delivering improved gravimetric and volumetric energy densities. The capability to do this further demonstrates the flexibility of the Company's scalable PVD anode technology and ability to customize its product offering. Li-Metal's second-generation anode technology expands its ability to support current EV as well as prospective electric vertical take-off and landing (eVTOL) and aviation customers focused on developing next-generation batteries.

Through the opening months of 2024, the company has focused on leveraging its advanced in-house surface analytical tools to meet the evolving quality requirements of a subset of its more advanced customers, and providing sample materials to these customers

B. Scale-up our modular metal production and scrap reprocessing processes

Li-Metal continues to optimize its metal production and scrap reprocessing process by running extensive test campaigns. In November 2023 the Company announced the successful production and shipment of its first batch of lithium metal ingots. The lithium metal ingots were produced at Li-Metal's casting facility in Markham, Ontario and represent an important step in enhancing the sustainability of lithium metal anodes by allowing reprocessing of scrap lithium generated from specific operations.

In February 2024, the company announced the completion of its Concept Engineering study for a 1,000 tonnes per annum (tpa) commercial-scale plant. The results of the study showed competitive capital outlay and operational expense at scale, which increases the Company's confidence in successful commercial deployment. In response to the findings from the Concept Engineering study, the company has focused its efforts on process piloting and equipment longevity testing, and is planning for extended operation of its electrowinning pilot plant, commencing in Q4 2024. Subsequent development, scale-up and build-out of a first 1,000 tpa

commercial facility are expected to require USD 120 – 200 million as per the Concept Engineering study.

The Company is engaged in the research, development and commercialization of innovative new technologies for developing lithium metal anodes and lithium metal production technologies for use in next-generation batteries. As with most companies at the R&D stage, it is difficult to estimate timing and costs.

The Company funds these projects from working capital and records the expenses as Research and Development. The Company allocates funds to projects based upon current initiatives and prioritises funding for near term results. In order to develop its assets; complete the projects and to commence profitable operations in the future the Company will need to raise funds from various sources including:

- debt financing on reasonable terms from lenders;
- capital from shareholders and other investors;
- other sources including Government funding; and/or,
- strategic divestment of a technology

Letter of Intent (LOI) for Strategic Sale of Metal Business

On June 28th, 2024, the company announced that it had entered into a non-binding LOI for the strategic asset sale of its lithium metal production business for an indicative purchase price of US$11,000,000 (~C$15,000,000). In the event that the transaction eventuates, the abovementioned strategy would be impacted and the funds will be used to continue the development of its high performance ultra thin anode production business.

4. Recent Developments

4.1 Highlights for the Year Ended March 31, 2024

- 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 its 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.

- On August 1, 2023 the Company announced the appointment of Richard Halka as Chief Financial Officer (CFO) effective immediately and the retirement of the current CFO, Carlos Pinglo. The Company also announced that Kunal Phalpher will be stepping down from his role as President on August 10, 2023, to pursue other opportunities.

- On August 23, 2023, the Company announced the appointment of Nelson Moleiro to the role of Vice President, Capital Projects and Government Relations. Mr. Moleiro joined Li-Metal in 2022 as Capital Projects Manager overseeing the Company's Project Management Office and the development of its casting operations.

- On September 20, 2023, the Company announced the completion of the definitive agreements (the "Agreements") for its previously announced exclusive partnership with Mustang Vacuum Systems Inc. ("MVS"), a global developer and manufacturer of industrial scale physical vapour deposition (PVD) equipment. The signing of the Agreements relates to the parties' previously announced strategic collaboration agreement for the exclusive supply of high performance PVD machines and advanced battery anode materials for next-generation batteries (see news release dated April 4, 2023). In addition to the strategic collaboration agreement, Li-Metal and MVS have entered into a contract production agreement to share their respective proprietary technology to create a commercial-scale PVD machine to produce anode material at MVS's manufacturing facility in

Sarasota, Florida. Li-Metal and MVS will jointly operate this PVD machine, which is expected to be commissioned by mid-2024.

- On September 25, 2023, the Company announced its participation in IRENA Innovation Week 2023 in Bonn, Germany hosted by the International Renewable Energy Agency (IRENA) from September 25 to September 28, 2023. Li-Metal was invited to participate in this invite only industry event by Natural Resources Canada. IRENA is a leading global intergovernmental agency for energy transformation and IRENA Innovation Week brings together leaders, experts, industry representatives, academics and policy makers from across the world to discuss cutting-edge innovations that can support and accelerate the global energy transition.

- On October 12, 2023, the Company announced that the Company will hold an annual general meeting of shareholders (the "Meeting") at 11 a.m. Eastern Time (ET) on October 23, 2023. The Meeting will be hosted in a hybrid format with the in-person portion of the Meeting to be held at the offices of CP LLP located at 77 King Street West, TD North Tower, Suite 700, Toronto, ON M5K 1G8.

- On October 24, 2023, the Company announced its patented lithium metal technology has been named one of TIME's Best Inventions of 2023. Lithium metal is a strategic material critical in the production of metal anodes, which are integral to next-generation lithium batteries. Li-Metal's carbonate-to-metal (C2M) technology is expected to play an increasingly important role in the development of the North American lithium metal supply chain.

- On November 8, 2023, the Company announced the successful production and shipment of its first batch of lithium metal ingots. The lithium metal ingots were produced at Li-Metal's recently commissioned lithium metal reprocessing and casting facility in Markham, Ontario, which has the capacity to process up to 15 metric tonnes of anode scrap material per year. Lithium metal anodes are produced either through a conventional extrusion/rolling or through more economically viable physical vapor deposition (PVD) processes, the commercialization of which Li-Metal is championing in conjunction with its exclusive manufacturing partner, Mustang Vacuum Systems.

- On November 15, 2023, the Company announced the successful production of its first batch of ultra-thin lithium on metalized polymer anodes, a second-generation lithium metal anode technology. At Li-Metal's advanced anode pilot plant in Rochester, New York, the Company has demonstrated its ability to leverage its roll-to-roll physical vapour depiction (PVD) anode technology and PVD equipment to produce its second-generation products at pilot scale. Li-Metal's ultra-thin lithium on metalized polymer anodes are expected to reduce the need for copper in next-generation batteries anodes, resulting in improved costs by up to 25% and lighter weight batteries, while delivering improved gravimetric and volumetric energy densities. The capability to do this further demonstrates the flexibility of the Company's scalable PVD anode technology and ability to customize its product offering. Li-Metal's second-generation anode technology expands its ability to support current EV as well as prospective electric vertical take-off and landing (eVTOL) and aviation customers focused on developing next-generation batteries.

- On November 22, 2023, the Company announced that it had demonstrated its electrolyte reconditioning process. This process is a pivotal component supporting Li-Metal's patented and modular carbonate-to-metal (C2M) technology, an environmentally conscious approach to lithium metal production—a critical raw material used in next-generation batteries. The electrolyte reconditioning process plays a crucial role in the closed-loop operation of Li-Metal's C2M technology. This process facilitates the conversion of excess anolyte, located near the anode, into catholyte, situated near the cathode. This closed-loop operation enhances operational efficiencies and minimizes wastage of this valuable resource, marking a significant advancement in sustainable lithium metal production.

- On November 28, 2023, the Company announced the appointment of current Non-Executive Director and Board member Mr. Anthony Tse to the position of Chairman of the Board. Mr. Tse joined the initial Li-Metal board in 2021 and had been appointed to the Board of the predecessor private company in 2019. He is a veteran of the lithium industry and the battery value chain and brings close to 30 years of private and public corporate experience in numerous high-growth industries, spanning technology, natural resources and specialty chemicals. For well more than a decade, he has been actively engaged in various parts of the energy transition sector - he has managed businesses and operations across four continents, including Greater China/Asia, Australia, North and South America, and more recently has played an active role as a private equity investor, working with some of the leading financial institutions globally, investing across the sector ranging from cathode to anode materials, as well as lithium battery cell manufacturing.

- On January 17, 2024, the Company provided additional information on its project to develop next-generation battery materials critical to the shift to electrification, with support from the Ontario government through the Ontario Vehicle Innovation Network (OVIN). Earlier, Li-Metal announced the receipt of CAD$930,826 in support from the Ontario government (see news release dated June 6, 2023) through the OVIN R&D Partnership Fund. Combined with an industry contribution from Lyten, an advanced materials company, this funding supports Li-Metal's ability to further advance and commercialize its lithium metal technology. Leveraging a total project value of $2,820,684, Li-Metal aims to scale up its production and refining capabilities for battery-grade lithium metal, building on its recently announced production of lithium metal ingots using reprocessing technology (see news release dated November 8, 2023). In addition, the Company will use the funds to advance the piloting of new lithium metal products, such as specialty lithium alloy ingots for next-generation batteries. Li-Metal has completed approximately 25% of the project, which it aims to conclude in 2025.

- On February 7, 2024, the Company announced the completion of its previously announced concept study for a commercial North American lithium metal production facility with an annual capacity of up to 1,000 tonnes. As previously announced, Li-Metal engaged a leading global engineering, project management and professional services firm with extensive lithium and battery metals industry expertise, to conduct the concept study (see news release dated September 6, 2022). The envisioned 1,000 tonnes per year plant will leverage Li-Metal's patented and sustainable carbonate-to-metal (C2M) lithium metal technology. The concept study focused on a compact plant design and validates Li-Metal's assertion that the C2M technology holds promise for the development of a

commercial lithium metal plant at a brownfield site. The study showed potential for attractive plant-level economics, in line with the Company's expectations. Additionally, the ability to leverage a brownfield site would enable Li-Metal to benefit from significant cost-efficiencies in addition to being able to utilize existing infrastructure and potentially an existing workforce.

4.2 Highlights Subsequent to Year-end March 31, 2024

- On April 9, 2024, the Company announced that it has been selected as a winner for the Bloomberg New Energy Finance (BNEF) Pioneers Award for 2024.Li-Metal was recognized by a BNEF Pioneers Award for its lithium metal and ultra-thin physical vapour deposition (PVD) anode production technologies. Li-Metal's patented lithium metal technology, which is the only technology capable of producing lithium metal directly from lithium carbonate, is significantly more cost effective than traditional processes and avoids producing harmful chlorine gas by-product. Li-Metal's PVD anode technology eliminates the need for graphite and produces ultra-thin, high performance lithium metal anodes, which minimizes excess lithium in the battery to improve safety and limit waste of a valuable resource. Combined together, Li-Metal's vertically integrated technologies and process can sustainably produce the critical materials and battery components required for lithium metal batteries, which are expected to be essential for future electric vehicles, and enabling advanced niches of transportation, including electric vertical take-off and landing (eVTOL).

- On May 1, 2024, the Company announced that it has Closed a financing for a US$750,000 subscription (the "Subscription") for units of the Company from North Carolina-based Blue Horizon Advisors LLC ("Blue Horizon" or the "Subscriber"). In addition, the Company announces that it intends on completing a further equity financing for approximately US$10 million (the "Subsequent Financing"). Pursuant to the terms of the Subscription, which is expected to close on April 25, 2024 (the "Closing Date"), Blue Horizon has agreed to subscribe for 5,164,500 units (the "Units") of the Company at an issue price of CDN$0.20 per Unit for an aggregate subscription price of CDN$1,032,300 (US$750,000). Each Unit will be comprised of one common share (a "Common Share") and one-half of one share purchase warrant (each whole warrant, a "Warrant"). Each Warrant will entitle the holder to acquire one additional common share at an exercise price of $0.63 per common share per common share) for a period of three years from the date of closing of the issue. Should the Company's Common Shares have a closing price on the Canadian Securities Exchange (the "CSE") (or such other securities exchange on which the Common Shares may be traded at such time) of $1.60 or greater per Common Share for a period of 10 consecutive trading days at any time after the issuance of the Warrants, then the Company may accelerate the expiry date of the Warrants by giving notice to the holders thereof (by disseminating a news release advising of the acceleration of the expiry date of the Warrants) and, in such case, the Warrants will expire on the 30th day after the date of such notice.

- 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"). The Company also announces that is currently in advanced discussions with an arm's length party for the potential sale of the Company's lithium production business. At this time, the parties have not agreed on terms or timing for the completion of a transaction and there is no certainty that an agreement will be reached or a transaction completed. The intention of the transaction would be to enhance the Company's balance sheet and provide capital to allow the Company to focus on lithium metal anode business.

- On June 28, 2024, the Company announced that it has 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 Li-Metal's lithium metal business for an indicative purchase price of US$11,000,000 (~C$15,000,000) following the previously announced advanced discussions regarding the potential sale of the Company's lithium production business. The LOI grants the potential purchaser an exclusivity period of no less than 30 days for the parties to negotiate the potential transaction. At this time, the parties have not agreed to a definitive agreement and there is no certainty that an agreement will be reached at the indicative purchase price or that an agreement will be reached, or a transaction completed at all. The intention of the transaction would be to enhance the Company's balance sheet and provide capital to allow the Company to focus on its lithium metal anode business.

- July 8, 2024, the Company announced that Srini Godavarthy had notified the Company that he was resigning as Chief Executive Officer with immediate effect. Mr. Godavarthy has also resigned from the Company's Board of Directors. Keshav Kochhar, the Company's COO, will act as CEO on an interim basis.

5. Selected Annual and Quarterly Financial Information

5.1 Selected Annual Information

The Company has reviewed its operations and determined that it operates in one business segment and has only one reporting unit. The Company is a Canadian-based vertically integrated battery materials company and innovator commercializing technologies to enable next-generation batteries for electric vehicles and other applications.

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.

Table 1. Selected Annual Financial Information For The Years ending March 31, 2024 & 2023

	For the Year Ended March 31, 2024	For the Year Ended March 31, 2023
Revenues	**$ 311,803**	**$ -**
Net Gain (Loss) for the period	**$ (13,487,614)**	**$ (12,556,761)**
Diluted Gain (Loss) per share	**$ (0.09)**	**$ (0.08)**
Current Assets	**$ 2,186,438**	**$ 11,252,998**
Total Assets	**$ 7,612,731**	**$ 16,932,072**
Current Liabilities	**$ 879,010**	**$ 1,708,538**
Cash And Cash Equivalent	**$ 1,648,430**	**$ 10,418,506**
Property and Equipment	**$ 4,627,415**	**$ 4,580,747**
Total Equity	**$ 6,184,969**	**$ 14,358,035**

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) protecting all IP generated by/within the Company.

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 by 2028 and 2026 respectively.

The Company has incurred a net loss over the last year as it continues to invest into research and development activities on its maturing lithium metal and anode production technologies. Total assets have decreased due to the use of cash resources to fund ongoing operations.

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. As of March 31, 2024, the Company's cash and cash equivalents were $1,648,430 compared with $10,418,506 as of March 31, 2023.

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 accounts payable, accrued liabilities and CEBA loan. As of March 31, 2024, the Company's financial liabilities were $561,986 compared with $1,426,135 as of March 31, 2023.

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, 2024 and for the three months and year ended March 31, 2023:

Table 2. Operating Results for The Years ending March 31, 2024 & 2023

	For the Year Ended March 31, 2024	For the Year Ended March 31, 2023
Revenues	**$ 311,803**	**$ -**
Research and Development	**$ 1,295,260**	**$ 5,058,494**
Salaries and Wages	**$ 1,310,950**	**$ 1,385,783**
Professional Fees	**$ 1,949,797**	**$ 2,299,946**
Share Based Compensation	**$ 464,722**	**$ 1,181,408**
Investor relations & reporting issuer costs	**$ 794,665**	**$ 775,986**
General and Administration	**$ 2,054,831**	**$ 2,105,896**
Interest & bank charges	**$ 6,646**	**$ 10,912**
Amortization	**$ 1,253,299**	**$ 965,944**
Foreign Exchange Loss (Gain)	**$ 34,079**	**$ (851,692)**
Operating Loss Before Following items	**$ (8,852,446)**	**$ (12,932,677)**
Interest and Other Income	**$ 308,584**	**$ 495,553**
Business Development Expenses	**$ (4,858,565)**	**$ -**
Foregiveness of Government Assistance	**$ 10,000**	**$ -**
Accretion of Lease Liability	**$ (95,187)**	**$ (119,637)**
Net Loss for the Year	**$ (13,487,614)**	**$ (12,556,761)**

Table 3. Operating Results for the Quarters ending March 31, 2024 & 2023

	For the Quarter Ended March 31, 2024	For the Quarter Ended March 31, 2023
Revenues	$ -	$ -
Research and Development	$ 78,335	$ 713,228
Salaries and Wages	$ 302,498	$ 589,675
Professional Fees	$ 320,070	$ 780,917
Share Based Compensation	$ 71,792	$ 179,122
Investor relations & reporting issuer costs	$ 70,405	$ 188,702
General and Administration	$ 335,916	$ 810,176
Interest & bank charges	$ 1,431	$ 10,912
Amortization	$ 101,931	$ 169,925
Foreign Exchange Loss (Gain)	$ (245,446)	$ (888,894)
Operating Loss Before Following items	$ (1,036,932)	$ (2,553,763)
Interest and Other Income	$ 30,346	$ 168,609
Business Development Expenses	$ -	$ -
Foregiveness of Government Assistance	$ -	$ -
Accretion of Lease Liability	$ (21,050)	$ (34,492)
Net Loss for the Quarter	$ (1,027,636)	$ (2,419,646)

Discussions of Operations

Revenues

During the years ended March 31, 2024 and March 31, 2023 the Company recorded $311,803 and NIL service and shipping income respectively. This income represents results from providing samples to paying & recurring customers. Prior to the current year, the Company revenue from sample anode products for distribution to battery developers was applied as an offset against research and development costs.

Research and Development

Research and Development expenditure for fourth quarter and year ending March 31, 2024 was $78,335 and $1,295,260 respectively, as compared to $713,228 for Q4 2023 and $5,058,494 for FY 2023. The decrease for the year represents the timing of expenditures and activities, as well as changes to the scope of piloting and testing activities as a result of the Concept Engineering study and results from lithium metal production campaigns. Completion of major activities associated with piloting the lithium scrap reprocessing equipment was concluded in November 2023, with a greater focus in subsequent months on smaller-scale process piloting, lithium sample production and equipment longevity testing programs which require less overall capital expenditure than the larger scale piloting activities carried out over the same period in FY2023. Activities for lithium anode product and process development activities included

development of advanced characterization techniques, quality improvements, product sampling to customers, and collaboration with MVS in establishing the design of the commercial scale machine.

Table 4. R&D Detail for the Years & Quarters ending March 31, 2024 & 2023

R&D Cost Breakdown	For the Year Ended March 31, 2024	For the Year Ended March 31, 2023
Consumables	$ 589,996	$ 2,951,726
Professional Fees	$ 884,994	$ 944,261
Salary & Wages	$ 1,474,990	$ 2,375,354
Government assistance	$ (1,654,720)	$ (1,212,847)
Total R&D	$ 1,295,260	$ 5,058,494

R&D Cost Breakdown	For the Quarter Ended March 31, 2024	For the Quarter Ended March 31, 2023
Consumables	$ 96,742	$ 1,123,901
Professional Fees	$ 152,477	$ 359,537
Salary & Wages	$ 254,128	$ 442,637
Government assistance	$ (425,011)	$ (1,212,847)
Total R&D	$ 78,335	$ 713,228

R&D expenditure is captured in four categories:

- Consumables- includes raw materials/consumables used for lithium metal and anode production testing.
- Professional fees - includes technical/operational experts, skilled trades – electrician, specialized fabricators etc., laboratory testing services for analytical services and engineering Consulting firms to conduct scoping level studies for a demonstration/commercial lithium metal and anode production facilities.
- Salary & wages - includes the allocation of R&D team consisting 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.
- Government assistance – includes several government programs that offset the underlying cost of R&D.

Government Assistance

Li-Metal utilizes a number of government programs that support its development activities.

Table 5. Government Assistance Detail for the Years & Quarters ending March 31, 2024 & 2023

Government Assistance	For the Year Ended March 31, 2024	For the Year Ended March 31, 2023
NGEN refunds	$ 626,819	$ 1,212,847
Government of Ontario Grants	$ 1,027,901	$ -
	$ 1,654,720	$ 1,212,847

Government Assistance	For the Quarter Ended March 31, 2024	For the Quarter Ended March 31, 2023
NGEN refunds	$ -	$ 1,212,847
Government of Ontario Grants	$ 425,011	$ -
	$ 425,011	$ 1,212,847

NGEN refunds - on March 1, 2022, Li-Metal was granted up to $1.9 million grant, 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 lithium metal production, 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).

Government of Ontario grants - on June 6, 2023, the Company was awarded over $1,430,826 from the Government of Ontario to develop and commercialize 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. During the year ended March 31, 2024 the Company received refunds of $485,064 (2023 - $nil) from SMIF and $429,584 (2023 - $nil) from OVIN.

There are no unfilled conditions nor other contingencies related to the government assistance received.

Salaries and Wages

Salaries and wages expenditures for the year ending March 31, 2024 and March 31, 2023 were $1,310,950 and $1,385,783 respectively. The expenses were fairly consistent. 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 the year ending March 31, 2024 and March 31, 2023 was $464,722 and $1,181,408 respectively. The decrease is due to the reduction in granting and vesting of options to Officers, Employees and Consultants.

Table 6. Stock Based Compensation for the Years ending March 31, 2024 & 2023

Share Based Compensation	For the Year Ended March 31, 2024	For the Year Ended March 31, 2023
Stock options	$ 320,879	$ 1,059,119
RSUs	$ 143,843	$ 122,289
Total	$ 464,722	$ 1,181,408

Professional Fees

Professional, legal and consulting fees expenditures for the year ending March 31, 2024 and March 31, 2023 were $1,949,797 and $2,299,946, respectively. Professional fees includes legal, insurance, strategic consultants, accounting and audit fees which are in place to meet public listed company's requirements and support the growth of the overall business.

Li-Metal continues to strengthen its IP portfolio and file patents to protect its technology and products, the fees associated with IP filing is included in this section as well.

Investor Relations & Reporting

Issuer Costs Investor relations & reporting issuer costs for the year ending March 31, 2024 and March 31, 2023 was $794,665 and $775,986 respectively. The company continues to pursue effective investor relations programs and provide regular updates regarding its progress in various areas of the business. The cost includes IR firm fees, regulatory fees, investor conferences cost and fees for issuing press releases.

General and Administrative

General and administrative expenditures for the year ending March 31, 2024 and March 31, 2023 was $2,054,831 and $2,105,896, respectively. General and administrative expenses include all expenses associated with the administration and general operations including executive and administrative wages, rent, insurance and other costs associated to support the activities of the Company not specifically identifiable to other expense areas.

Interest and bank charges

Interest & bank charges for the year ending March 31, 2024 and March 31, 2023 was $6,646 and $10,912, respectively.

Foreign Exchange Loss (Gain)

Foreign Exchange Loss (Gain) for the year ending March 31, 2024 and March 31, 2023 was a loss of $34,079 and a gain of $851,692, respectively. The movement is primarily due to the stabilization of the Canadian to US dollar exchange rate during FY2024 combined with a decreased level of financials instruments denominated in US dollars.

Amortization of property & equipment

Amortization for the year ending March 31, 2024 and March 31, 2023 was $953,784 and $667,428, respectively. The increase represents the increased amortization of property plant & equipment of assets acquired in FY 2023 of $2,597,522 as well as amortization of right-of-use assets for the year ending March 31, 2024 and March 31, 2023 of $299,515 and $ 298,516, respectively.

Interest and Other Income

Interest and Other Income for the year ending March 31, 2024 and March 31, 2023 was $308,584 and $495,553, respectively. The decrease represents the decrease in cash from $10,418,506 at March 31, 2023 to $1,648,430 at March 31, 2024.

Business development expense

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 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 three and nine months ended December 31, 2023, the Company recorded the USD $500,000 payment as asset under construction. 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 $4,858,565.

Forgiveness of government assistance

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 for the year ended March 31, 2024.

Accretion of Lease Liability

Accretion of lease liability for the year ending March 31, 2024 and March 31, 2023 was $95,187 and $119,637, respectively.

Foreign Currency Translation Adjustment

FC translation adjustment for the year ending March 31, 2024 and March 31, 2023 was a loss of $8,739 and $184,062, respectively.

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:

There are no significant seasonal variations in quarterly results as the Company is not subject to significant seasonality in its research and corporate activities.

Table 7. Summary of the Last Eight Quarters Financials Results and Years Ending March 31, 2024 & 2023

For the Quarter Ending	Revenue	Total Loss and Comprehensive Loss for the Quarter	Basic and Fully Diluted Gain (Loss) per share
March 31, 2024	$ -	$ (1,126,699)	$ (0.01)
December 31, 2023	$ 4,624	$ (1,906,909)	$ (0.01)
September 30, 2023	$ 127,195	$ (6,209,889)	$ (0.04)
June 30, 2023	$ 183,105	$ (4,252,856)	$ (0.03)
March 31, 2023	$ -	$ (2,603,708)	$ (0.02)
December 31, 2022	$ -	$ (4,106,438)	$ (0.03)
September 30, 2022	$ -	$ (3,241,205)	$ (0.02)
June 30, 2022	$ -	$ (2,789,472)	$ (0.02)

For the Years Ending	Revenue	Total Loss and Comprehensive Loss for the Year	Basic and Fully Diluted Gain (Loss) per share
March 31, 2024	$ 311,803	$ (13,496,353)	$ (0.09)
March 31, 2023	$ -	$ (12,740,823)	$ (0.08)

In the fourth quarter the 21,000,000 warrants issued to Mustang Vacuum Systems Inc. were revalued to reflect the share price on the date of issuance rather than the date the agreement was executed. The change in business development expense that resulted has been retroactively applied to the second quarter which is the quarter in which the transaction with MVS occurred.

6. Liquidity and Capital Resources

Operating Activities

Net cash used in operating activities for the years ended March 31, 2024 and March 31, 2023 was $7,351,225 and $9,778,686 respectively. The cash used reflects a continuing investment in research and development activities as well as investment in the commercialization of its lithium metal production, anode production and lithium scrap reprocessing processes. Through the expenses incurred, Li-Metal managed to complete the concept study for a 1000 TPA lithium metal production plant, install and commission equipment for reprocessing of lithium metal to make ingots, carry out equipment longevity testing and continue to provide anode samples to its customers.

Investment Activities

Net cash used in investment activities for the years ended March 31, 2024 and March 31, 2023 was $1,377,790 and $2,967,764 respectively. As Li-Metal setup its metal and anode pilot production facilities in the prior year, the cash used reflects an investment in property and equipment and repayment of lease liability. The investment also includes setup of a pilot operation for reprocessing lithium metal and expansion of Li-Metal's internal analytical and product characterization capabilities. The Company is currently investing in a commercial scale PVD machine to produce anodes which will go online in the near future.

Financing Activities

Net cash used in financing activities for the year ended March 31, 2024 and March 31, 2023 was $30,000 and $Nil, respectively. The $30,000 represents repayment of the portion of the CEBA loan not forgiven.

Liquidity

As of March 31, 2024, the Company had a net working capital of $1,307,430 which decreased as compared to a net working capital of $9,544,460 as of March 31, 2023. As of March 31, 2024, Li-Metal had $1,648,430 in cash and cash equivalents as compared to March 31, 2023 of $10,418,506. The Company has minimal 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.

Subsequent to fiscal 2024 year end, the Company closed financing for a US$750,000 subscription (the "Subscription") for units of the Company from North Carolina-based Blue Horizon Advisors LLC ("Blue Horizon" or the "Subscriber") in May 2024. The Company has also announced the initiation of a non-brokered private placement to raise gross proceeds of up to $2,000,000. The company currently has entered into a non binding LOI for the potential sale of it's lithium metal business for an indicative purchase price of US$11,000,000 (~C$15,000,000).

The Company is in the early stages of operation and at present, its operations do not generate cash flow from operations. 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.

As of March 31, 2024, the Company's credit and interest rate risk remains minimal. Accounts payable and accrued liabilities are short-term and non-interest bearing.

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 at March 31, 2024, the Company's financial assets were $1,648,430 compared with $10,418,506 as of March 31, 2023.

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, other liabilities and Government assistance. As of March 31, 2023, the Company's financial liabilities were $561,986 compared with $1,426,135 as of March 31, 2023.

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 nonconsolidated variable interests.

7. Outstanding Share Data

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

Table 8. Summary of Capital Stock for the Last Eight Quarters Fiscal 2024 & 2023

Shares	Quarter Ended							
	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022
Open	159,328,828	159,328,828	154,953,828	154,953,828	154,953,828	154,953,828	154,953,828	154,953,828
Issued	-	-	4,375,000	-	-	-	-	-
Close	**159,328,828**	**159,328,828**	**159,328,828**	**154,953,828**	**154,953,828**	**154,953,828**	**154,953,828**	**154,953,828**

Restricted Share Units ("RSU")	Quarter Ended							
	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022
Open	1,432,664	4,816,010	4,816,010	1,383,029	1,383,029	-	-	-
Issued	-	-	-	3,432,981		1,383,029	-	-
Forfeited	-	3,383,346	-	-	-	-	-	-
Close	**1,432,664**	**1,432,664**	**4,816,010**	**4,816,010**	**1,383,029**	**1,383,029**	**-**	**-**

Options	Quarter Ended							
	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022
Open	12,983,697	14,459,523	14,459,523	14,459,523	15,079,523	11,771,089	11,266,089	10,321,589
Issued		-	-	-	-	3,391,029	505,000	1,004,500
Excercised		-	-	-	-	-	-	-
Forfeited	90,167	1,475,826	-	-	620,000	82,595	-	60,000
Close	**12,893,530**	**12,983,697**	**14,459,523**	**14,459,523**	**14,459,523**	**15,079,523**	**11,771,089**	**11,266,089**

Warrants	Quarter Ended							
	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022
Open	21,000,000	21,000,000	-	-	-	-	-	-
Issued		-	21,000,000	-	-	-	-	-
Close	**21,000,000**	**21,000,000**	**21,000,000**	**-**	**-**	**-**	**-**	**-**

Fully Diluted	**194,655,022**	**194,745,189**	**199,604,361**	**174,229,361**	**170,796,380**	**171,416,380**	**166,724,917**	**166,219,917**

As of March 31, 2024 Li-Metal has:

- 159,328,828 issued and outstanding shares.
- 12,893,530 stock options outstanding.
- 1,432,664 Restricted Shares Units.
- 21,000,000 warrants outstanding
- Total Fully Diluted Share Capital of 194,655,022.

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 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.

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"), The Chief Financial Officer ("CFO") and The Chief Technology Officer ("CTO"). Key management personnel remuneration includes the following payments:

Table 8. Related Party Transactions for Fiscal 2024 & 2023

Related Party	For the Year Ended March 31, 2024	For the Year Ended March 31, 2023
Director Fees	$ 238,042	$ 259,000
Officer Compensation and Consulting Fees	$ 1,359,230	$ 915,830
Share-based Compensation	$ 233,332	$ 66,560
Total	$ 1,830,604	$ 1,241,390

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 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.

Key Sources of Estimation Uncertainty

1) 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.

2) 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.

3) 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.

4) 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.

5) 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.

6) 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.

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 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.

Risks Associated with the MVS strategic collaboration agreement and a contract production agreement

There are risks associated with the MVS strategic collaboration and contract production agreements. The technology is new and untested and at the development stage. The potential customer base is uncertain, specifically:

- there are risks that the MVS and Li-Metal technologies cannot be successfully combined. The technologies are unproven in combination and may not result in a successful collaboration;
- there are risks that both or either party may not meet their obligations under the agreements;
- there are also risks that the intended benefits of the agreement are not realized fully or even partially;
- there is also risks that the intended market for anodes may not materialize or that it may be substantially smaller than anticipated; and,
- there is risk that the intended market for the anode machines may not be realized or that it may be substantially smaller than anticipated.

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 being 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 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

Since January 2020 there has been a global pandemic outbreak of COVID-19. The actual and threatened spread of the virus globally has had a material adverse effect on the global economy and specifically, the regional economies in which the Company operates. The pandemic could continue to have a negative impact on the stock market, including trading prices of the Company's shares and its ability to raise new capital. These factors, among others, could have a significant impact on the Company's operations.

It is not possible to reliably estimate the duration and severity of the consequences of COVID-19, as well as the impact on the financial position and results of the Company for future periods. The impact of COVID-19 did not have a material impact on operations of the Company. Despite not being adversely affected 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. 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.

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 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 of December 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 2025;
- 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;
- That the Company will be successful in achieving commercialization; including that the anticipated timeline and cost to achieve commercialization for anode production and lithium metal production will be achieved;
- That the collaboration with MVS will result in the successful anode production and PVS machine production;
- 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 in 2025;
- That the Company will move through the development phase and the value of both anode, lithium metal and metal recycling 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 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; 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.