2555663 Ontario Limited
(operating as “Li-Metal Corp.)

Financial Statements

December 31, 2020 and 2019

Grant Thornton

Independent Auditor's Report

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To the Shareholders of
2555663 Ontario Limited (operating as "Li-Metal Corp.")

Opinion

We have audited the financial statements of 2555663 Ontario Limited (operating as "Li-Metal Corp.") ("the Company"), which comprise the statements of financial position as at December 31, 2020, December 31, 2019 and January 1, 2019, and the statements of loss and comprehensive loss, changes in equity and cash flows for the years ended December 31, 2020 and December 31, 2019, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of 2555663 Ontario Limited (operating as "Li-Metal Corp.") as at December 31, 2020, December 31, 2019 and January 1, 2019, and its financial performance for the years ended December 31, 2020 and December 31, 2019 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 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 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 financial statements, which states that 2555663 Ontario Limited (operating as "Li-Metal Corp.") incurred a loss from operations of $3,126,070 and had negative cash flows from operating activities during the year ended December 31, 2020, and, as of that date, the Company had a working capital deficiency of $3,268,414 and an accumulated deficit of $3,798,212. As stated in Note 2, these events and conditions, along with other matters as described 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.

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

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

In preparing the 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Grant Thornton LLP

Toronto, Canada
July 12, 2021

Chartered Professional Accountants
Licensed Public Accountants

2555663 Ontario Limited (operating as “Li-Metal Corp.”)
Statement of Financial Position

(Expressed in Canadian dollars)

As at December 31, 2020, 2019 and January 1, 2019

	December 31, 2020 $	December 31, 2019 $	January 1, 2019 $
Assets			
Current assets			
Cash and cash equivalents	**3,047,978**	453,050	13,856
Sales tax receivables	**74,796**	13,671	-
Subscriptions receivable (Note 9)	**192,843**	1,863	-
Prepaid expenses	**66,621**	52,965	-
Total current assets	**3,382,238**	521,549	13,856
Non-current assets			
Property and equipment (Note 7)	**284,402**	54,777	-
Total Assets	**3,666,640**	576,326	13,856
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	**113,824**	30,798	49,234
Long-Term liabilities			
Shareholder advances	**-**	-	1,927
Government assistance (Note 8)	**40,000**	-	-
Total Liabilities	**153,824**	30,798	51,161
Shareholders’ Equity			
Share capital (Note 11)	**6,393,604**	1,217,670	100
Contributed surplus	**752,751**	-	-
Retained deficit	**(3,633,539)**	(672,142)	(37,405)
Total Shareholders’ Equity	**3,512,816**	545,528	(37,305)
Total Liabilities and Shareholders’ Equity	**3,666,640**	576,326	13,856

Going concern (Note 2)
Subsequent events (Note 16)

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

2555663 Ontario Limited (operating as "Li-Metal Corp.")
Statement of Loss and Other Comprehensive Loss

(Expressed in Canadian dollars)
For the years ended December 31, 2020 and 2019

	2020 $	2019 $
Expenses		
Research and development	**860,379**	225,509
Salaries and wages	**309,420**	189,762
Share-based payments compensation (Note 11)	**752,751**	-
Professional fees	**906,941**	180,486
Office and general	**43,322**	12,584
Insurance	**6,972**	1,013
Travel	**3,347**	17,083
Interest and bank charges	**2,511**	874
Meals and entertainment	**1,473**	4,584
Interest and other income	**(1,424)**	-
Foreign exchange losses	**39,263**	-
Amortization of property and equipment	**36,442**	2,842
	2,961,397	634,737
Loss before income taxes	**(2,961,397)**	(634,737)
Income tax expense	**-**	-
Net loss and comprehensive loss for the year	**(2,961,397)**	(634,737)
Weighted average number of common shares	**2,243,498**	953,757
Basic and diluted loss per share	**(1.32)**	(0.67)

The accompanying notes are an integral part of these financial statements

2555663 Ontario Limited (operating as "Li-Metal Corp.")
Statement of Changes in Equity
(Expressed in Canadian dollars)
For the years ended December 31, 2020 and 2019

	Share Capital $	Contributed Surplus $	Retained Deficits $	Total Shareholders' Equity $
Balance- January 1, 2019	100	-	(37,405)	(37,305)
Private placements	1,217,570	-	-	1,217,570
Net loss and comprehensive loss	-	-	(634,737)	(634,737)
Balance – December 31, 2019	1,217,670	-	(672,142)	545,528
Private placements	5,175,934	-	-	5,175,934
Issuance of stock options	-	752,751	-	752,751
Net loss and comprehensive loss	-		(2,961,397)	(2,961,397)
Balance – December 31, 2020	**6,393,604**	**752,751**	**(3,633,539)**	**3,512,816**

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

2555663 Ontario Limited (operating as "Li-Metal Corp.")
Statement of Cash Flows

(Expressed in Canadian dollars)
For the years ended December 31, 2020 and 2019

	2020	2019
	$	$
OPERATING ACTIVITIES		
Net loss	**(2,961,397)**	(634,737)
Items not affecting cash and cash equivalents		
Share-based payments compensation	**752,751**	-
Amortization of property and equipment	**36,442**	2,842
Net changes in non-cash working capital		
Other receivables	**(61,125)**	(15,534)
Prepaid expenses	**(13,656)**	(52,965)
Accounts payable and accrued liabilities	**83,026**	(18,436)
Net cash used in operating activities	**(2,163,959)**	**(718,830)**
INVESTING ACTIVITIES		
Purchase of property and equipment	**(266,067)**	(57,619)
Net cash used in investing activities	**(266,067)**	**(57,619)**
FINANCING ACTIVITIES		
Government assistance	**40,000**	-
Shareholders advances	**-**	(1,927)
Issuance of share capital	**4,984,954**	1,217,570
Net cash generated from financing activities	**5,024,954**	**1,215,643**
Net cash increase for year	**2,594,928**	**439,194**
Cash and cash equivalents – Beginning of year	**453,050**	**13,856**
Cash and cash equivalents – End of year	**3,047,978**	**453,050**

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

1. Nature of business

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

The financial statements of the Company for the year ended December 31, 2020 were approved by the Board of Directors on July 12, 2021.

2. Going concern

The Company is in the early stages of operation and at present, its operations do not generate cash flow. The Company incurred a net loss of $2,961,397 during the year ended December 31, 2020 (2019 - $634,737) and, as of that date, its accumulated deficit was $3,633,539 (2019 - $672,142). The Company is pursuing additional equity financing as well as a public listing on a recognized Canadian stock exchange.

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 the current offering 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 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 preparation

These 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 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.

4. Summary of significant accounting policies

Basis of measurement

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

Foreign currency translation

The financial statements are presented in Canadian dollars, which is also the functional currency of the Company.

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.

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. For cash flow statement presentation purposes, cash and cash equivalents includes bank overdrafts.

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%

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 comprehensive income.

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.

4. Summary of significant accounting policies (continued)

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
Sales tax receivables	Assets at amortized cost
Financial liabilities	
Accounts payable	Other liabilities

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 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); and Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

4. Summary of significant accounting policies (continued)

Financial instruments (continued)

Impairment of financial assets
A loss allowance for expected credit losses is recognized in OCI 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 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.

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 recognized 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.

4. Summary of significant accounting policies (continued)

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 profit or 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.

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 three share-based compensation plans: The Share option plan, Deferred share unit plan and Restricted share unit plan, as noted below.

4. Summary of significant accounting policies (continued)

Share-based payments (continued)

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.

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

The Company leases certain property and equipment. Leases, in which substantially all of the risks and rewards of ownership are retained by the lessor, are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statements of loss and comprehensive loss on a straight-line basis over the period of the lease. The Company has evaluated all contracts which could be classified as leases as a result of adoption of *IFRS 16 Leases* and determined that recognition exemption was met as the leases are of low value.

Interest income

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

5. Significant Judgements and Sources of Estimation Uncertainty

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.

5. Significant Judgements and Sources of Estimation Uncertainty (continued)

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 Canada. 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.

5. Significant Judgements and Sources of Estimation Uncertainty (continued)

Key Sources of Estimation Uncertainty (continued)

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.

6. Initial Adoption and Upcoming Changes in Accounting Standards

Adoption of new accounting standards

New standards, amendments and interpretations adopted in the current year have not been disclosed as they did not have a material impact to the Company's financial statements.

New standards and interpretations not yet adopted

At the date of the authorization of these financial statements, several new, but not effective Standards and amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards or amendments to existing Standards have been adopted early by the Company. Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New standards, amendments and interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact to the Company's financial statements.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact to the Company's financial statements.

(Expressed in Canadian dollars)

7. Property and equipment

	Computer Hardware $	Equipment $	Furniture & Fixtures $	Total $
Year ended December 31, 2020:				
Opening net book value	-	53,777	-	53,777
Additions	4,846	252,991	8,230	266,067
Amortization for the year	(181)	(36,055)	(206)	(36,442)
Closing net book value	**4,665**	**270,713**	**8,024**	**284,402**
At December 31, 2020:				
Cost	4,846	307,768	8,230	320,844
Accumulated amortization	(181)	(36,055)	(206)	(36,442)
Net book value	**4,665**	**270,713**	**8,024**	**284,402**

	Computer Hardware $	Equipment $	Furniture & Fixtures $	Total $
Year ended December 31, 2019:				
Opening net book value	-	-	-	-
Additions	-	57,619	-	57,619
Amortization for the year	-	(2,842)	-	(2,842)
Closing net book value	-	54,777	-	54,777
At December 31, 2019:				
Cost	-	57,619	-	57,619
Accumulated amortization	-	(2,842)	-	(2,842)
Net book value	-	54,777	-	54,777

(Expressed in Canadian dollars)

8. Government assistance

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, 2022. 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, 2022, the remaining principal will be forgiven.

9. Share subscriptions

Share subscriptions of $192,483 (December 31, 2019 - $1,863) are related to private placements that were not paid in cash at year-end and therefore remained as a subscription receivable.

10. Related party

Key management of the Company are its Board of Directors and members of executive management. Key management personnel remuneration includes the following:

	2020	**2019**
	$	**$**
Salaries and short-term employment benefits	**96,500**	73,500
Consulting fees	**25,483**	26,038
Share-based compensation	**752,751**	-
Share capital issued	**327,911**	170,400
	1,202,645	269,938

The Company is related to Li-Cycle Corp. through some shareholders having common ownership. During the year ended December 31, 2020 the two companies have no shared services or personnel costs (December 31, 2019 - Nil).

11. Share capital

Common Shares
The Company is authorized to issue an unlimited number of common shares.

Class A Common Shares
The Company is authorized to issue an unlimited number of class A common shares. As at December 31, 2020, there were 1,000,000 (2019 - 1,000,000) class A common shares outstanding with Nil value assigned to the shares. The holders of class A common shares are entitled to one vote per share.

Class B Common Shares
The Company is authorized to issue an unlimited number of class B common shares. As at December 31, 2020, there were 3,135,038 (2019 – 1,623,800) class B common shares outstanding. The holders of class B common shares are not entitled to vote.

(Expressed in Canadian dollars)

11. Share capital (continued)

A summary of the Class B common shares as at December 31, 2020 and 2019 are as follows:

	Number of Shares	Amount
Balance, December 31, 2018	200	$ 100
Private placement-common shares (i)	1,623,600	1,217,570
Balance, December 31, 2019	**1,623,800**	**$ 1,217,670**
Private placement-common shares (ii)	1,511,238	5,175,934
Balance, December 31, 2020	**3,135,038**	**$ 6,393,604**

(i) During the year ended December 31, 2019 at various dates, 1,623,800 class B common shares were issued for proceeds of $1,127,570.

(ii) During the year ended December 31, 2020 at various dates, 1,511,238 class B common shares were issued for proceeds of $5,175,934.

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 January 1, 2019	-	-
Balance December 31, 2019	-	-
Granted	280,320	$3.27
Balance December 31, 2020	280,320	$3.27

As at December 31, 2020, the following stock options were outstanding:

Exercise price (CAD)	Options vested	Options unvested	Total outstanding	Remaining contractual life (years)	Expiry date
$1.50	89,290	-	89,290	4.79	October 15, 2025
$4.37	136,558	54,472	191,030	4.96	December 17, 2025
	225,848	54,472	280,320	4.86	

On October 15, 2020, the Company granted 89,290 options to directors, officers, and employees with an exercise price of $1.50 and an expiry date of October 15, 2025 and an immediate vesting date. The fair value of these options on grant date was estimated to be $339,937 based on Black-Scholes valuation model based on the assumptions below.

(Expressed in Canadian dollars)

11. Share capital (continued)

On December 17, 2020, the Company granted 191,030 options to consultants, directors, officers, and employees with an exercise price of USD 3.44 and an expiry date of December 17, 2025 and an immediate vesting date, with the exception of 54,472 options. The fair value of the vested options on grant date was estimated to be $412,824 based on Black-Scholes valuation model based on the assumptions below.

The following summarizes the assumptions used in the valuation of the instruments.

	2020	2019
Risk-free interest rate	**0.34%**	-
Volatility based on comparable companies	**90.48%**	-
Expected option life	**5 years**	-
Expected dividend	**0%**	-
Forfeiture	**0%**	-

During the year ended December 31, 2020, the Company recognized a share-based payments expense of $752,751 (2019 – Nil).

12. Income tax

A reconciliation of income taxes at the rates expected to apply when the asset is realized of approximately 26.5% (2019 - 26.5%) with the reported taxes is as follows:

	2020 $	2019 $
Loss before income taxes	**(2,961,397)**	(634,737)
Expected income tax recovery	**(784,770)**	(168,205)
Non-deductible expenses	**195**	608
Stock-based compensation	**199,478**	**-**
Adjustment to prior year filing	**(9,275)**	9,275
Benefit of tax assets not recognized	**594,372**	158,322
Provision for current income taxes	**-**	-

As at December 31, 2020 the Company has non-capital losses of $2,904,014 (December 31, 2019 - $605,923), 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 as follows:

2039	605,923
2040	2,298,091
	$ 2,904,014

13. 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 outlined in Note 14. As at December 31, 2020, the Company's current liabilities which comprise accounts payable and accrued liabilities. The Company will require additional funding to maintain corporate and administrative functions and to fund its continuing exploration activities and commitments.

COVID-19

Since December 31, 2019, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide.

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.

Capital Risk Management

The Company's capital management objectives are intended to safeguard its ability to support normal operating requirements on an ongoing objectives basis.

(Expressed in Canadian dollars)

14. Financial Instruments

Capital Risk Management (continued)

The capital of the Company consists of items included in equity net of cash and cash equivalents:

	2020 $	2019 $
Total equity	**3,512,816**	545,528
Cash and cash equivalents	**(3,047,978)**	(453,050)
	464,838	92,478

15. Transition to IFRS

The adoption of IFRS required the application of IFRS 1, which provides guidance for a Company’s initial (and subsequent) adoption of IFRS on the first date at which IFRS was applied, which was January 1, 2019 (“Transition Date”). IFRS 1 generally requires retrospective application of IFRS as effective at the end of its first annual IFRS reporting period. However, IFRS 1 also provides certain option exceptions and mandatory exceptions to this retrospective treatment.

IFRS 1 does not permit changes to estimates previously made. Accordingly, estimates used in the preparation of the Company’s opening IFRS statement of financial position as at the Transition Date are consistent with those that were made under previous GAAP.

16. Subsequent events

On April 1st, 2021, the Company issued 24,999 Class B shares in fulfillment of its obligations under consulting and employment agreements.

Between May 27th and June 1st, 2021 existing shareholders exercised Class B share options, resulting in the issuance of 44,170 Class B shares.

The Company is contemplating a proposed takeover transaction with Eurotin Inc. (TSXV: LIM.H) whereby the Company will amalgamate with a newly created, wholly-owned subsidiary of Eurotin and in consideration for their securities of Li-Metal, at closing the security holders of Li-Metal will receive securities of Eurotin. At closing, it is expected that approximately 15 million post-consolidation common shares of the Resulting Issuer will be issued to the Li-Metal shareholders at a deemed issue price of US$1.00 per share.

In connection with the transaction, the Company intends to complete two private placement financings (the "Financings") to raise approximate gross proceeds of a minimum of US$7.5 million.

On May 7th, 2021, the Company completed a private placement of US$3 million senior secured convertible debentures (the "Debentures"), which Debentures if converted pursuant to the transaction, will convert into Units at a conversion price of US $1.00 per Unit.