

# Li-Metal Corp.

---



*Scalable Technologies for Next-Generation Batteries*

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

**For the Three Months Ended June 30, 2024**

# Li-Metal Corp.

---

## Table of Contents

1.	Introduction .....	3
2.	Overview of the Company .....	4
2.1	Our History .....	4
2.2	Our Products .....	5
3.	Overview of Our Strategy and Progress to Date .....	5
4.	Recent Developments .....	7
5.	Selected Quarterly Financial Information .....	8
5.1	Summary of Quarterly Results .....	8
5.2	Discussions of Operations .....	9
5.3	Summary of Quarterly and Annual Results .....	12
6.	Liquidity and Capital Resources .....	12
6.1	Operating Activities .....	12
6.2	Investment Activities .....	12
6.3	Financing Activities .....	12
6.4	Liquidity .....	13
6.5	Financial Instruments and Other Instruments .....	13
6.6	Financial Assets .....	14
6.7	Other Financial Liabilities .....	14
7.	Outstanding Share Data .....	14
8.	Off-Balance Sheet Arrangements .....	15
9.	Related Party Transactions .....	15
10.	Critical Accounting Estimates Risks and Uncertainties .....	16
11.	Qualitative and Quantitative Disclosures about Risks and Uncertainties .....	18
12.	Forward Looking Statements .....	22

# Li-Metal Corp.

---

## 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 quarters ending June 30, 2024 and June 30, 2023 and should be read in conjunction with the Company’s interim financial statements for the quarter ended June 30, 2024, including the notes thereon.

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 August 28, 2024, and all information is current as of such date unless indicated otherwise. Readers are encouraged to read the Company’s public information filings on SEDAR at <https://www.sedarplus.ca>. The Company’s financial statements are also available on Li-Metal’s website at [www.li-metal.com](http://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, 2024. 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 and the audited annual consolidated financial statements of the Company for the year ended March 31, 2024. 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 months ended June 30, 2024 are not necessarily indicative of the results that may be expected for any future period.

For the purposes of preparing this Interim MD&A, management of Li-Metal, in conjunction with the board of directors of the Company (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

# Li-Metal Corp.

---

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 of the Company, 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 lithium anode materials and their production.

The registered office of Li-Metal is located at 77 King Street West, TD North Tower, Suite 700, Toronto, Ontario, M5K 1G8.

In October 2021, the Company, which at the time was named Eurotin Inc. ("Eurotin"), completed the acquisition of 2555663 Ontario Limited (DBA as Li-Metal) through a share exchange transaction (the "RTO Transaction"). Following completion of the RTO Transaction, the Company amalgamated with 2555663 Ontario Limited and changed its name to Li-Metal Corp. and the Company also changed its fiscal year from December 31 to March 31.

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 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".

On August 2, 2024, the company announced it had completed the sale of certain assets constituting its lithium metal productions business to Arcadium Lithium plc ("Arcadium") for a purchase price of US\$11,000,000. These assets include all of the Company's lithium metal production technology, including all related patents, proprietary, know-how, and physical assets utilized in lithium metal production.

# Li-Metal Corp.

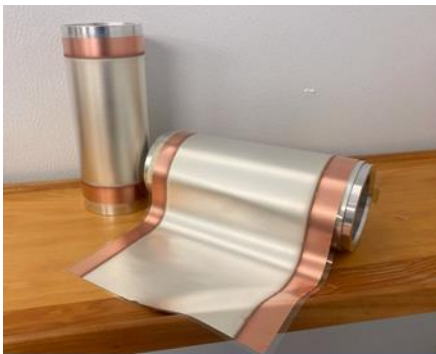
---

## 2.2 Our Products

With the recent strategic sale of its metal production business, Li-Metal Corp plans to continue to develop its production processes and technology to produce ultra-thin lithium anodes using physical vapor deposition (PVD). This technology comprises proprietary processes and products which use 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.

The Company has signed a long-term supply agreement with Arcadium to secure the key feedstock, being lithium, which is required for its anode production process. The Company currently plans to build commercial facilities to manufacture ultra-thin high energy density anodes for next generation batteries. Lithium metal used in the production for the Company's high energy density anodes will be sourced locally within North America.

### **Photo 2. Ultra-Thin Lithium Metal Anode**



## 3. Overview of Our Strategy and Progress to Date

Li-Metal successfully completed the asset sale transaction of its lithium metal production business to Arcadium. The sale included all asset pertaining to the Company's lithium metal production technology, including all related patents, proprietary, know-how, and physical assets utilized in lithium metal production. The capital generated from this sale allows for continued development of Li-Metal's ultra-thin, high energy density anodes for next-generation batteries. This transaction will further solidify the Company's commitment to pioneering innovations in battery technology. To position the Company for long-term growth, the Company currently plans to continue to develop and execute an anode focused strategy as follows:

# Li-Metal Corp.

---

## **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 on-going requests for samples.
- 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 team continued to work with its customers and partners to supply them with anode sample materials with the goal of converting these sample anode material sales into strategic agreements to secure a robust customer pipeline for our anode materials. As the Company works towards establishing prototype commercial-scale PVD production capabilities, it is critical to build a healthy order book to maximize the value of its PVD process and technology.
- Secure Supply of Critical Feedstock for Anode Production Process: Lithium is the main feedstock used in producing high energy density lithium metal anodes. With the sale of its lithium metal production process, Li-Metal's goal was to ensure there is security of supply for the lithium metal needed for its anode production process. As part of the transaction with Arcadium, Li-Metal signed a long-term supply agreement to meet the anticipated short and long term lithium metal needs of its own internal production and that of its customers. In doing so, Li-Metal has secured access for a key local North American source for the feedstock.

**Protecting our Technology and IP Portfolio:** In support of our ongoing product development roadmap, Li-Metal continues to expand its intellectual property portfolio with a total of 24 patents pending.

The Company is engaged in the research, development and commercialization of innovative new technologies for developing lithium metal anodes 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; and
- other sources including government funding.

## 4. Recent Developments

On April 9, 2024, the Company announced that it had been selected as a winner for the Bloomberg New Energy Finance (BNEF) Pioneers Award for 2024. Li-Metal was recognized by a BNEF Pioneers Award for its lithium metal and ultra-thin PVD anode production technologies. Li-Metal's patented lithium metal technology, which is the only technology capable of producing lithium metal directly from lithium carbonate, is significantly more cost effective than traditional processes and avoids producing harmful chlorine gas by-product.

On May 1, 2024, the Company announced that it had closed a financing for a US\$750,000 subscription (the "Subscription") for units of the Company from North Carolina-based Blue Horizon Advisors LLC ("Blue Horizon"). In addition, the Company announced that it intends on completing a further equity financing for approximately US\$10 million (the "Subsequent Financing"). Pursuant to the terms of the Subscription, Blue Horizon subscribed for 5,164,500 units (the "Units") of the Company at an issue price of CDN\$0.20 per Unit for an aggregate subscription price of CDN\$1,032,300 (US\$750,000). Each Unit was comprised of one common share (a "Common Share") and one-half of one share purchase warrant (each whole warrant, a "Warrant"). Each Warrant will entitle the holder to acquire one additional common share at an exercise price of \$0.63 per common share per common share) for a period of three years from the date of closing of the Subscription.

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

On August 12, 2024 the Company announced that it had completed the sale of certain assets constituting its lithium metal production business (the "Assets") to Arcadium Lithium plc. Pursuant to a definitive asset purchase agreement dated August 2, 2024 (the "Transaction"), the Company sold the assets for aggregate cash consideration of US\$11,000,000. The Assets include all of the Company's lithium metal production technology, including all related patents, proprietary, know-how, and physical assets utilized in lithium metal production. The Transaction includes a long-term supply agreement for lithium metal to support anode development. The Company's intention through the completion of the Transaction was to enhance the Company's balance sheet and provide capital to allow the Company to focus on its lithium metal anode business.

On August 26, 2024 the Company announced the appointment of Keshav Kochhar as its new Chief Executive Officer, effective immediately. Mr. Kochhar is a seasoned executive with extensive experience in the battery and automotive industries. Appointed as interim CEO of the Company on July 8, 2024, he successfully led the sale of the lithium metal production technology to Arcadium Lithium plc, which was completed on August 2, 2024. Prior to this role, Mr. Kochhar served as the Company's COO, where he played a key role in the commissioning of Li-Metal's lithium metal pilot production and lithium anodes pilot production facilities in Markham, Ontario,

# Li-Metal Corp.

and Rochester, New York, respectively. Prior to joining Li-Metal in 2021, Mr. Kochhar held the role of CEO and co-founder of Lacero Solutions, a clean technology firm focused on the safe destruction and recycling of airbags

## 5. Selected Quarterly Financial Information

### 5.1 Summary of Quarterly Results

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 June 30, 2024. Such information is derived from the interim financial statements.

**Table 1. Selected Financial Information for the Quarters ending June 30, 2024 & 2023**

	For the Quarter Ended June 30, 2024	For the Quarter Ended June 30, 2023
Revenues	\$ 33,934	\$ 183,105
Net Gain (Loss) for the period	\$ (1,285,506)	\$ (4,252,856)
Diluted Gain (Loss) per share	\$ (0.01)	\$ (0.03)
Current Assets	\$ 2,221,969	\$ 7,795,501
Total Assets	\$ 7,375,021	\$ 12,834,718
Current Liabilities	\$ 1,015,565	\$ 1,104,006
Cash And Cash Equivalent	\$ 1,803,545	\$ 6,719,059
Property and Equipment	\$ 4,427,298	\$ 4,020,830
Total Equity	\$ 5,894,621	\$ 10,945,013

**Table 2. Operating Results for the Quarters ending June 30, 2024 & 2023**



# Li-Metal Corp.

	For the Quarter Ended June 30, 2024	For the Quarter Ended June 30, 2023
Revenues	\$ 33,934	\$ 183,105
Research and Development	\$ 244,306	\$ 856,733
Salaries and Wages	\$ 240,899	\$ 277,149
Professional Fees	\$ 232,568	\$ 563,089
Share Based Compensation	\$ 49,108	\$ 477,158
Investor relations & reporting issuer costs	\$ 36,575	\$ 192,318
General and Administration	\$ 241,260	\$ 818,576
Interest & bank charges	\$ 769	\$ 2,025
Amortization	\$ 278,106	\$ 938,680
Foreign Exchange Loss (Gain)	\$ 85,124	\$ 234,325
Operating Loss	\$ (1,374,781)	\$ (4,176,948)
Interest and Other Income	\$ 20,175	\$ 134,518
Accretion of Lease Liability	\$ (19,661)	\$ (26,364)
Total Loss and Comprehensive Loss for the Period	\$ (1,374,267)	\$ (4,068,794)
Foreign Currency Translation Adjustment	\$ 88,761	\$ (184,062)
Total Loss and Comprehensive Loss for the Period	\$ (1,285,506)	\$ (4,252,856)

## 5.2 Discussions of Operations

### Revenues

During the quarters ended June 30, 2024 and June 30, 2023, the Company recorded \$33,934 and \$183,105 service and shipping income respectively. This income represents results from providing samples to paying and recurring customers. Previously the Company's revenue from sample anode products for distribution to battery developers was applied as an offset against research and development costs. The June 30, 2023 comparative figures have been adjusted to reflect presentation consistent with June 30, 2024 figures.

### Research and Development

Research and Development expenditure for the quarters ended June 30, 2024 and June 30, 2023 was \$244,306 and \$856,733 respectively. The Company continued to work on its metal production technology as the sale of the Assets as described above was not yet finalized. The decrease for the quarter represents a reduction of activities pending the closing of additional financing and changes to the scope of piloting and testing activities as a result of the concept engineering study and results from lithium metal production campaigns. The company carried out individual equipment and process testing activities to further optimize and improve its process. Activities for lithium anode product and process development activities included development of advanced characterization techniques, quality improvements and product sampling to customers. Li-Metal

# Li-Metal Corp.

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.

**Table 3. R&D Detail for the Quarters ending June 30, 2024 & 2023**

<b>R&amp;D Cost Breakdown</b>	<b>For the Quarter Ended June 30, 2024</b>	<b>For the Quarter Ended June 30, 2023</b>
Government Grants	\$ (114,415)	\$ (93,083)
Consumables	\$ 82,442	\$ 262,691
Professional Fees	\$ 30,703	\$ 225,211
Salary & Wages	\$ 245,576	\$ 461,914
Total R&D	\$ 244,306	\$ 856,733

## **Salaries and Wages**

Salaries and wages expenditures for the quarters ending June 30, 2024 and June 30, 2023 were \$240,899 and \$277,149, respectively. The expenses were fairly consistent. The operations team ensures the Company has the required resources and internal capability to support Li-Metal carrying out its process/equipment development and testing activities. Operations team continues to support on supply chain, facility management and production planning for the business.

## **Professional Fees**

Professional, legal and consulting fees expenditures for the quarters ending June 30, 2024 and June 30, 2023 were \$232,568 and \$563,089, respectively. The decrease for the quarter represents a reduction of activities pending the closing of additional financing. Professional fees include legal, insurance, strategic consultants, accounting and audit fees which are in place to meet public listed company's requirements and support the growth of the overall business.

## **Share Based Compensation**

Share-based compensation expenses for the quarters ending June 30, 2024 and June 30, 2023 were \$49,108 and \$477,158, respectively. The decrease is due to the reduction in granting and vesting of stock options and restricted stock units to officers, employees and consultants of the Company.

## **Investor Relations & Reporting**

Issuer costs and various investor relations and reporting issuer costs for the first quarters ending June 30, 2024 and June 30, 2023 were \$36,575 and \$192,318, respectively. The Company continues to pursue effective investor relations programs and provide regular updates regarding its progress in various areas of the business. These costs include IR firm fees, regulatory fees, investor conferences cost and fees for issuing press releases. The reduction represents reduced activity in this area as the management focused its resources on strategic transactions.

# Li-Metal Corp.

---

## **General and Administrative**

General and administrative expenditures for the quarters ending June 30, 2024 and June 30, 2023 were \$241,260 and \$818,576, respectively. General and administrative expenses include all expenses associated with the administration and general operations including executive and administrative wages, rent, insurance, travel and other costs associated to support the activities of the Company not specifically identifiable to other expense areas. The June 30, 2023 figure includes a one-time sign on bonus for the CEO of USD \$243,000 (approximately CDN \$325,620).

## **Interest and bank charges**

Interest and bank charges for the first quarters ending June 30, 2024 and June 30, 2023 were \$769 and \$2,025, respectively.

## **Amortization**

Amortization for the first quarters ending June 30, 2024 and June 30, 2023 were \$278,106 and \$938,680, respectively. The decrease in amortization reflects the reduction in additions from \$2,608,173 to a property plant in fiscal 2023 and a further \$311,535 in the quarter ending June 30, 2023 to zero for the quarter ending June 30, 2024.

## **Foreign Exchange Loss (Gain)**

The foreign exchange losses for the first quarters ending June 30, 2024 and June 30, 2023 were \$85,124 and \$234,325, respectively. This reduction reflects favourable exchange rate movements and decreased transactions in US dollars.

## **Interest and Other Income**

Interest and other income for the first quarters ending June 30, 2024 and June 30, 2023 were \$20,175 and \$134,518, respectively. The movement reflects the reduction of interest on cash deposits.

## **Accretion of Lease Liability**

Accretion of lease liability for the first quarters ending June 30, 2023 and June 30, 2022 were \$19,661 and \$26,364, respectively.

## **Foreign Currency Translation Adjustment**

Foreign currency translation for the first quarters ending June 30, 2024 and June 30, 2023 for a gain of \$88,761 versus a loss of \$184,062 is the result of the translation of Li-Metal's US subsidiary from USD functional currency to CAD reporting currency.

# Li-Metal Corp.

## 5.3 Summary of Quarterly Results

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

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

**Table 4. Summary of the Last Eight Quarters Financials Results and Quarters Ending June 30, 2024**

For the Quarter Ending	Revenue	Total Loss and Comprehensive Loss for the Quarter	Basic and Fully Diluted Gain (Loss) per share
June 30, 2024	\$ 33,934	\$ (1,285,506)	\$ (0.01)
March 31, 2024	\$ -	\$ (2,493,814)	\$ (0.02)
December 31, 2023	\$ 4,624	\$ (1,906,909)	\$ (0.01)
September 30, 2023	\$ 127,195	\$ (5,404,473)	\$ (0.03)
June 30, 2023	\$ 183,105	\$ (4,252,856)	\$ (0.03)
March 31, 2023	\$ -	\$ (2,419,646)	\$ (0.02)
December 31, 2022	\$ -	\$ (4,106,438)	\$ (0.03)
September 30, 2022	\$ -	\$ (3,241,205)	\$ (0.02)

## 6. Liquidity and Capital Resources

### 6.1 Operating Activities

Net cash used in operating activities for the first quarters ending June 30, 2024 and June 30, 2023 was \$782,008 and \$3,286,629, respectively. Li-Metal incurred expenses for installing its lithium scrap reprocessing operation and conducting a lithium metal pilot production campaign in the quarter ending June 30, 2023, these activities led to increased spending in the quarter ending June 30, 2023 compared to the quarter ending June 30, 2024. The cash used reflects a continuing investment in research and development activities as Li-Metal further advanced its technology and expanded its R&D program.

### 6.2 Investment Activities

Net cash used in investment activities for the first quarters ending June 30, 2024 and June 30, 2023 was \$95,056 and \$405,371, respectively. The cash used reflects an investment in property and equipment and repayment of lease liability. The Company continues to develop and scale up its technology, expand its R&D program and develop in house analytical capabilities to support its anode business.

### 6.3 Financing Activities

# Li-Metal Corp.

---

Net cash provided by financing activities for the first quarters ending June 30, 2024 and June 30, 2023 was \$946,050 and \$nil, respectively. During the first quarter ending June 30, 2024 the Company received \$946,050 as the net cash proceeds from financing activities.

## 6.4 Liquidity

As of June 30, 2024, the Company had net working capital of \$1,206,404 which decreased as compared to net working capital of \$1,307,430 as of March 31, 2024. As of June 30, 2024, Li-Metal had \$1,803,545 in cash and cash equivalents as compared to \$1,648,430 as of March 31, 2024. The Company utilizes its funds obtained from the equity financing and other financing transactions to maintain its capacity to continue its research and development efforts.

Li-Metal will continue to deploy capital to grow and scale up its anode production technology. The funds raised by the asset sale of the Company's lithium metal production business will allow for the continued development of Li-Metal's ultra-thin, high energy density anodes for next-generation batteries. The Company will be required to raise additional capital through equity or debt financing and government assistance for scale up and commercialization activities, including the build out and commissioning of its commercial scale facilities.

The Company's interim unaudited consolidated financial statements for the three months ended June 30, 2024 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 June 30, 2024, 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 and corporate development expenditures. The research and development activities will mainly be focused on the development of Li-Metal's advanced anode products. Management assesses its planned expenditures based on the Company's working capital resources, and the overall condition of the financial markets.

## 6.5 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.

# Li-Metal Corp.

---

## 6.6 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 of June 30, 2024, the Company's financial assets were \$1,803,545 compared with \$1,648,430 as of March 31, 2024.

## 6.7 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 June 30, 2024, the Company's financial liabilities were \$687,788 compared with \$561,986 as of March 31, 2024.

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

## 7. Outstanding Share Data

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

### **Table 5. Summary of Capital Stock for the Last Eight Quarters Fiscal 2024 & 2023**

# Li-Metal Corp.

Shares	Quarter Ended							
	June 30, 2024	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022
Open	159,328,828	159,328,828	159,328,828	154,953,828	154,953,828	154,953,828	154,953,828	154,953,828
Issued	5,167,396	-	-	4,375,000	-	-	-	-
Close	164,496,224	159,328,828	159,328,828	159,328,828	154,953,828	154,953,828	154,953,828	154,953,828
Restricted Share Units ("RSU")	Quarter Ended							
	June 30, 2024	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022
Open	1,432,664	1,432,664	4,816,010	4,816,010	1,383,029	1,383,029	-	-
Issued	(2,896)	-	-	-	3,432,981	-	1,383,029	-
Forfeited	-	-	3,383,346	-	-	-	-	-
Close	1,429,768	1,432,664	1,432,664	4,816,010	4,816,010	1,383,029	1,383,029	-
Options	Quarter Ended							
	June 30, 2024	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022
Open	12,893,530	12,983,697	14,459,523	14,459,523	14,459,523	15,079,523	11,771,089	11,266,089
Issued	-	-	-	-	-	-	3,391,029	505,000
Exercised	-	-	-	-	-	-	-	-
Forfeited	(22,500)	90,167	1,475,826	-	-	620,000	82,595	-
Close	12,871,030	12,893,530	12,983,697	14,459,523	14,459,523	14,459,523	15,079,523	11,771,089
Warrants	Quarter Ended							
	June 30, 2024	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022
Open	21,000,000	21,000,000	21,000,000	-	-	-	-	-
Issued	2,582,250	-	-	21,000,000	-	-	-	-
Close	23,582,250	21,000,000	21,000,000	21,000,000	-	-	-	-
Fully Diluted	202,379,272	194,655,022	194,745,189	199,604,361	174,229,361	170,796,380	171,416,380	166,724,917

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

- 164,496,224 issued and outstanding shares.
- 12,871,030 stock options outstanding.
- 1,429,768 Restricted Shares Units.
- Total Fully Diluted Share Capital of 202,379,373.

## 8. Off-Balance Sheet Arrangements

The Company is not currently subject to any off-balance sheet arrangements.

## 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, including the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"). Key management personnel remuneration includes the following payments:

### Table 6. Related Party Transactions

# Li-Metal Corp.

---

Related Party	For the Quarter Ended June 30, 2024	For the Quarter Ended June 30, 2023
Director Fees	\$ 50,000	\$ 71,500
Officer Compensation	\$ 245,110	\$ 591,820
Share-based Compensation	\$ 37,113	\$ 127,554

## 10. Critical Accounting Estimates Risks and Uncertainties

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

#### Share Price

The measurement of entity share price is used in the measurement of convertible debenture, 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 as well as similar companies operating in the same or similar industry. Management has estimated the Company's share price by reference to recent share transactions, including the market value of the Common Shares on the CSE.

#### 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



# Li-Metal Corp.

---

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.

## **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.

## **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.

## **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.

## **Going concern risk assessment**

The assessment of the Company's ability to continue as a going concern involves significant judgment. Refer to our discussion in Note 2 of the consolidated financial statements for the year ended March 31, 2024.

## **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 on the above criteria it is management's assessment as of June 30, 2024 that Li-Metal Corp. is in the research stage and therefore such 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 and 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.

### **Price Volatility**

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.

---

## **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 research and development programs and operating activities, the Company will require financing from external sources, including from the sale of equity and debt securities, getting funds from governmental 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 and testing activities 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.

## **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

# Li-Metal Corp.

---

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.

## **Competition may adversely affect the Company.**

The industry is intensely competitive. The Company will compete with other companies in the lithium anode 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 and in Li-Metal's public disclosure record. 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 the 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.

# Li-Metal Corp.

---

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 and 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.

## **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, 2024, 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;
- Management currently anticipates the first products to obtain commercial status within approximately 20-22 months;

# Li-Metal Corp.

---

- That the Company will be successful in achieving commercialization; including that the anticipated timeline and cost to achieve commercialization for anode 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 anode 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 Company's products will obtain commercial status and that it can be obtained within 2 years;
- That the Company will be successful in achieving commercialization;
- 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 Company will be able to complete development of its standard anode product 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;

# Li-Metal Corp.

---

- 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;
- Anticipated results of research and development;
- Anticipated timeline and cost to achieve commercialization for anode production; 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.