LI-METAL CORP. (FORMERLY EUROTIN INC.)

CONSOLIDATED FINANCIAL STATEMENTS

FIFTEEN MONTHS ENDED MARCH 31, 2022 AND YEAR ENDED DECEMBER 31, 2020

(EXPRESSED IN CANADIAN DOLLARS)

NOTICE TO READER

These financial statements have been refiled to refer to the fifteen months ended March 31, 2022, which was previously referred to as the fifteen months ended March 31, 2021 in the consolidated statements of loss and comprehensive loss and the consolidated statements of cash flows for the company.

Grant Thornton

Grant Thornton LLP
11th Floor
200 King Street West, Box 11
Toronto, ON
M5H 3T4

T +1 416 366 0100
F +1 416 360 4949

Independent auditor's report

To the Shareholders of Li-Metal Corp. (formerly Eurotin Inc.)

Opinion

We have audited the consolidated financial statements of Li-Metal Corp. (formerly Eurotin Inc.) ("the Company"), which comprise the consolidated statements of financial position as at March 31, 2022 and December 31, 2020, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in equity and cash flows for the fifteen months ended March 31, 2022 and the year ended December 31, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the Company's consolidated financial statements present fairly, in all material respects, the financial position of Li-Metal Corp. (formerly Eurotin Inc.) as at March 31, 2022 and December 31, 2020 and its consolidated financial performance and its cash flows for the fifteen months ended March 31, 2022 and the year ended December 31, 2020 in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the consolidated financial statements, which indicates that the Company incurred a net loss of $18,734,825 and has an accumulated deficit of $22,368,364. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the Management Discussion and Analysis but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going

concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Ingrid Holbik.

Grant Thornton LLP

Toronto, Canada
July 28, 2022

Chartered Professional Accountants
Licensed Public Accountants

Management's Responsibility for Financial Statements

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

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

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

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

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

(signed) "Maciej Jastrzebski"

Chief Executive Officer

(signed) ″Carlos Pinglo″

Chief Financial Officer

Toronto, Canada
July 28, 2022

Li-Metal Corp. (Formerly Eurotin Inc.)
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	As at March 31, 2022	As at December 31, 2020
ASSETS		
Current assets		
Cash and cash equivalents	**$ 23,162,453**	$ 3,047,978
Sales tax receivables	**516,849**	74,796
Subscription receivable (note 10)	**-**	192,843
Prepaid expenses	**176,270**	66,621
Total current assets	**23,855,572**	3,382,238
Non-current assets		
Property and equipment (note 7)	**2,618,049**	284,402
Right-of-use assets (note 8)	**1,229,701**	-
Total assets	**$ 27,703,322**	$ 3,666,640
EQUITY AND LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	**$ 447,412**	$ 113,824
Lease liability (note 13)	**377,933**	-
Government assistance (note 9)	**40,000**	40,000
Total current liabilities	**865,345**	153,824
Long-term liabilities		
Customer deposits	**17,652**	-
Lease liability (note 13)	**902,875**	-
Total liabilities	**1,785,872**	153,824
Equity		
Share capital (note 15)	**43,188,196**	6,393,604
Contributed surplus	**5,097,618**	752,751
Deficit	**(22,368,364)**	(3,633,539)
Total equity	**25,917,450**	3,512,816
Total equity and liabilities	**$ 27,703,322**	$ 3,666,640

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

Nature of operations and going concern (note 1)
Subsequent events (note 22)

Approved on behalf of the Board:

(Signed) "Mark Wellings", Chairman

(Signed) "Colin Farrell", Director

Li-Metal Corp. (Formerly Eurotin Inc.)

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

	Fifteen Months Ended March 31, 2022	Year Ended December 31, 2020
Operating expenses		
Research and development	**$ 2,151,425**	$ 860,379
Salaries and wages	**1,295,621**	309,420
Share-based compensation (note 17)	**4,654,322**	752,751
Professional fees	**5,611,321**	906,941
Reporting issuer cost	**118,745**	-
Office and general	**1,022,103**	55,114
Interest and bank charges	**185,640**	2,511
Foreign exchange loss (gain)	**(64,634)**	39,263
Amortization of property and equipment	**415,254**	36,442
Amortization of right-of-use assets	**196,042**	-
Operating loss before the following items	**(15,585,839)**	(2,962,821)
Interest and other income	**40,707**	1,424
Change in fair value of convertible debenture (note 12)	**(833,689)**	-
RTO transaction costs (note 14)	**(2,267,108)**	-
Accretion of lease liability	**(88,896)**	-
Total loss and comprehensive loss for the period	**$ (18,734,825)**	$ (2,961,397)
Basic and diluted loss per share (note 19)	**$ (0.21)**	$ (0.07)
Weighted average number of common shares outstanding	**87,297,163**	42,267,502

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

Li-Metal Corp. (Formerly Eurotin Inc.)
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	Fifteen Months Ended March 31, 2022	Year Ended December 31, 2020
Operating activities		
Net loss for the period	**$(18,734,825)**	$ (2,961,397)
Adjustments for:		
Amortization of property and equipment	**415,254**	36,442
Amortization of right-of-use assets	**196,042**	-
Accretion of lease liability	**88,896**	-
Share-based compensation	**4,654,322**	752,751
RTO transaction cost	**2,267,108**	-
Shares issued in settlement of interest expense (note 12)	**174,998**	-
Change in fair value of convertible debentures	**833,689**	-
Shares issued for services	**645,148**	-
Unrealized foreign exchange (gain)	**(32,980)**	-
Non-cash working capital items:		
Sales tax receivables	**(378,747)**	(61,125)
Prepaid expenses	**(105,397)**	(13,656)
Accounts payable and accrued liabilities	**240,066**	83,026
Customer deposits	**17,652**	-
Net cash used in operating activities	**(9,718,774)**	(2,163,959)
Investing activities		
Purchase of property and equipment	**(2,748,901)**	(266,067)
Cash obtained upon RTO with Eurotin	**8,836**	-
Repayment of lease liability	**(233,802)**	-
Net cash used in investing activities	**(2,973,867)**	(266,067)
Financing activities		
Proceeds from issuance of common shares, net of transaction costs	**32,807,116**	4,984,954
Government assistance	**-**	40,000
Net cash provided by financing activities	**32,807,116**	5,024,954
Net change in cash and cash equivalents	**20,114,475**	2,594,928
Cash and cash equivalents, beginning of the period	**3,047,978**	453,050
Cash and cash equivalents, end of the period	**$ 23,162,453**	$ 3,047,978

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

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

	Number of shares	Share capital	Contributed surplus	Deficit	Total
Balance, December 31, 2019	**30,592,400**	**$ 1,217,670**	**$ -**	**$ (672,142)**	**$ 545,528**
Shares issued in private placement	28,471,724	5,175,934	-	-	5,175,934
Share-based compensation	-	-	752,751	-	752,751
Net loss and comprehensive loss for the year	-	-	-	(2,961,397)	(2,961,397)
Balance, December 31, 2020	**59,064,124**	**$ 6,393,604**	**$ 752,751**	**$ (3,633,539)**	**$ 3,512,816**
Shares issued for services	2,201,472	645,148	-	-	645,148
Exercise of stock options	1,122,836	527,514	(309,455)	-	218,059
Elimination of 2555663 Ontario Limited shares (notes 1 and 14)	(62,097,760)	-	-	-	-
Conversion into Li-Metal shares per RTO (notes 1 and 14)	62,097,760	-	-	-	-
Shares and warrants issued from conversion of sub-receipts in private placement	30,000,000	6,504,029	2,763,721	-	9,267,750
Transaction costs in private placement	-	(13,562)	-	-	(13,562)
Shares and warrants issued in settlement of convertible debenture	12,565,468	3,549,998	1,105,489	-	4,655,487
Shares issued as consideration in the RTO	7,999,928	2,249,980	-	-	2,249,980
Shares issued upon exercise of warrants	42,000,000	19,462,275	-	-	19,462,275
Reclassification of fair value of warrants exercised	-	3,869,210	(3,869,210)	-	-
Share-based compensation	-	-	4,654,322	-	4,654,322
Net loss and comprehensive loss for the period	-	-	-	(18,734,825)	(18,734,825)
Balance, March 31, 2022	**154,953,828**	**$ 43,188,196**	**$ 5,097,618**	**$ (22,368,364)**	**$ 25,917,450**

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

1. Nature of operations

Nature of operations

2555663 Ontario Limited 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 and environmentally friendly solution for next generation lithium batteries.

On October 25, 2021, the reverse takeover transaction ("RTO") pursuant to which 2555663 Ontario Limited, acquired Eurotin Inc. was completed under the terms of an amalgamation agreement previously entered into between the Company, Eurotin and 2848302 Ontario Inc., a wholly owned subsidiary of Eurotin (“Subco”), the RTO was completed by way of a three-cornered amalgamation under the laws of the Province of Ontario. Pursuant to the RTO, Subco amalgamated with Li-Metal, with Li-Metal surviving as a wholly owned subsidiary of Eurotin, known as Li-Metal North America Inc. In addition, Eurotin underwent a 124.72 to 1 share consolidation and changed its name to “Li-Metal Corp.”. Immediately following the closing of the RTO, the Resulting Issuer and Li-Metal North America Inc. amalgamated by way of a short-form amalgamation under the laws of the Province of Ontario, with the Resulting Issuer surviving the amalgamation. The Resulting Issuer now holds all of Li-Metal’s assets, conducts the business of Li-Metal under the Li-Metal name and has its shares listed on the Canadian Securities Exchange (the "CSE") under the symbol "LIM". The Company changed its year end from December 31 to March 31 after the RTO. The Company operates from its head office located at 90 Riviera Drive, Markham, Ontario, L3R 5M1 Canada and also through its wholly owned subsidiary: Li-Metal US Inc. incorporated in Albany NY, USA. The address of the registered office is 333 Bay Street, Suite 2400, Toronto, Ontario, M5H 2T6.

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

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

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. Despite not being adversely affected, the Company was eligible to receive government assistance for the CEBA loans in the amount of $40,000.

2. Going concern

The Company is in the early stages of operation and at present, its operations do not generate cash flow from operations. For the fifteen months ended March 31, 2022, the Company incurred a net loss of $18,734,825 (twelve months ended December 31, 2020 - $2,961,397) and had an accumulated deficit of $22,368,364 as at March 31, 2022 (December 31, 2020 - $3,633,539).

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

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

3. Basis of presentation and statement of compliance

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

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

These consolidated financial statements were authorized for issuance by the Board of Directors of the Company on July 28, 2022.

4. Summary of significant accounting policies

Basis of measurement

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

Basis of consolidation

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

Foreign currency translation

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

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

Cash and cash equivalents

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

Property and equipment

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

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

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

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

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	Liabilities at amortized cost
Customer deposits	Liabilities at amortized cost
Shareholder advances	Liabilities at amortized cost
Convertible debentures	Fair value through profit and loss (FVTPL)

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).

4. Summary of significant accounting policies (continued)

Financial instruments (continued)

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

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

Convertible Debentures
Convertible debentures are a financial instrument which may contain multiple components which require consideration of whether they are liability or equity components. On June 30, 2021, the Company entered into convertible debentures which contain a host debt instrument and an embedded derivative liability representing the variability associated with an equity conversion feature in US dollars which is not the functional currency of the Company. The Company has designated the whole instrument to be measured at fair value through profit and loss. At initial recognition, the value of the convertible debenture is equal to the amount of proceeds. Subsequent to initial recognition, the convertible debenture including the host debt instrument and derivative features are measured at fair value through profit and loss using valuation techniques.

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.

4. Summary of significant accounting policies (continued)

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.

Income taxes

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

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

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

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

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.

4. Summary of significant accounting policies (continued)

Share-based payments

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

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

Government assistance

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

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

Leases

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

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

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

4. Summary of significant accounting policies (continued)

Interest income

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

Loss per share

Loss per share is based on the weighted average number of common shares of the Company outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and warrants, in the weighted average number of common shares outstanding during the period, if dilutive. In the Company's case, diluted loss per share is the same as basic loss per share during the period ended March 31, 2022 and year ended December 31, 2020 as the Company recorded a net loss for both periods, and the exercise of any potentially dilutive instruments would be anti-dilutive.

5. Significant judgements and sources of estimation uncertainty

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

Critical Judgement in Applying Accounting Policies

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

Key Sources of Estimation Uncertainty

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

2. Stock-based compensation
   As the Company is newly formed, 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.

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

Key Sources of Estimation Uncertainty (continued)

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

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

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

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

IAS 16, Property plant and equipment ("IAS 16")
The IASB has issued an amendment to IAS 16 to prohibit the deducting from property plant and equipment amounts received from selling items produced while preparing an asset for its intended use. Instead, sales proceeds and its related costs must be recognized in profit or loss. The amendment will require companies to distinguish between costs associated with producing and selling items before the item of property plant and equipment is available for use and costs associated with the making of the item of property plant and equipment available for items intended use.

This amendment is effective for annual periods beginning on or after January 1, 2022. Earlier application is permitted. The extent of the impact of adoption of this amendment has not yet been determined.

(Expressed in Canadian dollars)

6. Initial adoption and upcoming changes in accounting standards (continued)

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

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

This amendment is effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted. The extent of the impact of adoption of this amendment has not yet been determined.

7. Property and equipment

Cost	Computer hardware	Equipment	Furniture & fixtures	Leasehold improvement	Total
Balance, January 1, 2020	$ -	$ 57,618	$ -	$ -	$ 57,618
Additions	4,846	252,992	8,230	-	266,068
Balance, December 31, 2020	4,846	310,610	8,230	-	323,686
Additions	4,461	2,712,183	12,456	19,801	2,748,901
Balance, March 31, 2022	$ 9,307	$ 3,022,793	$ 20,686	$ 19,801	$ 3,072,587

Accumulated depreciation	Computer hardware	Equipment	Furniture & fixtures	Leasehold improvement	Total
Balance, January 1, 2020	$ -	$ (2,842)	$ -	$ -	$ (2,842)
Additions	(181)	(36,055)	(206)	-	(36,442)
Balance, December 31, 2020	(181)	(38,897)	(206)	-	(39,284)
Additions	(3,881)	(404,251)	(5,049)	(2,073)	(415,254)
Balance, March 31, 2022	$ (4,062)	$ (443,148)	$ (5,255)	$ (2,073)	$ (454,538)

Net book value	Computer Equipment	& fixtures	Furniture improvement	Leasehold Total	
Balance, December 31, 2020	$ 4,665	$ 271,713	$ 8,024	$ -	$ 284,402
Balance, March 31, 2022	$ 5,245	$ 2,579,645	$ 15,431	$ 17,728	$ 2,618,049

(Expressed in Canadian dollars)

8. Right-of-use assets

Balance, January 1, 2020 and December 31, 2020	**$**	**-**
Additions		1,427,112
Amortization		(196,042)
Impact of foreign exchange		(1,369)
Balance, March 31, 2022	**$**	**1,229,701**

9. 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. The eligibility of the program may be subject to audit and verification at which time the balance may become repayable.

10. Subscriptions receivable

Subscription receivable of $nil (December 31, 2020 - $192,483) are related to private placements that were not paid in cash at year-end and therefore remained as a subscription receivable.

11. Related party balances and transactions

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

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

	Fifteen Months Ended March 31, 2022	Year Ended December 31, 2020
Salaries and short-term employment	**$ 468,130**	$ 96,500
Consulting fees	**305,863**	25,483
Share-based compensation	**825,153**	752,751
Share capital issued	**157,865**	327,911

The Company is related to Li-Cycle Corp. through some shareholders having common ownership. During the period ended March 31, 2022, the two companies have no shared services or personnel costs (December 31, 2020 - Nil).

(Expressed in Canadian dollars)

12. Convertible debenture and financing

In May 2021, the Company issued USD $3,000,000 of convertible debentures with a 10% coupon rate which mature in May 2022. The principal of each convertible debenture is automatically convertible into common shares and warrants on completion of the reverse takeover. The conversion would occur on a fixed USD share price of $4.74 and a two-year warrant at $1.50 convertible when the share price of the resulting reporting entity trades at or above $3.50. The accrued interest on the convertible debenture is payable in cash. The warrants were subsequently exercised during the period ended March 31, 2022 when the share price traded at or above $3.50.

The instrument is a compound instrument consisting of a host debt instrument and embedded derivatives including the foreign exchange variability associated with a conversion feature in a currency other than the Company's functional currency and the fair value associated with the warrant option. The entire financial instrument is classified and measured at fair value through profit and loss. See note 18 for summary of inputs into the fair value.
A summary of movement in the convertible debentures is as follows:

	As at March 31, 2022	As at December 31, 2020
Opening balance	**$ -**	$ -
Issuance of convertible debentures	**3,662,136**	-
Change in fair value	**833,689**	-
Foreign exchange	**(15,475)**	-
Settlement of convertible debentures	**(4,480,350)**	-
Ending balance	**$ -**	$ -

On October 25, 2021, upon completion of the RTO, all of the outstanding balance of the convertible debentures, accrued interest of $174,998 on the convertible debentures and sub-receipts were converted into common shares and warrants of the Company such that $4,655,498 was converted; where $3,549,998 was allocated to share capital and $1,105,489 allocated to warrants.

13. Lease liability

Balance, January 1, 2020 and December 31, 2020	**$ -**
Additions	1,427,112
Accretion	88,896
Lease payments	(233,802)
Impact of foreign exchange	(1,398)
Balance, March 31, 2022	**$ 1,280,808**

Allocated as:	
Current	$ 377,933
Long-term	902,875
	$ 1,280,808

(Expressed in Canadian dollars)

13. Lease liability (continued)

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

Maturity analysis	March 31, 2022
Less than one year	$ 347,494
One to three years	707,261
Four to five years	485,936
Greater than five years	29,058
Total undiscounted lease liabilities	1,569,749
Amount representing implicit interest	(288,941)
Lease liabilities	$ 1,280,808

14. Reverse takeover

The share capital of each company prior to the RTO was as follows:

Eurotin	Number of Common Shares	Amount ($)
Balance, September 30, 2021	**106,741,332**	**31,495,696**
Debt conversion	**142,702,034**	**2,140,531**
Conversion to Li-Metal shares per RTO	**(241,443,438)**	**-**
Balance, October 25, 2021 before RTO	**7,999,928**	**33,636,227**

2555663 Ontario Limited (operating as "Li-Metal Corp.")	Number of Common Shares	Amount ($)
Balance, September 30, 2021	**62,097,760**	**7,330,277**
Elimination of 2555663 Ontario Limited shares	**(62,097,760)**	**-**
Conversion to Li-Metal shares	**62,097,760**	**-**
Balance, October 25, 2021 before RTO	**62,097,760**	**7,330,277**

On October 25, 2021, 2555663 Ontario Limited (“Li-Metal”) completed a reverse take over (the “RTO”) of Eurotin Inc. pursuant to the terms of the amalgamation agreement, as amended on October 8, 2021 between Eurotin, Li-Metal and 2848302 Ontario Inc., a wholly owned subsidiary of Eurotin (“Eurotin Subco”). Upon the completion of the RTO, Eurotin (following the RTO, the “Resulting Issuer”), changed its name to Li-Metal Corp.

The substance of the Transaction is a reverse takeover of a nonoperating company. The transaction does not constitute a business combination as Eurotin does not meet the definition of a business under IFRS 3, Business Combinations. As a result, the transaction is accounted for as a capital transaction with Li-Metal being identified as the acquirer and the equity consideration being measured at fair value. The resulting consolidated statement of financial position is presented as a continuance of Li-Metal and comparative figures presented in the consolidated financial statements after the reverse takeover are those of Li-Metal.

The equity consideration given by the accounting acquirer to the former shareholder of Eurotin are measured at fair value and the value in excess of the net assets received, the difference is recognized in the consolidated statement of loss and comprehensive loss as a RTO transaction cost. The amount assigned to the transaction cost of $2,492,906 is the difference between the fair value of the consideration and the net identifiable assets of Eurotin acquired by Li-Metal and included in the consolidated statement of loss and comprehensive loss.

(Expressed in Canadian dollars)

14. Reverse takeover (continued)

The fair value of the consideration is determined based on the percentage of ownership the legal parent's shareholders have in the combined entity after the transaction. This represents the fair value of the shares that 2555663 Ontario Limited would have had to issue for the ratio of ownership interest in the combined entity to be the same, if the transaction had taken the legal form of 2555663 Ontario Limited acquiring 100% of the shares in Eurotin. The fair value of the consideration in the RTO is equivalent to the fair value of the 7,999,928 Li-Metal shares controlled by original Eurotin shareholders. The fair value of the shares controlled by original Eurotin shareholders was estimated to be $2,249,980 based on the fair market value of $1.25 per share in the private placement of 2555663 Ontario Limited in September 2021.

Based on the statement of financial position of Eurotin at the time of the RTO, the net liability at estimated fair value that were acquired by 2555663 Ontario Limited were $17,128 and the resulting transaction cost charged to the consolidated statement of loss and comprehensive loss is as follows:

Consideration		
Common shares	$	2,249,980
Total consideration	**$**	**2,249,980**
Identifiable assets acquired		
Cash	$	8,836
Sales tax receivable		63,306
Prepaid		4,252
Accounts payable and accrued liabilities		(93,522)
Total identifiable assets acquired		(17,128)
Unidentifiable assets acquired		
Transaction cost		2,267,108
Total net identifiable assets and transaction cost	**$**	**2,249,980**

15. Share capital

a) Authorized share capital

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

(Expressed in Canadian dollars)

15. Share capital (continued)

b) Common shares issued

At March 31, 2022, the issued share capital amounted to $43,188,196. The changes in issued share capital for the periods were as follows:

	Number of common shares	Amount
Balance, January 1, 2020	30,592,400	$ 1,217,670
Private placement - common shares (i)	28,471,724	5,175,934
Balance, December 31, 2020	59,064,124	6,393,604
Private placement - common shares (ii)	2,201,472	645,148
Exercise of stock options	1,122,836	527,514
Elimination of 2555663 Ontario Limited shares (note 14)	(62,097,760)	-
Conversion into Li-Metal shares per RTO (note 14)	62,097,760	-
Shares and warrants issued from conversion of sub-receipts in private placement (iii)	30,000,000	6,504,029
Transaction costs in private placement (note 12)	-	(13,562)
Shares and warrants issued in settlement of convertible debentures (note 12)	12,565,468	3,549,998
Shares issued as consideration in the RTO (note 14)	7,999,928	2,249,980
Shares issued upon exercises of warrants (note 16)	42,000,000	19,462,275
Reclassification of fair value of warrants exercised	-	3,869,210
Balance, March 31, 2022	154,953,828	$ 43,188,196

(i) During the year ended December 31, 2020 at various dates, 28,471,724 class B common shares were issued for proceeds of $5,175,934.

(ii) During the period ended March 31, 2022 and before the RTO, 2,201,472 class B common shares were issued for proceeds of $645,148.

(iii) On September 7, 2021, the Company completed a private placement of US$7.5 million subscription-receipts (the "Sub-receipts"), which sub-receipts if converted pursuant to the Transaction, will convert into units of the Resulting Issuer (the “Units”) each unit comprising one common share of the resulting issuer (the “Resulting Issuer Shares”) and one warrant (the “Resulting Issuer Warrants”), each Resulting Issuer Warrant allowing its holder to acquire one Resulting Issuer share. Total proceeds were $9,267,750 whereby $6,504,029 was allocated to share capital and $2,763, 721 to warrants.

As at March 31, 2022, 28,032,252 common shares of the Company were in escrow.

16. Warrants

The 12,000,000 warrants issued upon conversion of the convertible debentures and the 30,000,000 warrants issued upon conversion of the sub-receipts in the private placement on September 7, 2021 were all exercised into 42,000,000 common shares of the Company during the year ended December 31, 2021. The fair value of these warrants was estimated to be $3,869,210 using the binomial tree valuation model on the following assumptions: volatility of 90.6% based on comparable companies, risk-free rate of 0.86%, share price range of $0.76 to $1.19 with a mid point of $1.13 on the valuation date of October 25, 2021. As at March 31, 2022, nil warrants were outstanding.

(Expressed in Canadian dollars)

17. Stock options

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

	Number of options	Weighted average exercise price
Balance, January 1, 2020	-	$ -
Granted	5,281,229	0.17
Balance, December 31, 2020	5,281,229	$ 0.17
Exercised	(1,122,835)	0.19
Granted	6,163,195	0.36
Balance, March 31, 2022	10,321,589	$ 0.29

As at March 31, 2022, the stock options outstanding are as follows:

Remaining Contractual Life (years)	Exercisable Options	Number of Options	Exercise Price ($)	Expiry Date
3.55	1,345,780	1,345,780	0.08	October 15, 2025 (i)
3.72	2,139,210	2,426,254	0.23	December 17, 2205 (i)
4.01	188,400	546,360	0.23	April 1, 2026 (i)
4.51	5,240,000	5,780,000	0.31	October 1, 2026
4.69	-	14,000	2.69	December 6, 2026
4.88	-	64,000	2.04	February 14, 2027
4.92	-	9,900	1.60	February 28, 2027
4.94	-	35,295	1.60	March 7, 2027
4.98	-	100,000	1.43	March 21, 2027
4.18	8,913,390	10,321,589	0.29	

(i) On the RTO, these stock options were cancelled and replaced with the options of the resulting issuer. As a result, stock-based compensation of $3,498,490 was recorded in the consolidated statements of loss and comprehensive loss.

During the period ended March 31, 2022, the Company recognized a total share-based payments expense of $4,654,322 (December 31, 2020 – $Nil) consisting of the vested amount of expense and expense associated with the modification. During the year ended March 31, 2022, weighted average share price on dates of exercises of stock options was $1.60. As at March 31, 2022, 2,534,433 stock options of the Company were in escrow.

The stock options were measured using the following inputs:

	Fifteen Months Ended March 31, 2021	Year Ended December 31, 2020
Share price	$1.125	$4.55
Exercise price	0.25%	$1.50 CAD - $3.44 USD
Risk free rate	1.22%	0.34%
Expected option life	4 years	5 years
Volatility	98%	91%
Forfeiture rate	0%	0%

(Expressed in Canadian dollars)

18. 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. The convertible debenture is measured at fair value through profit and loss.

The convertible debentures including the conversion feature is measured at fair value through profit and loss at each reporting period and is a Level 3 measurement as the inputs in its valuation are not based on observable market data. The convertible debenture was measured using a complex model where inputs included the following:

	As at June 30, 2021 (inception)	Settlement
Class B share price	$4.71	$1.25
Risk free rate	0.23% - 0.28%	0.86%
Credit spread	CCC+, CCC, CC-	N/A
Discount for lack of marketability	22%	N/A
Volatility	90% - 91%	90.6%
Probability of transaction	95%	100%

Credit Risk

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

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

Liquidity Risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. The Company's liquidity and operating results may be adversely affected if its access to capital markets is hindered, whether as a result of a downturn in stock market conditions generally or matters specific to the Company. The Company has historically generated cash flow from its financing activities. The Company manages liquidity risk through the management of its capital structure and financial leverage. As at March 31, 2022, 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 development and commercialization activities and commitments.

The following table shows the maturity date of the Company's financial liabilities as at March 31, 2022:

	Total	Less than 1 year	1 to 2 years	Beyond 2 years
Accounts payable and accrued liabilities	$ 447,412	$ 447,412	$ -	$ -
Customer deposits	17,652	-	17,652	-
Government assistance	40,000	40,000	-	-

Please refer to note 13 for lease liability.

(Expressed in Canadian dollars)

19. Net loss per common share

The calculation of basic and diluted loss per share for the fifteen months ended March 31, 2022 was based on the loss attributable to common shares of $18,734,825 (year ended December 31, 2020 - $2,961,397) and the weighted average number of common shares outstanding of 87,297,163 (year ended December 31, 2020 - 42,267,502).

20. Capital risk management

The Company manages its capital with the following objectives:

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

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

The Company considers its capital to be equity, which comprises share capital, contributed surplus and deficit, which at March 31, 2022, totaled $25,917,450 (December 31, 2020 - $3,512,816).

The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. The forecast is updated based on activities related to its operations and research and development activities. Selected information is provided to the Board of Directors of the Company. The Company’s capital management objectives, policies and processes have remained unchanged during the period ended March 31, 2022.

21. Income taxes

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

	Fifteen Months Ended March 31, 2022	Year Ended December 31, 2020
Loss before income taxes	$ (18,734,825)	$ (2,961,397)
	26.5%	26.5%
Expected income tax recovery at statutory rate:	(4,964,729)	(784,770)
Non-deductible expenses	1,865	195
Stock-based compensation	1,233,395	199,478
Adjustment to prior year filing	-	(9,275)
Benefit of deferred tax assets not recognized	3,729,469	594,372
Provision for income taxes	$ -	$ -

(Expressed in Canadian dollars)

21. Income taxes (continued)

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

	March 31, 2022	December 31, 2021
Deferred tax asset arising from loss carryforwards	$ 17,062,227	$ 2,904,014
Deferred tax liability arising from property, plant and equipment	(148,405)	(16,870)
Net unrecognized deferred tax asset	$ 16,913,822	$ 2,887,144

As at March 31, 2022, the Company has non-capital losses of $17,062,227 (December 31, 2021 - $2,904,014), the benefit of which has not been fully recognized. Non-capital losses may be carried forward and applied against taxable income of future years. Losses begin to expire in 2028.

22. Subsequent events

In the first quarter of 2023, the Company granted several employees 1,065,000 incentive stock options that vest over five years with an exercise price of $0.96 to $1.31 per share.

On July 14, 2022, the Company granted to two employees a total of 8,000 incentive stock options that vest over five years with an exercise price of $0.72 per share.