Scalable Technologies for Next-generation Batteries

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the Three Months and Six Months Ended September 30, 2023

MANAGEMENT’S DISCUSSION AND ANALYSIS

1. Introduction

This interim Management's Discussion and Analysis ("MD&A") of Li-Metal Corp. ("Li-Metal", "We", Us", "Our" or the "Company") includes its wholly owned subsidiaries and includes the operating and financial results for the three and six months ending September 30, 2023 and September 30, 2022 and should be read in conjunction with the Company's interim financial statements for the quarter ended September 30, 2023, including the notes thereon (the "Consolidated Financial Statements").

The Company's interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Unless otherwise stated, all amounts discussed herein are denominated in Canadian dollars. This MD&A was prepared as of November 28, 2023, and all information is current as of such date. Readers are encouraged to read the Company's public information filings on SEDAR at www.sedar.com. The Company's Financial Statements are available on Li-Metal's website at www.li-metal.com

This discussion provides management's analysis of the Company's historical operating and financial results and provides estimates of future operating and financial performance based on information currently available. Actual results may vary from estimates and the variances may be significant. Readers should be aware that historical results are not necessarily indicative of future performance. Cautionary statements regarding forward-looking information and mineral reserves and mineral resources can be found in Section 12 titled "Forward-Looking Statements".

This Interim MD&A has been prepared to provide material updates to the business operations, liquidity and capital resources of the Corporation since its last management discussion & analysis, being the Management Discussion & Analysis ("**Annual MD&A**") for the fiscal year ended March 31, 2023. This Interim MD&A does not provide a general update to the Annual MD&A, or reflect any non-material events since the date of the Annual MD&A.

This Interim MD&A has been prepared in compliance with the requirements of section 2.2.1 of Form 51-102F1, in accordance with National Instrument 51- 102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the Annual MD&A, the audited annual consolidated financial statements of the Company for the year ended March 31, 2023. In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. The results for the three and six months ended September 30, 2023 are not necessarily indicative of the results that may be expected for any future period. Information contained herein is presented as of November 29, 2023 unless otherwise.

For the purposes of preparing this Interim MD&A, management, in conjunction with the Board of Directors, considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of Li-Metal's common shares; or (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board of Directors, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

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

2. Overview of the Company

2.1 Our History

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

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

In October 2021, the Company, which at the time was named Eurotin Inc. ("Eurotin"), completed the acquisition of 255663 Ontario Limited (DBA as Li-Metal) through a share exchange transaction (RTO Transaction). Following completion of the RTO Transaction, the Company amalgamated with 2555663 Ontario Limited and changed its name to Li-Metal Corp.; the Company also changed its fiscal year from December 31 to March 31. Since the Company holds all 2555663 Ontario Limited assets and liabilities and will continue with its operations the historical figures presented herein for the three and twelve months ended December 31, 2020 represent those of 2555663 Ontario Limited. 2555663 Ontario Limited was incorporated under the OBCA on January 11, 2017. On May 7, 2019, 2555663 Ontario Limited filed articles of amendment under the OBCA to change the classes and maximum number of shares that Ontario Limited is authorized to issue.

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

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

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

2.2 Our Products

Li-Metal Corp is developing three key technologies – **production of lithium metal from lithium carbonate**, **production of ultra-thin lithium anodes using physical vapor deposition (PVD)** and **the reprocessing of scrap lithium metal from various sources into usable metal ingots.** The three complementary technologies are intended to function together in a vertically integrated and sustainable battery materials production process that will accept lithium carbonate salt or scrap metal anodes as the lithium source and produce metallic lithium or lithiated anode materials (battery components) for next-generation batteries. The Company plans to build commercial facilities to manufacture lithium metal, produce lithiated metal anodes and reprocess scrap lithium. The three principal technologies being scaled-up by Li-Metal include:

Li-Metal Metal Production Process (LMPP) – This patented process uses molten-salt electrolysis to convert lithium carbonate to a lithium metal product which can potentially be sold either to the existing lithium metal market or be used as the input for Li-Metal's anode production process. The principal advantage of the LMPP is that it allows lithium carbonate, the most widely available lithium salt, to be used directly in the process, while eliminating the significant chlorine gas generation associated with conventional lithium metal production processes. Li-Metal's process allows the costly step of converting lithium carbonate to lithium chloride to be eliminated. In May, 2023, Li-Metal was granted a patent for production of refined lithium metal and the company likely became the first company in the world to successfully produce lithium metal directly from lithium carbonate at it's pilot plant in Markham, Ontario.

Li-Metal PVD Anodes (LAP) – This technology comprises proprietary processes and products which use physical vapour deposition (PVD) to form ultra-thin lithium metal anode materials on a variety of metallic and polymer substrates. PVD offers the potential for low-cost production of these materials at scale, and at thickness that have not been commercially achievable by conventional foil rolling. Additionally, the flexibility of the production process allows alterations to material composition and structure to be made that improve the electrochemical performance of the materials relative to conventional foil anodes at modest incremental cost. Li-Metal signed an exclusive partnership with Mustang Vacuum System (MVS), a global developer and manufacturer of PVD equipment, for the supply of high performance PVD machines and services for the production of anode materials for next-generation batteries.

Li-Metal Metal Reprocessing (LMRP) – To enhance the sustainability of lithium metal anodes and to overcome the need to incinerate scrap lithium metal, Li-Metal developed it's reprocessing and casting technology. The Company's technology reprocesses the scrap lithium into ingots that may be used for anode production. The lithium metal ingot (seen in the image), a large solid block of metal, was produced using lithium material from production scrap from lithium foil producers. As Li-Metal continues to progress with its lithium metal reprocessing program and demonstrating the continuous production of lithium metal ingots, the Company is currently evaluating scrap samples from multiple customers to scale capacity and provide lithium metal reprocessing as a service. Li-Metal expects to eventually leverage the pilot facility and know-how generated during the scale up of the reprocessing facility to help its potential partners produce high purity specialty lithium-alloy ingots for advanced battery producers.

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

Left Image: Lithium Scrap Metal

Right Image: Lithium ingot produced from scrap lithium

3. Overview of Our Strategy and Progress

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

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

Advance our Anode Business in line with Customer Growth

The Li-Metal team continues to progress our ultra-thin metal anodes business, further strengthening our technological advantage with our roll-to-roll physical vapor deposition (PVD) process. Our efforts to accelerate customer engagement have resulted in increased requests for samples and we are strategically expanding our workforce at our Rochester anode facility to meet this demand.

Secure Commercial Partnerships with Key Players in the Next Generation Battery Industry

Li-Metal continues to build relationships with leading battery developers and automakers. Over the last quarter, the business development team has accelerated these conversations, with the aim of converting these conversations into strategic agreements to secure a robust customer pipeline for our anode materials.

This partnership is expected to accelerate the commercialization of Li-Metal's innovative roll-to-roll PVD anode technology by:

- leveraging existing and new customer relationships to accelerate the adoption of Li-Metal's ultra-thin anodes;
- jointly building Li-Metal's first commercial-scale PVD machine;
- increasing the annual production capacity of anode materials 50x more than current pilot production capacity (on a linear metre basis); and
- meeting the growing demand of OEMs and next-generation battery developers seeking to differentiate their products through the utilization of Li-Metal's cost effective ultra-thin anode technologies.

Scale-up our modular metal production and scrap reprocessing process
Demonstrate Modular Lithium Metal Production

As we continue to engage with our customers, it has become evident that a sustainable and modular process for producing lithium metal is crucial. The projected demand for lithium metal is expected to increase by 10-12 times the current capacity by 2030 to 40,000 tonnes[1] per annum. Our team has diligently been working to advance our modular lithium metal production technology and prove it at the current pilot scale; an important milestone in this endeavor is the ongoing engineering study, which we are conducting in collaboration with an external engineering firm and expect to finalize this year. In May, 2023, Li-Metal was granted the patent for production of refined lithium metal and the company likely became the first company in the world to successfully produce lithium

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

metal directly from lithium carbonate at it's pilot plant in Markham, Ontario. Li-Metal's patented lithium metal technology has been named one of TIME's Best Inventions of 2023.

Establish a Pilot to Demonstrate Lithium Anode Scrap Reprocessing

As we continue to supply customers with sample metal anode material, a need to reprocess scrap anodes has evolved and we believe this presents an accretive opportunity for Li-Metal. To our knowledge, there are currently no reprocessing facilities in North America and customers are actively looking for solutions for their scrap lithium foil. The Company commissioned a pilot scale lithium metal anode scrap reprocessing and casting facility with material supplied by potential customers and aims to demonstrate the process at pilot scale. The process will allow scrap lithium to be reintroduced in the battery supply chain industry creating a circular supply battery supply chain for lithium and minimize lithium waste.

- **Strategic partnerships and new customer agreements**

Develop Partnership with Key Equipment Supplier

As announced the Company signed a strategic collaboration agreement and a contract production agreement with Mustang Vacuum Systems ("MVS"). The strategic collaboration agreement is for the exclusive supply of high performance PVD machines and advanced battery anode materials for next-generation batteries. The collaboration agreement allows the companies to share their respective proprietary technology to create a commercial-scale PVD machine to produce anode material. Through the exclusive partnership with MVS, Li-Metal and MVS plan to jointly develop and operate Li-Metal's first commercial-scale PVD machine to produce anode material at MVS's manufacturing facility in Sarasota, Florida, which is expected to be commissioned in H2 2024.

The partnership supports Li-Metal's growth strategy for its anode business by securing an experienced machine building partner, thus improving ability to serve its growing customer base. The partnership provides significant synergies for the benefit of Li-Metal and MVS's customers, bringing together battery and product development expertise with profound PVD know-how.

Secure Long-Term Contracts with Customers

The Li-Metal commercial team secured its first major recurring commercial order for anode materials with a battery developer. This key commercial agreement generates future revenues while providing an additional opportunity to further validate the performance of our anode materials. Furthermore, we continue to expand upon the discussions we are having with battery developers and automotive OEMs.

Advance plans for Commercial Demonstration Scale Anode Plant

The Li-Metal commercial team continues to receive inquiries from OEMS and next generation battery developers regarding producing wider and longer rolls of anode materials. The team expects to complete buildout and commission its commercial scale PVD unit in H2 2024 and sign contractual agreements with potential customers to supply them with anode material.

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

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

- debt financing on reasonable terms from lenders;
- capital from shareholders and other investors; or,
- other sources including Government funding.

4. Recent Developments

- On August 23, 2023, the Company announced the appointment of Nelson Moleiro to the role of Vice President, Capital Projects and Government Relations. Mr. Moleiro joined Li-Metal in 2022 as Capital Projects Manager overseeing the Company's Project Management Office and the development of its casting operations. In his new role, he will continue to help lead the Company's development of future commercial facilities and oversee all government relations initiatives, reporting directly to Li-Metal's CEO, Dr. Srini Godavarthy

- On September 20, 2023, the Company announced the completion of the definitive agreements (the "Agreements") for its previously announced exclusive partnership with Mustang Vacuum Systems Inc. ("MVS"), a global developer and manufacturer of industrial scale physical vapour deposition (PVD) equipment. The signing of the Agreements relates to the parties' previously announced strategic collaboration agreement for the exclusive supply of high performance PVD machines and advanced battery anode materials for next-generation batteries (see news release dated April 4, 2023). In addition to the strategic collaboration agreement, Li-Metal and MVS have entered into a contract production agreement to share their respective proprietary technology to create a commercial-scale PVD machine to produce anode material at MVS's manufacturing facility in Sarasota, Florida. Li-Metal and MVS will jointly operate this PVD machine, which is expected to be commissioned by mid-2024.

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

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

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

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

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

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

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

5. Selected Quarterly Financial Information

5.1 Operating Segments

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

5.2 Summary of Quarterly Results

Our Q2 2024 Interim Financial Statements have been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting, as issued by the IASB and accounting policies we adopted in accordance with IFRS. The Q2 2024 Interim Financial Statements reflect all adjustments that are, in the opinion of management, necessary to present our financial position fairly as at September 30, 2023 and the financial performance and cash flows for the three and six months ended September 30, 2023.

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

The following tables set out selected financial information of Li-Metal Corp. for the period ended September 30, 2023. Such information is derived from the interim financial statements.

	For the Quarter Ended September 30, 2023	For the Quarter Ended September 30, 2022
Revenues	**$ 127,195.00**	$ -
Net Gain (Loss) for the period	**$ (5,404,473)**	**$ (3,241,205)**
Diluted Gain (Loss) per share	**$ (0.03)**	**$ (0.02)**
Current Assets	**$ 5,707,865**	**$ 17,925,031**
Total Assets	**$ 10,657,060**	**$ 22,262,027**
Current Liabilities	**$ 915,921**	**$ 893,669**
Cash And Cash Equivalent	**$ 5,103,936**	**$ 17,208,570**
Property and Equipment	**$ 4,000,923**	**$ 3,183,453**
Total Equity	**$ 9,028,901**	**$ 20,467,659**

	For the Quarter Ended September 30, 2023		For the Quarter Ended September 30, 2022	
Revenues	$	127,195	$	-
Research and development	$	750,463	$	1,436,748
Government assistance	$	(550,869)	$	-
Salaries and wages	$	373,856	$	282,484
Professional Fees	$	630,862	$	538,807
Share based compensation	$	458,650	$	203,018
Investor relations & reporting issuer costs	$	388,382	$	287,058
General and administration	$	408,905	$	353,495
Interest & bank charges	$	1,776	$	3,201
Amortization	$	105,785	$	220,447
Foreign exchange loss (gain)	$	(50,997)	$	6,511
Total operating expenses	$	2,516,813	$	3,331,769
Operating loss before the following items	$	(2,389,618)	$	(3,331,769)
Interest and other income	$	90,009	$	119,049
Business development expense	$	(3,392,387)	$	-
Accretion of lease liability	$	(24,694)	$	(28,485)
Net loss for the period	$	(5,716,690)	$	(3,241,205)
Foreign currency translation adjustment	$	312,217	$	-
Total loss and comprehensive loss for the period	$	(5,404,473)	$	(3,241,205)

Discussions of Operations

Revenues

During the three and six months ended September 30, 2023, the Company recorded $127,195 and $310,300 service and shipping income respectively. This income represents results from providing samples to customers. Prior to the current year the Company revenue from sample anode products for distribution to battery developers as an offset against research and development costs.

Research and Development

Research and Development expenditure for the second quarter ending September 30, 2023 and September 30, 2022 was $750,463 and $1,436,748, respectively. The decrease for the quarter represents timing of expenditures and activities. As well, the activities were focused on the teams development of the Company's inhouse anode production, metal production and metal reprocessing. This resulted in a reduction of professional fees and consumables usage. Li-Metal is currently conducting testing for its pilot scale reprocessing operation and aim to commercialize the technology in 2024.

R&D Cost Breakdown	For the Quarter Ended September 30, 2023	For the Quarter Ended September 30, 2022
Consumables (1)	$ 115,150	$ 1,103,982
Professional Fees	$ 252,618	$ -
Salary & Wages	$ 382,695	$ 332,766
Total R&D	$ 750,463	$ 1,436,748

(1) The Company implemented a new system to properly identify, account for, and allocate consumable, professional fees and salary and wages for R&D. The breakdown between consumables and professional fees was not available for the quarter ended September 30, 2022, and therefore the total of consumables and professional fees has been shown under consumables as one figure.

Consumables- includes raw materials/consumables used for lithium metal and anode production testing.

Professional fees - includes technical/operational experts, skilled trades – electrician, specialized fabricators etc., laboratory testing services for purity analysis/surface characterization and engineering Consulting firms to conduct scoping level studies for a demonstration/commercial lithium metal and anode production facilities.

Salary & wages - includes the allocation of R&D team consisting of engineers, scientists and technicians from various technical backgrounds engaged in progressing the development of lithium metal and anode production technologies to the next stage.

Salaries and Wages

Salaries and wages expenditures for the second quarter ending September 30, 2023 and September 30, 2022 were $373,856 and $282,484, respectively. The increase reflects the growth in the team and the subsequent expansion of Li-Metal's operations to support the growing demand for its anode materials and setup of its lithium scrap reprocessing pilot operation. The operations team ensures the Company has the required resources and internal capability to support Li-Metal carrying out its process/equipment development and testing activities.

Professional Fees

Professional, legal and consulting fees expenditures for the second quarter ending September 30, 2023 and September 30, 2022 were $630,807 and $538,807, respectively. Professional fees legal, insurance and accounting fees which are in place to meet public listed company's requirements and obligations. Li-Metal continues to strengthen its IP portfolio and file patents to protect its technology and products, the fees associated with IP filing is included in this section as well.

Share Based Compensation

Share-based compensation expense for the second quarter ending September 30, 2023 and September 30, 2022 was $458,650 and $203,018 respectively. The increase is in connection with the vesting of options previously granted to Officers, Employees and Consultants.

Investor Relations & Reporting

Issuer Costs Investor relations & reporting issuer costs for the second quarter ending September 30, 2023 and September 30, 2022 was $388,382 and $287,058 respectively. The company continues to pursue effective investor relations programs and provide regular updates regarding its progress in various areas of the business.

General and Administrative

General and administrative expenditures for the second quarter ending September 30, 2023 and September 30, 2022 was $408,905 and $353,495, respectively. The increase reflects the growth in the operational activity and expansion of Li-Metal's operations to support all aspects of the business.

Interest and bank charges

Interest & bank charges for the second quarter ending September 30, 2023 and September 30, 2022 was $1,776 and $3,201, respectively.

Amortization

Amortization for the second quarter ending September 30, 2023 and September 30, 2022 was $105,794 and $220,447, respectively. The increase in amortization reflects the $2,608,173 of additions in property plant in fiscal 2023 and a further $311,535 in the quarter ending September 30, 2023.

Foreign Exchange Loss (Gain)

Foreign Exchange Loss (Gain) for the second quarter ending September 30, 2023 and September 30, 2022 was a gain of $50,997 and a loss of $6,511, respectively. The movement reflects the increase in the assets in Li-Metal US operations, as well as a favourable exchange rate movements and increased transactions in US dollars.

Interest and Other Income

Interest and Other Income for the second quarter ending September 30, 2023 and September 30, 2022 was $90,009 and $119,049, respectively.

Business Development Expense

According to the strategic collaboration agreement, MVS may not sell PVD machines for the battery market other than to the Company and the Company may not purchase PVD machines from any entities other than MVS. As consideration for the exclusivity, on September 14, 2023, the Company issued 4,375,000 common shares of the Company to MVS at a value of $0.20 per share for a total of $875,000. The Company also issued to MVS 21,000,000 warrants with each warrant exercisable at a price of CDN $0.627 until September 19, 2028 recorded at a value of $2,517,387. During the three and six months ended September 30, 2023, the Company recorded the fair value of the shares $875,000 and warrants $2,517,387 issued as business development expense for a total of $3,392,387.

Accretion of Lease Liability

Accretion of lease liability for the second quarter ending September 30, 2023 and September 30, 2022 was $24,694 and $28,485, respectively.

Foreign Currency Translation Adjustment

FC translation $312,217 is the result of translation of US sub from USD functional currency to CAD reporting currency. This reflects favourable exchange movement on the USD assets.

Summary of Quarterly Results for the Six Months Ended September 30, 2023 & 2022

	For the Six Months Ended September 30, 2023	For the Six Months Ended September 30, 2022
Revenues	$ 310,300	$ -
Research and Development	$ 1,700,279	$ 2,790,595
Government assistance	$ (643,952)	$ (383,728)
Salaries and Wages	$ 651,005	$ 439,540
Professional Fees	$ 1,193,951	$ 991,264
Share Based Compensation	$ 935,808	$ 548,133
Investor relations & reporting issuer costs	$ 580,700	$ 482,236
General and Administration	$ 1,227,481	$ 833,045
Interest & bank charges	$ 3,801	$ 5,304
Amortization	$ 1,044,465	$ 435,708
Foreign Exchange Loss (Gain)	$ 183,328	$ 8,517
Total operating expenses	$ 6,876,866	$ 6,150,614
Operating Loss	$ (6,566,566)	$ (6,150,614)
Interest and Other Income	$ 224,527	$ 177,873
Business development expense	$ (3,392,387)	$ -
Accretion of Lease Liability	$ (51,058)	$ (57,936)
Total Loss and Comprehensive Loss for the Period	$ (9,785,484)	$ (6,030,677)
Foreign Currency Translation Adjustment	$ 128,155	$ -
Total Loss and Comprehensive Loss for the Period	$ (9,657,329)	$ (6,030,677)

The total loss in during YTD 2023 (April 2022 – September 2022) increased to $9,657,329 compared with the net loss during YTD 2022 (April 2021 – September 2021) of $6,030,677, an increase of $3,626,652. The increase was principally due to the business development expenditure of $3,392,387 as a result of the share based compensation paid to MVS under the strategic collaboration agreement.

Summary of Quarterly and Annual Results

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

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

For the Quarter Ending	Revenue	Total Loss and Comprehensive Loss for the Quarter	Basic and Fully Diluted Gain (Loss) per share	Notes
September 30, 2023	$ 127,195	$ (5,404,473)	$ (0.03)	
June 30, 2023	$ 183,105	$ (4,252,856)	$ (0.03)	
March 31, 2023	$ -	$ (2,211,564)	$ (0.01)	
December 31, 2022	$ -	$ (4,106,438)	$ (0.03)	
September 30, 2022	$ -	$ (3,241,205)	$ (0.02)	
June 30, 2022	$ -	$ (2,789,472)	$ (0.02)	
March 31, 2022	$ -	$ (8,147,496)	$ (0.05)	1
December 31, 2021	$ -	$ (7,015,262)	$ (0.05)	2
September 30, 2021	$ -	$ (1,621,031)	$ (0.03)	
June 30, 2021	$ -	$ (2,818,845)	$ (0.02)	

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

- Share-based compensation - $3,399,555; in connection with the expense revaluation arisingfrom the modification of the legacy 255663 Ontario Limited options granted before the RTO and for the stock options granted to directors, officers, employees and consultants before and after the RTO.
- Consulting and professional fees - $2,350,335; consultants, including senior officers were retained for the RTO completion and to help the Company getting to the next step of development; and the increase in legal fees is in connection with the warrant's acceleration.

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

- Share-based compensation - $ 1,254,767; for the stock options granted to directors, officers, employees and consultants before and after the RTO.
- Consulting and professional fees - $1,983,335; consultants, including senior officers were retained for the RTO completion and to help the Company getting to the next step of development; and to cover legal closing costs, engagement of IR & PR firms and internal staffing to support IR and marketing costs.
- RTO transaction costs - $2,492,906; was due to the completion of the RTO transaction.

For the Year & 15 Months Ending	Revenue	Total Loss and Comprehensive Loss for the Quarter	Basic and Fully Diluted Gain (Loss) per share	Notes
March 31, 2023	$ -	$ (12,556,761)	$ (0.08)	
March 31, 2022	$ -	$ (18,734,825)	$ (0.21)	1

(1) Following completion of the RTO Transaction, the Company amalgamated with 2555663 Ontario Limited and changed its name to Li-Metal Corp. The Company also changed its fiscal year from December 31 to March 31 resulting in a fifteen month period ending March 31, 2022.

6. Liquidity and Capital Resources

Operating Activities

Net cash used in operating activities for the six months ended September 30, 2023 and September 30, 2022 was $4,791,668 and $4,951,565, respectively. The cash used reflects a continuing investment in research and development activities as well as investment in the commercialization of its lithium metal production, anode production and lithium scrap reprocessing processes. Through the expenses incurred, Li-Metal managed to demonstrate its lithium metal pilot production process, install and commission equipment for reprocessing of lithium metal and expand its anode production capability to meet customer demand.

Investment Activities

Net cash used in investment activities for the six months ended September 30, 2023 and September 30, 2022 was $503,888 and $ 1,013,118, respectively. As Li-Metal setup its metal and anode pilot production facilities in the prior year, the cash used reflects an investment in property and equipment and repayment of lease liability. The expansion of its R&D program/capabilities, setup a pilot operation for reprocessing lithium metal and run a pilot scale operation for lithium metal production at its facility in May, 2023. The Company is currently investing in a new PVD machine to go online in 2024.

Financing Activities

Net cash used in financing activities for the six months ended September 30, 2023 and September 30, 2022 was $Nil.

Liquidity

As of September 30, 2023, the Company had a net working capital of $4,791,943 which decreased as compared to a net working capital of $9,544,460 as of March 31, 2023. As of June 30, 2023, Li-Metal had $5,103,936 in cash and cash equivalents as compared to March 31, 2023 of $10,418,506. The Company has minimal operating revenues and therefore must utilize its funds obtained from the equity financing and other financing transactions to maintain its capacity to continue its research and development efforts.

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

The Company's interim unaudited consolidated financial statements for the six months ended September 30, 2023 have been presented on the basis that the Company will continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of the business.

As of September 30, 2023, the Company’s credit and interest rate risk remains minimal. Accounts payable and accrued liabilities are short-term and non-interest bearing.

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

Financial Instruments and Other Instruments

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

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

Financial Assets

Financial assets not measured at fair value through profit or loss or fair value through other comprehensive income are measured at amortized cost using the effective interest method, less any impairment losses, with interest expense recognized on an effective yield basis. Assets in this category include cash and cash equivalents and amounts receivable and other assets. As September 30, 2023, the Company's financial assets were $5,103,936 compared with $10,418,506 as of March 31, 2023.

Other Financial Liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis. Any gains or losses arising from the realization of other financial liabilities are included in the statement of loss and comprehensive loss. Liabilities in this category include amounts payable and other liabilities. As of September 30, 2023, the Company's financial liabilities were $617,863 compared with $1,426,135 as of March 31, 2023.

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

7. Outstanding Share Data

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

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

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

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

Warrants	Quarter Ended					
	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022
Open	0	-	-	-	-	-
Issued	21,000,000	-	-	-	-	-
Close	**21,000,000**	**-**	**-**	**-**	**-**	**-**
Fully Diluted	**199,604,361**	**174,229,361**	**170,796,380**	**171,416,380**	**166,724,917**	**166,219,917**

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

- 159,328,828 issued and outstanding shares.
- 12,990,296 stock options outstanding.
- 1,662,141 Restricted Shares Units.
- 21,000,000 warrants outstanding
- Total Fully Diluted Share Capital of 194,981,226.

8. Off-Balance Sheet Arrangements

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

The JD/CA has two phases: Joint Development and Commercialization. The joint development phase has not been completed yet and the agreement terminates at the earlier of August 16, 2023 or the date on which at least one lithium batteries anode product is first available for commercial exploitation. The development phase agreement has been terminated on August 16, 2023 and has not been extended.

Each Party bears the costs of its activities including labor and materials.

9. Related Party Transactions

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

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

Related Party	For the Quarter Ended September 30, 2023	For the Quarter Ended September 30, 2022
Director Fees	$ 71,500	$ 62,500
Officer Compensation	$ 290,550	$ 87,500
Share-based Compensation	$ 98,375	$ 42,867

10. Critical Accounting Estimates

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

Critical Judgement in Applying Accounting Policies

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

Key Sources of Estimation Uncertainty

1) Share Price

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

2) Stock-based compensation

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

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

3) Income taxes and deferred taxes

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

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

4) Provisions and contingent liabilities

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

5) Functional currency

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

6) Going concern risk assessment

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

7) Intangible Capitalization

IAS 38 Intangible assets gives guidance on the accounting treatment for intangible assets that are not dealt with specifically in another standard. It requires an entity to recognize an intangible asset upon fulfillment of certain recognition criteria. It also specifies how to measure the carrying amount of intangible assets and requires certain disclosures regarding intangible assets. Based in the above criteria it is the Management assessment as of September 30, 2023 that Li-Metal Corp. is in the research stage and expenditures are expensed.

11. Qualitative and Quantitative Disclosures about Risks and Uncertainties

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

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

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

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

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

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

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

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

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

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

Early Stage of Development

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

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

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

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

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

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

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

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

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

Competition may adversely affect the Company.

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

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

The Company's business will be subject to a number of risks and hazards (as further described herein). Although the Company will maintain insurance to protect against certain risks in such amounts as it considers being reasonable, such insurance will likely not cover all the potential risks associated with its activities. The Company may also be unable to maintain insurance to cover its risks at economically feasible premiums, or at all. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of the new technologies may not be available to the Company on acceptable or any terms. Losses from these events may cause the Company to incur significant costs which could have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

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

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

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

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

Directors and officers may be subject to conflicts of interest.

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

Global pandemic outbreak

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

It is not possible to reliably estimate the duration and severity of the consequences of COVID-19, as well as the impact on the financial position and results of the Company for future periods. The impact of COVID-19 did not have a material impact on operations of the Company. Despite not being adversely affected and prior to being a public company, the Company was eligible to receive government assistance for the CEBA loans in the amount of $40,000.

Russia's military action against Ukraine

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

Credit Risk

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

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

Liquidity risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. The Company's liquidity and operating results may be adversely affected if its access to capital markets is hindered, whether as a result of a downturn in stock market conditions generally or matters specific to the Company. The Company has historically generated cash flow from its financing activities. The Company manages liquidity risk through the management of its capital structure and financial leverage. As of June 30, 2023, the Company's current liabilities comprised accounts payable and accrued liabilities. The Company will require additional funding to maintain corporate and administrative functions and to fund its continuing activities and commitments.

12. Forward Looking Statements

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

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

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

- Next generation batteries and the timeline for development;
- Being able to reach commercial-scale physical vapor deposition (PVD) capabilities and secure customers in 2024;
- That the value ascribed to each product will increase as it moves through the development phase;
- That the maximum value will be reached at the point where it has completed product qualification trials with major battery developers/other customers and is being used in mass produced next generation batteries or other markets;
- That the Company will be successful in achieving commercialization; including that the anticipated timeline and cost to achieve commercialization for anode production and lithium metal production will be achieved;
- That the collaboration with MVS will result in the successful anode production and PVS machine production;

- The market size and future growth of the market;
- Capital expenditure programs and development of resources, including our estimate of costs and timelines;
- Anticipated results of research and development and our plans regarding future R&D including our estimate of costs and timelines;
- Treatment under governmental and taxation regimes; and
- Expectations regarding the Company's ability to raise capital.

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

- The Company's ability to meet the needs of next generation batteries;
- The ability to reach commercial-scale PVD capabilities and secure customers in 2024;
- That the Company will move through the development phase and the value of both anode, lithium metal and metal recycling will increase;
- That the maximum value will be achieved where it has completed product qualification trials with major battery developers/other customers and that such trials will be successful and that the Company products will be used in mass production of next generation batteries or other markets;
- That the testing and qualification of the anode will proceed on the anticipated timeline and cost to achieve commercialization for anode production will be achieved;
- That the testing and qualification of the lithium metal will proceed on the anticipated timeline and cost to achieve commercialization for lithium metal production will be achieved;
- That the Company will be able to complete development of its standard anode and lithium metal product s in time for qualification to be completed;
- That prospective customers the Company is working with will be able to secure positive feedback and regarding the qualification program for their batteries with their customers;
- That the eventual specification for anode products will fall within the process capabilities of the issuer's process;
- That further scale-up and deployment of capacity needed to produce larger quantities of samples can be funded on the basis of initial acceptance, whether through partnerships or by raising capital in the markets;
- The impact of currency fluctuations in the United States of America;
- Anticipated results customer testing of samples;
- Research and development costs and timelines;
- Estimates of market size and future growth of the market;
- Anticipated capital expenditure programs, our estimate of costs and timelines;
- Further development of resources, our estimate of costs and timelines;
- Anticipated results of research and development and our plans regarding future R&D including our estimate of costs and timelines;
- Availability of additional financing or joint-venture partners; and,
- The Company's ability to obtain additional financing on satisfactory terms.

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

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